

**Alsalam Bank**  
**Limited liability company**  
**Financials Statements Dec,31,2020**

# EL IMAM

Certified Public Accountants & Consultants

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## **INDEPENDENT AUDITOR'S REPORT** **To the Shareholders of Al Salam Bank – Sudan**

### **Opinion**

We have audited the financial statements of Al Salam bank– Sudan (the bank), which comprise the statement of financial position as at December 31, 2020, and the statement of income, statement of cash flows, and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the bank as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting standards of Accounting and Auditing Organization for Islamic Financial Institutions(AAOIFI) and the International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. Our independence requires compliance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting standards of AAOIFI and IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the bank's financial reporting process.



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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of Al Salam Bank – Sudan**

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists; we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Al Salam Bank – Sudan

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the bank audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Abdel Rahman Osman El Imam, PhD, CPA

Khartoum on/25 / February / 2021

**Audit - Tax - Consulting**



# AL SALAM BANK

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

		<u>2020</u> SDG	<u>2019</u> SDG
	Note		
<b><u>Assets:-</u></b>			
Cash and cash equivalents	(5)	2,044,482,669	1,261,782,105
Deferred sales receivables (net)	(6)	1,800,202,681	1,187,225,476
Investments held to maturity	(7)	670,816,000	417,883,555
Investments in Mudaraba	(8)	688,070,176	715,727,872
Musharaka financing	(9)	290,344,937	258,953,561
Investments available for sale	(10)	1,163,486,065	774,924,629
Investments in property	(11)	468,281,029	468,281,029
Other assets	(12)	472,725,788	179,136,519
Projects in progress	(13)	223,581,075	196,797,219
Fixed assets (net)	(14)	167,549,080	166,437,492
<b>Total Assets</b>		<b><u>7,989,539,500</u></b>	<b><u>5,627,149,457</u></b>
<b><u>Liabilities, Unrestricted investment accounts and Owners' Equity:-</u></b>			
<b><u>Liabilities:-</u></b>			
Current Accounts	(15)	2,309,361,437	1,293,727,330
Other liabilities	(16)	521,472,100	393,505,703
Provisions	(17)	258,490,119	71,847,653
<b>Total Liabilities</b>		<b><u>3,089,323,656</u></b>	<b><u>1,759,080,686</u></b>
<b>Unrestricted investment accounts holders</b>	(18,23)	<b><u>1,587,141,095</u></b>	<b><u>1,031,701,927</u></b>
<b><u>Owners' Equity:-</u></b>			
Paid in capital	(19)	323,549,000	323,549,000
Reserves	(20)	2,537,822,213	2,224,592,780
Retained earnings		451,703,536	288,225,064
<b>Total Owners' equity</b>		<b><u>3,313,074,749</u></b>	<b><u>2,836,366,844</u></b>
<b>Total Liabilities, Unrestricted investment accounts and Owners' equity</b>		<b><u>7,989,539,500</u></b>	<b><u>5,627,149,457</u></b>
<b>Contra accounts</b>	(30)	<b><u>231,092,252</u></b>	<b><u>216,549,677</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 INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

