

**Alsalam Bank**  
**Limited liability company**  
**Financials Statements Dec,31,2019**


# AL SALAM BANK

## STATEMENT OF FINANCIAL POSITION


AS AT DECEMBER 31, 2019

		<u>2019</u> SDG	<u>2018</u> SDG
	Note		
<b><u>Assets:-</u></b>			
Cash and cash equivalents	(5)	1,261,782,105	1,947,841,618
Deferred sales receivables (net)	(6)	1,187,225,476	873,767,453
Investments held to maturity	(7)	417,883,555	498,383,055
Investments in Mudaraba	(8)	715,727,872	523,878,878
Musharaka financing	(9)	258,953,561	186,787,863
Investments available for sale	(10)	774,924,629	746,047,926
Investments in property	(11)	468,281,029	468,281,089
Other assets	(12)	179,136,519	110,209,807
Projects in progress	(13)	196,797,219	37,858,747
Fixed assets (net)	(14)	<u>166,437,492</u>	<u>162,880,464</u>
<b>Total Assets</b>		<b><u>5,627,149,457</u></b>	<b><u>5,555,936,900</u></b>
<b><u>Liabilities, Unrestricted investment accounts and Owners' Equity:-</u></b>			
<b><u>Liabilities:-</u></b>			
Current Accounts	(15)	1,293,727,330	933,379,721
Other liabilities	(16)	393,505,703	648,280,659
Provisions	(17)	<u>71,847,653</u>	<u>114,212,585</u>
<b>Total Liabilities</b>		<b><u>1,759,080,686</u></b>	<b><u>1,695,872,965</u></b>
<b>Unrestricted investment accounts holders</b>	(18,23)	<b><u>1,031,701,927</u></b>	<b><u>1,065,198,855</u></b>
<b><u>Owners' Equity:-</u></b>			
Paid in capital	(19)	323,549,000	323,549,000
Reserves	(20)	2,224,592,780	2,288,030,608
Retained earnings		<u>288,225,064</u>	<u>183,285,472</u>
<b>Total Owners' equity</b>		<b><u>2,836,366,844</u></b>	<b><u>2,794,865,080</u></b>
<b>Total Liabilities, Unrestricted investment accounts and Owners' equity</b>		<b><u>5,627,149,457</u></b>	<b><u>5,555,936,900</u></b>
<b>Contra accounts</b>	(30)	<b><u>216,549,677</u></b>	<b><u>205,289,570</u></b>

The accompanying notes (1) to (44) form an integral part of these financial statements

  
Almour Ajabna Izalarab  
General Manager

  
Abbas Elbakhit Musa  
Board member

  
Abdulrahman Ahmed Senan  
Board member


# AL SALAM BANK

## STATEMENT OF INCOME

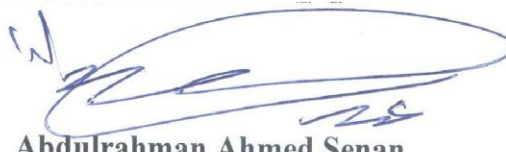
FOR THE YEAR ENDED DECEMBER 31, 2019

		<u>2019</u> SDG	<u>2018</u> SDG
	Note		
<b>Income:-</b>			
Income from deferred sales	(21)	181,034,194	155,984,226
Income from investments	(22)	<u>165,357,116</u>	<u>123,790,355</u>
<b>Total income from financing and investments</b>		<b>346,391,310</b>	<b>279,774,581</b>
Less: Return on unrestricted investment accounts	(23)	( 75,253,277)	( 63,913,724)
Bank's share in income from investments (as Mudarib and as fund owner)		271,138,033	215,860,857
Income from bank's own investments	(24)	35,031,447	141,924,120
Income from banking services	(25)	21,965,707	16,666,557
Gain on foreign currency transaction		812,003	3,287,441
Other income	(26)	<u>32,481,808</u>	<u>41,411,065</u>
<b>Total Bank's revenue</b>		<b>361,428,998</b>	<b>419,150,040</b>
<b>Expenses:-</b>			
Staff cost	(27)	( 113,293,362)	( 68,406,537)
Operations expenses	(28)	( 68,991,956)	( 64,463,265)
Depreciation		( 12,593,156)	( 5,709,213)
Central Bank of Sudan penalties		( 11,500)	( 15,500)
Provision for Investment & Finance	(6/1)	( 4,291,475)	( 4,967,674)
Provision for doubtful debts	(12/1)	( 3,000,000)	( 3,000,000)
<b>Total expenses</b>		<b>( 202,181,449)</b>	<b>( 146,562,189)</b>
Net operating income		159,247,549	272,587,851
(Loss) gain on valuation of foreign currencies		<u>(38,291,296)</u>	<u>738,529,688</u>
<b>Profit before Zakah and business profit tax</b>		<b>120,956,253</b>	<b>1,011,117,539</b>
Provision for Zakah	(42)	( 42,648,002)	( 44,147,003)
Provision for Business Profit Tax	(43)	-	( 24,790,324)
<b>Net income for the year</b>		<b>78,308,251</b>	<b>942,180,212</b>
<b>Earnings per share</b>	(29)	<b>0.65</b>	<b>7.77</b>

The accompanying notes (1) to (44) form an integral part of these financial statements

