CHAM BANK S.A.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

These financial statements have been translated from the original statutory financial statements that have been prepared in the Arabic language.
In the event that differences exist between this translation and the original Arabic language financial statements, the Arabic language financial statements will prevail over this document.

Cham Bank S.A.

Consolidated Statement of Financial Position
As at 31 December 2018

	Notes	2018 SYP	2017 SYP
Assets			
Cash and balances with the Central Bank of Syria	3	51,582,818,611	36,216,903,664
Deposits, investment accounts and certificates of banks and financial institutions for a period of three months or less	4	43,705,791,587	55,928,463,624
Investment accounts and certificates with banks and financial institutions for more than three months	5	330,000,000	-
Sales receivable and balances of financing activities, net	6	47,981,064,955	35,384,968,219
Net assets under investment or liquidation	7	134,933,805	1,098,644,340
Investment in real estate	8	2,380,850,000	2,380,850,000
Net fixed assets	9	6,627,130,010	1,693,854,054
Intangible assets	10	6,933,540	4,016,696
Deferred tax assets	18	1,338,589	1,361,139
Other assets	11	1,794,721,044	744,709,231
Blocked deposit with Central Bank of Syria	12	2,163,455,530	2,163,455,530
Total assets		**156,709,037,671**	**135,617,226,497**
Liabilities, unrestricted investment accounts, non-controlling interests and equity			
Liabilities			
Deposits and investment accounts due to banks and financial institutions	13	28,222,042,495	46,451,576,800
Customers' current accounts	14	53,967,068,395	32,409,552,218
Cash margins	15	5,245,066,197	4,749,332,334
Accounts Payable	16	1,389,261,156	137,394,330
Miscellaneous Provisions	17	290,319,608	240,071,613
Income tax provision	18	313,010,014	141,535,228
Other liabilities	19	3,380,489,830	2,875,095,205
Total liabilities		**92,807,257,695**	**87,004,557,728**
Equity of unrestricted investment accounts holders			
unrestricted investment accounts	20	38,707,773,250	24,896,590,303
Investment risk reserve	21	210,829,472	171,225,534
Profit equalization reserve		126,624,831	40,965,244
Total Equity of unrestricted investment accounts holders		**39,045,227,553**	**25,108,781,081**
Total liabilities and equity of unrestricted investment accounts holders		**131,852,485,248**	**112,113,338,809**
Equity			
Bank shareholders equity			
Paid in capital	22	5,250,000,000	5,000,000,000
General reserve for credit risk	23	33,051,351	33,051,351
Investments fair value reserve	24	2,175,411,384	2,175,411,384
Statutory reserve	25	430,618,546	313,909,216
Private reserve	25	430,618,546	313,909,216
Profit equalization reserve		1,017,254,859	518,507,215
Unrealized retained earnings		14,708,920,881	14,708,920,881
Retained Earnings (Losses)		807,850,250	437,394,760
Attributable to equity owners of the parent		**24,853,725,817**	**23,501,104,023**
Non-controlling interests	26	**2,826,606**	**2,783,665**
Total liabilities, unrestricted investment accounts, non-controlling interests and equity		**156,709,037,671**	**135,617,226,497**

Chairman | Chief Executive Officer | Internal Banking Controller

The attached notes 1 to 47 form an integral part of these consolidated financial statements.

Cham Bank S.A.

Consolidated Income Statement
For the year ended 31 December 2018

	Notes	2018 SYP	2017 SYP
Income from sales receivable and financing balances	27	4,607,373,963	4,057,310,091
Income from banks and financial institutions	28	359,658,992	881,586,701
Expenses charged to the joint venture pool	29		(6,618,228)
Total income from the investment of the bank and the unrestricted investment accounts		**4,967,032,955**	**4,932,278,564**
Profit equalization reserve		(587,683,264)	(342,746,448)
Distributable joint income		**4,379,349,691**	**4,589,532,116**
The share of the unrestricted investment account from the distributable joint income		**(1,222,679,438)**	**(505,246,744)**
Investment risk reserve		(39,826,666)	(16,726,024)
The return on the unrestricted investment account after deducting the investment risk reserve	30	(1,182,852,772)	(488,520,720)
Bank's share in the joint income as a Mudarib, **investment deputy and Fund Owner**	31	**3,156,670,253**	**4,084,285,372**
Income from banking services	32	960,769,756	1,459,951,609
Earnings (loss) of the foreign currencies differences (operational position)		142,504,595	115,247,629
Profits of structural foreign exchange assessment		-	(3,106,312,496)
Other income	33	317,989,935	7,117,509
Total bank's income		**4,577,934,539**	**2,560,289,623**
Staff expenses	34	(1,154,764,879)	(1,070,973,098)
Depreciation and amortization	10-9	(180,843,939)	(102,279,181)
Other expenses	35	(2,210,189,255)	(3,076,185,471)
Impairment provision for sales receivable and financing balances	36	185,000,000	(677,198,549)
Miscellaneous Provisions		(50,000,000)	(50,000,000)
Total Expenses		**(3,410,798,073)**	**(4,976,636,299)**
Profit/(loss) before tax		**1,167,136,466**	**(2,416,346,676)**
Income Tax expense	18	(308,694,767)	(137,382,891)
Net Profit for the Period		**858,441,699**	**(2,553,729,567)**
Attributable to:			
Bank shareholders		858,395,033	(2,553,782,170)
Non-controlling interests		46,666	52,603
Basic earnings per share	37	**16.35**	**(48.64)**

The attached notes 1 to 47 form an integral part of these consolidated financial statements.

Cham Bank S.A.

Consolidated Statement of Cash Flows
For the year ended 31 December 2017

		2018	2017
		SYP	SYP
Cash Flows from Operating activities			
Net result before zakat and tax		1,167,136,466	(2,416,346,676)
Adjustments for non-cash items:			
Depreciation and amortization		180,843,939	102,279,181
Return on unrestricted investment accounts		1,222,679,438	505,246,744
Impairment provision for financing receivables		(185,000,000)	677,198,549
Miscellaneous Provisions		50,000,000	50,000,000
Net income before changes in operating assets and liabilities		**2,435,659,843**	**(1,081,622,202)**
The changes in operating assets and liabilities			
The decrease (increase) of the deposits in the banks (maturity date for more than three months)		(330,000,000)	1,213,737,787
Restricted balances		7,623,017,089	(26,787,397,177)
Deposits in The Central Bank (Compulsory Cash Reserve)		(1,664,117,788)	(1,106,425,049)
The decrease (increase) in Sales receivable and balances of financing activities		(12,528,982,724)	(9,889,409,174)
The decrease (increase) in the other assets		(1,051,023,079)	513,924,957
The decrease (increase) of the deposits in the banks (maturity date for more than three months)		-	(620,000,000)
Paid income tax		(137,569,891)	(521,048,152)
Margins		677,688,820	111,168,914
Account payable		1,253,696,208	134,525,743
Other liabilities		594,222,904	1,818,808,666
Net cash flows from operating activities		**(3,127,408,618)**	**(36,213,735,687)**
Purchase (sale) of assets under investment or liquidation		963,703,077	(271,470,373)
Purchase (sale) of intangible assets		(6,597,049)	(3,276,900)
Purchase (sale) fixed assets		(5,110,439,689)	(838,646,340)
Fixed financial assets		-	-
Net cash flows from investing activities		**(4,153,333,661)**	**(1,113,393,613)**
Cash flows (used in) from the financing activities			
Equity of unrestricted investment accounts (except for not payable earmarked charges).		13,884,809,261	19,298,638,381
Shareholders' share from the profit equalization reserve		502,686,897	316,248,529
Net increase in current accounts		21,761,226,612	(1,679,606,246)
Profit paid to the holders Investment deposits		(1,147,739,630)	(401,692,376)
Cash dividends		(87,961,448)	(83,951,575)
Net cash flows (used in) from financing activities		**34,913,021,692**	**17,449,636,713**
Foreign exchange effect on the cash and cash equivalents		(289,701,827)	1,822,459,582
Net increase (decrease) in cash and cash equivalents		**27,342,577,586**	**(18,055,033,005)**
Added			
Cash and cash equivalents at the beginning of the period		16,150,419,663	34,205,452,668
Cash and cash equivalents at the end of the period	**38**	**43,492,997,249**	**16,150,419,663**

The attached notes 1 to 46 form an integral part of these consolidated financial statements.

Consolidated Statement of change equity as at 31\12\2018

		Reservations										
Notes	**Paid Capital**	**Statutory reserve**	**Private reserve**	**General reserve for credit risk**	**Profit equalization reserve**	Fair value reserve for real estate investments	**Unrealized retained earnings**	**Profit for the Period**	**Retained Earnings (Losses)**	**Total bank shareholders equity**	**Share of non-controlling**	**Total Equity**
Balance at 31 December 2018	**5,000,000,000**	**313,909,216**	**313,909,216**	**33,051,351**	**518,507,215**	**2,175,411,384**	**14,708,920,881**	**-**	**437,394,760**	**23,501,104,023**	**2,783,665**	**23,503,887,688**
Fair value reserve for real estate investments	-	-	-	-	498,747,644	-	-	-	-	**498,747,644**	-	**498,747,644**
Profit equalization reserve	-	-	-	-	-	-	-	-	*(368,735)	**(368,735)**	(3,725)	**(372,460)**
Dividends	250,000,000								(250,000,000)			
Previous years adjustments	-	-		-	-	-	-	858,395,033	-	**858,395,033**	46,667	**858,441,700**
Profit (loss) for the Period	-	116,709,330	116,709,330	-	-	-		(858,395,033)	624,976,373	**-**	-	**-**
Allocation of the profit of the period	-	-	-	-	-	-	-	-	(4,152,148)	**(4,152,148)**	-	**(4,152,148)**
Balance at 31 Dec 2018	**5,250,000,000**	**430,618,546**	**430,618,546**	**33,051,351**	**1,017,254,859**	**2,175,411,384**	**14,708,920,881**	**-**	**807,850,250**	**24,853,725,817**	**2,826,607**	**24,856,552,424**

*The close of the deferred tax asset of the subsidiary (Amwal Al-Cham) for the year 2013.
**This amount represents capital increase expenses and is recognized directly in equity by Circular No. 26 issued by the Syrian Securities and Exchange Commission (note 22)

Cham Bank S.A.

Consolidated Statement of Change In Equity
As at 31 December 2018

Consolidated Statement of change equity as at 31\12\2017

Notes	Paid Capital	Reservations		General reserve for credit risk	Profit equalization reserve	Fair value reserve for real estate investments	Unrealized retained earnings	Profit for the Period	Retained Earnings (Losses)	Total bank shareholders equity	Share of non-controlling	Total Equity
		Statutory reserve	Private reserve									
Balance at 31 December 2017	**5,000,000,000**	**244,917,707**	**244,917,707**	**33,051,351**	**239,028,017**	**301,981,384**	**17,815,248,326**	**-**	**273,201,238**	**24,152,345,730**	**2,734,786**	**24,155,080,516**
Fair value reserve for real estate investments	-	-		-	-	1,873,430,000	-	-	-	**1,873,430,000**	-	**1,873,430,000**
Profit equalization reserve	-	-	-	-	279,479,198	-	-	-	-	**279,479,198**	-	**279,479,198**
Dividends	-	-	-	-	-	-	-	-	(250,000,000)	**(250,000,000)**	-	**(250,000,000)**
Previous years adjustments	-	-	-	-	-	-	(14,949)	-	*(353,786)	**(368,735)**	(3,724)	**(372,459)**
Profit (loss) for the Period	-	-		-	-	-	-	(2,553,782,170)	-	**(2,553,782,170)**	52,603	**(2,553,729,567)**
Allocation of the profit of the period	-	68,991,509	68,991,509	-	-	-	(3,106,312,496)	2,553,782,170	414,547,308	**-**	-	**-**
Balance at 31 Dec 2017	**5,000,000,000**	**313,909,216**	**313,909,216**	**33,051,351**	**518,507,215**	**2,175,411,384**	**14,708,920,881**	**-**	**437,394,760**	**23,501,104,023**	**2,783,665**	**23,503,887,688**

*The close of the deferred tax asset of the subsidiary (Amwal Al-Cham) for the year 2012.
** The suggested dividends (20,000,000) as a board bonus which restricted as unpaid accrual expense through the year 2017

1- General information

Cham Bank S.A. ("the Bank") is licensed as public shareholding Company in accordance with the Ministerial decree No.(66/M.W) issued on 7 September 2006, and decree No. (10592/M/W) issued on 28 July 2011, and the commercial record number (14809); and the resolution No.(104/L.A) issued by the Committee of the Central Bank of Syria on 10 February 2007. The Bank is subject to the legislative decree No. (35) for the year 2005 on regulating the work of Islamic Banks; the legislative decree No. (28) for the year 2001 concerning the creation of private and joint banks and its executive directives and its executive instructions; the regulation No.(23) for the year 2002; the commerce low No.(33) for the year 2007, Corporation Law No. 29 for 2011, and the regulations stated by the Monetary and Credit Council, and with no violate to the Islamic Shari'a rules and principles.
The Bank's headquarter is located at Al Nagmah square, Damascus – Syrian Arab Republic.
The Bank is registered with a total authorized capital of SP 5,000,000,000 representing 5,000,000 shares; with a par value of SP 1000 per share. The Bank started its operations on 27 August 2007.
During the abnormal general assembly meeting of shareholders on 20 June 2011, the distribution of shares was approved in accordance with article 91 item /3/ of the legislative decree No. (29) for the year 2011which stipulates the nominal value of one share per one hundred Syrian pounds within two years starting from the effective date of this decree, accordingly, the General Assembly of Shareholders decided to authorize the Board of Directors to follow up the procedures for stock splitting before the concerned authorities. On November 22, 2011, Resolution No. 119 / M issued by the Syrian Securities and Exchange Commission approved the amendment of the nominal value of the share of the Bank to become one hundred Syrian Pounds per share, bringing the total shares to 50 million shares. The date of implementation of the said amendment was determined at the Damascus Securities Exchange at the end of December, 6, 2011.
On 1/10/2018, the Board of Commissioners of the Syrian Securities and Financial Markets Authority issued a resolution No. (117 / M) approving the final approval of the capital increase shares of the bank by combining part of the retained earnings.
The capital of the bank was increased by a total value of 250,000,000 SYP through the approval of 2,500,000 shares at a nominal value of SYP 100 per share.

The Bank carries out banking, financing and investing activities in accordance with the Bank's by laws and the teachings of Islam (Shari'a) through its headquarter, ten branches (three of them are closed) and its brokerage company Amwal Al-Cham.

Company's Name	Company's Nationality	Owner ship Percentage	The nature of the activity
Amwal Al-Cham for Islamic Brokerage Company LLC	Syrian	99%	Include brokerage activities on behalf of the company and on behalf of others and managing financial investments and initial issues without undertaking coverage.

Bank shares were listed in the Damascus Securities Exchange on 25-5.2014
The bank, in particular and directly carry out the following activities:

1. The opening of current accounts.
2. Open the unrestricted investment accounts and mixed it with bank fund and unrestricted fund that the bank is free to dispose and invest them in what transactions permitted by the Shari'a Supervisory Board of the Bank.
3. Open restricted investment accounts outside the budget and invest it in what permitted by the Shari'a Supervisory Board of the Bank.
4. Managing investment accounts as mudarib and agent.
5. Financing, leasing and investing directly through the creation of productive projects and start-up companies, and financial investment through the purchase of securities.
6. Providing banking services permitted by the Shari'a Supervisory Board of the Bank.
7. Provide interest-free loans from the bank's own fund or the unrestricted fund that the bank is free to dispose, individually or through establishing fund. "
8. Any other banking services permitted by the laws and regulations and approved by the Shari'a Supervisory Board of the Bank.

The consolidated financial statements were approved by the Board of Directors of the Bank at its **first** session dated 08/03/2019 and are subject to approval by the general assembly of shareholders.

1- General information (continued)

Shari'a Supervisory Board

The activity of the Bank is subject to the supervision of a Shari'a Supervisory Board composed of three members:

1) Dr. Ahmad Hasan — Chairman. And executive member
2) Dr. Abed alSalam Mohammadah — Vice-President
3) Dr..Mohammad Tawfiq Ramadan — Member.

Shari'a Supervisory Board was appointed by the General Assembly and based on the approval of the Monetary and Credit Board resolution. 64/MN/ 21/05/2017.

Dr. Mohammed Tawfiq Ramadan was appointed to fulfill his duties during this term, and thus the Monetary and Credit Board has given its approval based on the resolution 97 – 19/07/2017. The General assembly has approved this appointment through its meeting dated on 13\5\2018, and appointed Dr.Mohammad Khalif as a trained member under the aforementioned resolution No.97

The Board members may not be dismissed except with the consent of the General Assembly and informing the Central Bank of Syria.

The role of the Shari'a Supervisory Board is to monitor the Bank operations and activities and it’s compliance with Islamic Shari'a rules and its opinion is obligatory for the Bank.

2- Accounting policies

Basis of financial Statements preparation

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI, International Financial Reporting Standards and its interpretation when AAOIFI standards do not exist and in accordance with the related regulations and instructions issued by the Monetary and Credit Council, according to Shari’a rules and principles.

The consolidated financial statements are prepared on a historical cost basis, except for trading financial assets / liabilities, available-for-sale financial assets / liabilities and real estate investments and available-for-debt-sale assets investments that are stated at fair value at the date of the financial statements.

The consolidated financial statements are presented in Syrian Pounds.

Taken into consideration in the presentation and disclosure the separation of equity owners and unrestricted investment account holders.

Basis of Financial Statements consolidation

The consolidated financial statements (whether funded from unrestricted investment accounts or from the bank's own funds) include the financial statements of the Bank and its subsidiary, Amwal AlCham Islamic Brokerage Company LLC (the Group”). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Transactions, balances, income and expenses between the Bank and the subsidiary are eliminated on consolidation.

The Bank’s share in the subsidiary’s capital is illustrated below:

Subsidiary	Percentage of contribution	The Bank’s share of the subsidiary’s capital	
		2018 SYP	2017 SYP
Amwal AlCham Islamic Brokerage Company LLC	**99%**	247,500,000	247,500,000
		247,500,000	**247,500,000**

The financial statements of the subsidiary are prepared for the same reporting year as the Bank, using the same accounting policies as the Bank. If the subsidiary has accounting policies that differ from those of the Bank, the necessary adjustments are made to the financial statements of the subsidiary to conform to the accounting policies adopted by the Bank

2-Accounting Policies (continued)

Subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that control ceases..

The results of the subsidiary acquired or disposed of during the year are included in the consolidation income statement from the date of acquisition or up to date of disposal (According to Monetary and Credit Council decree No 501 issued on 10 May 2009).
Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position.
The recognition of the positive difference between the cost of the purchase of the subsidiary company and the fair value of the Bank's share of the net assets acquired is recognized as goodwill, and the negative difference recognized as (discount purchase) directly in the income statement for the year of the purchase.
In the case of preparing separate financial statements of the bank as an independent company the investments are shown in subsidiaries at the cost.

Changes in accounting policies

Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions:

Financial Accounting Standard No. 30 Impairment and credit losses

AAOIFI issues Financial Accounting Standard No. 30 Impairment and Credit Losses in November 2017, which related to the impairment, credit losses and overburdened liabilities, this standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted. Knowing that the early adoption of this Standard was decided on 1 January 2019 based on the decision of the Accounting and Auditing Board in its session No. 1 of 2018.