		<u>2020</u> SDG	<u>2019</u> SDG
	Note		
<b><u>Income:-</u></b>			
Income from deferred sales	(21)	294,572,864	181,034,194
Income from investments	(22)	<u>355,728,311</u>	<u>165,357,116</u>
<b>Total income from financing and investments</b>		<b>650,301,175</b>	<b>346,391,310</b>
Less: Return on unrestricted investment accounts	(23)	( 142,357,480)	( 75,253,277)
Bank's share in income from investments (as Mudarib and as fund owner)		507,943,695	271,138,033
Income from bank's own investments	(24)	159,451,314	35,031,447
Income from banking services	(25)	34,560,082	21,965,707
Gain / (loss) on valuation of foreign currencies		145,161,390	( 38,291,296)
Gain on foreign currency transaction		461,909	812,003
Other income	(26)	<u>1,306,734</u>	<u>32,481,808</u>
<b>Total Bank's revenue</b>		<b>848,885,124</b>	<b>323,137,702</b>
<b><u>Expenses:-</u></b>			
Staff cost	(27)	( 206,947,260)	( 113,293,362)
Operations expenses	(28)	( 74,439,100)	( 68,991,956)
Depreciation		( 13,375,231)	( 12,593,156)
Central Bank of Sudan penalties		( 63,889,400)	( 11,500)
Provision for Investment & Finance	(6/1)	( 2,520,484)	( 4,291,475)
Provision for doubtful debts	(12/1)	<u>( 101,018)</u>	<u>( 3,000,000)</u>
<b>Total expenses</b>		<b>( 361,272,493)</b>	<b>( 202,181,449)</b>
<b>Profit before Zakah and business profit tax</b>		<b>487,612,631</b>	<b>120,956,253</b>
Provision for Zakah	(42)	( 53,749,121)	( 42,648,002)
Provision for Business Profit Tax	(43)	<u>( 107,059,373)</u>	=
<b>Net income for the year</b>		<b><u>326,804,137</u></b>	<b><u>78,308,251</u></b>
<b>Earnings per share</b>	(29)	<b><u>2.69</u></b>	<b><u>0.65</u></b>

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**AL SALAM BANK****STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u> <u>SDG</u>	<u>2019</u> <u>SDG</u>
<b><u>Cash flows from operating activities:</u></b>		
Net income for the year	326,804,137	78,308,251
<b><u>Adjustment of non- cash items:</u></b>		
Provision for Zakah	53,749,121	42,648,002
Provision for Business Profit Tax	107,059,373	-
Provision for Investment & Finance	2,520,484	4,291,475
Provision for doubtful debts	101,018	3,000,000
Depreciation of fixed assets	13,375,231	12,593,156
Gain from disposal of fixed assets	-	(2,308,751)
Return on unrestricted investment accounts	<u>142,357,480</u>	<u>75,253,277</u>
	645,966,844	213,785,410
<b><u>Changes in operating assets and liabilities:</u></b>		
Provisions	<u>25,833,972</u>	<u>(85,012,934)</u>
<b>Net cash from operating activities</b>	<b><u>671,800,816</u></b>	<b><u>128,772,476</u></b>
<b><u>Cash flows from investing activities:</u></b>		
Deferred Sales receivables	( 615,497,689)	( 317,749,498)
Investments held to maturity	( 252,932,445)	80,499,500
Investments in Mudaraba	27,657,696	( 191,848,994)
Musharaka financing	( 31,391,376)	( 72,165,698)
Investments available for sale	( 388,561,436)	( 28,876,703)
Investments in property	-	60
Projects in progress	( 26,783,856)	( 158,938,472)
Proceeds from sale of fixed assets	-	2,354,250
Purchases of fixed assets	<u>( 14,486,820)</u>	<u>( 16,195,683)</u>
<b>Net cash (used in) investing activities</b>	<b><u>(1,301,995,926)</u></b>	<b><u>(702,921,238)</u></b>
<b><u>Cash flows from financing activities:</u></b>		
Other assets	(293,690,286)	( 71,926,712)
Current accounts	1,015,634,107	360,347,609
Other liabilities	127,966,397	(254,774,956)
Unrestricted investment accounts	413,081,688	( 108,750,205)
Investments revaluation reserve	<u>149,903,768</u>	<u>( 36,806,487)</u>
<b>Net cash from / (used in) financing activities</b>	<b><u>1,412,895,674</u></b>	<b><u>(111,910,751)</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>782,700,564</b>	<b>(686,059,513)</b>
Cash and cash equivalents at the beginning of the year	<u>1,261,782,105</u>	<u>1,947,841,618</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>2,044,482,669</u></b>	<b><u>1,261,782,105</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**