  
Alnour Ajabna Izalarab  
General Manager

  
Abbas Elbakhit Musa  
Board member

  
Abdulrahman Ahmed Senan  
Board member



# AL SALAM BANK

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u> SDG	<u>2018</u> SDG
<b><u>Cash flows from operating activities:</u></b>		
Net income for the year	78,308,251	942,180,212
<b><u>Adjustments to reconcile net income to net cash:</u></b>		
Provision for Zakah	42,648,002	44,147,003
Provision for Business Profit Tax	-	24,790,324
Provision for Investment & Finance	4,291,475	4,967,674
Provision for doubtful debts	3,000,000	3,000,000
Depreciation of fixed assets	12,593,156	5,709,213
Gain from disposal of fixed assets	(2,308,751)	-
Return on unrestricted investment accounts	<u>75,253,277</u>	<u>63,913,724</u>
	213,785,410	1,088,708,150
<b><u>Changes in operating assets, liabilities:</u></b>		
Provisions	<u>(85,012,934)</u>	<u>1,354,282</u>
<b>Net cash from operating activities</b>	<b><u>128,772,476</u></b>	<b><u>1,090,062,432</u></b>
<b><u>Cash flows from investing activities:</u></b>		
Deferred Sales receivables	( 317,749,498)	( 139,514,714)
Investments held to maturity	80,499,500	( 255,853,055)
Investments in Mudaraba	( 191,848,994)	( 320,486,185)
Musharaka financing	( 72,165,698)	( 23,285,861)
Investments available for sale	( 28,876,703)	( 571,045,882)
Investments in property	60	49,891,077
Projects in progress	( 158,938,472)	27,276,656
Proceeds from sale of fixed assets	2,354,250	-
Purchases of fixed assets	<u>( 16,195,683)</u>	<u>( 83,969,915)</u>
<b>Net cash (used in) investing activities</b>	<b><u>(702,921,238)</u></b>	<b><u>(1,316,987,879)</u></b>
<b><u>Cash flows from financing activities:</u></b>		
Other assets	( 71,926,712)	( 72,323,836)
Current accounts	360,347,609	210,765,080
Other liabilities	(254,774,956)	543,396,659
Unrestricted investment accounts	( 108,750,205)	492,955,056
Property revaluation reserve	-	( 29,323,600)
Investments revaluation reserve	<u>( 36,806,487)</u>	<u>563,099,570</u>
<b>Net cash (used in) from financing activities</b>	<b><u>(111,910,751)</u></b>	<b><u>1,708,568,929</u></b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(686,059,513)</b>	<b>1,481,643,482</b>
Cash and cash equivalents at the beginning of the year	<u>1,947,841,618</u>	<u>466,198,136</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>1,261,782,105</u></b>	<b><u>1,947,841,618</u></b>

The accompanying notes (1) to (44) form an integral part of these financial statements



**Alnour Ajabna Izalarab**  
General Manager



**Abbas Elbakhit Musa**  
Board member


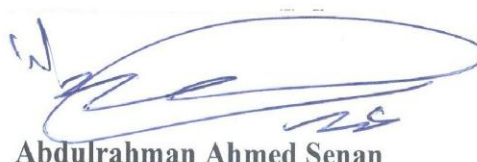


**Abdulrahman Ahmed Senan**  
Board member

**AL SALAM BANK**
**STATEMENT OF CHANGES IN OWNERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Paid in capital	Retained earnings	Statutory reserve	General reserve	Property revaluation reserve	Investment revaluation reserve	Foreign assets & Liabilities reserve	Total
	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG
<b>Balance as at Jan, 1, 2018</b>	323,549,000	284,407,948	76,978,238	-	336,873,784	98,483,546	198,616,382	1,318,908,898
Net income for the year	-	942,180,212	-	-	-	-	-	942,180,212
Reserves	-	(304,773,000)	20,365,052	284,407,948	(29,323,600)	-	-	(29,323,600)
Exchange Diff	-	(738,529,688)	-	-	-	563,099,570	738,529,688	563,099,570
<b>Balance as at Dec, 31, 2018</b>	323,549,000	183,285,472	97,343,290	284,407,948	307,550,184	661,583,116	937,146,070	2,794,865,080
Net income for the year	-	78,308,251	-	-	-	-	-	78,308,251
Reserves	-	(11,659,955)	11,659,955	-	-	-	-	-
Exchange Diff	-	38,291,296	-	-	-	(36,806,487)	(38,291,296)	(36,806,487)
<b>Balance as at Dec, 31, 2019</b>	<u>323,549,000</u>	<u>288,225,064</u>	<u>109,003,245</u>	<u>284,407,948</u>	<u>307,550,184</u>	<u>624,776,629</u>	<u>898,854,774</u>	<u>2,836,366,844</u>

The accompanying notes (1) to (44) form an integral part of these financial statements

  
**Alnour Ajabna Izalarab**  
**General Manager**
  
**Abbas Elbakhit Musa**  
**Board member**
  
**Abdulrahman Ahmed Senan**  
**Board member**

## **AL SALAM BANK**

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### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2019

#### **1) Incorporation and activities:-**

Al Salam Bank (the Bank) was established as a public limited liability company in Khartoum in December 28, 2004 under Companies' Act 1925 with registration certificate No. 23335. The bank provides commercial banking services according to Islamic rules and principles.

The bank started its commercial operations in May 2005. The bank provides its services from its Head Office, which is located at Aljamhoria street and Alhuria street junction, Rotana branch which is located at Africa street and Omdorman branch which is located at Almawrada street- Omdorman.

