

**AL SALAM BANK - Sudan**

(Public Company)

**UNAUDITED  
CONDENSED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED  
30 SEPTEMBER 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 30<sup>th</sup> of September 2012, 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 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 "Interim Financial Reporting". 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**

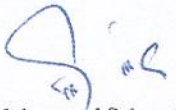
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed financial statements are not presented fairly, in all material respects, in accordance with the financial accounting standards issues by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Accounting Standard No.34.

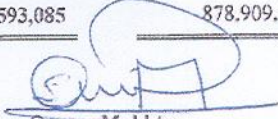


**Mubarak El-Awad Mohamed – FCCA, FCMA  
Partner  
Khartoum  
6 November 2012**

**AL SALAM BANK****CONDENSED STATEMENTS OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2012**

	Notes	September 2012	December 2011
		SDG Unaudited	SDG Audited
<b>Assets</b>			
Cash and cash equivalents		218,936,133	218,864,582
Cash reserve with Central Bank of Sudan		103,817,652	40,311,392
Sales receivables (net)		468,231,948	279,898,990
Investments in securities and shares held for trading	3	46,639,541	19,510,499
Investments in securities and shares held to maturity	4	225,177,000	131,114,000
Mudaraba financing and agencies	5	974,888,361	483,944,702
Musharaka financing	6	34,538,050	28,656,262
Investments in shares available for sale	7	31,611,613	14,980,214
Investments in real estate		271,033,726	162,780,490
Other Assets		51,770,146	22,416,397
Fixed assets		34,969,564	33,605,916
<b>Total assets</b>		<b>2,461,613,734</b>	<b>1,436,083,444</b>
<b>Liabilities, unrestricted investment accounts holders and owners' equity</b>			
<b>Liabilities</b>			
Current accounts		417,565,564	309,467,140
Other liabilities		273,844,225	64,347,462
Provisions		9,505,736	13,838,764
<b>Total liabilities</b>		<b>700,915,525</b>	<b>387,653,366</b>
<b>Equity of unrestricted investment account holders</b>		<b>1,122,731,890</b>	<b>671,154,163</b>
<b>Owners' equity</b>			
Paid up capital		277,758,000	277,758,000
Reserves		214,905,937	58,147,260
Retained earnings		145,302,382	41,370,655
<b>Total owners' equity</b>		<b>637,966,319</b>	<b>377,275,915</b>
<b>Total liabilities, unrestricted investment accounts and owners' equity</b>		<b>2,461,613,734</b>	<b>1,436,083,444</b>
<b>Contra Accounts</b>	11	<b>2,169,593,085</b>	<b>878,909,513</b>

  
Hussein Mohammed Salem  
Vice Chairman

  
Osman Mokhtar  
General Manager

**AL SALAM BANK****CONDENSED INCOME STATEMENT**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	<i>For three months ended 30 September</i>		<i>For nine months ended 30 September</i>	
	2012 SDG	2011 SDG	2012 SDG	2011 SDG
<b>Income</b>				
Deferred sales	6,509,566	10,428,917	25,029,513	31,694,299
Income from investments	11,808,748	8,311,222	53,378,862	17,795,374
Unrealized re-measurement (losses) / gains on investments	229,266	(3,260,623)	8,368,989	(4,587,095)
<b>Total income from finance and investments</b>	<b>18,547,580</b>	<b>15,479,516</b>	<b>86,777,364</b>	<b>44,902,578</b>
Less: Return on unrestricted investment accounts	(4,063,103)	(7,061,383)	(12,189,308)	(15,184,149)
Bank's share in income from investments (as Mudarib and as fund owner)	14,484,477	8,418,133	74,588,056	29,718,429
Income from banking services	8,929,887	5,268,320	14,168,909	9,165,039
Gain from sale of foreign currency	377,409	337,312	735,356	1,947,964
Other income	612,593	642,158	9,032,809	1,926,685
<b>Total Bank's revenue</b>	<b>24,404,366</b>	<b>14,665,923</b>	<b>98,525,130</b>	<b>42,758,117</b>
Staff cost	(6,386,773)	(4,400,458)	(15,446,719)	(13,226,783)
Operation expenses	(3,867,025)	(3,351,933)	(15,079,610)	(11,917,024)
Investment provision	-	(151,586)	(23,521,639)	(949,954)
<b>Total expenses</b>	<b>(10,253,798)</b>	<b>(7,903,977)</b>	<b>(54,047,968)</b>	<b>(26,093,761)</b>
<b>Net operation profits</b>	<b>14,150,568</b>	<b>6,761,946</b>	<b>44,477,162</b>	<b>16,664,356</b>
<b>Gain from revaluation of foreign currencies</b>	<b>15,288,903</b>	<b>605,247</b>	<b>111,117,497</b>	<b>12,740,147</b>
<b>Net income before provision for zakah and tax</b>	<b>29,439,471</b>	<b>7,367,193</b>	<b>155,594,659</b>	<b>29,404,503</b>
Zakah provision for the period	(539,519)	(1,289,035)	(2,443,428)	(3,788,581)
Business Profit Tax provision for the period	(2,898,042)	(751,163)	(4,000,535)	(1,213,797)
<b>Net income for the period</b>	<b>26,001,911</b>	<b>5,326,995</b>	<b>149,150,697</b>	<b>24,402,125</b>
<b>Earning per share</b>	<b>0.236</b>	<b>0.048</b>	<b>1.356</b>	<b>0.222</b>