Classification and measurement
According to FAS 25 “investments in Sukuk, shares and similar instruments” the investments are classified as:

1- Debt instruments which are classified into the following categories:
    - Investments at fair value through income statement.
    - Investments carried at amortized cost.
2- Equity instruments which are classified into the following categories:
    - Investments at fair value through income statement.
    - Investments carried at fair value through equity.

Investment may be classified at initial recognition at fair value through income statement in accordance with the investment strategy adopted by the Bank. After initial recognition, all investments are measured at their initial classification, ie, at fair value, or at amortized cost.

Impairment and Credit Losses
The expected future credit loss model is applied to all established receivables (Dain) and off balance sheet exposures including guarantees, letters of credit, forward foreign exchange and other similar positions. The Bank will reclassify its assets subject to credit losses to the following three stages in accordance with the methodology of FAS 30:

- **Stage 1** – Performing loans: Receivables that have not substantially deteriorate in credit quality since granted. The bank recognises an allowance based on 12-month expected credit losses.
- **Stage 2** – Underperforming loans: Receivables that have substantially deteriorate in credit quality since granted, the bank records an allowance for the lifetime expected credit loss.
- **Stage 3** – Impaired loans: , the bank records an allowance for the lifetime expected credit loss. To assess a range of potential results, the Bank intends to develop different scenarios. For each scenario, the Bank will recover the expected credit losses and apply Probability approach for determining impairment allowances in accordance with accounting standards requirements.

Impairment approach

The bank recognizes impairment loss on other financing and investment assets and exposures subject to risks other than credit risk (other than inventories), other than investments carried at fair value through income statement. The bank computes impairment loss being the amount by which the carrying amount of an asset exceeds its recoverable amount, the recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

Net realizable value approach

The bank recognizes impairment loss on inventories as a result of Various Islamic finance transactions are based on a trade based structure e.g. Murabaha, deferred payments sales including installment sales, Salam or Istisna'a.
After entail recording, the bank measures inventories at the least of Net realizable value or cost.
Net realizable value (NRV) – is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, considering the factors specific to the ban.

Expected impact

In accordance with the transitional provisions relating to the initial application of FAS 30, the Bank will be allowed to recognize any difference between the previously reported carrying amount under the Monetary and Credit Council and Central Bank of Syria decisions and the carrying amount of losses attributable to shareholders at the beginning of the annual reporting period (Initial application) in the opening balance of retained earnings and accumulated accrual to shareholders, including unrestricted investment account holders, relating to prior periods, will be adjusted by allocating an amount of the relevant investment risk reserve(Profit equalization reserve in case of default) with the necessary legal approvals.
The new standard also introduces disclosure requirements and changes. These requirements are expected to change the nature and extent of the Bank's disclosures about its financial instruments, particularly in the year of application of the new standard.
The application of this standard is expected to have no financial or other effect as the Bank retains additional provisions based on past stress tests.

Governance:

In order to implement Standard No. 30, the Bank has set up a specialized committee to study the requirements of the standard, determine the requirements for implementation and determine the data gap to be met.
The Committee analyzes and process the data and presents the impact of applying the Standard on the Bank financial position and the income statement and provisions to be established.
The final version of the business model shall be presented to the external auditor to the appropriate recommendations to ensure that the business model is appropriate and suitable for the bank and takes into consideration all the risks that may be faced by both the bank and its customers which would impose on the bank hedge against expected risks to be able to face those risks if they occurred.

Accounting Standard No. 31 - Investment Agency:

This standard aims at disclosing the accounting principles and disclosures of the Agency's investment instruments and the relevant assets and liabilities of the investor and the client. The Standard adopts a general accounting classification whereby the principal (investor) assesses the nature of the investment either as a direct investment pass-through is the preferred approach, or use the Wakala Venture approach

The Standard also provides that the agent shall generally establish the off-balance sheet assets as the client's property, unless specific conditions for classification of the assets are available in the budget.

This Standard shall enter into force for periods from 1 January 2020, with early application permitted.

Standard (28): Murabaha and Forward Securities:

The Standard clarifies the accounting treatment of Murabaha and sales receivable by presenting the various accounting issues related to Murabaha from initial recognition, subsequent measurement, presentation, disclosure and other related matters. In addition to Murabaha there are many Islamic financing operations that rely on trading but other than Murabaha does not require disclosure Cost and profit of the person intending to purchase. These sales take many forms and are referred to in this Standard as (deferred sales). This standard does not cover tawarruq and murabaha of commodities.

This Standard replaces Financial Accounting Standard No. (2) Murabaha and Murabaha of the Purchase Order and Financial Accounting Standard No. 20, "sales receivable".

This standard shall enter into force on 1-1-2019 with early application.

Standard 35: Risk Reserves:

This Standard sets out the accounting principles for risk reserves to replace FAS 11, "Provisions and Reserves", which becomes effective in conjunction with Financial Accounting Standard No. 30, "Impairment, Credit Losses and Strict Obligations".

This standard does not require financial institutions to form risk reserves, but it applies to those reserves, whatever the name that the institutions call on those reserves, if they meet the definition of reserves contained in this standard.

The Standard encourages Islamic financial institutions to establish risk reserves sufficiently to protect holders of accounts based on profit and loss sharing, especially in the face of multiple risks such as credit risk, market risk, investment risk and rate of return risk.

This Standard shall enter into force on January 1, 2020, with early application permitted only if the Islamic Finance Corporation decides early application of FAS 30: Impairment of assets, credit losses and liabilities charged with losses.

Changes in accounting estimates

The preparation of the Group's consolidated financial statements requires the management to make estimates and judgments that affect the reported amounts of financial assets and liabilities in the consolidated statements, in addition to the disclosure of contingent liabilities. Moreover, those judgments and estimates could affect the revenues, expenses, provisions and the changes in fair value that is represented in the consolidated income statement.

The key hypotheses about future estimates for the uncertain events in the date of the consolidated financial statements that could result in significant risk could require a material adjustment to the carrying amount of the assets or liabilities' balances in the consolidated financial statement during the year. The most significant uses of judgment and estimates are listed below:

Fair value of financial instruments

Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from quoted prices or active trading of certain financial instruments, they are determined using a variety of valuation techniques that include the use of pricing models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment and estimate are required to establish fair values.

Impairment of financing and investing receivables contracts

The Group reviews the financing and investing contracts receivables periodically to assess whether the provisions recorded in the consolidated income statement are adequate based on the management judgments for amounts and timing of future cash flows. In estimating these cash flows, the Group makes judgments about the client's financial situation and the net realizable value of the guarantee. Such estimates are mainly based on assumptions and a number of factors with varying levels of estimates and uncertainty, and the actual results may differ due to the changes taking a place because of the conditions and circumstances of these estimates in the future.

In addition to the resulting provision from evaluating the financing receivables individually, the Group makes overall value impairment provision for every group of financing and investing accounts by aggregating them in groups which have similar features of credit risks and revaluate them collectively for value impairment.

Deferred tax assets

Deferred tax assets are recognized for tax losses or untaxable expenses that are considered probable that there will be sufficient future taxable profit against which the loss can be utilized. Recognizing deferred tax assets requires management to make estimates based on the period and amounts of future taxable profit and tax plans.

Going Concern

The Group's management has made an assessment of the Group's ability to continue as a going concern despite the current instability that the Syrian Arab Republic is experiencing and the inherently uncertain future outcomes of these events, the Group's management is satisfied that the Group has enough resources to continue in business for the foreseeable future. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Zakat and tax Treatment

Payment of Zakat is the responsibility of the shareholders and the holders of unrestricted investment accounts (deposits and savings) in case of the availability of the obligation conditions of the Zakat due to the lack of authorization from the General Assembly of the Bank to pay zakat on behalf of shareholders.

Total Zakat computed for the shares of Cham Islamic Bank was SYP (510,829,517), and it's calculated using a percentage of 2.5775% annually (according to fiscal year), after determining the Zakat pool using two methods to, the first is the Net Assets method and the second is Net Investment fund. The two methods where tested and both of them showed the same result where the Zakat pool was SYP (19,822,643,250).

Blocked deposit in the Central Bank of Syria was excluded from Zakat pool, where its Zakat is calculated once when possessing it, depending on the Zakat standard No. 35 paragraph 5/3/4/8 issued by the Accounting and Auditing Organization for IFIs.

The bank's shares evaluated according to the purpose of acquiring, equities acquired for the purpose of development (in order to benefit from the proceeds as income source) pay Zakat as SYR 09.73per share, while the shares acquired for the purpose of trading are treated as trade offers so the owner should pay 2.5775% of its market value at the time of Zakat according to the calendar year.

Gains and exchange that violate Islamic Shari'a:

The Bank recognizes revenue and gains that violate the Islamic Shari'a in a special account (called legitimate irregularities fund) which appears in the consolidated statement of financial position within other liabilities and then disbursed as charity works after obtaining the approval of the legitimate authority. During 2018 the amount (761,905 SP) was posted to the legality irregularities fund based on the decisions of the Shari'a Board, comparing with (1,003,639SP) during 2017.

And this amounts resulted from:

	2018 SYP	2017 SYP
Benefits from banks	-	-
Avoid illegal transactions profits	657,833	999,839
Increase Fund	52,000	3,800
others	52,072	
Total legitimate irregularities Fund revenues	**761,905**	**1,003,639**
Balance the legitimate irregularities Fund	**-**	**-**

Legitimate irregularities fund as following:

	2018 SYP	2017 SYP
Beginning Balance of Legitimate irregularities fund	-	-
current year increasing	761,905	1,003,639
current year usage	(761,905)	(1,003,639)
closing Balance of Legitimate irregularities fund	**-**	**-**

Under the approval of the Shari'a Supervisory Board this balance distracted at the end of each year to a number of charities.

Profit distribution basis between holders of unrestricted Investment accounts and the shareholders

The Bank's revenues are mainly from financing and investing activities and Bank commissions. Revenues from Bank commissions or resulting from foreign exchange deals fully belong to the Bank and are not shared with the unrestricted investment accounts holders as they result from services provided by the Bank and are not related to the unrestricted investment accounts investments(Modaraba).

The revenues generated from investments are separated by currency to revenues from assets financed by capital (fully financed by the Bank) or jointly financed from both capital and unrestricted investments accounts.

Revenues from joint sources are distributed proportionately between average shareholders' equity .....and average customer deposits in order to figure out the share of the unrestricted investment (Mudaraba contracts) from the revenue using the sum of digits method or according to the agency contract with the unrestricted accounts holders (Agency "Wakala" Contracts) in accordance with the Requirements of the Monetary and Credit Council resolution No. (/ 834 / MN / b4) dated April 9, 2012.

Average shareholders' equity includes the capital less funds used to finance fixed assets, acquisition of other companies' shares, projects under construction and investments in real estate.

The weighted average for unrestricted investment accounts is calculated based on the following sharing percentages:

	2018	2017
Saving account	30%	30%
AlA'ata Deposit	85%	85%
AlAman Deposit	90%	90%
Time deposit account 1 month	55%	55%
Time deposit account 3 months	75%	75%
Time deposit account 6 months	80%	80%
Time deposit account 9 months	85%	85%
Time deposit account 12 months	85%	85%
Time deposit account 24 months	90%	90%

Profits related to current accounts are included in the shareholders share in exchange for their warranty.

Distributable profit to unrestricted investment accounts holders equals the net revenue from jointly funded sources (total revenues less expenses approved by the Shari'a Supervisory board to be charged to the Modaraba pool since such expenses, are not the Mudarib responsibility) less the share of the Bank's capital, Bank's Mudarib fees, and the Investment risk reserve.

In case the jointly financed investments incurred a loss, the shareholders and the holders of unrestricted investment accounts will bear the loss according to their respective contribution to the joint investment as the percentages above. Loss due to misconduct or negligence on the part of the Bank is totally borne by the bank.

The profit is calculated and accrued on monthly basis, and is distributed at the maturity date including the profit earned until the end of the previous month, and the residual profit earned during the month of maturity is distributed at the end of same month.

The Bank has not charged the Mudaraba with any burdens relating to provisions for impairment of Sales receivable and balances of financing activities.

Investment commissions "Wakalah investments" (Forsa deposit and others): Under which the owner of the investment account (the client) the bank (agent) to develop the amount of investment, with or without fee, the Agency's investment enters in local / foreign currency in investment process in one transaction or multiple transactions and with 100% of the amount invested. And the profits of the investment commissions shall be determined according to the agency contract concluded with the unrestricted investment account holders, without the expected profit being an obligation on the bank. At the end of the investment period, the owner of the investment account (the client) deserves profits according to the actual realized of the investment process, with Bank ability to donate to the owners of investment accounts, and the bank (the agent) deserve wages as a result of doing its Investment commission, and all the increase on the expected profit as an incentive to the bank on its good performance. If the results of the investment show losses, only the owners of the investment accounts bear this loss. The investment agent –the bank- does bear loss except in case of infringement and / or default and / or violation of the agency's conditions and restrictions, so the bank bear the loss According to Shariah standards.

The average rate of Annual return available for distribution to the holders of unrestricted investment accounts during the year was as follows:

	2018			2017		
	SYP	**USD**	**EURO**	**SYP**	**USD**	**EURO**
Unrestricted investment accounts' average rate of return	%5.77	%1.86	%0.81	%5.91	%1.27	%0.47

The average rate of real return on the invested amounts of the holders of unrestricted investment accounts in case of 100% rate of sharing was as follows:

	2018			2017		
	SYP	**USD**	**EURO**	**SYP**	**USD**	**EURO**
Unrestricted investment accounts' average rate of return	12.82%	4.12%	1.67%	12.92%	2.79%	1.03%

The Modaraba rate (Bank's share of profit) is calculated at a maximum of 50% of the net realized profit.

The bank gave up a portion of his profit to the holders of the unrestricted investment account of AlAman Deposit by raising the proportion of sharing to 100%.

The Investment Risk Reserve is calculated as 10% of Unrestricted Investment Accounts' profit.

Profits are distributed in accordance with the policy adopted in the bank and in line with the decision of the Monetary and Credit Council No. (834 / M N / B4) dated 9 April 2012.

The bank policy give the primary in investing depositor's fund in the investment pool.

Investment in real estate and equity investments in other companies were totally financed by the Bank's equity. All other investments were financed jointly (equity and funds of unrestricted investment account holders).

Exit of investment account holders (Breaking Deposits):
If the investment account holder wants to exit from the investment before the end of the date, and the management decided not to give this holder all or part of the revenue, the exit principle applied between the investment account holder and the fund of the mudarib pool first and then the shareholders' money if the money of these accounts was fully invested, and according to this principle, the account holder reconciles mudarib pool or shareholders' funds for its stake in the mudaribeh assets,

The fate of the profits distributed as the following:

- If the funds were exited with the Mudarabeh pool: the profit of the deposit returned to the the Mudarabeh pool before deducting the rate of Mudarabeh to be re-distributed to the holders of unrestricted investment and bank accounts, or –the revenues- would transferred to investment risk account (for the benefit of the investment account holders)

- But if the exit was with shareholders' funds: the profit of this account is related to the shareholder.

Significant Accounting Policies

The consolidated financial statements are prepared in accordance with the following accounting policies:

A. Foreign Currency Transactions

Balances and Transactions:

Transactions in foreign currencies on basis other than Mudarabah and sharing are initially recorded at the functional currency rate of exchange published by the Central Bank of Syria ruling at the date of the transaction. And in case of transactions based on the Mudarabah and sharing contract, the balances of monetary assets and liabilities denominated in foreign currencies are translated to Syrian Pounds at rate of exchange that is published by the Central Bank of Syria for evaluation purposes at the statement of financial position date. The item 'Net gains arising from dealing in foreign currencies' in the consolidated income statement includes the gains and losses from converting to the presentation currency of the group, and gains and losses resulted from dealing transaction in foreign currency.

Subsequent companies:

When consolidated the financial statements they need to translate assets and liabilities of branches and subsidiaries abroad from the main currency to currency that are depended in the report in the consolidated statement of financial position, while revenues and expenses are based on the translated average price during the year and the resulting differences are shown in separate item in equity. In the case of sale of one of these companies or branches the differences amount of foreign currency shown in the revenue/ expenses in the income statement

B. Sector Information

- Business sector represents a group of assets and operations that share in providing products and services that are subject to risk and return different from other business sectors.
- Geographic sector is related to providing products and services in economic environments that have risks and returns different from sectors working in other economic environments.

C. Financial instruments – initial recognition and subsequent measurement

- **Date of recognition**

All purchase and sales transactions of financial assets which require specific time to convert the ownership according to the laws or current market practice are recognized on the trade date (the holding-deal date).

Initial recognition of financial instruments:

The process of classifying financial instruments within certain groups at initial recognition depends on the purpose of the acquisition, and characteristics, all financial instruments are recognized and provable in the history of the acquisition cost includes the value of access to these instruments or the fair value of the recompense in kind, and any expenses directly attributable to the acquisition.

Assets or financial liabilities held for trading:

Investments are acquired or created originally for the purpose of obtaining profits through short-term price changes or the profit margin for dealers and classified for the purpose of trading of any investment is part of a portfolio of her pattern of real profits (actual).

- Are classified as financial assets and financial liabilities that are purchased for the purpose of selling or repurchasing in the near future or be a part of the portfolio is managed with each other and there is objective evidence to present it will be profitable in the near term.

- Is at the end of the financial period of financial assets held for trading at fair value assessment, is recorded subsequent changes in fair value in the income statement in the same period of change, taking into account the separation between the terms of the equity holders and for unrestricted investment account holders, including the change in value fair value resulting from the conversion of non-monetary assets denominated in foreign currencies items differences.

- Recorded dividends or returns in the income statement under the item assets for trading revenues.

- May not reclassify any financial assets or to the item, and may not be rated any ownership of the tools do not have prices in active markets within this group.

Financial assets held to maturity:

- Are the investments of the bank have the intent and ability to hold it till maturity date.

2-Accounting policies (continued)

Significant Accounting Policies (continued)

- Are recognized at cost plus any expenses directly attributable to the acquisition, and in the event of a decline leads to inability to recover the asset or any part of it at the end of the financial period are recorded in the income statement as a provision for impairment of financial investments held-to-maturity as impairment loss and present these investments at fair value after taking into account the amount of impairment.

Financial assets available for sale:

- Are other investments that are held not for trading or until the maturity date.

- The registration of financial assets available for sale at fair value plus acquisition costs when buying and re-evaluate it later at fair value to present the change in fair value under the fair value of investments provision, taking into account the separation between the owners of absolute investment accounts and owners of equity.

- Unrealized losses resulting from the evaluation of financial assets available-for-sale are recorded at fair value provision account, taking into consideration the separation between the property rights of the owners of shares and unrestricted investment account holders provided that the lack of a permanent decline in value. As if a permanent

reduction in the financial assets available-for-sale have already been recognized in equity be recognized in the income statement, and the losses resulting from the temporary decline is recognized in the income statement for investment in instruments or shares classified as "available for sale" may not be reversed the income statement.

- Is measured as realized earnings (losses) from the sale of any of the available for sale on the basis of the difference between the carrying value and the sum of the sale of financial assets and the output are recognized in addition to the previous share of this investment in the fair value provision - if any - in the income statement for the period the current fiscal year.

- The gain derived from the available for sale at the date of advertising for distribution in the income statement of financial assets.

- Gains and losses resulting from foreign exchange rate changes ownership conversion tools in the fair value provision account.