#### **2/ Significant Accounting Policies:-**

##### **i/Bases of preparation:**

- 1- The financial statements are prepared in accordance with the standards issued by the Accounting and Auditing Organizations for Islamic Financial Institutions (AAOIFI) and International Financial Reporting Standards, as required by the Central Bank of Sudan, and shari'a supervisory board (SSB) requirements.
- 2- The functional currency is Sudanese Geneih , financial statements have been presented in Sudanese Geneih (SDG) .
- 3- The financial statements are prepared in accordance with the historical cost concept as amended, except for the valuation of securities classified as available for sale, held for trading and investments properties which are valued at fair value at the end of the year.

##### **ii/ Fixed assets:**

Fixed assets are stated at cost less accumulated depreciation and any permanent impairment in value .Depreciation of fixed assets is calculated on straight line basis over their estimated useful lives based on (2.5%-30%)

##### **iii/ Foreign Currency:-**

All transactions in foreign currencies are recorded using the prevailing exchange rates at the date of occurrence of these transactions. Assets and liabilities which were recorded in foreign currencies are translated to Sudanese Geneih at the rate of exchange prevailing at the statement of financial position date. Exchange differences arising from the bank investment balances are recognized in foreign exchange investment reserve in accordance with the Central Bank of Sudan instructions. Exchange differences arising from the bank's transactions and other operations are treated in the income statement and then reported in the statement of financial position in a separate account within the owners' equity, in accordance with the Central Bank of Sudan instructions.

## **AL SALAM BANK**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **iv / Revenue recognition :**

##### **a/ Murabaha and Istisnaa:-**

The profits from Murabaha and Istisnaa transaction are recognized on proportionate basis over the period of credit.

##### **b\ Mudaraba Financing :-**

Mudaraba financing is recognized in the income statements at the time of liquidation or the extent of profit being distributed or at declaration date or when such profits can reasonably be estimated.

##### **c\ Musharaka and Salam financing:-**

The profit from Musharaka and Salam transactions are recognized at the time of liquidation.

##### **d\ Income from banking services:-**

Income from banking services is recognized at the time when related services are provided and amount of revenue can be measured reliably.

##### **e\ Dividends and bonds income:-**

Dividends and bonds income are recognized when declared, or when such profits can reasonably be estimated.

#### **v\ Provisions for doubtful debts:-**

Provision for doubtful debt is based on the assessment of collectability of each debt and in accordance with the directive of Central Bank of Sudan.

##### **vi\ cash and cash equivalents:-**

For the purpose of preparation of statement of cash flows, cash and cash equivalents consist of cash in the bank and with other banks (current accounts) and balances with Central Bank of Sudan and cash in hand.

##### **vii\ Provisions:-**

Provisions are recognized when the bank has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured. Provisions are reviewed at the end of each financial year to ensure its adequacy to meet the obligations, Differences arise from such review are adjusted through income statement.

#### **Viii\ Doubtful investment and bad debts:**

Doubtful investment and bad debts are written off on the passage of legal period determined by central bank , or when court decides write of and closure of cases,

#### **ix\ Measurement of investments and finance at the end of the period:-**

##### **a\Deferred sales receivable:-**

Deferred sales receivable are initially recorded at cost, at the end of the financial period deferred sales receivables are measured at their net realizable value.

## **AL SALAM BANK**

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### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2019

#### **b\ Mudaraba:-**

Mudaraba is measured by the amount paid or the amount placed under the disposition of the Mudarib less the portion of the Mudaraba capital recovered from the Mudarib (if any).

#### **c\ Musharaka :-**

Musharaka is measured by the historical cost less provision for finance losses (if any).

#### **d\ Available for sale investments:-**

Available for sale investments are measured at fair value, the difference (surplus or deficits) between the book value and fair value is recognized in the revaluation reserve if fair value is not available they are reported at cost.

#### **e\ Investment in securities held to maturity:-**

Investments in securities held to maturity are initially recognized at cost, including acquisition charges associated with the investment. At the balance sheet date securities held to maturity are measured at cost less impairment in value if any.

#### **x\ Zakah and Tax treatment:-**

The bank is subject to the Zakah and Tax regulations prescribed by the Sudanese authorities. The bank is subject to business profit tax after excluding the exempted profits from investment in shahama bonds.

#### **xi\ Return on unrestricted investment account holders:-**

The Return on unrestricted investment account is calculated on yearly basis. The bank allows the investment account holders to withdraw funds from their investment accounts before the agreed period with a condition of losing the right on profits , however at the mudaraba for fixed period the banks (as mudarib) has not right to allow them to withdraw funds from their investment accounts until the end of agreed period. Profits are allocated between the unrestricted investment account holders and the owners' equity according to the contribution of each of the two parties. Those profits added to their accounts after the approval of Shari'a Supervisory Board and the regulators.

#### **3/ Supervisory body:**

The bank's business activities are subject to the supervision of the Central Bank of Sudan according to the Central Bank of Sudan Act for the year 2002, and Banking Operations Regulation Act for the year 2004. The bank abides to the Central Bank of Sudan Circulars.

#### **4/ Shari'a Supervisory Board(SSB)**

The bank's business activities are subject to the supervision of Shari'a Supervision Board, which has been appointed by the shareholders. The Shari'a Supervisory Board has the power to direct, review and supervises the activities of the bank to ensure that they are in compliance with shari'a rules and principles .This including issuing an annual report to the shareholders.



