

**Al-Salam Bank- Sudan
(Public Limited Company)
Unaudited Financial Statements
For The Nine Months Ended
September 30, 2017**



المحاسبون المتحدون
بانقا وشركاه
محاسبون ومراجعون قانونيون

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شارع عطبرة
عمارة التاكا - الدور الثاني
ص.ب. ١٦٠٣ - الخرطوم
جمهورية السودان

Auditor's Report

Financial statement review report
Al-Salam Bank – Sudan

Review scope

We have reviewed the accompanying balance sheet of Al-Salam bank as of September 30, 2017 and the related statement of income, cash flow and change in equity for the nine months then ended , in accordance with standards for review services . All information included in these financial statements is representation of Al-Salam Bank management.

Review was conducted in accordance with the interim financial statements review standards which include inquiries of the bank personnel and analytical procedures applied to financial data.

Review is less in scope than audit with generally accepted auditing standards , The objective of which is the expression of opinion regarding the financial statements taken as a whole .Accordingly we do not express such opinion .

Opinion

Based on the review we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with accounting standards issued by Accounting and Auditing Organization for Islamic financial institution and international reporting standard number (34).

Khartoum Moharem 20, 1439
October 10, 2017

Adam Abdullah Hussein (CPA)
Allied Accountants – Banaga &Co



AL SALAM BANK

CONDENSED STATEMENT OF FINANCIAL POSITION

As At SEPTEMBER 30, 2017

| | Note | September 30,2017 <u>Unaudited</u> SDG | December 31,2016 <u>Audited</u> SDG |
|--|------|--|---|
| <u>Assets:-</u> | | | |
| Cash and cash equivalents | | 489,894,191 | 232,093,197 |
| Deferred sales receivables (net) | | 520,871,297 | 596,678,549 |
| Investments held to maturity | (3) | 242,554,656 | 259,404,000 |
| Investments in Mudaraba | (4) | 177,704,563 | 242,083,715 |
| Musharaka financing | (5) | 150,014,997 | 112,064,354 |
| Investments available for sale | (6) | 276,808,895 | 149,912,337 |
| Investments in property | | 520,259,006 | 520,254,027 |
| Other assets | | 93,163,767 | 55,328,277 |
| Fixed assets (net) | | 83,830,036 | 84,865,582 |
| Total Assets | | <u>2,555,101,408</u> | <u>2,252,684,038</u> |
| <u>Liabilities, Unrestricted investment accounts and Owners' Equity:-</u> | | | |
| <u>Liabilities:-</u> | | | |
| Current Account | | 665,388,833 | 535,574,585 |
| Other liabilities | | 98,521,358 | 90,322,131 |
| Provisions and accruals | | 22,725,171 | 35,834,560 |
| Total Liabilities | | <u>786,635,362</u> | <u>661,731,276</u> |
| Unrestricted investment accounts holders | | <u>510,264,789</u> | <u>414,052,332</u> |
| <u>Owners' Equity:-</u> | | | |
| Paid up capital | (8) | 323,549,000 | 323,549,000 |
| Reserves | | 657,263,948 | 636,462,608 |
| Retained earnings | | 277,388,309 | 216,888,822 |
| Total Owners' equity | | <u>1,258,201,257</u> | <u>1,176,900,430</u> |
| Total Liabilities, Unrestricted investment accounts and Owners' equity | | | |
| <u>Contra accounts:-</u> | (10) | <u>2,555,101,408</u> | <u>2,252,684,038</u> |
| | | <u>54,456,973</u> | <u>71,100,587</u> |



Alnour Ajabna Izalarab
General Manager



Saud Mamoun Elbirair
Board member



Abdulrahman Ahmed Senan
Board member


The accompanying notes (1) to (10) form an integral part of these financial statements