- The registration of any impairment in the income statement of financial assets that cannot determine the fair value reliably shown at cost.

Impairment of financial assets and impairment loss:

The bank assesses at each date of statement of financial position whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future flows of the financial assets that can be reliably estimated.

Evidence of impairment may include indications that the client or group of clients is experiencing significant financial difficulty, the probability that they will enter bankruptcy, reorganization default or delinquency in interest or principle payments and where observable data that there is a measurable decrease in the estimated future cash flows, such as change in arrears or condition that correlated with defaults.

Al Murabah contracts:

- For the purpose of avoiding and minimizing the risks of the bank as a result of purchase of goods then reneging the process by a customers who requested the purchase from the bank, Cham Bank is committed to applying the option clause with the first seller in the procurement process, and in the absence of application of the option clause, the Bank before the purchase process carry out to sign a purchase obligate promise with the costumers and in the two cases the bank should take Margin of seriousness.

- Seriousness margin considered as a liabilities on behalf the bank.

- In the case that the optional clause is applied Seriousness margin should be returned.

- In the case that the client reneging on his promise, the bank should not reserve Seriousness margin and restricted to his right by the actual damage, by charging the client with the difference between the price of the item sold for others and the cost incurred by the bank.

- incase the costumers continue the process Seriousness margin turned to be a prepayment and it deducted from the purchase price.

- Seriousness margin considered a trusteeship that the bank should not be disposed of, the client allow the bank to invest on the basis of legitimate Mudarabeh.

- The profits recognized when contracting in the Murabeh contract by cash or to the date that does not exceed the current financial period.

- The revenue of the deferred sale are recognized (that paid at all in one payment after the current financial year or reimburse the price to pay premiums on subsequent multiple financial periods) by distributing it to future financial periods for a term to be allocated for each fiscal period its share of the profits.

- The receivable of the deferred sales are recognized with the nominal value and it measured at the end of the current financial period with the net realizable cash value (Any amount required from the customer debt at the end of the financial period minus any provision for the debt of non-productive.

Al Sulom and Parallel Sulom:

- Financing by Al Sulom is recognized when paying the capital to the receiver or put at his disposal and is recognized as the parallel Sulom when the bank collected the capital. And measured the amount of capital that has been paid or griped and if it is a kind or a benefit then should be measured at fair value.

- At the end of the fiscal year impairment provision should be formed if there is a strong possibility that the receiver (seller) won't fulfill the goods or there is a strong possibility that there is a decreasing in the value of the goods.

- When the bank receive the goods the bank record the received asset on the traditional cost bases and this stock should be reevaluated at the end of the financial year on the traditional cost or market value which is lower and the differences recognized as loss in the income statement.

- The result of delivering the goods in the parallel Sulom process recognized at the amount received from the receiver (final buyer) and the cost of the delivered goods as profits or losses in the income statement.

Istisna'a and parallel Istisna'a:

- The Istisna'a contract shown at the value of amounts paid by the bank since contracting and the parallel Istisna'a shown at the net contracting value and any impairment in the value beyond the value of cash that expected to be collected should recognized at the income statement

- The deferred profit in the Istisna'a entry shown when the date of starting to execute the contract and then deducting the allocated part for every accrued installment from the deferred profit and recognize it in the income statement. Istisna'a revenue and gross profit recognized in the Istisna'a and parallel Istisna'a with the method of completion ratio.

- Any additional cost paid by the bank in the parallel Istisna'a contracts as a result of breach the terms of the contractual obligation should be recognized as losses in the income statement and it should not enter the Istisna'a cost account.

- In case that the bank keep the Istisna'a asset for any purpose this assets should be measured at the end of the financial year on the traditional cost or market value which is lower and the differences recognized as loss in the income statement.

Assets available for sale:

- Assets available for sale recognized and measured with the cost (purchasing price and any direct expenses related to acquisition).

- Assets available for sale evaluated at the end of the financial year with the fair value and the unrealized profits (loss) in the fair value provision account.

- Profit in the credit sale process recognized with the accrual basis distributed on the financial periods of the contract where every financial period allocated with its share from the profit and in the coming years the profits recorded in the deferred profit account.

- Sale receivable recorded when contracting with the nominal value (contracting value) and measured at the end of the financial period with the basis of net realizable cash value.

Al mudarabeh Financing:

- Mudarabeh financing transactions recorded when delivering the capital by (cash or kind) to Al Mudarib or putting it under his disposal, the capital measured with the paid amount or the fair value if it was an asset in kind and if the evaluation at contracting resulted a differences between the fair value and the book value then the profit (loss) recognized at the income statement, at the end of the financial year what is returned by the bank deducted from Al Mudarabeh capital.

- Recognizing the profit share of the bank from the (losses) that are resulted from the Mudarabeh process that are started and ended through the fiscal year after liquidation, in case the Mudarabeh financing continued through more than one financial period the bank share will be recognized when earned full settlement on them or any part thereof in the financial period in which they occurred within the limits of the profits are distributed, and the loss of any financial period are recognized in the bank's books for that period in the limit of losses that reduce Al Mudarabeh capital.

- If the Mudarib does not delivered the Mudarabeh capital or his share from the profit after the liquidation or full settling the accruals recognized as credit on behalf the Mudarib.

- In case of losses accrued due to encroachment , negligence or breach of the Mudarib to the terms of the contract the accruals recognized as credit on the account of the Mudarib but if there is a losses when liquidating then it will recognized by deducting it from the Al Mudarabeh capital.

Financing by participation:

- Bank's share of participation capital is recorded when delivered to the manager partner or placed in an participation account, if the share is a cash then it measured with paid amount in cash but if it was in kind then it measured with fair value, and if the evaluation of the in kind resulted a differences when contracting between the fair value and the book value then the profit (losses) recognized in the income statement.

- The share of the bank is measured in the fixed participation capital at the end of the financial period with the historical cost in the case of diminishing of participation capital it measured at the end of the financial period with the historical cost minus the historical cost of the sold share, and the difference between the historical cost and the realizable value of the share sold recognized as profit or loss in the income statement.

- The share of the bank from the profit or losses of the financing by participation that are started and ended through the financial year after the liquidation should be recorded in case of the continuing of participation for more than one financial period, bank’s share should be recorded when earned full settlement on them or any part thereof in the financial period in which they occurred within the limits of the profits are distributed, and the loss of any financial period are recognized in the bank's books for that period in the limit of losses that reduce the participating capital.

- Bank's share are recognized in the participation capital or the amount of profit after the liquidation or fully settlement as a credit on the account of the partner if the partner who did not deliver the bank his share of them, and in case of losses are resulted from encroachment or shortening by partner or violating the terms of the contract, losses are recognized as credit on the account of the partner.

Restricted investments:

- Are the assets of all kinds, whether it takes a shape of an portfolio investment , fund investment or did not take any, if the bank has made investing for the benefit of the owners of restricted investment accounts in accordance with the terms of the agreement between the bank and the account holder, and the limited role of the bank is to manage them, either on the basis of speculative contract or on the basis of agency contract and therefore are not considered a restricted assets of the bank investments and do not appear in the financial statements, where the bank is not entitled to have discretion without taking into account the restrictions stipulated by the agreement between the bank and the owners of restricted investment accounts, usually the bank finance the restricted investments by the funds of owners restricted investment accounts and without uses its own resources to finance these investments.

- Restricted investment treated in the same method that the financial instruments treated.

Impairment of the direct financing, balances and deposits with banks

- With respect to granted finances and balances with banks, which are carried at amortized cost, the Bank reviews, measures and individually whether there is objective evidence of impairment of assets, if there is objective evidence of impairment loss, the loss should be measured as the difference between the value reflected in the books of the asset and monetary value expected to be gained.

- The impairment of the financial assets reduced through a related account in the income statement where the loss in shown in the impairment provision for Sales receivable and balances of financing activities.

- The debts are written off through the provision account prepared when there is no reasonable expectation of future recovery of losses, and full guarantees have been liquidated or have been transferred to the bank.

- If later there is an increase or decrease in the losses of the impairment and were recognized because of the events that occurred after recognizing the impairment so the losses that are previously recognized should be modified by increasing or decreasing it through the provision balance.

- If the debts restored and it was previously considered as bad debts so the receipts recognized as revenue in the income statement or it is deducted from the provision for receivable sales and balances of financing activities.

- The calculation reflects of net realizable financial assets that are guaranteed with certain guarantees of cash flows expected to be collected from the guarantees liquefaction process minus acquisition costs and the costs of the sale of collateral cash value of the process.

- For the purposes of a collective evaluation of a range of funds, funds are assigned into groups based on internal bank system in which to classify the funds by taking into considerations the qualities and characteristics of credit risk, such as financial assets, industry, geographical location type, collateral type, put accruals and other appropriate factors.

- Future cash flows of a group of funds, which are evaluated on a collective basis for the purposes of impairment, are estimated on the basis of historical experience of the losses that have occurred to the funds of the same qualities of credit risk.

D. **De-recognition (exclusion of assets and liabilities out of the balance sheet):**

Financial Assets:

The exclusion of financial assets from the balance sheet is done when:

- The bank right to receive cash flows from the financial assets ends.

- When the bank transfer the right to receive cash flows from the financial assets or enter into agreement when obliged to pay to a third party cash flows from the financial assets without material delay.

- The continued participation are measured in the form of a guarantee of the transferred assets with asset's book value or more for what may be required to repay the bank to a third party, whichever is less.

Financial liabilities:

- Financial liabilities are excluded from the balance sheet when it is canceled or at the end of the commitment or when the substitution of financial liabilities Financial liabilities from the same list (source) on a completely different basis and conditions.

E. Financial guarantees:

- In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

- Financial guarantees are recorded in the beginning in the financial statements at fair value under other liabilities, which are equal to the amount received from the client (premium, commission)

- After the initial recognition, the Bank's commitment is measured for each individual guarantee by comparing the collected payments minus recognized amortization in the income statement, and the best estimate of the payments to settle the financial liability resulting from this guarantee and adoption of the greater value.

- Any further liability related to financial guarantees is recognized in the income statement under other expenses.

- Premiums (commissions) received are recognized under fees and commissions payable on a straight-line basis during the full life of the guarantee

F. Investments in associates companies:

- Associated companies are those companies that the bank exercised an important influence on the decisions regarding the financial and operating policies (not controlled by the bank), and according to the Monetary and Credit Council resolution (501 / M.n / b4), as amended. Show investments in associated companies under the equity method.

- Under the equity method, the investment in the associate recorded beginning at the cost and adjusted later with increasing it with the bank's share of the profits of the associates company and with decreasing the distributed profit to the bank from the associate company.

- Consolidated income statement reflects the net profit for the associate company and the profit or loss recognized directly in the equity of the associate company, the bank recognized his share of those profit or loss and disclose that in the financial statement

- The profit and loss that are resulted from the transactions between the bank the associate company are omitted with the amount of participating percentage of the bank in the company

- The goodwill resulted from the process of buying the associated company are reflected in the given value in the investment accounts in the statements of this company, and are not subject to amortization.

- In case preparing separated financial statement for the bank as an independent facility then the investment shown in the cost at the associate company.

G. Lease and lease ended with ownership:

- The assets that are acquired for the purpose of leasing and leasing ended with ownership are measured when acquiring it at the traditional cost plus any direct expenses for making it ready to be used and those assets depreciated with the policy of the renter (bank) in case there is no policy used from the related authorities

- Leased assets measured at the end of the period with the cost minus the depreciation and minus the impairment provision in case expecting a permanent decrease with a relative importance in its value.

- The revenue of the lease is distributed on the financial period that are mentioned in the lease contract.

- The cost of required maintenance to get the benefit of the leased assets is recognized in the same period if it has no material impact.

- If the maintenance are material and with a varying amounts from year to year and with the contract period so maintenance provision should be formed and allocated equally over the financial periods.

- In the cases that the tenant does a maintenance where the renter agrees on carrying it, so the renter recognize it as an expense allocated on the related financial period.

H. Investment in real estate

Investments -in real estates for the purpose of gaining from the rise of the value on the fair value base- are recorded.

Profit from the change in the fair value for the investment in real estate are recognized at maturity in the income statement, taking into consideration the split between the portion related to owners' equity and the portion related to the holders of unrestricted investment accounts.

I. Investment risk reserve

Investment risk reserves represents the amounts appropriated by the Bank out of the profit of unrestricted investment account holders, after deducting the Mudarib share, to protect the unrestricted Investment account holders from future losses at the end of the period.

- At the end of the financial period addresses the required amount configured as a distribution of income after the deduction of mudaraba share, and if the balance of the provision exceeds the required amount, the excess amount is to be settled from the provision and added to the income of the holders of unrestricted investment accounts in the financial period after the mudaraba share deducted.

- When settling, the Monetary and Credit Council decides how to treat the remaining balance from the risk investment provision after covering all the expenses and losses on the related investments.

J. Profit equalization reserve

Profit equalization reserve is the amount appropriated by the Bank out of Modaraba income before allocating the mudarib share, in order to maintain a certain level of return on investment for unrestricted investment accounts holders and to equity owners.

- At the end of the financial period addresses the amount required to reach the target reserve balance as the distribution of income before deducting mudarib share. If the balance of the reserve exceeds the required amount, the excess amount is to be settled from the reserve and added to the income of the relevant financial period before deducting mudarib share

- The remaining balance of the reserve that is related to the holders of unrestricted investment account when settling to shareholders and holders of unrestricted investment is returned to the joint investment pool with the percentage of share of the unrestricted account holders.

K. Fair value for the financial assets:

- When a financial instrument included in an active liquidity market, the quoted market price provides the best evidence of fair value, and when there is no price for offer or request, the authorized price for the latest transaction can be an evidence for the fair value in a condition of not occurring a substantial changes in the economic circumstances between the date of the transaction and the date of preparation of financial statements.

- In the absence of undeclared or absence of active trading of certain financial instruments or non-market activity or lack of a well-organized market fair value is estimated using valuation pattern price and generally accepted methods in financial markets to be guided by the market value of the current other financial instrument similar to a large extent.

- In the case of financial assets fair value cannot be reliably measured so it will be shown at cost less any impairment in value.

- In case that one single value represent an estimate fair value cannot be reached so the best is to disclosed an average value that are reasonably considered to be a fair value by the bank and when not to be disclosed the fair value the bank should disclosed on everything related to determine the fair value to help the user of the financial statement in making their own estimation on the potential differences between the included value and the fair value of the assets.

The fair value of non-financial assets carried at fair value:

- Market prices represent in the date of the financial statements (in case there is no active market for these assets) the fair value of non-financial assets. In the absence of such markets so the non-financial assets assessed at the date financial statement through taking the average of ratings of (3) evaluating committees that are licensed and certified experience.

The depreciation of assets under investment or liquidation

- The assets under investment or liquidation are recorded firstly at cost then measured at cost minus the depreciation provision and the loss of the impairment in the value if there is any.

Fixed Assets:

- Fixed Assets are stated at cost, plus other direct costs less accumulated depreciation and accumulated impairment in value.

- Fixed assets are depreciated (except for lands) when it's ready for use.

- Depreciation is calculated using the straight-line method over their estimated useful lives using the following percentages:

Building	2.5%
Leasehold improvements	10% or rental periods whichever is less
Computer hardware and office equipment	20%
Motor vehicles	20%

When the amount that can be recovered from any fixed assets is less than the net book value then the fixed asset is decreases to the value that can be recovered and the impairment value is recorded in the income statement at other expenses.

The useful life of the fixed assets is revised at the end of each year, and if the useful life expectations were different from the previous, the change in estimate is recorded for the coming years.

Fixed assets are excluded from the records when the disposal or when no expected future benefits from the use or dispose them.

L. Provisions:

Provision recognized when the bank has obligations at the date of the financial position which derived from previous events while there is a possibility to pay and to be measured reliably.

Provision for compensating the end of service

No provision forming for the compensating the end of the service because the policy of the bank not allow.

Bonuses linked to equity:

- No bonuses linked to equity.

M. Income tax:

- The tax expense represent the amount of accrual and deferred tax.

- The accrual tax expense calculated on the base of taxable profit and taxable profit varies from the declared profit in the financial statement because it concludes the untaxable revenue or expenses for the fiscal year but to later years or cumulated taxable loses or untaxable items or taxable for the purpose of tax.

- The tax calculated with the tax percentage that are within the lows and resolutions in the countries that the bank work.

- Deferred taxes are expected to be paid or recovered as a result of the temporary tax timing differences between the value of assets or liabilities in the financial statements and the value that is calculated on the basis of profit tax. Deferred tax is calculated according to the tax rates expected to apply when the tax liability settlement or realizing the deferred tax assets.

- The recognition of deferred tax liabilities for the time differences that will result in amounts will enter in the calculation of taxable income in the future. While the recognition of deferred tax assets for the time differences that will result in payments will be deducted in the future when calculating taxable income.

- The review of deferred tax assets balance at the date of the financial statements and is reduced in the case cannot be expected to take advantage of those tax assets partially or completely.

N. Capital:

Cost of issuing or buying bank's shares:

Any cost resulted from issuing or buying shares are recorded in the retained earnings (in the net value after deducting tax for this cost if there is any) if the operation of issuing and buying cannot be completed then these costs are recorded as expenses in the income statement.

O. Accounts managed for clients:

Restricted investments:

- Are the assets of all kinds, both took a shape of an investment portfolio or investment fund or did not take, if the bank has made investing for the benefit of the owners of restricted investment accounts in accordance with the terms of the agreement between the bank and the account holder, and the limited role of the bank to manage them, either on the basis of speculative contract or on the basis of agency contract and therefore are not considered restricted assets of the bank investments do not appear in the financial statements, where not entitled to the bank discretion where, without taking into account the restrictions stipulated by the agreement between the bank and the owners of restricted investment accounts, usually the bank financed restricted investments of the owners of restricted investment accounts funds and without uses its own resources to finance these investments.

In case the relation between the bank and the restricted investment holders is adjusted on the base of mudarabeh contract the bank acquire his share from the net of the profit because of his effort, in case of the loses the bank does not acquire any compensation on his effort and does not acquire any loss only if there is encroachment or default or breach of contract conditions.

In case the relation between the bank and the restricted investment holders is adjusted on the base of wakaleh contract the bank acquire a lump sum paid because of his effort in managing the restricted investment and deserve it if there is a profit or not.

These profit/ loss and commissions of managing theses accounts recognized in the income statement.

P. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Q. Recognition of revenue and expenses:

- Revenue and expenses are recognized on the accrual base expect the revenue that are related to deferred sales and unproductive financing balances where it does not recognized as revenue and it is recorded at deferred revenue and commissions account

Bank’s income from commissions and fees (fees) through the delivering various services to its customers, and can be divided into income from fees (fees) within two categories:

1. **Income from services provided on a specific period of time:** income is recognized on an accrual basis so each financial period, carrying its own income, which includes commissions and fees from asset and custody management and advisory fees, and various others.

   Commissions related to credit limits are suspended and recognized on accrual basis.

2. **Income from transactions (operations):** such as fees that arise from negotiations or participate in negotiations for a deal (process) with a third party such as the purchase of shares arrangements or group of securities or sale and purchase of properties, are recognized upon completion of transaction (process)

   Commissions and fees, or part of them, which are linked with specific performance that must be achieved, are recognized after the agreed-upon standards of performance achieved.