## AL SALAM BANK

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### 5/ Cash and Cash equivalents:

	<u>2019</u>	<u>2018</u>
	<u>SDG</u>	<u>SDG</u>
Cash in hand and in ATM	47,047,591	22,155,652
Balances with the central bank of Sudan – local	108,321,493	245,417,332
Balances with the central bank of Sudan – foreign	794,458,850	1,323,242,102
Central bank of Sudan – Statutory cash reserve-local	179,692,058	76,695,000
Central bank of Sudan - Statutory cash reserve- foreign	51,486,303	63,266,738
Cash with foreign correspondent banks	80,775,810	217,064,794
	<u><b>1,261,782,105</b></u>	<u><b>1,947,841,618</b></u>

#### 6/ Deferred sales receivables-net:-

	<u>2019</u>	<u>2018</u>
	<u>SDG</u>	<u>SDG</u>
Murabahat	1,359,526,773	1,052,518,131
Musawama	5,388,334	7,217,355
Istisnaa	113,491,908	1,151,002
Ijarra	60,582	128,901
	<u><b>1,478,467,597</b></u>	<u><b>1,061,015,389</b></u>
Less: Deferred sales profit	<u>(277,741,241)</u>	<u>(177,684,476)</u>
	<u><b>1,200,726,356</b></u>	<u><b>883,330,913</b></u>
Less: provision for doubtful debts (note 6/1/1)	<u>( 13,500,880)</u>	<u>( 9,563,460)</u>
<b>Deferred sales receivable (net)</b>	<u><b>1,187,225,476</b></u>	<u><b>873,767,453</b></u>

#### 6/1 /Provision for doubtful finance and investment:

	<u>2019</u>	<u>2018</u>
	<u>SDG</u>	<u>SDG</u>
Balance at 1/1	109,565,466	40,112,721
Provision for the year	4,291,475	4,967,674
Provision for foreign currencies Balances	-	104,242,687
Reversal of prior years' provisions-collection of debts	( 15,238,032)	( 39,757,616)
Reversal of prior years' provisions-valuation of debts	<u>(4,160,456)</u>	=
<b>Balance at 31/12</b>	<u><b>94,458,453</b></u>	<u><b>109,565,466</b></u>

#### 6/1/1/ Total Provisions for doubtful finance and investment (General +Specific) :

	<u>2019</u>	<u>2018</u>
	<u>SDG</u>	<u>SDG</u>
Provision for doubtful deferred sales (note 6)	13,500,880	9,563,460
Provision for finance and investment – Mudaraba (note 8)	78,543,901	98,115,260
Provision for finance and investment – Musharaka (note 9)	<u>2,413,672</u>	<u>1,886,746</u>
	<u><b>94,458,453</b></u>	<u><b>109,565,466</b></u>

## **AL SALAM BANK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **7/ Investments in securities held to maturity: -**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Shahama securities (note 7/1)	417,883,555	498,383,055
	<b><u>417,883,555</u></b>	<b><u>498,383,055</u></b>

#### **7/1 Shahama securities:-**

These are Government bonds issued by the Ministry of Finance on behalf of the Government of Sudan and marketed by the Sudan Company for Financial Services, in accordance with the Musharakah Contract. These bonds are listed in the Khartoum Stock Exchange and the approximate average annual return on these bonds is 21%.

#### **8/ Investments in Mudaraba:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Mudaraba with customers – Individuals (note 8/1)	370,995,703	419,733,885
Mudaraba with Dam Financial Investments Company	180,000,000	80,000,000
Mudaraba with banks (note 8/2)	243,276,070	122,260,253
	794,271,773	621,994,138
Less : Provision for finance and investment (note 6/1/1)	( 78,543,901)	( 98,115,260)
	<b><u>715,727,872</u></b>	<b><u>523,878,878</u></b>

#### **8/1 Mudaraba with customers:-**

Mudaraba with customers include non-performing Mudaraba with a customer for US \$ 5.3 million, which was non-performing since 25/9/2008, out of which US \$ 3.64 million was paid and the remaining balance was US \$ 1.66 million. A full provision was established for the amount of US \$ 1.66 million, in accordance with the instructions of the Central Bank of Sudan.

## **AL SALAM BANK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **8/2 Mudaraba with banks:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Bank of Khartoum	63,760,586	87,528,601
Al Ibdaa Bank	22,000,000	15,000,000
Workers National Bank	5,000,000	5,000,000
Industrial Development Bank	10,000,000	5,000,000
Al Usra Bank	2,626,394	4,032,652
Saving and Social Development Bank	2,500,000	2,500,000
Capital Bank	2,166,447	2,376,357
Financial Investment Bank	100,000,000	600,000
Al Jazirah Sudanese Jordanian Bank	35,000,000	-
Animal Resources Bank	222,643	222,643
	<b><u>243,276,070</u></b>	<b><u>122,260,253</u></b>

#### **9/Musharaka Financing:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Musharaka with corporate and customers	261,367,233	188,674,609
Less: provision for finance and losses(note6/1/1)	( 2,413,672)	( 1,886,746)
	<b><u>258,953,561</u></b>	<b><u>186,787,863</u></b>

#### **10/ Investments available for sale:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Alsalam bank- Bahrain	343,178,478	349,994,393
Alsalam bank- Algeria	248,118,750	261,903,400
Alsalam real state company	50,000	50,000
Inter bank liquidity management fund	100,562,000	46,484,000
King Abdullah city	83,015,401	87,616,133
	<b><u>774,924,629</u></b>	<b><u>746,047,926</u></b>

## **AL SALAM BANK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **11/ Investments in property:-**

	<b><u>2019</u></b> <b><u>SDG</u></b>	<b><u>2018</u></b> <b><u>SDG</u></b>
Investments in property	468,281,029	468,281,089
	<b><u>468,281,029</u></b>	<b><u>468,281,089</u></b>

Represent investments in 5 pieces of land fully owned by the bank in Khartoum and Khartoum North cities, the cost of these pieces of land is SDG 127.3 m, whereas the market value of these pieces of land as at 31December 2014 was: SDG 442.5 m, there was no revaluation carried since end of 2015, as there was no significant valuation differences.