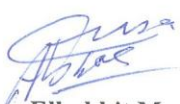
FOR THE YEAR ENDED DECEMBER 31, 2020

	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, 2019</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>	323,549,000	288,225,064	109,003,245	284,407,948	307,550,184	624,776,629	898,854,774	2,836,366,844
Net income for the year	-	326,804,137	-	-	-	-	-	326,804,137
Reserves	-	(18,164,275)	18,164,275	-	-	-	-	-
Exchange Diff	-	(145,161,390)	-	-	-	149,903,768	145,161,390	149,903,768
<b>Balance as at Dec, 31, 2020</b>	<u>323,549,000</u>	<u>451,703,536</u>	<u>127,167,520</u>	<u>284,407,948</u>	<u>307,550,184</u>	<u>774,680,397</u>	<u>1,044,016,164</u>	<u>3,313,074,749</u>

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



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General Manager



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Board member



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Board member



## **AL SALAM BANK**

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

**FOR THE YEAR ENDED DECEMBER 31, 2020**

#### **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, 2020**

#### **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, 2020**

#### **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, 2020****5/ Cash and Cash equivalents:**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Cash in hand and in ATM	127,848,635	47,047,591
Balances with the central bank of Sudan – local	388,300,197	108,321,493
Balances with the central bank of Sudan – foreign	937,403,818	794,458,850
Central bank of Sudan – Statutory cash reserve-local	370,694,093	179,692,058
Central bank of Sudan - Statutory cash reserve- foreign	62,408,642	51,486,303
Cash with foreign correspondent banks	<u>157,827,284</u>	<u>80,775,810</u>
	<b><u>2,044,482,669</u></b>	<b><u>1,261,782,105</u></b>

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Murabahat	2,008,205,927	1,359,526,773
Musawama	-	5,388,334
Istisnaa	142,473,158	113,491,908
Ijarra	<u>48,729</u>	<u>60,582</u>
	<b><u>2,150,727,814</u></b>	<b><u>1,478,467,597</u></b>
Less: Deferred sales profit	<u>(332,799,532)</u>	<u>(277,741,241)</u>
	<b><u>1,817,928,282</u></b>	<b><u>1,200,726,356</u></b>
Less: provision for doubtful debts (note 6/1/1)	<u>( 17,725,601)</u>	<u>( 13,500,880)</u>
<b>Deferred sales receivable (net)</b>	<b><u>1,800,202,681</u></b>	<b><u>1,187,225,476</u></b>

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Balance at 1/1	94,458,453	109,565,466
Provision for the year	2,520,484	4,291,475
Provision for foreign currencies balances	16,687,608	-
Reversal of prior years' provisions-collection of debts	-	( 15,238,032)
Reversal of prior years' provisions-valuation of debts	=	<u>(4,160,456)</u>
<b>Balance at 31/12</b>	<b><u>113,666,545</u></b>	<b><u>94,458,453</u></b>

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Provision for doubtful deferred sales (note 6)	17,725,601	13,500,880
Provision for finance and investment – Mudaraba (note 8)	92,976,349	78,543,901
Provision for finance and investment – Musharaka (note 9)	<u>2,964,595</u>	<u>2,413,672</u>
	<b><u>113,666,545</u></b>	<b><u>94,458,453</u></b>



## **AL SALAM BANK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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

	<b><u>2020</u></b> <b><u>SDG</u></b>	<b><u>2019</u></b> <b><u>SDG</u></b>
Shahama securities (note 7/1)	670,816,000	417,883,555
	<b><u>670,816,000</u></b>	<b><u>417,883,555</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>2020</u></b> <b><u>SDG</u></b>	<b><u>2019</u></b> <b><u>SDG</u></b>
Mudaraba with customers – Individuals (note 8/1)	119,528,216	370,995,703
Mudaraba with Dam Financial Investments Company	210,000,000	180,000,000
Mudaraba with Hyper Deal Investments Company	220,000,000	-
Mudaraba with banks (note 8/2)	<u>231,518,309</u>	<u>243,276,070</u>
	781,046,525	794,271,773
Less : Provision for finance and investment (note 6/1/1)	( 92,976,349)	( 78,543,901)
	<b><u>688,070,176</u></b>	<b><u>715,727,872</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, 2020**