R. Cash dividends for shares

Earnings of shares of the companies are recognized when realized (when it became from the right of the bank, approved by the general assembly of shareholders)

S. Pledged financial assets:

Funds (movable and immovable) that are placed upon signal mortgage on its voucher in its related records of real estate and movables that have scored in the interest of the mortgagee creditor and the possession still stand in the hand the mortgagor with a property rights, but the right to dispose of the consent of the mortgagee.

T. Assets acquired by the Bank in settlement of debts:

Assets acquired by the bank in the general budget under the item assets under investment and liquidation in the value of acquiring it or in the fair value, whichever is less, and revalued at the date of the financial statements at fair value on an individual basis, and any impairment will be recorded as a loss in the income statement and the increases will not be recorded. Subsequent increase will be recorded in the income statement to the extent that does not exceed the amount of impairment that has been previously recorded.

U. Intangible assets

Goodwill:

- Goodwill is stated at cost, which represents the increase in the cost of owning or buying investment in an associate or affiliate for the bank's share in the fair value of the net assets of the company when acquisition.

- Goodwill resulting from investment in subsidiaries in separate item as an intangible asset, the goodwill arising from investment in associates are shown as part of the expense of investment account in the associate and are subsequently reduced with the cost of any goodwill impairment in the value of the investment.

- Goodwill that are generated internally cannot be capitalized, but to recognize any costs contributed in interior goodwill in the income statement when they occur.

Other Intangible assets:

- Intangible assets that are acquired through the merger recorded at their fair value at the date of acquisition. The intangible assets that are obtained by the method other than the merger are recorded at cost.
- Intangible assets are classified on the basis of estimating there ages for a specified and unspecified period and the intangible assets with a specified age are amortized though it’s age and the amortization is recorded in the income statement but the intangible assets that does not have any specified age, an impairment review in its value be done at the financial statement date and any impairment in its value is recorded in the income statement.
- Any indications of an impairment in value of intangible assets on the date of the financial statements and also the age of these assets are reviewed and if there is any amendments to the subsequent period’s procedure must be done.

- Research expenses are recognized as expenses immediately when they occur in the income statement.
- Paid expenses are recognized through the development of the intangible assets as capitalized expenses in condition of the follows:
  - Feasibility and technical ability to complete the intangible asset to be ready for sale or use.
  - Intention to complete the asset and sell or use it.
  - The ability of the entity to sale or use of the asset.
  - How the asset will result a future economic benefits, and that includes the entity's ability to demonstrate the existence of a market for the new asset or if the assets will be used internally.
  - The existence of technical and financial ability to complete the asset and make it ready for sale or use.
  - Facility's ability to measure reliably the cost paid on an intangible asset in the development stage.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives according to the following percentage:

Computer software	20%

V. Cash and cash equivalents

Cash and cash equivalents represent cash and bank balances maturing originally within three months and comprise of cash balances and investments with banks and financial institutions and balances with Central Banks of Syria excluding cash balances due to banks with original maturity of three month or less and restricted balances.

3- Cash and balances with the Central Bank of Syria

	2018 SYP	2017 SYP
Cash on hand	3,213,570,410	2,093,748,157
Accounts with Central Bank of Syria:		
Current accounts/ Deposits under Demands	43,805,057,832	31,212,181,859
Requirements of Cash Reserve	4,564,190,368	2,910,973,648
	51,582,818,610	**36,216,903,664**

(*) According to banking laws and regulations, banks are required to maintain cash mandatory reserve with the Central Bank of Syria inform of non-interest bearing deposit. Mandatory reserve as of 31 December 2018 was SP **4,564,190,368** which represents 5% of total customers' average deposits as per Prime Ministry resolution No. (5938) dated 2 May 2011, while as of 31 December 2017 it was SP **2,910,973,648.** This reserve is mandatory and not available for use in the Bank's day-to-day operations.

4 Deposits, investment accounts and certificates of banks and financial institutions for a period of three months or less

	Inside Syria		Outside Syria		Total	
	2018	2017	2018	2017	2018	2017
	SYP	SYP	SYP	SYP	SYP	SYP
Current accounts/ Deposits under Demands	8,970,027,370	8,156,242,513	21,538,188,771	30,353,965,944	30,508,216,141	38,510,208,457
Unrestricted investment accounts for period of 3 months or less	75,000,000	75,000,000	12,958,260,000	16,755,120,000	13,033,260,000	16,830,120,000
Cash margins at banks and financial institutions for period of 3 months or less	-	-	164,315,446	588,135,167	164,315,446	588,135,167
	9,045,027,370	**8,231,242,513**	**34,660,764,217**	**47,697,221,111**	**43,705,791,587**	**55,928,463,624**

In accordance with the Bank’s laws and contract of establishment, the Bank does not receive any interest on current accounts with local and foreign banks and banking institutions.

The restricted balances due to the sanctions by the US Treasury amounted to SYR 19,164,380,087. while as of 31 December 2017 it was SP 26,787,397,177

5 Investment accounts and certificates with banks and financial institutions for more than three months

	Inside Syria		Outside Syria		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	SYP	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**
Unrestricted investment accounts for more than 3 months	330,000,000	-	5,711,775,848	5,711,775,848	6,041,775,848	5,711,775,848
Cash margins with Banks for more than 3 months	-	-	-	-	-	-
Impairment Provision for Unrestricted Investment accounts	-	-	(5,711,775,848)	(5,711,775,848)	(5,711,775,848)	(5,711,775,848)
	330,000,000	-	-	-	330,000,000	-

*The details of Impairment Provision for Unrestricted Investment accounts are as follows:

	2018	**2017**
	SYP	**SYP**
At 1 January	(5,711,775,848)	(6,778,541,690)
Additions: Impairment provision of unrestricted investment accounts	-	-
Foreign exchange differences	-	1,066,765,842
At 31 December	**(5,711,775,848)**	**(5,711,775,848)**

The Bank’s management has raised a lawsuit against investment Dar Company at the high court of Ministry of Justice in Kuwait. Case No (5770/2009/commercial/5).
According to the court held on 15 February 2010, the court has requested experts from the Ministry of Justice to review the lawsuit documents and evidence of both parties. A court session was set on 15 March 2010 for the meeting between experts and litigants, and the expert’s report to be presented to the court on 28 June 2010. This verdict considered as a communiqué to litigants.

On 5 May 2010, Kuwaiti commercial court suspended all the lawsuits raised against Investment Dar Company, until a final decision is reached in the request of Investment Dar Company for the restructuring under the Kuwaiti financial stability law.

On 2 June 2011, The Kuwaiti commercial court specialized in corporate restructuring has rectified the developed restructure plan for Investment Dar. Based on this approval, all litigations and implementation procedures will be suspended during the plan period, which continues up to six years starting 30 June 2011. In case the company breaches the implementation of the restructure plan, the court will be entitled to cancel the ratification and will also cancel legal protection.

According to the restructuring plan, Investment Dar Company will make the first payment to individual investors during the first six months, whereas the second payment will be made to the small non-banking financial institutions within one year from the start date. However, during the second, third, fourth, and fifth year(2013 -2017), there will be periodic payments to the remaining groups of banks and investors including Cham Bank where the first payment to the Bank should be paid on 01-07-2013. The final payment will be made before 30 June 2017, which represents the total outstanding balances due to these groups, in addition to an amount equals to the annual profits assessed by the court during a period of eight and a half years.

The indebtedness of Cham Bank with Investment Dar Company is fixed, and the Bank expects to prevail and collect all its rights through the restructuring plan or through the previously mentioned lawsuit, in the event of the restructuring plan being stalled. The Bank management believes that the provided Impairment provision for losses on Wakala investment is adequate.

5-Investment accounts and certificates with banks and financial institutions for more than three months (continue)

A letter was directly sent to Dar investment company on the first due installment due 30 June 2013; another one was directly sent to the Central Bank of Kuwait to put it in front of his responsibility and to inform it of the company's non-commitment to the restructuring plan approved by CBK.

In October 2013 a law office in Kuwait was assigned to study procedures of starting a judicial implementation to obligate it to pay the obligations incurred by it, the Bank is following up with Hamdan Office in order to collect the debt in the best way.

The latest developments of the case:

-On 12/05/2014 the central bank of Kuwait has demanded canceling of restructuring plan with a registration number 8/2014, on 24/7/2014 a decision has been taken by the restructuring department to cancel the restructuring plan and turn of all the judicial and executive actions.

-The Investment Dar company objected the judgment in the Court of Cassation No./ 1622/2014 commercial/1, which re-objected in its term on 17/6/2015.

-Investment Dar company asked the restructuring department to stop all the judicial actions against it, and the head of the department accepted on 5/8/2015, the request has been redirected to the central bank of Kuwait to study the financial position of the company, and he showed in his report the deficit and inability to perform its obligations and continue to operate and insufficient assets to meet its liabilities with no hope in the possibility of advancement of the company's stalled, despite the opportunity afforded them to advance again through the restructuring provided by the company on 06/02/2011 Plan As a result of the above decision issued on 11.2.2016, to refuse a request restructuring and regard them as if were not, thus allowing the new company to prosecute judicial execution of its assets. And the means of re-establishing judicial proceedings for the collection of the Bank's rights are under consideration. A new debt has been received, enclosed with the executive formula, and the lawyer has submitted a new executive file. Investment Dar has been notified and we are now awaiting execution procedures from the rest of the creditors.

An expert was assigned to show the amounts due to Al Sham Bank and the balances held by Dar Investment Company to determine the amount due to the Bank after deducting the previously paid amounts of the total indebtedness.

6 Sales receivable and balances of financing activities, net

	Corporate		Retail		Total	
	2018	2017	2018	2017	2018	2017
	SYP	SYP	SYP	SYP	SYP	SYP
Murabaha receivables	54,124,583,563	40,996,068,071	-	-	54,124,583,563	40,996,068,071
Add: Other receivables (**)	108,800,323	108,800,323	-	-	108,800,323	108,800,323
	54,233,383,886	41,104,868,395			54,233,383,886	41,104,868,395
Less: deferred revenue(*)	(3,450,431,852)	(2,726,348,737)	-	-	(3,450,431,852)	(2,726,348,737)
Less: suspended profit (***)	(84,786,900)	(89,391,910)	-	-	(84,786,900)	(89,391,910)
Less: Impairment provisions for financing receivables (****)	(2,717,100,179)	(2,904,159,528)	-	-	(2,717,100,179)	(2,904,159,528)
Sales receivable and balances of financing activities, net	**47,981,064,955**	**35,384,968,219**	**-**	**-**	**47,981,064,955**	**35,384,968,219**

(*) The amount of Sales receivable and non-productive balances of financing activities is SYP 1,628,586,954 which is (3.00%) of the sales receivables and balances of financing activities, where the amount of the previous year was SYP 1,839,097,024 representing a percentage of (%4.474) from the Sales receivable and balances of financing activities for 2017.

The amount of Sales receivable and non-productive balances of financing activities after deducting the suspended profit is SYP 1,543,800,054 representing a percentage of (2.85%) from the Sales receivable and balances of financing activities after deducting the suspended profit where in the previous year the amount was SYP 1,749,705,113 represent a percentage of (4.266%).

(**) Represent probable obligations that are off balance sheet where they transferred to actual obligations like accrued letters of credit that were paid by the Bank on behalf of its customers and were not reimbursed by the customers.

(***)The profit related to the nonproductive financing receivables is excluded from financing revenues for the year.

(****) Bank did not allocated Mudaraba pool with any expenses related to impairment provision of balances and receivables financing activities.there is no Sales receivable granted to Syrian government

The following is a detailed of impairment provision for financing receivables:

	2018 SYP productive	2018 SYP Non-productive	2018 SYP Total	2017 SYP productive	2017 SYP Non-productive	2017 SYP Total
At 1 January	144,794,992	2,759,364,537	2,904,159,529	142,116,798	2,115,170,962	2,257,287,760
Change for the year	-	-	-	2,678,194	674,520,355	677,198,549
Retriever during the period	(1,699,843)	(183,300,157)	(185,000,000)	-	-	-
The usage of the provision for the year (Bad debts)	-	(2,059,350)	(2,059,350)	-	-	-
Foreign exchange differences	-	-	-	-	(30,326,781)	(30,326,781)
At 31 December	**143,095,149**	**2,574,005,030**	**2,717,100,179**	**144,794,992**	**2,759,364,536**	**2,904,159,528**

-All the provisions above are calculated as per one client
-All of the provisions are from corporate source
-No longer required provisions as a result of settlement or repay the debts and turned over to other debts are amounted to SYP 89,451,370 where the amount was in the previous year SYP 2,969,240..

Suspended profits

	Corporate 2018 SYP	Corporate 2017 SYP	Retail 2018 SYP	Retail 2017 SYP	Total 2018 SYP	Total 2017 SYP
At 1 January	89,391,911	129,154,591	-	-	89,391,911	129,154,591
suspended profit for the year	19,985,048	5,388,103	-	-	19,985,048	5,388,103
suspended profit for the year transferred to revenue	(24,590,060)	(43,776,861)	-	-	(24,590,060)	(43,776,861)
Suspended profit (written off)	-	-	-	-	-	-
Foreign exchange differences	-	(1,373,923)			-	(1,373,923)
At 31 December	**84,786,899**	**89,391,910**	**-**	**-**	**84,786,899**	**89,391,910**

7 Net assets under investment or liquidation

	Corporate 2018 SYP	Corporate 2017 SYP	Retail 2018 SYP	Retail 2017 SYP	Total 2018 SYP	Total 2017 SYP
Assets acquired for the purpose of Murabaha	133,773,805	1,097,484,340	-	-	133,773,805	1,097,484,340
Assets acquired for the purpose of operating lease (*)	71,154,400	71,154,400	-	-	71,154,400	71,154,400
Assets acquired for Debts settlement	1,160,000	1,160,000	-	-	1,160,000	1,160,000
Total (1)	206,088,205	**1,169,798,740**	**-**	**-**	206,088,205	**1,169,798,740**
Provision for impairment of assets acquired for the purpose of an operating lease	(71,154,400)	(71,154,400)	-	-	(71,154,400)	(71,154,400)
Provisions (2)	(71,154,400)	**(71,154,400)**	**-**	**-**	(71,154,400)	**(71,154,400)**
Net (2-1)	**134,933,805**	**1,098,644,340**	**-**	**-**	**134,933,805**	**1,098,644,340**

(*)It represent a value of a property in Homs city which the Bank during the year 2010 transferred it by cost from projects under implementation to assets under investment because of the intention to use this property for the purposes of operating lease and get a return. As a result of bad situation in the state and because of getting the property theft, broken and burned the management of the bank has decided to make a provision with whole value that was amounted to SYP 71,154,400 in the year 2012

The following is a summary of the movement of assets acquired by the Bank in settlement of debts:

	Owned real estate 2018	Other owned real estate 2018	Total 2018	Total 2017
	SYP	SYP	SYP	SYP
Beginning balance*	1,160,000	-	1,160,000	1,160,000
Additions	-	-	-	-
Disposal	-	-	-	-
Impairment loss	-	-	-	-
End Balance	**1,160,000**	**-**	**1,160,000**	**1,160,000**

*This balance is for real estates in both Latakia and Banyass.

8 Investment in real estate

	Corporate		Retail		Total	
	2018	2017	2018	2017	2018	2017
	SYP	SYP	SYP	SYP	SYP	SYP
Investment in real estate held for value increasing(*)	-	-	2,380,850,000	2,380,850,000	2,380,850,000	2,380,850,000
	-	**-**	**2,380,850,000**	**2,380,850,000**	**2,380,850,000**	**2,380,850,000**

(*) During the year 2010, the Bank has transferred the value of this property from property and equipment to investment in real estate as the management intention is to hold this property for capital appreciation.
The change in fair value of this property affects only the Bank shareholders' equity as the property was totally funded by shareholders' equity, the following are the movement in the investment in real estate:

	2018	2017
	SYP	SYP
Investment cost	2,380,850,000	507,420,000
Change in fair value during the year	-	1,873,430,000
	2,380,850,000	2,380,850,000

On Dec 2018 the bank got two independent experts jury to evaluate the value of the property and the result of the evaluation indicated that the value of real estate had been raised so the Bank's management select the lower evaluation because of the current circumstances where the change in fair value of investment properties as at 31 December 2018 where determined as (2,380,850,000 SYP).

9 Net Fixed Assets

2018	**Lands and buildings**	**Improvement on leased property**	**Furniture and fixtures**	**Computers**	**Motor vehicles**	**Projects under construction**	**Other**	**Total**
Cost								
Beginning balance	241,674,068	359,362,434	326,537,638	228,018,424	12,436,800	900,535,670	73,952,736	2,582,517,770
Additions	440,000,000	127,141,369	152,137,332	71,296,704	-	5,028,033,016	14,278,036	5,392,886,457
Disposals	-	-	(2,362,842)	(1,161,119)	-	(645,915,891)	(76,474,856)	(725,914,708)
Ending balance*	**681,674,068**	**486,503,803**	**476,312,128**	**298,154,009**	**12,436,800**	**5,282,652,795**	**11,755,916**	**7,249,489,519**
Accumulated depreciation								
The beginning balance	(8,324,515)	(116,132,017	(128,749,935)	(128,057,115)	(11,852,378)	-	(7,242,503)	(400,358,463)
Depreciation	(12,662,671)	(64,658,893)	(52,593,311)	(42,848,725)	(439,820)	-	(3,960,313)	(177,163,735)
Disposals	-	-	2,306,851	1,161,091	-	-		3,467,942
Ending balance	**(20,987,186)**	**(180,790,911)**	**(179,036,395)**	**(169,744,750)**	**(12,292,198)**	**-**	**(11,202,816)**	**(574,054,257)**
Value impairment								
Beginning balance	(48,305,252)	-	-	-	-	-	-	(48,305,252)
During the period	-	-	-	-	-	-	-	-
Ending balance	(48,305,252)	-	-	-	-	-	-	(48,305,252)
Net book value								
31-12-2018 Balance	**612,381,630**	**305,712,892**	**297,275,733**	**128,409,259**	**144,602**	**5,282,652,795**	**553,100**	**6,627,130,010**

(*)Total value of closed branches assets (Homs) was SYR51,525,600, when the total accumulated depreciation for it was SYR3,220,348 in 31-12-2018.

-Revise disclosure No 17.

9. Net Fixed Assets

2017	Lands and buildings	Improvement on leased property	Furniture and fixtures	Computers	Motor vehicles	Projects under construction	Other	Total
Cost								
Beginning balance	241,674,068	245,344,861	254,246,410	198,632,267	12,436,800	333,735,655	23,086,826	1,309,156,887
Additions	-	114,017,573	78,458,513	29,386,156	-	688,513,188	54,684,910	965,060,340
Disposals	-	-	(6,167,285)	-	-	(121,713,173)	(3,819,000)	(131,699,458)
Ending balance*	**241,674,068**	**359,362,434**	**326,537,638**	**228,018,423**	**12,436,800**	**900,535,670**	**73,952,736**	**2,142,517,769**
Accumulated depreciation								
The beginning balance	(3,949,515)	(84,357,216)	(103,971,677)	(100,565,571)	(11,412,558)	-	(1,359,811)	(305,616,348)
Depreciation	(4,375,000)	(31,774,801)	(30,009,269)	(27,491,544)	(439,820)	-	(5,882,692)	(99,973,126)
Disposals	-	-	5,231,011	-	-	-	-	5,231,011
Ending balance	**(8,324,515)**	**(116,132,017)**	**(128,749,935)**	**(128,057,115)**	**(11,852,378)**	**-**	**(7,242,503)**	**(400,358,463)**
Value impairment								
Beginning balance	(48,305,252)	-	-	-	-	-	-	(48,305,252)
During the period	-	-	-	-	-	-	-	-
Ending balance	**(48,305,252)**	-	-	-	-	-	-	(48,305,252)
Net book value								
31-12-2017 Balance	**185,044,301**	**243,230,417**	**197,787,703**	**99,961,308**	**584,422**	**900,535,670**	**66,710,233**	**1,693,854,054**

(*)Total value of closed branches assets (Homs, Daraa) was SYR76,853,156, when the total accumulated depreciation for it was SYR25,318,252in 31-12-2017.