The bank is currently undertaking studies to establish investment projects on these pieces of land, in order to make maximum use of them within the banks productive assets in the future.

#### **12/ Other assets:-**

	<b><u>2019</u></b> <b><u>SDG</u></b>	<b><u>2018</u></b> <b><u>SDG</u></b>
Staff loans	15,554,596	11,837,027
Accrued income of investments	119,788,436	57,371,167
Exchange dealing room accounts – local	4,763,215	8,057,220
Mogawlat in progress	17,932,823	10,495,300
Finance assets	10,750,000	10,650,000
Prepayments	8,792,844	8,616,772
Drug importation local equivalent account	1,372,224	-
Debtors ( note 12/1)	138,619,730	145,687,258
	317,573,868	252,714,744
Less: provision for doubtful debts	(138,437,349)	(142,504,937)
	<b><u>179,136,519</u></b>	<b><u>110,209,807</u></b>

#### **12/1/ Debtors:-**

The debtors balances include a debt balance of US \$ 2.8 million equivalent to SDG 127,214,047 ( 2018 : SDG 134,281,635) resulted from the liquidation of Alsalam real estate fund on 27/10/2011; out of which US \$1 million was settled on 7/6/2012 and the remaining balance is under collection. The debtors balances also include a debt balance of SDG 2,222,812 equivalent to US \$ 1,107,000, represents the value of shares in Islamic Insurance and Reinsurance Company (Aman– Bahrain). The debtors' balances also include SDG 9,000,490 equivalent to US \$ 3,279,690 being value of pieces of land in Ajman – UAE. Full provision was made for these balances according to the Central Bank of Sudan instructions.

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

FOR THE YEAR ENDED DECEMBER 31, 2019

**13/ Projects in progress :-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Alsajana branch	85,915,448	30,994,919
Al Souq Alsha'bi branch	86,064,298	-
Computer software and devices	<u>24,817,473</u>	<u>6,863,828</u>
	<b><u>196,797,219</u></b>	<b><u>37,858,747</u></b>

**14/ Fixed assets:-**

Particulars	Motor Vehicles  SDG	Furniture and fixture  SDG	Office equipment  SDG	IT equipment  SDG	Freehold land and building  SDG	Total  SDG
<b><u>Cost at :</u></b>						
Jan ,1,2019	6,536,670	15,596,200	15,195,692	31,196,737	131,562,108	200,087,407
Additions	11,626,976	108,200	2,531,655	1,928,852	-	16,195,683
Disposals	(676,302)	-	-	-	-	(676,302)
<b>Dec,31,2019</b>	<b>17,487,344</b>	<b>15,704,400</b>	<b>17,727,347</b>	<b>33,125,589</b>	<b>131,562,108</b>	<b>215,606,788</b>
<b><u>Depreciation:</u></b>						
Jan ,1,2018	3,637,490	9,520,573	3,954,591	13,476,671	6,617,618	37,206,943
For the year	2,073,277	1,160,352	1,590,759	6,065,399	1,703,369	12,593,156
Disposals	(630,803)	-	-	-	-	(630,803)
<b>Dec,31,2019</b>	<b>5,079,964</b>	<b>10,680,925</b>	<b>5,545,350</b>	<b>19,542,070</b>	<b>8,320,987</b>	<b>49,169,296</b>
<b><u>Net book value:</u></b>						
<b>Dec,31,2019</b>	<b><u>12,407,380</u></b>	<b><u>5,023,475</u></b>	<b><u>12,181,997</u></b>	<b><u>13,583,519</u></b>	<b><u>123,241,121</u></b>	<b><u>166,437,492</u></b>
<b>Dec,31,2018</b>	<b><u>2,899,180</u></b>	<b><u>6,075,627</u></b>	<b><u>11,241,101</u></b>	<b><u>17,720,066</u></b>	<b><u>124,944,490</u></b>	<b><u>162,880,464</u></b>

**15/ Current accounts:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Current accounts – local	1,202,481,112	845,430,786
Current accounts – foreign	<u>91,246,218</u>	<u>87,948,935</u>
	<b><u>1,293,727,330</u></b>	<b><u>933,379,721</u></b>



## **AL SALAM BANK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **16/ Other liabilities :-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Other creditors ( note 16/1)	146,728,229	164,637,951
Accrued expenses	3,641,988	1,222,706
Outstanding cheques	49,522,603	279,575,549
Other payable ( note 16/2)	21,425,686	21,484,277
Cash margin against letters of credit	169,032,860	178,423,574
Cash margin against letters of guarantee	3,154,337	2,936,602
	<b><u>393,505,703</u></b>	<b><u>648,280,659</u></b>

#### **16/1/ Other creditors:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Clients import accounts	-	500,420
Export proceed account	1,228,320	1,737,650
Albokhary corporation (3 million dollar )*	135,337,500	142,856,400
Exchange dealing room accounts – foreign	4,763,256	8,056,836
Creditors	-	6,306,836
Drug import accounts	1,372,224	-
National clearance account	4,026,929	5,179,809
	<b><u>146,728,229</u></b>	<b><u>164,637,951</u></b>

\* Albokhary corporation:

Represents amount reclassified from unrestricted investment accounts to other creditors according to the Central Bank of Sudan letter dated 16/8/2016.

#### **16/2 Other payable:-**

A major part of this amount represents shareholders unpaid dividends.