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Bank of Khartoum	1,839,129	63,760,586
Al Ibdaa Bank	25,000,000	22,000,000
Workers National Bank	5,000,000	5,000,000
Industrial Development Bank	10,000,000	10,000,000
Al Usra Bank	-	2,626,394
Saving and Social Development Bank	2,500,000	2,500,000
United Capital Bank	1,956,537	2,166,447
Financial Investment Bank	100,000,000	100,000,000
Al Jazirah Sudanese Jordanian Bank	35,000,000	35,000,000
Animal Resources Bank	222,643	222,643
Al Baraka Bank	50,000,000	-
	<b><u>231,518,309</u></b>	<b><u>243,276,070</u></b>

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Musharaka with corporate and customers	293,309,532	261,367,233
Less: provision for finance and losses(note6/1/1)	( 2,964,595)	( 2,413,672)
	<b><u>290,344,937</u></b>	<b><u>258,953,561</u></b>

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

		<b><u>2020</u></b>	<b><u>2019</u></b>
		<b>SDG</b>	<b>SDG</b>
Alsalam bank- Bahrain	0.98%	428,339,279	343,178,478
Alsalam bank- Algeria	3.60%	441,100,000	248,118,750
Alsalam real state company	50%	50,000	50,000
Inter bank liquidity management fund		192,477,000	100,562,000
King Abdullah city	0.06%	101,519,786	83,015,401
		<b><u>1,163,486,065</u></b>	<b><u>774,924,629</u></b>

## AL SALAM BANK

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

#### 11/ Investments in property:

	<u>2020</u> <u>SDG</u>	<u>2019</u> <u>SDG</u>
Investments in property	468,281,029	468,281,029
	<u>468,281,029</u>	<u>468,281,029</u>

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 was 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:-

	<u>2020</u> <u>SDG</u>	<u>2019</u> <u>SDG</u>
Accrued income of investments	27,157,522	119,788,436
Exchange dealing room accounts – local	314,830	4,763,215
Mogawlat in progress	1,150,000	17,932,823
Finance assets	10,650,000	10,750,000
Prepayments	47,490,936	24,347,440
Drug importation local equivalent account	-	1,372,224
Debtors ( note 12/1)	552,770,655	138,619,730
	<u>639,533,943</u>	317,573,868
Less: provision for doubtful debts	(166,808,155)	(138,437,349)
	<u>472,725,788</u>	<u>179,136,519</u>

#### 12/1/ Debtors:-

Particulars	Accounts receivable			Accounts receivable provision		
	Amount	Currency	Equiv. SDG	Amount	Currency	Equiv. SDG
Arabian Company, being value of shares in Al Salam Bank Algeria, title yet to be transferred	7,000,000	USD	385,962,500			
Al Salam Real Estate Fund	2,819,929	USD	155,483,835	2,819,929	USD	155,483,835
Ajman Land	9,000,490	SDG	9,000,490	9,000,490	SDG	9,000,490
Islamic Insurance Company	2,222,812	SDG	2,222,812	2,222,812	SDG	2,222,812
Compensation Fathelrahman Hassan	101,018	SDG	101,018	101,018	SDG	101,018
			<u>552,770,655</u>			<u>166,808,155</u>

**AL SALAM BANK****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020****13/ Projects in progress :-**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Alsajana branch	88,089,749	85,915,448
Al Souq Alsha'bi branch	98,837,198	86,064,298
Computer software and devices	36,654,128	24,817,473
	<b><u>223,581,075</u></b>	<b><u>196,797,219</u></b>