10 Intangible assets

Amortization for intangible assets is calculated on straight line basis over useful life of five years.

Computer systems and programs	**2018**	**2017**
	SYP	**SYP**
Cost		
At 1st January	103,767,298	100,490,398
Additions	6,541,030	3,276,900
At 31 December	**110,308,328**	**103,767,298**
Accumulated Amortization		
At 1st January	(99,750,602)	(97,498,991)
Amortization	(3,624,185)	(2,251,611)
Value Impairment	-	-
Balances	**(103,374,787)**	**(99,750,602)**
At 31 December	**6,933,540**	**4,016,696**

11 Other Assets

	2018	**2017**
	SYP	**SYP**
Accrued Revenue (*)	263,848,406	190,543,245
Prepaid Expenses	502,097,168	390,062,610
Advances for property purchase	896,454,566	36,178,215
Paid Margins	3,200,000	3,200,000
Due from insurance company (**)	100,000	100,000
Other receivables	111,094,720	104,052,810
Stamps and Stationery stock	17,926,184	20,572,351
Total	1,794,721,044	**744,709,231**

(*) This amount represent realized Investment income but unearned from deposits and accounts with banks and financial institutions.
(**) This amount represents receivables from the insurance company in relation to the robbery of Homs branch

12 Blocked deposit with Central Bank of Syria

As per private Bank's law number 28 for the year 2001, private banks should keep 10% of their capital as a legal blocked interest free fund at the Central Bank of Syria, its released when the time of liquidation the bank.

	2018	**2017**
	SYP	**SYP**
Balance of the blocked deposit in Syrian pounds	281,698,513	281,698,513
Balance of the blocked deposits US dollars (translated into Syrian Pounds)	1,881,757,017	1,881,757,017
	2,163,455,530	**2,163,455,530**

The frozen deposit account with the Central Bank of Syria has been replenished during the month of March 2019 as required by the increase of the Bank's capital during 2018

13 Deposits and investment account due to banks and financial institutions

	Inside Syria		Outside Syria		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	SYP	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**
Current Accounts/ Accounts under demands	24,312,137,788	45,713,756,745	154,904,707	217,820,055	24,467,042,495	45,931,576,800
Investment Accounts	3,755,000,000	520,000,000	-	-	3,755,000,000	520,000,000
	28,067,137,788	**46,233,756,745**	**154,904,707**	**217,820,055**	**28,222,042,495**	**46,451,576,800**

14 Customers' current accounts

	2018	2017
	SYP	**SYP**
Current Accounts/ Accounts under demands:		
Syrian Pounds	34,266,674,669	25,581,331,871
Foreign Currency	19,700,393,726	6,828,220,347
	53,967,068,395	**32,409,552,218**

Deposits of the Syrian government and the Syrian public sector amounted in 31/12/2018 to SYP 14,898,910,904 at rate of (27.61%) from the total deposits, where in the previous year the amount was SYP 14,159,813,914at rate of (43.69%).

15 Cash Margins

	2018		2017	
	Corporate	**Retail**	**Corporate**	**Retail**
	SYP	**SYP**	**SYP**	**SYP**
Margins against Sales receivable and balances of financing activities	-	-	-	-
Margins against indirect credits	5,050,717,381	-	4,659,440,009	-
Other Margins	194,348,817	-	89,892,325	-
	5,245,066,197	-	**4,749,332,334**	-

* The margins which don't have return amounted to (5,239,807,917) at the end of 2018 where it was amounted in the previous year to (4,708,866,099)

16 Accounts Payable

	2018		2017	
	Corporate	**Retail**	**Corporate**	**Retail**
	SYP	**SYP**	**SYP**	**SYP**
Payables related to financing activities	1,389,261,156	-	137,394,330	-
	1,389,261,156	-	**137,394,330**	-

17 Miscellaneous provisions

2018	At 1st January	Additions during the year	Disposal during the year	Returns to revenue	At 31 December
	SYP	SYP	SYP	SYP	SYP
foreign currencies differences of operational position provision	17,707,521	-	-		17,707,521
Contingencies provision	123,708,394	25,000,000	-		148,708,394
Off balance sheet impairment provision	9,893,859	-	*(7,005)		9,886,854
ATM compensation dedicated detention	1,462,500	255,000	-		1,717,500
Transfer fund risk provision*	85,390,417	25,000,000	-		110,390,417
Assigning tax provision	1,908,922	-	-		1,908,922
Total	**240,071,613**	**50,255,000**	**(7,005)**		290,319,608

2017	At 1st January	Additions during the year	Disposal during the year	Returns to revenue	At 31 December
	SYP	SYP	SYP	SYP	SYP
foreign currencies differences of operational position provision	17,707,521	-	-	-	17,707,521
Contingencies provision**	117,143,772	6,564,622	-	-	123,708,394
Off balance sheet impairment provision	9,900,595	-	(6,736)	-	9,893,859
ATM compensation provision dedicated detention	1,077,500	385,000	-	-	1,462,500
Transfer fund risk provision	71,669,297	13,721,120	-	-	85,390,417
Assigning tax provision	5,998,382	-	(4,089,460)	-	1,908,922
Total	**223,497,067**	**20,670,742**	**(4,096,196)**	**-**	**240,071,613**

(*)The management of the bank decided to make provisions to meet the risk of transferring money between branches according to the circumstances.
(**) The management of the bank decided to make additional provisions to meet the potential risk of losing the fixed assets basing on the current circumstances and the high risk related to these assets in some branches

18 Income tax
18 – 1 Income tax provision

Income tax provision	**2018**	**2017**
	SYP	**SYP**
At 1 January	141,535,228	525,013,489
Tax paid during the year	(137,219,981)	(521,048,152)
Accrued income tax	308,694,767	137,569,891
At 31 December	**313,010,014**	**141,535,228**

In 2007 the bank subjected to a tax examination from specialized tax committee in the financial directorate of Syria and the result was the decision No 60/H/10/2013 which released at 6-3-2013 where it was concluded that there is no accrued income tax because of declaring a loss.

In 2008 the bank subjected to a tax examination from specialized tax committee in the financial directorate of Syria and the result was the decision No 206/H/5/2014 which released at 3-7-2014 where it was concluded that there is no accrued income tax because of declaring a loss.

In 2009 the bank subjected to a tax examination from specialized tax committee in the financial directorate of Syria and the result was the decision No 2745/H/42/2017 which released at 29-1-2018 where it was concluded that there is no accrued income tax because of declaring a loss.

In 2010 the bank was subject to a tax examination from the committee and the result was the decision No 2/H/4/2/2016 date 8-2-2016 and the tax payable is settled.

In 2011 the bank was subject to a tax examination from the committee and the result was the decision No 68/H/12/68/2016 date 20-4-2016 and the tax payable is settled.

In 2012 the bank was subject to a tax examination from the committee and the result was the decision No 09702 date 16-8-2016 (Temporary claim) and presented a book objection upon the Temporary claim which did not issue the Committee's decision to date.

In 2013 the bank subjected to a tax examination from specialized tax committee in the financial directorate of Syria and the result was the decision No 26/H/12/26/2018 which released at 22-2-2018 where it was concluded that there is no accrued income tax because of declaring a loss.

In 2014 the bank was subject to a tax examination from the committee and the result was the decision No 09745 date 13-2-2018(Temporary claim) and presented a book objection upon the Temporary claim which did not issue the Committee's decision to date.

The period from 2015 to 2017 is still being examined.

18-2 Deferred tax asset

	At 1 January 2018	Amounts released 2018	Additional 2018	At 31 December 2018	Deferred tax 2018	Deferred tax 2017
	SYP	SYP	SYP	SYP	SYP	SYP
	1,361,139	(372,460)	349,910	1,338,589	1,338,589	1,361,139
Deferred tax assets					**1,338,589**	**1,361,139**

The details of assets / liabilities deferred tax expense are as the following:

	2018		2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	SYP	**SYP**	**SYP**	**SYP**
At January(*)	1,361,139	-	1,546,599	-
Additions	349,910	-	187,000	-
Exclusions	(372,460)	-	(372,460)	-
At 31 December	**1,338,589**	-	**1,361,139**	-

(*) It all comes from joint financial resources.

18- 3 Summary of reconciliation for profit between accounting and tax proposes

Summary of reconciliation for profit between accounting and tax proposes:

	2018	2017
	SYP	SYP
Profit before tax	**1,167,136,466**	**(2,416,346,676)**
Adjustment		
Non-taxable profits	(106,000,313)	2,864,094,114
Tax-rejected expenses	62,662,671	52,506,712
Profit/loss Tax	**1,123,798,824**	**500,254,150**
Tax rate	%25	%25
Income tax	**280,949,706**	**125,063,538**
Rebuilding-tax rate	%10	%10
Rebuilding-tax	28,094,971	12,506,354
Income tax expense	**309,044,677**	**137,569,891**
Subsidiary income tax revenue	(349,910)	(187,000)
Consolidated income tax expense	**308,694,767**	**137,382,891**

19 Other liabilities

	2018	2017
	SYP	SYP
Realized profits for deposits and investment accounts of banks and financial institutions	17,885,837	2,580,821
Remittances and payment orders	1,444,520,965	936,507,675
Accrued Expenses	1,270,204,410	1,322,848,420
Due to government parties	105,999,860	103,738,646
Payables to ATM	14,809,750	23,452,943
Other payables	1,268,008	811,084
Arrested retained	11,022,195	16,652,002
Vendors	432,539,680	302,455,189
Dividends payable	82,239,125	166,048,425
Total	**3,380,489,830**	**2,875,095,205**

20 Unrestricted investment accounts

	2018			2017		
	Clients	**Banks and financial institution**	**Total**	**clients**	**Banks and financial institution**	**Total**
	SYP	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**
Saving Deposits	8,555,179,492	2,538,264,363	11,093,443,854	6,331,658,558	-	6,331,658,558
Investment deposits (term deposits)	8,283,682,798	104,934,000	8,388,616,798	4,697,871,060	129,350,000	4,827,221,060
Wakaleh investment	16,326,286,020	2,638,050,000	18,964,336,020	12,753,773,915	797,500,000	13,551,273,915
Total	**33,165,148,310**	**5,281,248,363**	**38,446,396,672**	**23,783,303,533**	**926,850,000**	**24,710,153,533**
Incurred realized expenses	222,457,597	38,918,980	261,376,578	179,443,737	6,993,033	186,436,770
Total unrestricted investment accounts	**33,387,605,907**	**5,320,167,343**	**38,707,773,250**	**23,962,747,270**	**933,843,033**	**24,896,590,303**

21 Investment risk reserve

	2018	2017
	SYP	**SYP**
At 1 January	171,225,534	154,499,510
Additions during the year	39,826,666	18,910,763
Exchange rate differences	(222,728)	(2,184,739)
At 31 December	**210,829,472**	**171,225,534**

22 Paid in capital

The Bank's capital is SYP 5,000,000,000 divided into5,000,000 shares with a par value of SYP1000per share. The founders covered 3,750,000 shares which is equivalent to SYP 3,750,000,000 (75% of the capital). 1,250, 000 shares which is equivalent to SYP 1,250,000,000 have been offered to the public. 50% of the shares value was paid through the IPO and the founders.

The unusual General Assembly held at 8 December 2009, discussed and approved that the second payment of share capital to be completed -as proposed by the Board of Directors- during the period from 8 December 2009 through 29 June 2010.
As of 31 December 2012, the second capital payments were SYP 2,500,000,000 ,and by that the capital was paid in full.
On 1/10/2018 the decision of the Board of Commissioners of the Syrian Securities and Financial Markets Commission No. (117 / m) Financing of the bank's capital increase by 250,000,000 SYP through credit / 2,500,000 shares with a value of 100 SYP per share.

Hereby are the details of the paid in capital:

	2018	2017
	SYP	**SYP**
The authorized and subscribed capital	5,250,000,000	5,000,000,000
Paid-in capital	**5,250,000,000**	**5,000,000,000**

The capital increase expenses amounted to SY 4,152,148 They were closed directly in equity according to the circulars of the Syrian Securities and Exchange Commission No. 26 of 2018. They consist of the following:

A stamp on capital increase	2,227,148
Registration fees and deposit of the shares of the increase in the clearing and central clearing center in Damascus Stock Exchange	175,000
Fees of submitting a request to issue shares to the Syrian Securities and Exchange Commission	1,000,000
Fees of recording stock in the Securities and Exchange Commission	750,000
total	**4,،152,148**

According to the legislation decree No (3) dated 4 January 2010 that included amendments to c ertain articles of the legislative No(28/2001) and the legislative resolution No. (35/2005), the minimum capital required for Islamic banks operating in the Syrian Arab Republic should be SYP15 billion. Three years has been granted by the law for the banks to increase its capital to the required minimum limit, and this periods has been extended to become 5 years under the legislative decree 63 of 2013, and based on the new legislation resolution No. (17) for the year 2011, The granted period that was given to the banks according to the fifth article of the legislation resolution No. (3) dated 4 January 2010, was extended from 3 years to four years to increase its capital according required minimum limits according to its instructions.
And according to the presidency of the Council of Ministers decision no 13 of 22/4/2015 the time limit has been extent to 6 years.
And this required increase and the given period in accordance to legislation resolution No. (3) dated 4 January 2010 and its amendments will be subject of attention when the required guidance is made by the authorities in accordance to the specific specialization.

During the extra ordinary General assembly held on 20 June 2011, it was approved to split the shares according to the content of the article /91/item /3/form the legislation resolution No.(29) for the year 2011, that defines that nominal value of one share should be adjusted to be 100 SP within two years of the resolution implementation date. Accordingly the General Assembly delegates to the Board of directors to follow up the required procedure to execute the split of shares with the authorities and supervisory bodies, on 22 November2011 the Syrian commission on financial markets and securities issued the decree No.119 that approved the adjust the nominal value of the shares to be 100 SYP so the total of shares become50 million shares. The effective date for implementation the mentioned adjustment was at the end of the day 6 December 2011.
On 1/10/2018, the Board of Commissioners of the Syrian Securities and Exchange Commission (No. 117 / M) issued the final approval of the capital increase of the Bank by adding part of the retained earnings.
The capital of the Bank was increased by a total value of 250,000,000 SP through the adoption of 2,500,000 shares at a par value of SYP 100 per share by transferring the value of the shares from the accumulated profits achieved to the capital as follows:

23 General reserve for credit risk

Basing on the Monetary and Credit Council resolution No. (902 / M.n /b4) for the year 2012, which has been extended under the Monetary and Credit Council resolution no /1079/MN/4 dated Jun 29 and under circular 1145/m/1 dated of 6/4/2015 and under circular no 2271/m/1 dated 30/6/2015, and the Monetary and Credit Council resolution No. (650 / M.n / b 4) dated at 14/4/2010 that is amending to the certain things in the Resolution No. (597 / M. n / b4) which is dated at 9/12/2009,

The shareholders of the unrestricted investment are integrated from the financing general risk provision to the risk investment provision accounts which means that there is no need to establish a provision of financing risk in case the investment risk provision equals the financing risk provision or greater, the investment risk provision mustn't decrease to the limit that are imposed by Legislative Decree No. / 35 / of the private Islamic banks in 2005 or to the amount of the shareholders of unrestricted investment accounts from the general reserve risk financing, which is greater.
The work continues according to the resolution /14/ of the Legislative Decree No. / 35 / for 2005 related to Islamic banks to form a provision to meet the investment risk to cover the resulting losses and the amount of the provision become twice as the paid up capital of Islamic banks or any other amount determined by the Monetary Council and credit.

The stress testing on the credit portfolio has been made by the bank to evaluate the adequacy of the provisions and the management of the bank decided to book extra provision amounted to SYP 1,443,461,005 (SYR 9,866,928 of it is for the indirect debts).
The bank has made a provision for the productive debts of the direct facilities dated to 31/12/2018 and amounted to SYP 4,969,782, and SYR 19,926 for the non-direct facilities.
The bank has made a provision for non-productive debts of the direct facilities dated to 31/12/2018 and amounted to SYP 1,273,839,923, and 0 for the non-direct facilities.
The bank did not allocate the shareholders' investment account any expenses related to impairment provision for sales receivable and financing balances
Forming a provision of risk financing for the assets that are financed by shareholders and fund that are guaranteed by the bank at the end of 2018 is suspended, where the total of investment risk provision until 31/12/2018 was SYP 33,051,351and it is the same amount that was formed at 31/12/2011. And the bank is obliged to continue to reserve the investment risk provision through the resolution No 597 / M.n / b4 and modified by the decision 650 / M.n / b4 at the end of the work by resolution 902 / M.n / b4.

The share amount of the unrestricted investment holders from the investment risk provision and retained until 31/12/2018 is SYP 8,214,105 and it is calculated until 30/9/2012 as a result of suspending the formation of the investment risk provision for the assets that are financed by the unrestricted investment holders after the mentioned date.

Keeping the previous provisions that are in excess of the requirements of the Monetary and Credit Council resolution (902 / M.n.b 4) of SYP 4,696,397..

24 Investment fair value reserve

	2018	**2017**
	SYP	**SYP**
At 1 January	2,175,411,384	301,981,384
Investment fair value	-	1,873,430,000
Investment fair value provision	**2,175,411,384**	**2,175,411,384**

25 Provisions:

25-1 Statutory Reserve

According to resolution No 29/2011and to the two circulars issued by the central bank No 369/100/3 on 20/1/2009, No 952/100/1 on 12/2/2009, 10% of the net profits before tax and after excluding the effects of foreign exchange is included to the Statutory reserve.
The bank has the right to stop such treatment whenever the balance of the reserve becomes equal to 25% from the capital.

25-2 Private Reserve

According to article 97 of basic monetary law 23/2002, and according to the two circulars issued by the central bank no 369/100/3 on 20/1/2009 and no 952/100/1 on 12/2/2009, the private reserve is 10% of net business results of the year until it's 100% of the capital.
The two previous reserves is calculated as following:

25-Provisions (continued)

	2018	2017
	SYR	SYR
Income before tax	1,167,136,466	(2,416,346,676)
Deductions:		
Unrealized exchange differences Earnings	-	3,106,312,496
Bank share of subsidiary profits before tax	(43,168)	(50,724)
	1,167,093,298	689,915,096
Private/Statutory reserve 10%	**116,709,330**	**68,991,509**

The statutory reserve at the end of 2018:

	2018	2017
	SYR	SYR
At 1 January	313,909,216	244,917,707
Formed in the year	116,709,330	68,991,509
At 31 December	**430,618,546**	**313,909,216**

The private reserve at the end of 2018:

	2018	2017
	SYR	SYR
At 1 January	313,909,216	244,917,707
Formed in the year	116,709,330	68,991,509
At 31 December	**430,618,546**	**313,909,216**

26 Non- controlling interests

This item represents the share of other shareholders in the results of operations and net assets of the subsidiary.