## AL SALAM BANK

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### 17/ Provisions:-

	<u>2019</u>	<u>2018</u>
	<u>SDG</u>	<u>SDG</u>
Provision for banking Deposits security fund	2,433,637	1,590,448
Provision for staff bonus	15,000,000	16,600,000
Board of directors remuneration	8,953,123	15,000,000
Shari'a supervisory board remuneration	1,000,000	1,000,000
Provision for personal Income tax and Zakah	1,339,354	7,376,141
Provision for Zakah (Prior years)	473,537	-
Provision for tax (Prior years)	-	3,708,669
Provision for Zakah	42,648,002	44,147,003
Provision for Business profit tax	-	24,790,324
	<u>71,847,653</u>	<u>114,212,585</u>

#### 18/ Unrestricted investment accounts holders:-

	<u>2019</u>	<u>2018</u>
	<u>SDG</u>	<u>SDG</u>
Unrestricted investment account balances*	1,004,317,771	1,022,853,455
Return on unrestricted investment accounts (note 23)	75,253,277	65,970,673
Advance payment	( 47,869,121)	( 23,625,273)
	<u>1,031,701,927</u>	<u>1,065,198,855</u>

\* The unrestricted investment account balances comprise investments in US dollars and in SDG with a one year maturity.

#### 19/Paid in capital

	<u>2019</u>	<u>2018</u>
	<u>SDG</u>	<u>SDG</u>
Authorized and paid up capital	323,549,000	323,549,000
	<u>323,549,000</u>	<u>323,549,000</u>

The authorized share capital of the bank comprises of 200 million shares with nominal value of US \$1 equivalent SDG 2.69 each, the share capital was increased by SDG 23,758,000 during the year 2010 representing 10% bonus shares, SDG 32,910,350 during the year 2013 representing 5% bonus shares and SDG 15,561,400 during the year 2016 representing 5% bonus shares.

#### 20/ Reserves:-

	<u>2019</u>	<u>2018</u>
	<u>SDG</u>	<u>SDG</u>
Property revaluation reserve (note 20/1)	307,550,184	307,550,184
Foreign investments revaluation reserve (note 20/2)	624,776,629	661,583,116
Foreign assets and liabilities revaluation reserve (note 20/3)	898,854,774	937,146,070
General reserve (note 20/4)	284,407,948	284,407,948
Statutory reserve (note 20/5)	109,003,245	97,343,290
	<u>2,224,592,780</u>	<u>2,288,030,608</u>

## **AL SALAM BANK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **20/1/ Property revaluation reserve:-**

The property revaluation reserve relates to the investment property owned by the bank.

#### **20/2/ Foreign investments revaluation reserve:-**

The foreign investments revaluation reserve relates to the results of the revaluation of investments in foreign currencies at the statement of financial position date.

#### **20/3/ Foreign assets and liabilities revaluation reserve:-**

This reserve relates to the revaluation of assets and liabilities in foreign currencies at the statement of financial position date. In accordance with the Central Bank of Sudan instructions, the resulting differences from the valuation of monetary assets and liabilities in foreign currencies (gain or loss) to be treated in the statement of income. The resulting gain is not allowed to be distributed or capitalized, and should be reported in the statement of financial position in a separate reserve account as a component of the owners' equity.

#### **20/4/ General reserve:-**

The general reserve was formed in accordance with the resolution of the shareholders annual general meeting number 14 dated 14/5/2018.

#### **20/5/ Statutory reserve:-**

As required by the banking regulation law of 2003 and the central bank of Sudan circular dated 27 April 2007 10% of net profit must be transferred to statutory reserve. The bank may discontinue such annual transfers when the reserve equals 100% of the bank's paid up capital

#### **21/Income from deferred sales:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b><u>SDG</u></b>	<b><u>SDG</u></b>
Murabaha income	181,016,366	155,906,427
Ijarra icome	17,828	77,799
	<b><u>181,034,194</u></b>	<b><u>155,984,226</u></b>

#### **22/ Income from investments:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b><u>SDG</u></b>	<b><u>SDG</u></b>
Securities (Shahama)	116,422,241	68,559,222
Inter bank liquidity management fund	4,709,105	2,753,613
Mudaraba income	10,402,081	6,045,619
Musharaka income	21,825,574	40,853,353
Investment accounts-local banks	11,998,115	4,786,387
Investment accounts-foreign banks	-	792,161
	<b><u>165,357,116</u></b>	<b><u>123,790,355</u></b>

## AL SALAM BANK

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### **23/ Return on unrestricted investments accounts:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Share of profit before Mudarib share	115,365,650	97,873,449
Mudarib share of profit	<u>(40,112,373)</u>	<u>(33,959,725)</u>
Net return after mudarib share	75,253,277	63,913,724
The bank subsidy to profit	-	-
Final balance after subsidy	<b><u>75,253,277</u></b>	<b><u>63,913,724</u></b>

The percentage of the Mudarib (bank) ranges between 25% - 95% , while the percentage of Arbab Almal from the net profit ranges from 5% - 75%.