AL SALAM BANK

CONDENSED INCOME STATEMENT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

| | For Three Months Ended 30 September | | For Nine Months Ended 30 September | |
|--|--|--------------------------|---------------------------------------|--------------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | <u>SDG</u> | <u>SDG</u> | <u>SDG</u> | <u>SDG</u> |
| Income | | | | |
| Deferred sales | 24,392,840 | 19,305,409 | 75,103,257 | 56,951,403 |
| Income from investments | <u>14,266,673</u> | <u>11,433,439</u> | <u>44,634,595</u> | <u>41,952,527</u> |
| Total income from finance and investments | 38,659,513 | 30,738,848 | 119,737,852 | 98,903,930 |
| Less: Return on unrestricted investment accounts | <u>(7,029,927)</u> | <u>(7,589,132)</u> | <u>(28,904,074)</u> | <u>(23,116,108)</u> |
| Bank's share in income from investments (as Mudarib and as fund owner) | 31,629,586 | 23,149,716 | 90,833,778 | 75,787,822 |
| Income from banking services | 1,034,326 | 6,212,612 | 6,997,120 | 9,182,292 |
| Gain/ loss on sale of foreign currency | 96,085 | 6,027,295 | 160,548 | 10,599,429 |
| Gain / (losses) from revaluation of foreign currencies | 13,066,451 | 3,578,073 | 18,753,509 | 3,512,385 |
| Other income | <u>3,320,452</u> | <u>4,379,791</u> | <u>11,912,548</u> | <u>6,156,542</u> |
| Total Bank's revenue | 49,146,900 | 43,347,487 | 128,657,503 | 105,238,470 |
| Expenses | | | | |
| Staff cost | (9,122,857) | (8,220,336) | (27,090,796) | (25,116,738) |
| Operation expenses | (7,326,116) | (5,153,532) | (19,160,509) | (14,128,518) |
| Depreciation | (987,708) | (865,724) | (3,055,721) | (2,826,824) |
| Central Bank of Sudan penalties | - | - | - | (1,000) |
| Total expenses | (17,436,681) | (14,239,592) | (49,307,026) | (42,073,080) |
| Net operation profits | 31,710,219 | 29,107,895 | 79,350,477 | 63,165,390 |
| Zakah provision for the period | (2,989,730) | (1,703,742) | (7,951,941) | (5,022,517) |
| Business Profit Tax provision for the period | <u>(889,089)</u> | <u>(4,830,967)</u> | <u>(4,176,884)</u> | <u>(8,716,890)</u> |
| Net income for the period | <u>27,831,400</u> | <u>22,573,186</u> | <u>67,221,652</u> | <u>49,425,983</u> |
| Basic earning per share | <u>0.23</u> | <u>0.19</u> | <u>0.55</u> | <u>0.41</u> |


Alhour Ajabna Izalarab
General Manager


Saud Mamoun Elbirair
Board member


Abdulrahman Ahmed Senan
Board member

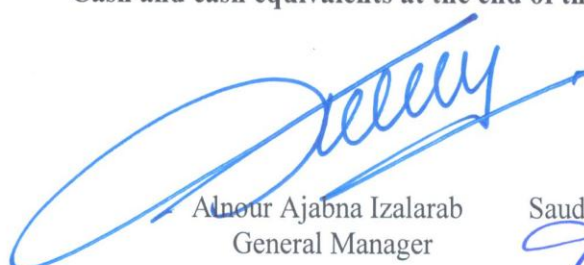
The accompanying notes (1) to (10) form an integral part of these financial statements

AL SALAM BANK

CONDENSED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

| | September,30, 2017 | September ,30,2016 |
|---|----------------------|----------------------|
| | <u>SDG</u> | <u>SDG</u> |
| | <u>Un audited</u> | <u>Un audited</u> |
| Cash follows from operating activities | | |
| Net income for the period | 67,221,652 | 49,425,983 |
| Adjustments for: | | |
| Depreciation of fixed assets | 3,055,720 | 2,826,824 |
| Provisions | <u>(13,109,389)</u> | <u>(5,475,248)</u> |
| | 57,167,983 | 46,777,559 |
| Changes in operating assets, liabilities and unrestricted investment accounts: | | |
| Cash follows from investing activities | 75,807,252 | (39,057,492) |
| Investments | 43,272,874 | (92,604,756) |
| Other assets | <u>(37,835,490)</u> | <u>(17,014,455)</u> |
| Current accounts | 129,814,248 | 61,289,139 |
| Equity of unrestricted investment accounts | 96,212,457 | (32,597,132) |
| Other liabilities | <u>8,199,227</u> | <u>(43,745,501)</u> |
| Cash (used in) operations | <u>315,470,568</u> | <u>(163,730,197)</u> |
| Net cash (used in) operating activities | <u>372,638,551</u> | <u>(116,952,638)</u> |
| Cash follows from investing activities | | |
| Purchases of fixed assets | (2,020,174) | (24,873,808) |
| Investments in affiliates | <u>(126,896,558)</u> | <u>(6,688,655)</u> |
| Net cash (used in) investing activities | <u>(128,916,732)</u> | <u>(31,562,463)</u> |
| Cash follows from financing activities | | |
| Reserves | <u>14,079,175</u> | <u>8,211,890</u> |
| Net cash from/ (used) financing activities | <u>14,079,175</u> | <u>8,211,890</u> |
| (Decrease) Increase in cash and cash equivalents for the period | 257,800,994 | (140,303,211) |
| Cash and cash equivalents at the beginning of the period | <u>232,093,197</u> | <u>332,563,068</u> |
| Cash and cash equivalents at the end of the period | <u>489,894,191</u> | <u>192,259,857</u> |