27 Income from sales receivable and financing balances

	Corporate	
	2018	**2017**
	SYP	**SYP**
Murabaha	4,607,373,963	4,057,310,091
Total	**4,607,373,963**	**4,057,310,091**

28 Income from banks and financial institutions

	Corporate	
	2018	**2017**
	SYP	**SYP**
Investment accounts	359,658,992	881,586,701
Total	**359,658,992**	**881,586,701**

29 Expenses charged to the joint venture pool

The bank allocate the Expenses charged to the mudarabeh pool with a percentage of %50 according to the policies that are approved by the Shari'a committee; The Bank did not charge for the 2018 Mudaraba, while charging for the first two months of 2017.
The Bank has incurred these expenses as a donation:

	2018	**2017**
	SYP	**SYP**
Mail and phones expenses	-	399,040
Printing and stationery expenses	-	988,629
Advertisement and exhibition expenses	-	2,129,600
Compensation of Shari'a committee	-	1,333,333
Accommodation expenses	-	1,392,626
Other expenses	-	375,000
	-	**6,618,228**

30 The return on the unrestricted investment accounts after deducting the investment risk reserve

	2017	**2017**
	SYP	**SYP**
Banks and financial institution		
Clients(Investment account on al mudarabeh base):		
Saving deposits	134,356,835	66,817,334
Investment deposits (term deposits)	224,083,158	83,716,882
Clients (Investment account on al wakaleh base)	824,412,779	337,986,504
Total	**1,182,852,772**	**488,520,720**

*No investment risk's reserve is made for Wakaleh profits.

31 Bank's share in the joint income as a Mudarib, investment deputy and Fund Owner

Bank's share in the joint income as a Mudarib, investment deputy and Fund Owner is amounted:

	2018	2017
	SYP	**SYP**
As a Mudarib	398,150,285	188,808,416
As fund owner	2,758,519,968	3,895,476,956
Total	**3,156,670,253**	**4,084,285,372**

32 Net income from banking services

	2018	2017
	SYP	**SYP**
fees and commissions income	1,252,714,681	1,760,600,030
The burden of fees and commissions	(291,944,925)	(300,648,421)
Total	**960,769,756**	**1,459,951,609**

33 Other income

	2018	2017
	SYP	**SYP**
Gain on sale of fixed assets	4,173,500	6,814,170
Other*	313,816,435	303,339
Total	**317,989,935**	**7,117,509**

* Other income includes 312,784,281 of the amount of compensation awarded to the Bank by the owner of the property Rotana building in return for waiver of the benefit of the leased asset at the request of the owner, to avoid any damage to the bank as a result of the rental costs paid for the entire period of the contract, in addition to Improvement of property

34 Staff expenses

	2018	2017
	SYP	**SYP**
Salaries and related benefits	1,085,592,053	1,018,357,936
Social Security	41,361,043	35,336,124
Medical expenses	20,425,462	13,216,986
Training expenses	7,386,320	4,062,052
Total	**1,154,764,879**	**1,070,973,098**

35 Other expenses

	2018	2017
	SYP	**SYP**
Rent expenses	178,658,371	183,096,199
IT expenses	138,851,191	164,343,784
Telephone, fax and carrier	17,826,371	18,072,128
Consulting fees	79,664,672	68,284,012
Advertising expenses	45,705,221	48,839,511
Utilities expenses	37,763,016	16,502,449
ATM machines expenses	46,243,344	39,130,085
Transportation, traveling and hospitality expenses	49,786,777	36,890,149
Cleaning expenses	19,852,134	14,912,594
Governmental expenses	155,261,947	175,175,395
Insurance expenses	16,735,204	14,965,052
Shari'a supervisory board expenses	27,683,333	18,611,112
Security expenses	14,853,725	15,327,297
Stationery and printing	18,058,198	15,598,809
Board of directors and General Assembly expenses	73,578,972	114,780,664
Legal fees*	1,197,358,732	2,009,463,305
Donations	4,215,100	4,451,850
Other	88,092,946	117,741,076
Total	**2,210,189,255**	**3,076,185,471**

* Includes legal fees for a law firm in the United States that has been assigned by the bank to work to lift the sanctions imposed by the US Treasury.

36 Impairment provision for sales receivable and financing balances

Impairment provision for sales receivable and financing balances has been formed according to the Monetary and Credit Council resolution No. (597 / M.n / b4) for the year 2009 and it's amended especially Resolution No. (902 / M.n /b4).

37 Basic earnings per share

	2018	2017
	SYP	**SYP**
Net profit for the year	858,395,033	(2,553,782,170)
Weighted average for number of shares(*)	52,500,000	52,500,000
	16.35	(48.64)
Basic earnings per share for the year	**16.35**	**(48.64)**

38. Cash and cash equivalents at the end of the period

	2018 SYP	2017 SYP
Cash and balances with central bank with maturity of three months	47,018,628,242	33,305,930,016
Add: Deposits, investment accounts and certificates with banks and financial institutions for three months or less	43,705,791,587	55,928,463,624
Less: Deposits for banks and financial institutions with maturity of three months		(14,062,883,903)
Less: Investment accounts and certificates with banks and financial institutions for less than three months	(28,067,042,495)	(32,233,692,897)
Restricted balances*	(19,164,380,087)	(26,787,397,177)
	43,492,997,247	**16,150,419,663**

The reserve with Central Bank of Syria is not available for the Bank's day-to-day operations; therefore it is not part of cash and cash equivalents.
* The restricted balances as a result of the sanctions imposed on the Bank by the US Treasury amounted to SYR 19,164,380,087

39 Related party transactions

The following is a summary of related party's transactions during 2018:

2018	Parent company	Sister company	Associated company	Subsidiary company	Joint ventures	Other (Mentioned in details)
Items within the budget: Assets		-	-	-	-	-
Current accounts and accounts under demand	20,731,283,927	-	-	-	-	-
Unrestricted investment accounts with maturity of 3 months or less	12,958,260,000	-	-	-	-	-
Cash margins with banks and financial institutions for more than 3 months	-	-	-	-	-	-
Other Assets	252,184,844	-	-	-	-	-
Total Assets	**33,941,728,771**	-	-	-	-	-
Items within the budget: Liabilities						
Current accounts and accounts under demand	96,230	-	-	128,467,037	-	-
Unrestricted investment accounts/(term accounts)	–	-	-	150,000,000	-	-
Other liabilities	–	-	-	–	-	-
Total liabilities	**96,230**			**278,467,037**		
Off side balance sheet items	13,952,000,000					

	Parent company	Sister company	Associated company	Subsidiary company	Joint ventures	Other (Mentioned in details)
Income statement elements						
Investment activity income	348,408,220	-	-		-	-
The share of unrestricted investment holder from the net profit before deducting bank's share as mudarib	-	-	-	5,907,265	-	-
General and Administrative expenses	-	-	-	-	-	-
Tax income revenue	-	-	-	-	-	-
Additional information	-	-	-	-	-	-
Sales receivable and financing balances	-	-	-	-	-	-
Sales receivable and financing balances under monitoring	-	-	-	-	-	-
Impairment provision	-	-	-	-	-	-
Suspended revenue	-	-	-	-	-	-
Bad debts	-	-	-	-	-	-

Below is a summary of the benefits (salaries, bonuses and other benefits) of senior executive management of the Bank and Shari'a Supervisory Board and Board of Directors:

	2018 SYP	2017 SYP
Senior executive management		
Salaries and Compensation	208,057,426	319,013,471
The board of directors		
Accommodation and conference expenses	71,754,441	113,732,679
Shari'a committee		
Fees	27,683,333	19,944,445
Totals	**307,495,200**	**452,690,595**

40 Fair value of the financial assets and liabilities which not shown in fair value in the financial statements

First: fair value of the financial assets and liabilities which not shown in fair value in the consolidation financial statements

The following table shows the book and the fair value of financial assets and liabilities in the financial position that does not appear at fair value in the financial statements

	2018		2017	
	Book value	**Fair value**	**Book value**	**Fair value**
Deposits, Investment accounts and certificates with banks and financial institutions for three months or less	43,705,791,587	43,705,791,587	55,928,463,624	55,928,463,624
Investment accounts and certificates with banks and financial institutions for more than three months	330,000,000	330,000,000	-	-
Sales receivable and financing balances	47,981,064,955	47,981,064,955	35,384,968,219	35,384,968,219
Financial assets held-to-maturity	-	-	-	-
Financial liabilities	-	-	-	-
Deposits and Investment accounts of banks and financial institutions	28,222,042,495	28,222,042,495	46,451,576,800	46,451,576,800
Equity of unrestricted investment account holders	39,045,227,553	39,045,227,553	25,108,781,082	25,108,781,082
Payable accounts	1,389,261,156	1,389,261,156	137,394,330	137,394,330
Other liabilities	3,380,489,830	3,380,489,830	2,875,095,205	2,875,095,205

41 Risk management

Risk management is defined as an integrated and comprehensive system designed to create the appropriate environment and necessary tools for the purpose of anticipating, studying, identifying, measuring and following up the potential risks. As well as defining the possible effects of such risks on the bank's activities and its assets and revenues, and developing appropriate plans of what is necessary and what can be done to avoid these risks, or restrain and control them to mitigate their effects if they occur.

Risk management is one of the Board of Directors responsibilities, administered through the Risk Committee, on which the responsibility of defining the acceptable limits of exposure to risk falls. These limits are identified, measured and followed up by the Risk Management Department, which answers directly to the Risk Committee, using a system of integrated reporting, which reflects all the risks faced by the Bank such as: credit, market, liquidity and operational risks. Thus the Risk Management Department is committed to applying the decisions of: Monetary and Credit Council, Central Bank of Syria and the banking norms in this regard, and securing the adequate capital to guard against these risks. As well as applying the Governance Guide according to the Monetary and Credit Council resolution No. 489 of 2009 and Charter of Basel II, and it constantly follow up to reduce the likelihood of the occurrence of risk and the impact of these risks, if any.

Risk management structure:

Board of Directors:
The board of directors considered the responsible for the risk management of the bank where an independent unit for risk management was been formed by the bored within three sections as credit, market, liquidity and operating risk. The bored formed risk management committee derived from him where it concluded the non-executive members and the manager of the risk was the responsible of the committee.
the board determines the level of the risk that are acceptable to the bank and can be afford, the bored is responsible for confirming the work methods of the risk management, the duties, the level of exposure and the general policy of the risk management of the bank.
The board of directors confirm the duties of the senior management for establishing and creating the an independent infrastructure that are appropriate and adequate for managing risks and provide the necessary technological system that ensure the continuing of the work of the risk management in determining, measuring, following- up and setting the risk within the approved limit, the bored periodically monitor the effectiveness of the management and risk management depending on a comptroller independent party where the bored receive periodic reports prepared by the risk management on the current exposures.

Risk Management Committee:
The Risk Management Committee works with the Risk Management Department at the Bank to define the policies of this committee which are related to the Bank's activity and banking products. And it shall ensure and follow up the management in dealing with the excesses reported by the Risk Management. The Committee shall also submit contingency plans and plans for crisis management facing the Bank and to which the bank is exposed.

Executive Management

The executive management shall establish the necessary structures for risk management, policies and work procedures and clearly define the responsibilities and competences that ensure the separation of functions and competences to avoid conflicts of interest between the departments. The executive management activates the internal control system and identifies the administrative communication channels required to deal with the types of risks faced by the bank in its banking work, The executive management carries out its work within the approved risk strategy by the Board of Directors within the specified limits.

41. Risk Management (Continued):

Risk Management:
The Risk Department monitors and quantifies capital adequacy to meet the risks to which the Bank is exposed and sets out a clear risk management policy and commensurate with the nature and size of the Bank's business, taking into account the Bank's products and banking activities to adequately control these products and activities. In line with the decisions of the Monetary and Credit Council and decisions of the Central Bank of Syria and the Basel II Charter.
Risk management shall daily monitors the whole bank activities, ensures compliance with the limits and levels specified in the risk management policy, adjusts abuses and tracks them immediately with the Management, measures risks under normal conditions and under stressful conditions through stress testing. Risk Management prepares periodic and emergency reports to be submitted to the Risk Committee and the Board of Directors

Internal Audit:
The Internal Audit Department ensures that the necessary risk management infrastructure is available, ensures the independence of the department, verifies adherence to the rules and procedures contained in the risk management policy, assesses the adequacy and effectiveness of the risk identification systems and their measurement mechanisms, assesses the effectiveness and adequacy of internal control systems and controls Identified risks as well as an assessment of the speed of reporting deviations and corrective actions taken.

First: Qualitative Disclosures:

1. Exposure to risks and how they arise:

The Bank is exposed during the performance of its activities to many risks that can be classified under: credit, market, liquidity and operational risks.
Credit risk arises primarily from the possibility of the nonpayment of the debts by the Bank customers, their bankruptcy or the existence of credit obstacles to their commitment to the time schedule of payment agreed upon. And in this regard, the Bank carries out the administration and monitoring of the credit ceilings at the level of the credit portfolio as a whole and at the level of the customers, and measures the size of the credit exposure for each sector and geographic region and coherent group.
Market risk arises from the risk of the budgetary financial positions and extra-budgetary contingent liabilities as a result of price changes, which could be recognized as the risk resulting from the general increase in prices and the decrease of the purchasing power of the local currency, and the risk resulting from the positions of the foreign currencies, and the losses which the Bank suffers from because of the adverse changes in the return rates in the market.
Liquidity risk arises as a result of the mismatch between assets and liabilities maturity dates, and the difference between the maturities of deposits and facilities, in addition to the risk associated with the concentrations existing in the cash deposits at the Bank, which may lead to a decline in liquidity ratios from the allowable limits, as well as the sudden cases of money withdrawal which the Bank may be exposed to, which lead to limiting its ability to meet its obligations in due dates, and the difficulty in financing its assets. And in this regard, the Bank commits to: managing and controlling liquidity levels on a daily basis, estimating the future cash flows, keeping sufficient liquidity ratios and applying Monetary and Credit Council resolutions related to liquidity.
Operational risk arises from errors caused by: inadequate procedures, staff misconduct, failures in applied technology systems or noncompliance with the determinants of Islamic Law followed by the Bank in its banking activities. And in this regard the Bank adopts the basic indicator to measure operational risk, and evaluates the impact of the potential operational risk on the operations and

41-Risk Management (continued)
First: Qualitative Disclosures (continued)

activities conducted by the bank, and classifies the operations to identify the types of risks associated with them, and prioritize the steps to be carried out to address them. In addition, limits are established for the key indicators of risk of the various operations that can be endured.
Risk Management in Cham Bank represent perspectives and attitudes that govern the performance of the Bank regarding its response to the different risk factors in all areas of work, starting from developing the bank's strategy for action and the mechanisms of applying this strategy, ending with the activities and daily practices by all the employees in the bank, at the level of all the departments included in the organizational structure of the Bank.

2. Risk Management strategies

The Bank adopts multiple strategies for risk management through the risk management systems and the related management, where the Bank performs the following:

- Design system that analyze the financial effects – and any other effects – for the variance risks and develop the control systems and procedures that would (in case of performance) to keep the probable losses (effects) for those risks within the acceptable range.
- Limit the risks (within the bank’s proficiency and strategies)
- Define the acceptable risk limit for all the provided products.
- Performance incentives applied in the Group are consistent with the risk levels.
- Set the risks limits and control these limits and the current levels of risk exposure.
- Identify the risk levels throughout the levels of policies and procedures, followed with the departments, sections and branches levels and assess the controlling procedures to control these risk and identify the insufficiency and the consequences.
- Set emergency plans and going concern plans, and ensure their efficiency in addition to develop it continuously.

The bank has put a hedging polices that mitigate risks with determining the responsibilities that should be followed to avoid any defect may happened through considering tasks and special operating procedures for the management of credit risk and market risk and liquidity and operational risks, the procedure of controlling and supervision were adopted through the following:

- Organizing the work of risk management in terms of its ability to manage each type of risk that the bank faced with the adoption of a complete independence of this department.
- Develop a scale of measurement and reporting systems for each type of risk types of systems.
- To emphasize that the Bank's policies are prudent in way that mitigate risks in terms of the procedures for obtaining guarantees and accepting it and policies of periodic evaluation of their effectiveness.
- Develop continuous effective control procedures for hedging and risk mitigation.

41-Risk Management (continued)
First: Qualitative Disclosures (continued)

3. Risk management organizational structure:

Cham Bank worked on activating the performance of the Risk Management Department through activating the sections in the department and the work has been distributed through distributing the responsibilities and determining the tasks and procedures for each section:

- Credit Risk Department.
- Market risk and liquidity department.
- Department of operational risk.

Risk management is traced to the risk Committee that emerged from the board of directors and to the General manger of the bank.

4 policies and procedures to avoid risk concentration:

The Bank applies policies and procedures that limit the concentration of risks faced by the Bank, through the application of the decisions of the Monetary and Credit Council and the Central Bank of Syria, In addition to the recommendations issued by the Risk Committee of the Board and the Risk Management Department in connection with the distribution of credit portfolio risk, risk concentrations in the states, risk concentrations in the correspondent banking, risk concentrations in deposit and current accounts and other concentrations in banking products.

41-Risk Management (continued)
First: Qualitative Disclosures (continued)
4 policies and procedures to avoid risk concentration (continued)

	2018	2017
Balances with central banks	48,369,248,201	31,212,181,860
Deposits, investment accounts and certificates of banks and financial institutions for a period of three months or less	43,705,791,587	55,928,463,624
Investment accounts and certificates with banks and financial institutions for more than three months	330,000,000	–
Sales receivable and balances of financing activities		
For individuals:		
Individuals	591,227,253	69,246,186
Real estate financing	1,665,344,597	1,731,492,731
For Companies		
Big companies	43,893,140,863	31,887,197,512
Small and medium– sized enterprises (SMEs)	1,831,352,242	1,697,031,790
For government and public sector	–	–
Investments in real estate	2,380,850,000	2,380,850,000
Assets under investment and liquidation	134,933,805	1,098,644,340
Intangible Assets	6,933,540	4,016,696
Fixed Assets	6,627,130,010	1,693,854,054
Blocked deposit with Central Bank of Syria	2,163,455,530	2,163,455,530
Deferred tax assets	1,338,589	1,361,139
Other assets	1,794,721,044	744,709,231
Off Balance sheet items		
Letters of guarantees	2,375,868,232	3,645,533,390
Letters of credits	4,053,909,940	5,278,411,627
Acceptances	–	-
Unused Credit Limits	12,455,170,002	9,042,656,201
Total	**172,380,415,435**	**148,579,105,911**

41. Risk Management (continued):

First: Qualitative Disclosures (continued):

5 policies and procedures to avoid risk concentration (continued):

Several methods and assumptions and variables are developed and used by the Bank to prepare sensitivity analyses for different periods, as a sensitivity analysis of the credit portfolio of the Bank is performed in specific scenarios related to the expected ratios of change in the rating of the portfolio's debts in accordance with the applicable classification decisions, in addition to scenarios concerning acceptable collateral so that the credit portfolio and existing debt situation is well monitored, and can be said that the scenarios followed are extrapolated from reality and match the current situation with expected circumstances, through which the banking activities are performed. As well as performing separate sensitivity analyses for the major bank customers in the financing portfolio, according to expected circumstances depending on the economic activities and work conditions and guarantees of the customer.
The Bank has prepared arrangements and systems and control procedures to ensure compliance with the Islamic law, including a review of the Bank's departments policies and operating procedures, as well as to ensure the application of these procedures by tasks regulators, and to consider the extent of compliance with the decisions and recommendations and procedures for the implementation of these actions.
The bank has activated the process of auditing the work evidence in its departments, by reviewing all policies and work procedures of the departments, and their authorized forms. And this makes all the policies and procedures compliant with the latest legislations and decisions issued, and leads to reduction in the risk associated with each department activity, by paying attention to the areas of risk associated with the work nature of each department.