**14/ Fixed assets:-**

<b>Particulars</b>	<b>Motor Vehicles  SDG</b>	<b>Furniture and fixture  SDG</b>	<b>Office equipment  SDG</b>	<b>IT equipment  SDG</b>	<b>Freehold land and building SDG</b>	<b>Total  SDG</b>
<b><u>Cost at :</u></b>						
Jan ,1,2020	17,487,344	15,704,400	17,727,347	33,125,589	131,562,108	215,606,788
Additions	345,910	3,932,387	4,222,705	5,985,818	-	14,486,820
Disposals	-	-	-	-	-	-
<b>Dec,31,2020</b>	<b>17,833,254</b>	<b>19,636,787</b>	<b>21,950,052</b>	<b>39,111,407</b>	<b>131,562,108</b>	<b>230,093,608</b>
<b><u>Depreciation:</u></b>						
Jan ,1,2020	5,079,964	10,680,925	5,545,350	19,542,070	8,320,987	49,169,296
For the year	2,456,382	1,090,992	1,836,910	6,282,912	1,708,036	13,375,232
Disposals	-	-	-	-	-	-
<b>Dec,31,2020</b>	<b>7,536,346</b>	<b>11,771,917</b>	<b>7,382,260</b>	<b>25,824,982</b>	<b>10,029,023</b>	<b>62,544,528</b>
<b><u>Net book value:</u></b>						
<b>Dec,31,2020</b>	<b><u>10,296,908</u></b>	<b><u>7,864,870</u></b>	<b><u>14,567,792</u></b>	<b><u>13,286,425</u></b>	<b><u>121,533,085</u></b>	<b><u>167,549,080</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>

**15/ Current accounts:-**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Current accounts – local	2,210,383,180	1,202,481,112
Current accounts – foreign	98,978,257	91,246,218
	<b><u>2,309,361,437</u></b>	<b><u>1,293,727,330</u></b>



**AL SALAM BANK****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020****16/ Other liabilities :-**

	<u>2020</u> <u>SDG</u>	<u>2019</u> <u>SDG</u>
Other creditors ( note 16/1)	171,493,056	146,728,229
Accrued expenses	6,083,989	3,641,988
Outstanding cheques	110,170,497	49,522,603
Other payable ( note 16/2)	25,334,231	21,425,686
Cash margin against letters of credit	206,590,213	169,032,860
Cash margin against letters of guarantee	1,800,114	3,154,337
	<u><b>521,472,100</b></u>	<u><b>393,505,703</b></u>

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

	<u>2020</u> <u>SDG</u>	<u>2019</u> <u>SDG</u>
Clients import accounts	132,460	-
Export proceed account	1,512,541	1,228,320
Albokhary corporation (3 million dollar )*	165,412,500	135,337,500
Exchange dealing room accounts – foreign	411,781	4,763,256
Drug import accounts	-	1,372,224
National clearance account	4,023,774	4,026,929
	<u><b>171,493,056</b></u>	<u><b>146,728,229</b></u>

\* 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, 2020

#### 17/ Provisions:-

	<u>2020</u>	<u>2019</u>
	<u>SDG</u>	<u>SDG</u>
Provision for banking Deposits security fund	3,682,998	2,433,637
Provision for staff bonus	61,925,341	15,000,000
Board of directors remuneration	22,736,063	8,953,123
Shari'a supervisory board remuneration	2,136,363	1,000,000
Provision for personal Income tax and Zakah	6,727,323	1,339,354
Provision for Zakah (Prior years)	473,537	473,537
Provision for Zakah	53,749,121	42,648,002
Provision for Business profit tax	107,059,373	-
	<u><b>258,490,119</b></u>	<u><b>71,847,653</b></u>

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

	<u>2020</u>	<u>2019</u>
	<u>SDG</u>	<u>SDG</u>
Unrestricted investment account balances*	1,513,913,665	1,004,317,771
Return on unrestricted investment accounts (note 23)	142,357,480	75,253,277
Advance payment	( 69,130,050)	( 47,869,121)
	<u><b>1,587,141,095</b></u>	<u><b>1,031,701,927</b></u>

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

#### 19/Paid in capital

	<u>2020</u>	<u>2019</u>
	<u>SDG</u>	<u>SDG</u>
Authorized and paid up capital	323,549,000	323,549,000
	<u><b>323,549,000</b></u>	<u><b>323,549,000</b></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>2020</u>	<u>2019</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)	774,680,397	624,776,629
Foreign assets and liabilities revaluation reserve (note 20/3)	1,044,016,164	898,854,774
General reserve (note 20/4)	284,407,948	284,407,948
Statutory reserve (note 20/5)	127,167,520	109,003,245
	<u><b>2,537,822,213</b></u>	<u><b>2,224,592,780</b></u>