Alnour Ajabna Izalarab
General Manager


Saud Mamoun Elbirair
Board member


Abdulrahman Ahmed Senan
Board member

The accompanying notes (1) to (10) form an integral part of these financial statements

AL SALAM BANK

CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

| | Paid up capital | Retained earnings | Statutory reserve | Property revaluation reserve | Foreign Invt valuation reserve | Foreign assets reserve | Total |
|--------------------------------------|---------------------------|---------------------------|--------------------------|------------------------------|--------------------------------|---------------------------|-----------------------------|
| | SDG | SDG | SDG | SDG | SDG | SDG | SDG |
| Balance as at January 1, 2016 | 310,668,350 | 172,821,068 | 56,248,510 | 336,873,784 | 59,539,564 | 101,164,812 | 1,037,316,088 |
| Net income for the period | - | 92,225,025 | - | - | - | - | 92,225,025 |
| Reserves | - | (32,595,871) | 9,222,502 | - | 12,007,774 | 23,373,369 | 12,007,774 |
| Exchange Diff | 15,561,400 | (15,561,400) | - | - | - | - | - |
| Capital increase expenses | (2,680,750) | - | - | - | - | 38,032,293 | (2,680,750) |
| Balance as at January 1, 2017 | 323,549,000 | 216,888,822 | 65,471,012 | 336,873,784 | 71,547,338 | 162,570,474 | 1,176,900,430 |
| Net income for the period | - | 67,221,652 | - | - | - | - | 67,221,652 |
| Reserves | - | (6,722,165) | 6,722,165 | - | 14,079,175 | - | 14,079,175 |
| Balance as at SEPT , 30, 2017 | <u>323,549,000</u> | <u>277,388,309</u> | <u>72,193,177</u> | <u>336,873,784</u> | <u>85,626,513</u> | <u>162,570,474</u> | <u>1,258,201,257</u> |


Almour Ajabna Izalarab
General Manager


Saad Mamoun Elbirair
Board member


Abdulrahman Ahmed Senan
Board member

The accompanying notes (1) to (10) form an integral part of these financial statements

AL SALAM BANK

NOTES TO CONDENCED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(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) , Omdorman branch which is located at almawrada street - omdorman .

(2) Basis of preparation

a) Accounting Standards

The interim condensed financial statements have been prepared in accordance with the Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and the international Accounting Standard no (34) and the requirements of the 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 31,2016 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, 2017are not indicative of the results that may be expected for the year ended 31 December 2017.

c) Functional currency

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

AL SALAM BANK

**NOTES TO CONDENCED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

(3) Investments held to maturity

| | <u>September 30,2017</u> <u>Unaudited</u> <u>SDG</u> | <u>December 31,2016</u> <u>Audited</u> <u>SDG</u> |
|--------------------|--|---|
| Shahama securities | <u>242,554,656</u> <u>242,554,656</u> | <u>259,404,000</u> <u>259,404,000</u> |

(4) Mudaraba Investment and Agencies

| | <u>September 30,2017</u> <u>Unaudited</u> <u>SDG</u> | <u>December 31,2016</u> <u>Audited</u> <u>SDG</u> |
|--------------------------------------|--|---|
| Mudaraba with corporate & customers | <u>93,880,294</u> | 229,494,349 |
| Mudaraba with financial institutions | <u>113,393,371</u> | 45,110,286 |
| | <u>207,273,665</u> | 274,604,635 |
| Less : Provision for financing risk | <u>(29,569,102)</u> | (32,520,920) |
| | <u>177,704,563</u> | <u>242,083,715</u> |

(5) Musharka financing

| | <u>September 30,2017</u> <u>Unaudited</u> <u>SDG</u> | <u>December 31,2016</u> <u>Audited</u> <u>SDG</u> |
|-------------------------------------|--|---|
| Musharaka | <u>151,526,260</u> | 113,196,317 |
| Less : Provision for financing risk | <u>(1,511,263)</u> | (1,131,963) |
| | <u>150,014,997</u> | <u>112,064,354</u> |