6 Reporting channels and systems according to each type of risk:

Reports are prepared to present the risks faced by the bank, classified according to the types of these risks, because a reporting system has not been developed, which reflects the credit risk faced by the bank's credit portfolio, for the Commercial finance portfolio and the Portfolio of individual funds. And also the reporting system presents the direct and indirect facilities, which are distributed to the products provided by the bank, and also distributed to geographical regions. In addition, the reporting system monitors concentrations of credit at the level of each customer and at the level of the inter-related groups, and shows the debt classification into productive and nonproductive debts, and sheds lights on the acceptable collateral that mitigate credit exposures, and monitors the legal implementation of the debts that have been converted to the legal department, and monitors the transgressions of the credit ceilings of the customers if existed. In addition to other information that shows the other risk potentials associated with the credit activity of the bank.
And in connection with market risk and liquidity risk faced by the bank, there are many periodic reports that monitors: the operational foreign exchange positions, the correspondent banking risk, the transgressions of the credit ceilings granted to these banks, the concentrations and the risk of exchange rates, and the risk of the interest rates fluctuations as an indicator. In addition, reports are prepared clarifying the position of the bank liquidity, and monitoring it closely by shedding light on the total size of the assets and liabilities, and the size of assets and liabilities in Syrian pounds, and the size of the assets and liabilities in foreign currencies, and the occurring gapes and other issues.
Operational risks are controlled by reports that monitor the potential operational risk associated with the bank activities, and clarify the extent to which the established and applied procedures are able to reduce the occurrence of these risks, and their ability to mitigate their effects if they occur.
Reports are prepared on the extent to which the bank applies the Charter of Basel II, which shows all of the minimum capital requirements, and clarifies the regulatory review processes that enhance the Bank's risk management techniques, and determines the management responsibilities in assessing the capital adequacy, in order to cover all the types of risk. And sheds light on the subject of the market

41. Risk Management (continued):
First: Qualitative Disclosures (continued):
6 Reporting channels and systems according to each type of risk (continued)

discipline, in order to achieve transparency ,through the knowledge of the disclosure requirements .And illustrates the extent of exposure to risk in all its forms. In addition, reports are prepared and submitted to the Central Bank of Syria, based on the approved models under issued decisions, that show the reality of the risks faced by the Bank.
Reports are prepared periodically including: daily reports, semi-monthly reports, quarterly reports, semi-annual reports and annual reports. As well as follow-up reports and emergency reports in case of any emergency or any transgression of the limits. And these reports are prepared by the Risk Management Department and submitted with a recommendation to the Risk Management Committee which in turn submit them to the Bank's Board of Directors. As well as reports illustrating the detailed risks are submitted to the various concerned bank departments.

7 Reviewing the effectiveness of the risk management tools and procedures:

Maximum permissible limits are reviewed from time to time, based on the emergency developments, being taken into account that these limits do not exceed the limitations included in the Monetary and Credit Council and the Central Bank of Syria resolutions. In addition, an emphasis is placed on the need for the availability of the necessary information, for the preparation of the required reports, in accordance with the internal control system, and the level of performance of the verification systems. As well as reviewing the policy and work procedures of the Risk Management Department, in addition to the decisions issued by the Monetary and Credit Council and the Central Bank of Syria, and the recommendations issued by entities that exercise supervisory role on the global private banks, in connection with risk management and surveillance .

Second: Quantitative Disclosures:

1. Credit Risk

The daily practice of the banking activities involves the bank's exposure to a number of risks, including credit risk arising from the failure or inability of the other party to fulfill its obligations to the Bank.
The Bank ensures that these risks do not exceed the predetermined framework in the bank's credit policy and credit risk management, and maintains the risk levels within a balanced relationship between risk and return, through the application of the obligatory decisions issued by the Monetary and Credit Council and the Central Bank of Syria and the recommended limits.
A periodic monitoring is conducted to ascertain the extent of commitment to the accepted limits of risk, using many of the detailed reports that reflect all of the risks faced by the bank credit portfolio.
Credit facilities are classified according to the classification decision issued by the Monetary and Credit Council No. 597 of 2009 and the subsequent amendments, being taken into account the rating of customers debts in the other banks and financial institutions, according to the information received periodically from the Department of Banking Risks at the Central Bank of Syria, which requires the categorization of the customers' positions in the other banks and financial institutions. As well as regularly reporting on the bank's rating of its customer s to the Central Bank of Syria, and paying full attention to the scheduled and restructured debts, and the following-up of the outstanding debts.
The Bank manages its credit risk by assessing the credit position of the customers in terms of credit risk elements faced by the customer during the period of receiving facilities and the possibility of the non-payment. In addition, the Bank receives suitable guarantees from customers for the situations requiring them according to the risk levels for each customer.
The Bank has determined the acceptable credit risk levels by setting limits on the acceptable levels of risk in the relationship with one client or a group of clients. In addition, committees of credit have been formed to make credit decisions according to its own terms of reference, defined by the

41. Risk Management (continued)
Second: Quantitative Disclosures (continued)

degree of risk and the type and term of facility. In addition to separating the decision making authority from the studying function, as well as the existence of a separate control authority.
To measure credit risk, the Bank has developed credit portfolio risk management system after taking into account the need for functional separation of tasks between those who entrusted to do implementation process of the granting of credit from a study of the file customer facilities and to ensure that it satisfies the necessary financial data and modern and all the conditions for documents that provide the minimum required information, and those who are implementing planned facilities and between those who monitor the procedures and processes required to grant credit to assure the implementation of the policies and procedures established to ensure that implementation of the decisions and instructions as decided. The Bank has the adequacy of provisioning deducted control system along with abiding Monetary Council resolutions standards and Credit No 597 of 2009 and its subsequent amendments taking into account the measurement of unsecured debts acceptable collateral and the adequacy of these guarantees and the method of unproductive debt treatment.
Bank relies on the measurement of credit risk on a reporting system reflect the risks inherent in the portfolio of credit facilities and under-utilized, outlining the nature of the granted credit facilities of direct and indirect facilities and determine the types of facilities granted by Murabaha or other banking products.
This system also do measure the economic risk of the credit portfolio by monitoring the size of the facilities granted and exploited for the financing of commercial, industrial and service activities and other economic sectors as well as they measure the geographical concentration based in the credit portfolio, as interconnected groups are being identified and lighted shed on the relationship between them in accordance with the decision of Credit and Monetary Council No. 395 of 2008 and the amendment of resolution No. 661 of 2010 and measure the size of the facilities granted and exploited for each group separately so that they wouldn't exceed the maximum credit allowable limits.
The existing guarantees is being measured and divided into material guarantees and incorporeal guarantees, and is determining the value of acceptable guarantees, which is calculated according to the models that Monetary Council resolution and credit no 597 for 2009 set, to calculated the net debt after writing it down with the value of acceptable guarantees to identify the hazardous guarantees and the percentage to be applied to these exposures to form provisions based on the decisions of the debt rating.
The limits of credit granted is being observed to prevent irregularities on the limits that have been granted for each client individually, with measuring the size of the facilities that have been converted to the legal implementation paired with the size of the existing credit guarantees and provisions that have been formed.
The pressure tests are performed according to several scenarios to measure and control the risks arising from these scenarios; additional provisions are proposed to counter such risks.

Credit risk management policy:

- Achieving safety by ascertaining the customer sources of repayment, and his creditworthiness, and the provided guarantees.
- Achieving proliferation and diversity through distribution according to economic and geographical sectors, and avoiding concentrations at the level of customers and correlated credit groups.
- Achieving profitability and adequate returns.
- Harmonization between the maturities of revenue and funding.
- Achieving continuity through risk assessment and precaution.

Credit risks related to commitments:

The Bank provides pledges to meet customer needs, these facilities requires payments from the Bank on behalf of its customers, according to the regulations set out by the Shari'a Supervisory Board of the

41. Risk Management (continued)
Second: Quantitative Disclosures (continued)

Bank. And the collection of these payments is in conformity with the terms of the credit or the guarantee. These facilities have the same credit risk as the financing activities receivables, and these risks are prevented by following the same bank regulatory policies and procedures in terms of limiting these undertakings to selected parties, and the continuous assessment of the appropriateness of these facilities, and additional arrangements for extra assurance with the parties in circumstances so require.

Concentration in the maximum credit risk:

The concentrations of credit risk have been managed at the customer level (Individual or institution or a correspondent bank) and the size of the credit exposure for each economic sector or geographic area, according to the Monetary and Credit Council Resolution No. 395 / of /B4 29 May 2008, where the maximum credit exposure should not exceed 25% of the net private capital at the customer level (individual or organization).

41 Risk Management: (continued)

1. Credit Risk: (continued)
The distribution of credit exposures by degree of risk:
Credit exposures are distributed according to the degree of risk in accordance with the table below:

2018	Individual	Real estate financing	Companies		Government and public sector	Other banks and financial institutions	Total
			SMEs	Big companies			
	SYP	SYP	SYP	SYP	SYP	SYP	SYP
Low risk							
High Grade(normal risk)	620,819,667	1,662,024,197	1,472,792,808	43,072,235,700	-	-	**46,827,872,372**
Watch list	230,714	43,521,340	363,154,920	1,920,968,113	-	-	**2,327,875,087**
Non-Performing, including:	202,406,398	16,993,969	264,213,827	1,143,590,379	-	-	**1,627,204,573**
Substandard	-	-	-	12,358,652	-	-	**12,358,652**
Doubtful	-	3,511,453	17,522,755	10,754,316	-	-	**31,788,524**
Bad Debt	202,406,398	13,482,516	246,691,072	1,120,477,411	-	-	**1,583,057,397**
Total	**823,456,779**	**1,722,539,507**	**2,100,161,555**	**46,136,794,192**	-	-	**50,782,952,033**
Less: reserved profit	(30,535,580)	(3,973,827)	(7,582,454)	(42,695,037)	-	-	**(84,786,898)**
Less: Impairment Provision	(201,693,946)	(53,221,082)	(261,226,859)	(2,200,958,292)	-	-	**(2,717,100,179)**
Net	**591,227,253**	**1,665,344,597**	**1,831,352,242**	**43,893,140,863**	-	-	**47,981,064,955**

41 Risk Management: (continued)

1. Credit Risk: (continued)
The distribution of credit exposures by degree of risk:
Credit exposures are distributed according to the degree of risk in accordance with the table below:

			Companies				
2017	**Individual**	**Real estate financing**	**SMEs**	**Big companies**	**Government and public sector**	**Other banks and financial institutions**	**Total**
	SYP	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**
Low risk	-	-	-	-	-	-	**-**
High Grade(normal risk)	83,827,754	1,741,881,201	1,234,571,283	31,301,556,424	-	-	**34,361,836,662**
Watch list	-	56,059,187	363,919,320	1,761,087,793	-	-	**2,181,066,300**
Non-Performing, including:	247,451,280	35,883,82 0	243,061,505	1,309,220,091	-	-	**1,835,616,696**
Substandard	-	-	4,562,856	167,780,156	-	-	**172,343,012**
Doubtful	-	4,777,982	1,439,48 3	19,125,045	-	-	**25,342,510**
Bad Debt	247,451,280	31,105,83 8	237,059,166	1,122,314,890	-	-	**1,637,931,174**
Total	**331,279,034**	**1,833,824,20 8**	**1,841,552,108**	**34,371,864,308**	-	-	**38,378,519,658**
Less: reserved profit	(36,900,404)	(8,131,001)	(6,692,631)	(37,667,875)	-	-	**(89,391,911)**
Less: Impairment Provision	(225,132,444)	(94,200,477)	(137,827,687)	(2,446,998,920)	-	-	**(2,904,159,528)**
Net	**69,246,186**	**1,731,492,731**	**1,697,031,790**	**31,887,197,512**	-	-	**35,384,968,219**

41 Risk Management: (continued)

1. Credit Risk: (continued)
The distribution of the fair value of the guarantees against credits:
The distribution of the fair value of the guarantees against sales receivables and financing:

2018			Companies			
Guarantees against:*	**Individual**	**Real estate financing**	**SMEs**	**Big companies**	**Government and public sector**	**Total**
	SYP	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**
High Grade(normal risk)	561,200,393	1,205,020,930	1,457,476,647	42,386,758,383	-	**45,610,456,354**
Watch list	-	43,521,341	294,209,117	1,835,973,549	-	**2,173,704,007**
Non-productive, including:	195,728,663	16,993,970	132,459,688	638,369,639	-	**983,551,960**
Substandard	-	-	-	12,358,652	-	**12,358,652**
Doubtful	-	3,511,453	17,522,755	10,754,315	-	**31,788,524**
Bad Debt	195,728,663	13,482,517	114,936,933	615,256,671	-	**939,404,784**
Total	**756,929,056**	**1,265,536,241**	**1,884,145,453**	**44,861,101,571**	-	**48,767,712,321**
Including:					-	**-**
Cash margins	3,410,984	-	-	-	-	**3,410,984**
Accepted guarantees		-	-	22,362,848,304	-	**22,362,848,304**
Real estate	542,681,467	1,265,536,241	1,884,145,453	19,948,604,670	-	**23,640,967,831**
Trading shares	-	-	-	-	-	**-**
Cars & vehicle	210,836,605	-	-	2,549,648,597	-	**2,760,485,202**

(*) The amount of guarantee is equal to the debt or less for each client individually.

41 Risk Management: (continued)

1. Credit Risk: (continued)
The distribution of the fair value of the guarantees against credits:
The distribution of the fair value of the guarantees against sales receivables and financing:

2017			Companies			
Guarantees against:*	Individual	Real estate financing	SMEs	Big companies	Government and public sector	Total
	SYP	SYP	SYP	SYP	SYP	SYP
High Grade(normal risk)	96,239,352	1,740,105,668	1,329,346,139	27,999,365,394	-	**31,165,056,553**
Watch list	-	74,159,788	300,940,084	1,717,666,864	-	**2,092,766,736**
Non-productive, including:	240,436,502	30,822,067	123,476,105	805,342,733	-	**1,200,077,407**
Substandard	-	-	4,660,288	167,780,156	-	**172,440,444**
Doubtful	-	5,349,422	1,454,567	20,336,923	-	**27,140,912**
Bad Debt	240,436,502	25,472,645	117,361,250	617,225,654	-	**1,000,496,051**
Total	**336,675,854**	**1,845,087,523**	**1,753,762,328**	**30,522,374,991**	-	**34,457,900,696**
Including:	-	-	-	-	-	**-**
Cash margins	-	-	-	3,156,456	-	**3,156,456**
Accepted guarantees	-	-		15,941,519,108	-	**15,941,519,108**
Real estate	91,338,152	1,845,087,523	1,753,762,328	12,367,878,838	-	**16,058,066,841**
Trading shares	-	-	-	-	-	**-**
Cars & vehicle	245,337,702	-	-	2,209,820,589	-	**2,455,158,291**

* The guarantee is equal to or less than the amount of debt at the level of each client and individually.

41 Risk management (continued):

1. Credit risk (continued):

Scheduled debts:

They are those debts that have already been ranked as deferred sales receivables and balances of unproductive funds and taken out of the context of the deferred sales receivables and balances of unproductive funds in accordance with a systematic scheduling, and were classified as debts requiring special attention, totaling at the end of the current year SYR 15,045,551 "SYR 110,279,246of it is rescheduled due to debts turning, versus SYR 102,526,570 at the end of the previous were rescheduled due to debts turning.

Restructured debts:

Restructuring refers to the realignment of the deferred sales receivables and financing balances in terms of adjusting premiums or extending the duration of the funding or postponing some of the premiums or extending the grace period ... etc, and these debts were classified as debts requiring special attention, totaling at the end of the current year SYR 236,772,853, versus SYR 98,248,519 and all of it were restructured due to debt turning as at the end of the previous year.

Held guarantees and credit enhancements:

The bank relies on several methods and practices to mitigate credit risk, Including obtaining guarantees accepted in accordance with accredited standards and principles, and classified by credit operations with commercial institutions and by credit operations with individuals, where mortgages are accepted on residential buildings, real estates, securities, cars and cash collaterals.
The Bank's policy are based on ascertaining and validating the provided guarantees, as well as harmonizing and matching these guarantees and following-up their renewing as needed, and these guarantees are evaluated in accordance with the decisions of the Central Bank of Syria and the instructions pertaining to this matter.
It is possible that these real estate collaterals could be exposed to a direct risk which could affect its market value or hinders the legal implementation when selling at auction, as a result of the circumstances which the geographic area, in which these properties exist, may be exposed to. And to remedy this risk, the market value of the collateral is monitored and reviewed when renewing facilities and whenever the need arises, and the real estate is evaluated if possible, and the percentage of the market value is qualified, which commensurate with the status of the area in which the property exists, is reserved. And a study of the adequacy of the allowances, which are allocated to face the net indebtedness of customers, is conducted in accordance with the instructions of the Central Bank of Syria and the Monetary and Credit Council resolutions No. 597 of 2009 and No. 902 for the year 2012.

Stress testing for the credit portfolio:

The Bank has conducted several stress tests in accordance with the following assumptions:

41 Risk management (continued)

Stress testing for the credit portfolio (continued)

- First Test:

-Hypothesis: A credit portfolio stress test was performed on net unsecured or partially covered client receivables and 5% of the outstanding real estate collateral was retained.
-The result of this test : The value of the increase from the allocations established by Resolution 902, after taking into account the allocations made under decisions issued by the Appropriations Committee, amounted to SYP 610,823.

- Second Test:

-Hypothesis: A credit portfolio stress test has been conducted on net unsecured or partially covered client receivables so that 5% of the value of vehicle and machinery guarantees is retained.
- The result of this test : The value of the increase over the appropriations established by Resolution 902, after taking into account the allocations made under decisions of the Appropriations Committee, was SYP 0.

- Third Test:

-Hypothesis: A credit portfolio stress test has been performed on net unsecured or partially covered client receivables according to the following scenarios:
• Delayed repayment of 180 days.
• Reservation of 5% of the value of real estate guarantees.
• Reservation of 5% of the value of car and vehicle guarantees.
- The result of this test: The amount of the increase over the allocations established by Resolution 902, after taking into account the allocations made under resolutions issued by the Appropriations Committee, amounted to SYP 1,044,730,029

- Fourth voltage test:

Test Hypothesis: A rating of about 60% of net debt classified as ordinary debt is classified as a debt classification requiring special attention.
test result:
The value of the increase from the allocations established by Resolution 902, after taking into account the allocations established by decisions of the Appropriations Committee, amounted to SYP 40,196,997

- Fifth voltage test:

Test Hypothesis: The classification of debt classified by debt classification requiring special attention to substandard debt.
test result:
The value of the increase over the allocations established by Resolution 902, after taking into account the allocations made under decisions issued by the Appropriations Committee, amounted to SYP 25,688,166 .

- Sixth voltage test:

Test Hypothesis: The classification of debt classified as sub-standard debt and debt to bad debts.
test result:

The value of the increase is greater than the allocations established by Resolution 902, after taking into account the allocations established by decisions of the Appropriations Committee was SYP 0.