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	<i>September 2012</i>	<i>September 2011</i>
	SDG	SDG
<b>Cash follows from operating activities</b>		
Net income for the period	149,150,697	24,402,125
Adjustments for:		
Depreciation of fixed assets	2,148,785	2,839,405
Provisions	(4,333,028)	(4,439,656)
<b>Netcash follows from operating activities before changes in operating assets and liabilities</b>	146,966,454	22,801,874
<b>Changes in operating assets, liabilities and unrestricted investment accounts:</b>		
Cash reserve with Central Bank of Sudan	(63,506,260)	(16,894,096)
Sales receivables (net)	(188,332,958)	22,223,023
Investments	(726,270,725)	4,001,788
Other assets	(29,353,749)	(12,593)
Current accounts	108,098,424	1,049,279
Equity of unrestricted investment accounts	451,577,727	(84,940,082)
Dividends paid	(30,303,900)	(29,098,297)
Other liabilities	209,496,762	111,744,197
	(268,594,679)	8,073,219
<b>Net cash (used in)/ from operating activities</b>	(121,628,225)	30,875,093
<b>Cash follows from investing activities</b>		
Purchases of fixed assets	(3,512,433)	(1,087,275)
Investments available for sale	(16,631,399)	(593,979)
<b>Net cash (used in) investing activities</b>	(20,143,832)	(1,681,254)
<b>Cash follows from financing activities</b>		
Reserves	141,843,608	2,412,854
<b>Net cash from/ (used) financing activities</b>	141,843,608	2,412,854
<b>Increase in cash and cash equivalents for the period</b>	71,551	31,606,693
Cash and cash equivalents at the beginning of the period	218,864,582	152,876,430
<b>Cash and cash equivalents at the end of the period</b>	218,936,133	184,483,123

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	<b>Paid up capital</b>	<b>Retained earnings</b>	<b>Statutory reserve</b>	<b>Property revaluation reserve</b>	<b>Investment revaluation reserve</b>	<b>Total</b>
	<b>SDG</b>	<b>SDG</b>	<b>SDG</b>	<b>SDG</b>	<b>SDG</b>	<b>SDG</b>
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	-	149,150,697	-	-	-	149,150,697
Reserves	-	(14,915,070)	14,915,070	-	141,843,607	141,843,607
<b>Balance as at September 30, 20112</b>	<b>277,758,000</b>	<b>145,302,382</b>	<b>35,836,724</b>	<b>28,103,280</b>	<b>150,965,933</b>	<b>637,966,319</b>
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	-	-	-
<b>Balance as at September 30, 2011</b>	<b>277,758,000</b>	<b>31,828,297</b>	<b>19,405,445</b>	<b>19,396,271</b>	<b>14,451,910</b>	<b>362,839,923</b>

## **AL SALAM BANK**

### **NOTES TO CONDENSED FINANCIAL STATEMENTS**

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FOR THE NINE MONTHS ENDED SEPTEMBER 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 , Alsalam Rotana branch which is located in Alsalam Rotana Hotel (Africa street) and Omdurman branch at Al Mawrada 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 2011, 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 September 2011 are not indicative of the results that may be expected for the year ended 31 December 2012.

##### **c) Functional and Presentation currency**

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

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	September 2012 SDG	December 2011 SDG
<b>3) Investments in securities and shares held for trading</b>	<b>Unaudited</b>	<b>Audited</b>
<b>Quated Investments</b>		
Shahama securities	2,168,092	2,658,144
Sudatel shares	24,643,848	9,439,919
AL Salam Bank – Bahrain shares	10,794,412	3,132,751
	<u>37,606,352</u>	<u>15,230,814</u>
<b>Unquoted Investments</b>		
Investment funds	2,586,482	1,230,071
Aman –Dubai shares	6,446,707	3,049,614
	<u>9,033,189</u>	<u>4,279,685</u>
	<u>46,639,541</u>	<u>19,510,499</u>
	<b>September 2012</b>	<b>December 2011</b>
<b>4) Investments in securities and shares held to maturity</b>	<b>SDG</b>	<b>SDG</b>
	<b>Unaudited</b>	<b>Audited</b>
Shahama securities (Shahama)	183,177,000	119,114,000
Ijara securities (shihab)	2,000,000	2,000,000
<b>Government securities (Sarh)</b>	<b>30,000,000</b>	-
Government securities (Sarh)	10,000,000	10,000,000
	<u>225,177,000</u>	<u>131,114,000</u>
	<b>September 2012</b>	<b>December 2011</b>
<b>5) Mudaraba Investment and Agencies</b>	<b>SDG</b>	<b>SDG</b>
	<b>Unaudited</b>	<b>Audited</b>
Mudaraba with corporate & individuals	209,739,610	104,698,970
Mudaraba with financial institutions	180,588,190	102,774,305
Wakala with financial institutions	617,214,911	291,973,377
	<u>1,007,542,711</u>	<u>499,446,652</u>
Less : provision for finance losses	<u>(32,654,350)</u>	<u>(15,501,950)</u>
	<u>974,888,361</u>	<u>483,944,702</u>