AL SALAM BANK**NOTES TO CONDENCED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017****(6) Investments available for sale**

| | Ownership percentage | <u>September 30,2017</u> | <u>December 31,2016</u> |
|---|---------------------------------|---------------------------------|--------------------------------|
| | | <u>Unaudited</u> | <u>Audited</u> |
| | | <u>SDG</u> | <u>SDG</u> |
| Foreign investment funds | | 1,765,670 | 1,386,800 |
| Assets acquired by banks for Musharaka finance | | 11,643,103 | 18,419,950 |
| Inter bank liquidity management fund | | 144,961,360 | 25,746,000 |
| Al Salam Real Estate Company | 50% | 50,000 | 50,000 |
| Alsalam bank- Bahrain | | 59,233,009 | 52,186,640 |
| King Abdullah city | | 14,831,253 | 13,071,297 |
| Alsalam Algeria Bank | 5% | 44,324,500 | 39,051,650 |
| | | <u>276,808,895</u> | <u>149,912,337</u> |

(7)Investments Analysis

| | <u>September 30,2017</u> | <u>December 31,2016</u> |
|---|---------------------------------|--------------------------------|
| | <u>Unaudited</u> | <u>Audited</u> |
| | <u>SDG</u> | <u>SDG</u> |
| Local Investments (note 8/1) | 1,227,445,285 | 1,160,625,046 |
| Investments in GCC countries (note 8/2) | 95,572,332 | 84,041,737 |
| Foreign Investments (Al Salam Bank - Algeria) | 44,324,500 | 39,051,650 |
| | <u>1,367,342,117</u> | <u>1,283,718,433</u> |

AL SALAM BANK**NOTES TO CONDENCED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017****(7/1) Local Investments**

| | <u>September 30,2017</u> | <u>December 31,2016</u> |
|--|---------------------------------|--------------------------------|
| | <u>Unaudited</u> | <u>Audited</u> |
| | <u>SDG</u> | <u>SDG</u> |
| Shahama securities | 242,554,656 | 259,404,000 |
| Inter Bank Liquidity Managment Fund | 144,961,360 | 25,746,000 |
| Mudaraba with Local Banks | 93,650,971 | 27,436,153 |
| Mudaraba with Customers (net) | 64,311,192 | 197,250,562 |
| Net Musharaka | 150,014,997 | 112,064,354 |
| Al Salam Real Estate Company | 50,000 | 50,000 |
| Assets acquired by banks for Musharaka Finance | 11,643,103 | 18,419,950 |
| Local land | <u>520,259,006</u> | <u>520,254,027</u> |
| | <u>1,227,445,285</u> | <u>1,160,625,046</u> |

(7/2) Investments in GCC countries

| | <u>September 30,2017</u> | <u>December 31,2016</u> |
|---------------------------|---------------------------------|--------------------------------|
| | <u>Unaudited</u> | <u>Audited</u> |
| | <u>SDG</u> | <u>SDG</u> |
| AL Salam Bank – Bahrain | 59,233,009 | 52,186,640 |
| King Abdullah City shares | 14,831,253 | 13,071,297 |
| Foreign investment funds | 1,765,670 | 1,386,800 |
| UBAF bank | <u>19,742,400</u> | <u>17,397,000</u> |
| | <u>95,572,332</u> | <u>84,041,737</u> |

AL SALAM BANK

**NOTES TO CONDENCED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

8/ Capital

| | <u>September 30,2017</u> | <u>December 31,2016</u> |
|-----------------|---------------------------------|--------------------------------|
| | <u>Unaudited</u> | <u>Audited</u> |
| | <u>SDG</u> | <u>SDG</u> |
| Paid up capital | <u>323,549,000</u> | <u>323,549,000</u> |
| | <u>323,549,000</u> | <u>323,549,000</u> |

The authorized share capital of the bank comprises of 200 million share with nominal value of SDG 2,69 each ,the bank issued bonus shares amounted to SDG 23,758,000 , 32,910,350 and 15,561,400 in year 2010 , 2013 and 2016 which represent 10% , 5% and 5% of total issued numbers of shares respectively.

(9) Statutory reserve

As required by the Central Bank of Sudan, 10 % of net profit 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.

(10) Contra accounts

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

| | <u>September 30,2017</u> | <u>December 31,2016</u> |
|--------------------------|---------------------------------|--------------------------------|
| | <u>Unaudited</u> | <u>Audited</u> |
| | <u>SDG</u> | <u>SDG</u> |
| Letters of credit | 30,186,798 | 26,600,602 |
| Letters of guarantee | 23,326,175 | 42,006,985 |
| Shahama under collection | 944,000 | 2,493,000 |
| | <u>54,456,973</u> | <u>71,100,587</u> |