#### **24/Income from bank's own investments:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Income from Alsalam bank- Bahrain	20,387,440	18,541,448
Income from Alsalam bank- Algeria	14,644,007	19,551,827
Income from sale of land	-	104,430,412
Loss from Alrayan Real Estate Investment Fund	-	<u>(599,567)</u>
	<b><u>35,031,447</u></b>	<b><u>141,924,120</u></b>

#### **25/ Income from banking services:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Bookkeeping and cheques issuance commission	4,947,940	3,428,053
Letters of credit commission	2,980,577	685,295
Letters of guarantee commission	2,197,357	1,650,707
Transfers and acceptances commission	-	128,160
Administrative commission	4,734,289	3,194,146
Other bank services	109,886	303,951
SMS commission	346,924	401,592
After sale services commission	-	185
Income from outward transfers	4,844,014	5,488,623
Income from ATMs	1,000	393,643
Income from mail and communications (SWIFT)	27,400	4,700
Save box income	151,461	154,983
Mobile services income	<u>1,624,859</u>	<u>832,519</u>
	<b><u>21,965,707</u></b>	<b><u>16,666,557</u></b>

## AL SALAM BANK

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### 26/ Other income:-

	<u>2019</u>	<u>2018</u>
	<u>SDG</u>	<u>SDG</u>
Miscellaneous	519,332	530,165
Income from insurance companies	170,371	521,950
Income from electricity purchase and other electronic	669,368	601,334
Gain from disposal of fixed assets	2,308,751	-
Reversal of prior years provisions	<u>28,813,986</u>	<u>39,757,616</u>
	<u><b>32,481,808</b></u>	<u><b>41,411,065</b></u>

#### 27/ Staff cost:-

	<u>2019</u>	<u>2018</u>
	<u>SDG</u>	<u>SDG</u>
Basic salary	32,207,858	19,626,784
Eid bonus	19,783,187	6,414,153
Nature of work allowance	928,889	548,541
Uniform allowance	10,079,777	4,455,561
End of service benefit	8,251,691	3,600,902
Training	907,964	1,356,191
Staff performance bonus	15,000,000	16,600,000
Health insurance	5,588,331	5,123,768
Social insurance	6,359,507	3,761,047
Overtime	784,943	940,677
Other staff cash and in kind benefits	3,310,812	809,684
Staff refreshment	-	500,000
Annual leave allowances	<u>10,090,403</u>	<u>4,669,229</u>
	<u><b>113,293,362</b></u>	<u><b>68,406,537</b></u>



**AL SALAM BANK****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019****28/ Operations expenses:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Stationary and printings	2,075,429	1,599,323
Maintenance and repair	11,748,595	8,374,969
Telecommunications	1,570,408	1,290,762
Vehicles running expenses	1,284,535	1,111,163
Electricity and water	2,719,215	3,088,513
Insurance	1,998,887	1,148,388
Security expenses	1,430,862	745,864
Rent	1,446,000	3,632,297
Gardening	100,800	154,050
Legal consultants expenses	355,974	268,908
Legal fee	-	31,727
Shareholders meeting expenses	1,508,946	1,029,663
Audit fees	319,995	263,250
Shari'a supervisory board expenses	1,215,529	796,935
Board of directors meeting expenses	17,427,618	13,392,159
Board of directors remuneration	7,208,224	15,000,000
Shari'a supervisory board remuneration	1,000,000	1,000,000
Subscriptions	3,339,623	1,675,808
Entertainment	1,516,776	1,466,045
Cash expenses	57,760	74,337
Cleaning	1,659,303	963,259
Miscellaneous	17,164	34,562
Transportation	36,390	79,060
Visas and hotels expenses	1,885,919	2,125,301
Banks charges	397,731	640
Donations and gifts	1,236,789	1,133,884
Swift	114,650	110,708
Advertising	2,807,175	2,077,913
Deposits guarantee fund	2,228,091	1,329,162
National clearing expenses	-	253,418
Services expenses	157,600	119,707
Newspapers magazines and books	125,968	91,490
	<b><u>68,991,956</u></b>	<b><u>64,463,265</u></b>

**29/ Earning per share:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Net profit for the year	78,308,251	942,180,212
Number of shares	121,275,000	121,275,000
Earnings per share	<b><u>0.65</u></b>	<b><u>7.77</u></b>

## **AL SALAM BANK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **30/ Contra accounts:-**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>SDG</b>	<b>SDG</b>
Letters of credit	169,032,860	178,423,574
Letters of guarantee	45,800,287	25,149,466
Debts written-off	<u>1,716,530</u>	<u>1,716,530</u>
	<b><u>216,549,677</u></b>	<b><u>205,289,570</u></b>

#### **31/ Concentration of investments – Economic sector:-**

The total investment at Dec 31, 2019 amounted to SDG 2,161,906,909 (2018: SDG 1,584,434,194) and it was distributed according to economic sectors as follows:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Industry	%14.3	%18.1
Transportation	%7.6	%5.2
Commercial	%11.6	%2.5
Agriculture	%9.1	%0.8
Building	%4.0	%5.6
Other sectors	<u>%53.4</u>	<u>%67.8</u>
Total	<b><u>%100</u></b>	<b><u>%100</u></b>

#### **32/ Social responsibility:-**

With regard to the bank's role in supporting the needy and poor people, the bank has allocated Zakah for this year amounting to SDG 43.3 million (2018: SDG 44.1 million), moreover during the year the bank has discharged its social responsibilities by training the employees and by donations payments.

**AL SALAM BANK****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019****33/ Related party transactions:**

These represent transactions with related parties i: e shareholders, board of directors and senior management of the bank, and companies of which they are principal shareholders. These transactions are conducted in the arm length basis.