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	September 2012	December 2011
	SDG	SDG
	Unaudited	Audited
<b>6) Musharka financing</b>		
Musharaka	34,886,919	28,945,719
Less : provision for finance losses	(348,869)	(289,457)
	<u>34,538,050</u>	<u>28,656,262</u>

	September 2012	December 2011
	SDG	SDG
	Unaudited	Audited
<b>7) Investments in shares available for sale</b>		
	Ownership percentage	
Alsalam Algeria Bank	5%	14,930,214
Al Salam Real Estate Company	50%	50,000
	<u>31,611,613</u>	<u>14,980,214</u>

	September 2012	December 2011
	SDG	SDG
	Unaudited	Audited
<b>8) Investments Analysis</b>		
Local Investments (note 8/1)	776,349,593	326,202,497
Investments in GCC counties (note 8/2)	775,977,085	368,397,407
Forgin Investments (Al Salam Bank - Algeria)	31,561,613	14,930,214
	<u>1,583,888,291</u>	<u>709,530,118</u>

	September 2012	December 2011
	SDG	SDG
	Unaudited	Audited
<b>8/1 Local Investments</b>		
<b>Investments in securities and shares held for trading purposes</b>		
Sudatel shares	2,168,092	2,658,144
	<u>2,168,092</u>	<u>2,658,144</u>

	September 2012	December 2011
	SDG	SDG
	Unaudited	Audited
<b>Investments in securities and shares held to maturity</b>		
Shahama securities (Shahama)	193,177,000	120,114,000
Ijara securities (shihab)	2,000,000	2,000,000
Government securities (Sarh)	30,000,000	-
	<u>225,177,000</u>	<u>122,114,000</u>

	September 2012	December 2011
	SDG	SDG
	Unaudited	Audited
<b>Mudaraba investment</b>		
Mudaraba with Local Banks	66,297,465	9,993,601
Mudaraba with Customers (net)	177,085,260	-
	<u>243,382,725</u>	<u>9,993,601</u>

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	<b>September 2012</b>	December 2011
	<b>Unaudited</b>	Audited
	<b>SDG</b>	SDG
<b>Musharka financing</b>		
Musharaka	<u>34,538,050</u>	<u>28,656,262</u>
<b>Investments in shares available for sale</b>		
Al Salam Real Estate Company	<u>50,000</u>	<u>50,000</u>
<b>Investments in real estate</b>		
Local land	<u>271,033,726</u>	<u>162,780,490</u>
<b>Total</b>	<u><u>776,349,593</u></u>	<u><u>326,252,497</u></u>
<b>8/2 Investments in GCC countries</b>	<b>September 2012</b>	December 2011
	<b>SDG</b>	SDG
<b>Investments in securities and shares held for trading purposes</b>	<b>Unaudited</b>	Audited
AL Salam Bank – Bahrain shares	<b>24,643,848</b>	9,439,919
King Abdalla City shares	<b>10,794,412</b>	3,132,751
Investment funds	<b>2,586,482</b>	1,230,071
Aman –Dubai shares	<b>6,446,707</b>	3,049,614
	<u>44,471,449</u>	<u>16,852,355</u>
<b>Mudarab - investment with banks</b>		
Emirates Islamic Bank	<b>114,290,725</b>	59,571,675
Abu Dhabi Islamic Bank	<b>617,214,911</b>	291,973,377
	<u>731,505,636</u>	<u>351,545,052</u>
<b>Total</b>	<u><u>731,505,636</u></u>	<u>351,545,052</u>
	<u><u>775,977,085</u></u>	<u><u>368,397,407</u></u>

## AL SALAM BANK

### NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

#### 9) Segmental information

The total finance for the nine months period ending 30 September 2012 amounted to SDG 716,067,093 (December 2011: SDG 420,392,952) and it was distributed according to economic sector as follows:

	September 2012	December 2011
	Unaudited	Audited
Manufacturing	%50	%43
Transportation	%2	%4
Trading	%7	%4
Agriculture	%4	%10
Other sectors	%37	%39
Total	<u>100%</u>	<u>%100</u>

#### 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 transferred to the statutory reserve .

#### 11) Contra accounts

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

	September 2012	December 2011
	SDG	SDG
	Unaudited	Audited
Letters of credit	360,456,893	19,197,336
Letters of guarantee	1,809,136,192	859,712,177
	<u>2,169,593,085</u>	<u>878,909,513</u>