## **AL SALAM BANK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

#### **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 7 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>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Murabaha income	294,572,864	181,016,366
Ijarra icome	-	17,828
	<b><u>294,572,864</u></b>	<b><u>181,034,194</u></b>

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Securities (Shahama)	85,952,056	116,422,241
Inter bank liquidity management fund	3,304,850	4,709,105
Mudaraba income	57,188,746	10,402,081
Musharaka income	180,648,079	21,825,574
Investment accounts-local banks	28,634,580	11,998,115
	<b><u>355,728,311</u></b>	<b><u>165,357,116</u></b>

## AL SALAM BANK

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Share of profit before Mudarib share	188,231,827	115,365,650
Mudarib share of profit	(45,874,347)	(40,112,373)
Net return after mudarib share	142,357,480	75,253,277
The bank subsidy to profit	-	-
Final balance after subsidy	<b><u>142,357,480</u></b>	<b><u>75,253,277</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>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Income from Alsalam bank- Bahrain	21,607,564	20,387,440
Income from Alsalam bank- Algeria	137,843,750	14,644,007
	<b><u>159,451,314</u></b>	<b><u>35,031,447</u></b>

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Bookkeeping and cheques issuance commission	9,368,007	4,947,940
Letters of credit commission	14,787,432	2,980,577
Letters of guarantee commission	1,546,454	2,197,357
Transfers and acceptances commission	203,066	-
Administrative commission	6,516,825	4,734,289
Other bank services	238,236	109,886
SMS commission	260,790	346,924
Income from outward transfers	-	4,844,014
Income from ATMs	-	1,000
Income from mail and communications (SWIFT)	67,000	27,400
Save box income	76,232	151,461
Mobile services income	1,496,040	1,624,859
	<b><u>34,560,082</u></b>	<b><u>21,965,707</u></b>



**AL SALAM BANK****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020****26/ Other income:-**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Miscellaneous	631,640	519,332
Income from insurance companies	211,598	170,371
Income from electricity purchase and other electronic	463,496	669,368
Gain from disposal of fixed assets	-	2,308,751
Reversal of prior years' provisions	-	<u>28,813,986</u>
	<b><u>1,306,734</u></b>	<b><u>32,481,808</u></b>

**27/ Staff cost:-**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Basic salary	47,256,159	32,207,858
Eid bonus	34,201,257	19,783,187
Nature of work allowance	1,405,532	928,889
Uniform allowance	14,024,104	10,079,777
End of service benefit	13,454,115	8,251,691
Training	1,133,745	907,964
Staff performance bonus	61,000,000	15,000,000
Health insurance	8,650,000	5,588,331
Social insurance	9,011,963	6,359,507
Overtime	272,876	784,943
Other staff cash and in kind benefits	4,395,611	3,310,812
Staff refreshment	1,310,188	-
Annual leave allowances	<u>10,831,710</u>	<u>10,090,403</u>
	<b><u>206,947,260</u></b>	<b><u>113,293,362</u></b>

**AL SALAM BANK****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020****28/ Operations expenses:-**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Stationary and printings	2,061,432	2,075,429
Maintenance and repair	12,720,778	11,748,595
Telecommunications	2,113,294	1,570,408
Vehicles running expenses	2,393,002	1,284,535
Electricity and water	2,496,792	2,719,215
Insurance	3,061,293	1,998,887
Security expenses	2,603,075	1,430,862
Rent	1,487,000	1,446,000
Gardening	185,390	100,800
Legal consultants expenses	904,871	355,974
Shareholders meeting expenses	-	1,508,946
Audit fees	394,420	319,995
Shari'a supervisory board expenses	524,247	1,215,529
Board of directors meeting expenses	7,077,895	17,427,618
Board of directors remuneration	12,800,000	7,208,224
Shari'a supervisory board remuneration	1,000,000	1,000,000
Subscriptions	4,008,203	3,339,623
Entertainment	2,552,618	1,516,776
Cash expenses	26,600	57,760
Cleaning	4,766,490	1,659,303
Miscellaneous	23,716	17,164
Transportation	40,360	36,390
Visas and hotels expenses	1,494,315	1,885,919
Banks charges	869,243	397,731
Donations and gifts	1,651,555	1,236,789
Swift	127,286	114,650
Advertising	2,585,352	2,807,175
Deposits guarantee fund	3,639,305	2,228,091
National clearing expenses	585,891	-
Services expenses	162,517	157,600
Newspapers magazines and books	82,160	125,968
	<b><u>74,439,100</u></b>	<b><u>68,991,956</u></b>