<b>31,Dec ,2019 SDG</b>			
	<b>Principal shareholders &amp;board of directors and their companies</b>	<b>Key managers</b>	<b>Total at 31 Dec 2019</b>
<b><u>Balance sheet items:</u></b>			
Murabaha	-	15,249,429	15,249,429
Mudaraba	276,108,981	-	276,108,981
Unrestricted investment accounts holders	12,224,711	-	12,224,711
Current accounts	975,572	231,283	1,206,855
<b><u>Income statement items</u></b>			
Murabaha income	4,643,779	498,880	5,142,659
Musharka income	4,050,000	-	4,050,000
Istisnaa income	1,785,000	-	1,785,000
<b><u>Top management:-</u></b>			
Remuneration	15,000,000	11,842,809	26,842,809

**AL SALAM BANK**
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>31,Dec ,2018</b>			
<b>SDG</b>			
	<b>Principal shareholders &amp; board of directors and their companies</b>	<b>Key managers</b>	<b>Total at 31 Dec 2018</b>
<b><u>Balance sheet items:</u></b>			
Murabaha	45,810,413	15,444,477	61,254,890
Musharka	20,250,000	-	20,250,000
Mudaraba	299,448,675	-	299,448,675
Unrestricted investment accounts holders:-	9,971,674	229,910	10,201,584
Current accounts	2,571,750	609,508	3,181,258
<b><u>Income statement items</u></b>			
Murabaha income	13,117,198	344,356	13,461,554
Mudaraba income	1,785,000	-	1,785,000
Istisnaa income	856,200	-	856,200
<b><u>Top management:-</u></b>			
Remuneration	4,467,150	4,073,160	8,540,310

**34/ Distribution of unrestricted investment accounts:-**

The balance of unrestricted investment accounts as at 31 Dec 2019 was SDG 1,031,701,927 (2018: SDG 1,065,198,855), the accounts of the below clients represents 54 % of the total.

<b>Client</b>	<b>balance at 31Dec 2019 SDG</b>
Blue Nile Mashreg Bank	180,000,000
Gulf Bank	50,000,000
Libyan Arab for Foreign Investments Company	30,678,000
Capital Bank	40,000,000
Sudanese Businessmen Association	10,000,000
Deposits Guarantee Fund	20,000,000
Hyper Deal Financial Company	200,000,000
Al Baraka Insurance Company	20,000,000
Tanmia Investment Company	7,000,000
<b>Total</b>	<b><u>557,678,000</u></b>

## **AL SALAM BANK**

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### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2019

#### **35/ Credit risk:**

Credit risk is the risk that one party of the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The bank attempts to control credit risk by monitoring credit exposures continuously.

The bank seeks to manage its credit risk exposure through the diversification of financial and investment activities to ensure that there is no undue concentration of risks with individuals or group of customers in specific locations or business. It also takes security when appropriate. Analysis of investments concentration by economic sector is provided in note (31).

#### **36/ Liquidity risk:-**

Liquidity risk is the risk that the bank will be unable to meet its net funding requirements, liquidity risk can be caused by disruptions or downgrades, which may cause certain sources funding to dry up immediately.

To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

#### **37/ Market risk:-**

Market risk is the risk that results from the fluctuation in the rates of return of financial instruments and exchange rates of foreign currencies, which may indirectly affect the value of assets of the bank and the share prices. The board of directors set limits on the acceptable market risk values, the Committee of assets and liabilities in the bank regularly monitor these limits.

#### **38/ Shares price risk:-**

Shares prices risk is the risk that the value of the shares will fluctuate as a result of changes in the market prices of the share. The board of directors set the limits on the amounts and types of shares to be acquired for investment purposes. The investments committee of the bank regularly monitors these limits.

#### **39/ Profit rate risk:-**

The profit rate risk refers to the risk due to change of profit rates, which might affect the future earnings of the bank. Exposure to profit rate risk is managed by the bank through diversification of assets portfolio and by matching the maturities of assets and liabilities.

In line with the policy approved by the board of directors, the assets and liabilities committee performs regular review of the assets and liabilities in order to ensure that the maturity gap between assets and liabilities is maintained at minimum levels and also to ensure that financing and investments are made for quality assets at higher rate of returns.



## **AL SALAM BANK**

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### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2019

#### **40/ Currency risk:-**

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the board. These Limits are monitored continuously to ensure that the net exposure is kept at an acceptable level.

Assets and liabilities in foreign currency are mainly denominated in US Dollars and other foreign currencies. The bank foreign currencies net position at 31 December was as follows:

	<u>2019</u> <u>USD</u>	<u>2018</u> <u>USD</u>
Assets	47,956,957	59,694,322
Liabilities	<u>(18,450,955)</u>	<u>(25,178,524)</u>
Net foreign currency position	<u><u>29,506,002</u></u>	<u><u>34,515,798</u></u>

#### **41/ Capital adequacy:-**

The bank calculates the adequacy of its capital using the ratios established by the central bank of Sudan.

	<u>2019</u> <u>SDG</u>	<u>2018</u> <u>SDG</u>
Core capital	1,057,064,000	1,148,749,000
Total risk weighted assets	4,811,832,000	4,031,302,000
The banks' capital adequacy ratio	<u><u>%22.0</u></u>	<u><u>%28.5</u></u>
Minimum capital adequacy ratio required	<u><u>%12</u></u>	<u><u>%12</u></u>

#### **42/ Zakah**

The bank paid its Zakah liabilities up to 2018 and provided for 2019.

#### **43/ Business profit tax:**

The bank paid its business profit tax up to 2018. According to the tax base calculated for the year 2019, the bank has no tax expenses for this year, unless the tax base is going to be amended in accordance with the Circulars issued by the end of 2019 and applied to the whole year retroactively.

#### **44/ Comparative figures:-**

Some comparative figures have been re- classified in order to be consistent with the current year classification.