**29/ Earning per share:-**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Net profit for the year	326,804,137	78,308,251
Number of shares	<u>121,275,000</u>	<u>121,275,000</u>
Earnings per share	<b><u>2.69</u></b>	<b><u>0.65</u></b>

## **AL SALAM BANK**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>SDG</b>	<b>SDG</b>
Letters of credit	206,590,213	169,032,860
Letters of guarantee	22,785,509	45,800,287
Debts written-off	1,716,530	1,716,530
	<b><u>231,092,252</u></b>	<b><u>216,549,677</u></b>

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

The total investment at Dec 31, 2020 amounted to SDG 2,778,617,794 (2019: SDG 2,161,906,909) and it was distributed according to economic sectors as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Industry	%13.3	14.3%
Transportation	%14.7	7.6%
Commercial	%18.2	11.6%
Agriculture	%11.3	9.1%
Building	%2.5	4.0%
Other sectors	<u>%40.0</u>	<u>53.4%</u>
Total	<b><u>%100.0</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 53.8 million (2019: SDG 42.7 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, 2020****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 ,2020 SDG</b>			
	<b>Principal shareholders &amp;board of directors and their companies</b>	<b>Key managers</b>	<b>Total at 31 Dec 2020</b>
<b><u>Balance sheet items:</u></b>			
Murabaha	-	16,266,459	16,266,459
Unrestricted investment accounts holders	2,423,000	-	2,423,000
Current accounts	1,079,517	1,829,771	2,909,288
<b><u>Income statement items</u></b>			
Murabaha income	-	609,740	609,740
Mudaraba income	48,495,968	-	48,495,968
<b><u>Top management:-</u></b>			
Remuneration	-	6,851,000	6,851,000

**AL SALAM BANK**
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>31,Dec ,2019</b>			
<b>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

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

The balance of unrestricted investment accounts as at 31 Dec 2020 was SDG 1,587,141,095 (2019: SDG 1,031,701,927), the accounts of the below clients represents 59 % of the total.

<b>Client</b>	<b>balance at 31Dec 2020</b>
	<b>SDG</b>
Blue Nile Mashreg Bank	180,000,000
Sundug Alkhidma Alshamila	550,755,842
Libyan Arab for Foreign Investments Company	30,678,000
United Capital Bank	100,000,000
Deposits Guarantee Fund	20,000,000
Najat Alnour Elsheikh	9,252,264
Al Baraka Insurance Company	20,000,000
Investment Development Company Ltd.	7,000,000
Ahmed Mohammed Ahmed Alsheikh	6,000,000
Sudanese Insurance and Reinsurance Company	6,000,000
<b>Total</b>	<b><u>929,686,106</u></b>

## **AL SALAM BANK**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

#### **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, 2020**

#### **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>2020</u> <u>USD</u>	<u>2019</u> <u>USD</u>
Assets	50,782,529	47,956,957
Liabilities	<u>(18,072,562)</u>	<u>(18,450,955)</u>
Net foreign currency position	<u><u>32,709,967</u></u>	<u><u>29,506,002</u></u>

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

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

	<u>2020</u> <u>SDG</u>	<u>2019</u> <u>SDG</u>
Core capital	1,028,039,000	1,057,064,000
Total risk weighted assets	4,909,080,000	4,811,832,000
The banks' capital adequacy ratio	<u><u>%21.0</u></u>	<u><u>%22.0</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 2019 and provided for 2020.

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

The bank paid its business profit tax up to 2019 and provided for 2020. Due to the recent prevailing conditions in the country, which resulted from the revolution and the Corona Pandemic, no field inspection has been done by the Tax Authorities during the period 2017-2019. Accordingly, the bank hasn't been able to obtain tax clearance certificates for these years.

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

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