- Seventh voltage test:

Test Hypothesis: The classification of customers whose debt is classified in the debt after the scheduling process falls into the previous classifications classified as non-productive debt prior to the scheduling process.
test result:
The value of the increase is greater than the allocations established by Resolution 902, after taking into account the allocations established by decisions of the Appropriations Committee was SYP 0.

- Eighth voltage test:

Test Hypothesis: A credit portfolio stress test was conducted on a sample that includes the indebtedness of the largest 15 clients whose net debt amount represents about 75% of the net value of the portfolio's debt under several scenarios that address the potential risks of each individual client.
test result:
The value of the increase over the allocations established by Resolution 902, after taking into account the allocations made under resolutions issued by the Appropriations Committee, amounted to SYP 626,098,081.

- The ninth voltage test:

The test hypothesis: All indirect facilities are converted into direct facilities where the corresponding collateral is the net collateral for each individual customer after deducting the value of the direct facilities, if any, taking into consideration the value of the cash collateral held against the indirect facilities.
test result:
The value of the increase over the allocations established by Resolution 902, after taking into account the allocations made under resolutions issued by the Appropriations Committee, amounted to SYP 20,636.
The risk management recommended adopting the third scenario (maximum) to determine the value of the appropriate provisions to meet the potential risks and the Bank's management decided to adopt that recommendation.

41 Risk Management (Continued):
1. Credit Risk:
Geographical concentration:
The following table illustrates the concentration of credit exposures by geographic distribution and are as follows:
(Distributed by country of residence of the counterparty)

Geographic region	Inside Syria	Other Middle East countries	Europe	Asia*	Africa	USA	Other countries	Total
Balances with Central Bank	48,369,248,201							**48,369,248,201**
Deposits, investment accounts and certificates of banks and financial institutions for a period of three months or less	9,045,027,370	34,491,720,257	169,043,960					**43,705,791,587**
Investment accounts and certificates with banks and financial institutions for more than three months	330,000,000	-	-					**330,000,000**
Sales receivable and balances of financing activities, net	-	-	-					**-**
For individuals:	-	-	-					**-**
For individuals	591,227,253	-	-					**591,227,253**
Real estate financing	1,665,344,597	-	-					**1,665,344,597**
For Companies:		-	-					**-**
Big Companies	43,893,140,863	-	-					**43,893,140,863**
SMEs	1,831,352,242	-	-					**1,831,352,242**
Government and public sector		-	-					**-**
Other assets	2,175,119,092	252,184,844	-					2,427,303,936
Total 31/12/2018	**107,900,459,618**	**34,743,905,101**	**169,043,960**					**142,813,408,679**
Total 31/12/2017**	**79,904,166,428**	**47,669,155,802**	**217,263,898**	-	-	-	-	**127,790,586,128**

* With the exception of the Middle East countries
**Under the directives of the Central Bank of Syria has been amended some of the items in this note, the comparative period have been adjusted data (2017) to agree with it.

41 Risk Management (continued)
1. Credit Risk:
Economical concentration:
The following table illustrates the concentration of credit exposures by economical distribution and are as follows:

Economical Sector	Financial	Industrial	Commercial	Real estate	agriculture	individual	Government and public sector	Others	Total
Balances with Central Bank	48,369,248,201	-	-	-	-	-	-	-	48,369,248,201
Deposits, investment accounts and certificates of banks and financial institutions for a period of three months or less	43,705,791,587	-	-	-	-	-	-	-	**43,705,791,587**
Investment accounts and certificates with banks and financial institutions for more than three months	330,000,000	-	-	-	-	-	-	-	**330,000,000**
Sales receivable and balances of financing activities, net	-	3,986,123,068	40,109,948,231	225,185,989	117,577,056	2,259,171,978	-	1,283,058,633	**47,981,064,955**
Other assets	2,427,303,936	-	-	-	-	-	-	-	**2,427,303,936**
Total 31/12/2018	**94,832,343,724**	**3,986,123,068**	**40,109,948,231**	**225,185,989**	**117,577,056**	**2,259,171,978**	**-**	**1,283,058,633**	**142,813,408,679**
Total 31/12/2017	**92,405,617,908**	**4,089,661,197**	**28,085,046,996**	**305,084,189**	**22,745,354**	**1,798,990,987**	**-**	**1,083,439,497**	**127,790,586,128**

41-Risk management (continued):
2. Market risk :

The risk to which the Bank is exposed as a result of adverse changes in the value of its financial instruments due to changes in rates or market prices and includes:

- Changes in interest rates and the rates of profit.
- Changes in foreign exchange rates.
- Changes in stock prices.
- Changes in commodity prices.

In purpose of measure the market risk the bank has set maximum and minimum limits not allowed to be exceeded regarding to the risk of open currency centers and the risk of the banking group of Cham and the risk of Local and external correspondent banks, and the daily liquidity ratios using all the Currencies and the local currency. This limits are being reviewed periodically modified proportionally with the bank activities, the bank has also information systems to guaranty observing the market risks facing the bank activity, and it is being compared to the permissible limits, this systems also allow observing the assets and liabilities to follow the approach of maturity gap analysis, to look into the gaps arisen and manage Harmoniously with the resolutions and circulars issued.
To measure the net financing needs, the Bank limits the cash inflows and cash outflows due to monetary obligations that result from off-budget accounts are then estimating future cash needs and identifying potential sources to meet these needs through the ladder of benefits between surplus and deficit for each time period analysis and are study possible solutions.,
The Bank is conducting stress tests to determine the risk resulting from the sharp fluctuations and changes in the factors that are the source of the risk of the market risks on the bank's activities as the stress tests take risks which correspondent banks faced into account and the financing needs calculated by the total liquidity and Syrian currency after conducting stress tests leading to legal allowable ratio and minimum limits accredited to the bank.

Market risk management policy:

Understanding of the market risks faced by the Bank in its banking activities and estimating the possible losses incurred as a result of these risks and determining the mitigating factors.
conducting analytical studies of market risk, investment returns trends and expected exchange rates and investing in the light of these studies.
Setting limits for investment at the level of country, currency, market, performance and counterparty.
Developing mechanisms to reduce the risk of goods and inventory through the adoption of purchase with recourse and binding promise of purchase.
The formation of appropriate allocations to reduce the risk of the changes in returns.
The achievement of diversification in the bank's portfolio so as to achieve geographic diversity and currency diversity and management of operational currency positions and management of these risks, commensurate with the decisions of the Monetary and Credit Council and the Central Bank of Syria in terms of allowable limits.
The achievement of intermingling between the moderate and conservative policies.

Qualitative disclosures:

The Bank uses sensitivity analysis to measure each type of market risk (margins or rates) for the mutual benefit and currency exchange rates, conducting a study of the finance earnings ratios and the size of the financing operations expected for the coming period, to reach expected financing profits. After determining the cost of cash and the target ratio by which returns are distributed to time deposits in the bank, sensitivity analysis is performed in terms of the size of the funds expected to be granted and the possible earnings ratio of these funds and the bank's share as a speculator and the deposits which attract attention to the potential impact of this analysis on the rate of return on deposits that can be distributed and the accompanying final impact on the income statement.

41 Risk Management (continued)

Market Risk (Continued)

As for the sensitivity analysis of currency exchange rates a monitoring of the open foreign exchange positions is performed on a daily basis, so that the net operational foreign exchange position does not exceed +\- 1% of the net private capital of the bank and the gross foreign exchange position does not exceed 60% of the net private capital (the bank had an exception from the Central Bank of Syria - Monetary and Credit Council- to raise this percent to 70% under special conditions), and according to the daily changes other changes are extrapolated through which a sensitivity analysis is performed to define the outcomes of the percentages mentioned in terms of the allowable limits provided for under the Monetary and Credit Council Resolution No. 362 /m.n/ b1-2008 and subsequent amendments and resolution No 1409 /m.n/ b4 - 2016, and a sensitivity analysis test of the local currency exchange rate is taken into consideration to consider the potential impact on the value of open positions and investments values which form the limits of the existing concentrations in correspondent banks resulting from its association with the size of net private capital.

The Bank conducts stress analyses on a daily basis of the daily liquidity ratios according to the following scenarios:

- The exclusion of some special accounts of big clients in order to monitor the impact of it on the liquidity ratios.
- The exclusion of accounts with the highest concentration in the current accounts in order to monitor its impact on what has been mentioned.
- The exclusion of 50% of the current accounts value.
- The exclusion of 2% of all current accounts and long-term deposits.

Based on the sensitivity analysis performed, attention is directed towards the enhancement of the ratios approaching the allowable risk zone, which are the ratios specified by the Monetary and Credit Council resolutions amounting to 30% of all currencies, so that the liquidity ratios in Syrian pounds do not drop below 20% .

It is noteworthy that the Risk Management Department is a member of the Assets and Liabilities Management Committee concerned with the study of the liquidity ratios and the profitability of funding and the impact of the change in facilities profit ratios on the return rates allocated to the existing bank deposits and controlling the cost of cash, as well as the study of maturity dates and the methods to address the negative gaps.

The Board of Directors sets limits on the values of acceptable risks which are periodically monitored by the Assets and Liabilities Management Committee, which holds regular meetings to discuss and debate what has been mentioned in this regard. However, the daily monitoring and calculation of the limits of each of the open foreign exchange positions and the daily liquidity ratios in all currencies and Syrian pounds and foreign currencies are carried out by the Risk Management Department and FAD (Financial Accounting Department) , as monitoring and controlling these limits are performed on a daily basis as well as giving guidance to ensure that the business is conducted within the limits set by the Board of Directors.

The Risk Management Department monitors the risks associated with correspondent banks in terms of rating these banks according to the classification of the global rating companies and according to the classification of countries in which these banks operate, and monitors the limits approved by the Board of Directors in terms of employment and depositing and investment in these banks within the limits stipulated in the Monetary and Credit Council resolution No. 501 of 2009 and subsequent amendments, which deals with the maximum limits on concentrations in the correspondent banks as a percentage of the bank's own net funds taking into account the approved weighting ratios based on these banks' ratings to calculate the maximum allowable limit.

In addition, Risk Management Department controls the periodic classification issued by the credit rating companies to consider the maximum limit value in order to prevent possible transgression in the event of the rating decline of one of the correspondent banks with monitoring other risk elements in order to take precaution, as well as renewing the credit ceilings of these banks as soon as they fall due, and monitoring the renewal process of these ceilings.

41 Risk Management (continued)
Market Risk (Continued)

Risk of return rate:

Rate of return risk differs from interest rate risk in the sense that the institutions that operate in accordance with the provisions of Islamic Shari'a law are concerned with the results of the investment and financing activities at the end of the period of investment and acquisition of goods, and, therefore, the risk associated with the profit margin is considered low because the bank accepts profit-claiming deposits on the basis of speculation without pledging to distribute any profits to the owners of unrestricted investment accounts, as it is stipulated in the speculation contract that the depositor endures the loss of his money while the bank endures the loss of his effort as a speculator. However, in the case of loss due to infringement and negligence, the bank is responsible for the entire loss.

The Bank measures market risk applying the standard measurement method based on measuring the risk of return prices for securities held for the purpose of trading by weighting them and then measuring the risk of security returns and deeds with known rates, in order to determine the general market risks associated with the price of return, and then allocating a portion of the share capital in order to cover the risk of change in the price of returns. In addition, the bank has not bought any financial instruments held for trading and has not composed any securities holding.

The Bank is exposed to exchange rate risk and foreign countries and banks risk, and in order to mitigate risk the bank resorts to establishing maximum limits for transactions in foreign currencies and foreign exchange positions and credit ceilings for the various countries and banks so that a good diversity is achieved which contributes to preventing the concentration of risks, as well as the bank is exposed to the risk of the decline in deposits and the risk of changes in the distributed return, therefore the bank takes a margin of safety when pricing the mutual benefit so that it surpasses the rate of return prevailing in the market to cover these risks.

The Bank is exposed to the risk of the rate of return due to a gap in the amounts of assets and liabilities according to the multiple maturity dates, and the Bank manages these risks by determining future earnings ratios according to the expectations of market conditions and the development of new tools that are compatible with Islamic law through the risk management strategy of the bank, as well as applying the decisions of the Monetary and Credit Council and the Central Bank of Syria concerned with the management of gaps during the time periods specified in these decisions, and in this regard and to mitigate risks a balance between maturities of assets and liabilities is struck and a study of the gaps is conducted, as well as the study of investment returns and future trends in exchange rates, and the investment in the light of these studies, which perform a sensitive analysis of the bank's profits and the returns and profits rates.

Transferable commercial risk:

the risk arising from the assets managed by the Bank on behalf of the owners of the investment, which is actually loaded on the bank's capital because it follows the conduct of waiving part or all of their shares in the speculative profits from these funds for the investments accounts holders when there is a need for it due to commercial pressure in order to increase the revenue that would have been paid in return for the holders of these accounts and this applies in particular to the unrestricted investment accounts which share in profits, which means that the rate of return paid to the investment accounts holders is adjusted at the expense of bank's shareholders and their shares of the profits, and that arises either as a result of the rate of return risk when the funds of the investment accounts are invested in assets such as mutual benefit with a relatively long maturity period and with a rate of return which does not meet the current expectations in the market, or as a result of other market risks, and in this regard, the Bank controls the share percentage of the speculator and manages the liquidity risk with the retention of capital adequacy rate sufficient to meet the transferable commercial risk.

41 Risk Management (continued)
Market Risk (Continued)

Risks associated with contracts:

The risks that are transferred to the shareholders in order to protect the investment accounts holders from enduring some or all of the risks to which they are contractually exposed in speculative financing contracts.
According to the speculation contract under which sharing in the profits and enduring the losses occur, the holders of the absolute investment accounts endure, in principle, the risks arising from assets in which they invested their money. however, they benefit from transferable commercial risks endured by the Islamic Financial Services Corporation, and this risk-sharing is realized through the creation and use of various reserves such as the rate of profits reserve, and supporting the speculator share of profits to amend returns payable to holders of investment accounts and protect them from exposure to fluctuations of returns risk resulting from banking risks, and thus enabling the payment of the competitive returns in the market.
The Bank is responsible for the disclosure of the quotas policy for the various financing contracts, and for the allocation of capital for different types of Islamic financing contracts, through the standard of disclosure to enhance transparency and market discipline specific to Islamic financial institutions.

Foreign exchange risk:

The risk resulting from the change in the value of the financial instruments, as a result of changes in foreign currency exchange rates, where the Syrian pound is the base currency of the bank. Foreign currencies are monitored daily by controlling the ratio of the net foreign exchange operational position, which must not exceed +/- 1% of the net value of the bank's own funds. In addition, the total foreign exchange position is monitored, which should not exceed 60% of the value of the net private capital(the bank had an exception from the Central Bank of Syria - Monetary and Credit Council- to raise this percent to 70% under special conditions). In addition, the general policy of the Bank in the foreign exchange management depends on the basis of the gradual liquidation of positions and the coverage of required positions in accordance with the customers' needs of documentary credits and remittances and bills receivable.
The Bank does not deal with financial derivatives such as forward exchange contracts or foreign currency swap contracts, and does not cover any operations inconsistent with the provisions of Islamic Shari'a.
The Bank retains a positive gap for all foreign currencies.

Shares prices risk:

Equity prices risk results from the change in the fair value of investments in equities. However, the Bank has not invested in financial instruments market by buying shares for the purpose of speculation or the collection of revenues, since the Bank does not have but its own equity listed in the Damascus Securities Exchange.

Commodity Risk:

Commodity risk arises from fluctuations in the value of negotiable, leasable, under investment or under liquidation assets, and is linked to the current and prospective fluctuations, where the Bank is exposed to the risk of fluctuations in the purchased commodity fully paid prices, after the conclusion of the Salam contracts, and during the period of acquisition, and the risk of fluctuation in the residual value of the leased assets as at the end of the lease period, if it used to practice these two types of credit facilities. However, the Bank has selected products with which the Bank practices its financing activities, based on the application of the principles of Islamic law, by currently limiting the credit products to the product of the mutual benefit, which saves the Bank from retaining the commodity for a long time. For the period between buying the goods and selling them does not include the risks

41 Risk Management (continued)
Market Risk (Continued)
Commodity Risk (Continued):

involved in the Salam products and leasing, which ends with conveyance and other Islamic banking products. As the Bank takes responsibility for the risk of the existence of hidden defects in the funded item, as a result of the purchase of the items from their suppliers by the Bank for the purpose of selling them to the Bank customer. And with respect to the Bank customer retraction from buying the item after the Bank has purchased it, the Bank takes precaution in order to face this kind of risk, by including in the purchase contract of the goods the right of recourse against the supplier during a specific period of time. The Bank exercises this right when the customer retracts from buying the item from the bank.
The Bank uses appropriate expectations methods to assess the potential value of these assets, taking into account the factors affecting the prices of goods (inflation rates, economic conditions, cost of production, availability of the alternative, political stability).

Foreign exchange risk:

Foreign exchange risk is the risk resulting from the changes in the value of the financial instruments, as a result of the changes in the exchange rates of the foreign currencies, with the consideration that the Syrian Pound is the base currency of the bank. In addition, the foreign exchange risk for one currency in relation to the other currencies is managed on the basis of determining a maximum daily loss in the For-ex operations.
The following is the impact of a scenario in which the foreign exchange rate increases by 10%.

2018			**SYR**
Currency	Foreign position	The impact on income before tax	The impact on equity
US Dollar (Credit)	9,798,133,424	979,813,342	1,150,662,613
Euro (Credit)	10,362,739	1,036,274	777,205
Sterling pounds(Debit)	(6,355,297)	(635,530)	(476,647)
Japanese yen	-	-	-
Other foreign currency (Debit)	7,124,941,348	712,494,135	534,370,601

2017			**SYR**
Currency	Foreign position	The impact on income before tax	The impact on equity
US Dollar (Credit)	27,359,376,884	2,735,937,688	2,467,755,872
Euro (Credit)	16,772,237	1,677,224	1,257,918
Sterling pounds (Credit)	(4,393,589)	(439,359)	(329,519)
Japanese yen (Credit)	-	-	-
Other foreign currency (Debit)	(10,596,560,850)	(1,059,656,085)	(794,742,064)

41 Risk Management (continued)
Market Risk (Continued)

-**Stress Tests:**
In purpose of identifying the potential market risks, several stress tests have been made according to the following hypotheses:
-Stress tests of Cham banking group:

The value of balances within the budget after weighting amounted to SYR25.5billion, and the value of extra budgetary balances after being weighted amounted to SYR 10.4 billion, with a total value within and out of the budget after weighting SYR 35.9 billion, while the actual overflow of data within the budget amounted to SYR 2.6 billion.

- Accounts within the balance sheet:

The test of credit rate falling impact of the commercial bank of Kuwait to the slice taxonomic BBB:
The weighted balances in the balance sheet has reached SYR 47.5 billion and it exceeds the maximum limit by SYR 25.1 billion.

- Accounts out of the balance sheet:

The test of credit rate falling impact of the commercial bank of Kuwait to the slice taxonomic BBB:
The weighted balances out of the balance sheet has reached SYR 20.3 billion.

Stress testing of the foreign correspondent banks:

- Accounts in the balance sheet
  Test the impact of the credit rating downgrade of correspondent banks to become the next most dangerous segment.
  The result of the test showed that there was no excess in bank accounts from the maximum allowed.

41.Risk Management(continued):

2. Market Risk (continued):
Return Gap

2018	**7 days and less**	**More than 7 days less than month**	**More than month less than 3 months**	**More than 3 months less than 6 months**	**More than 6 months less than 9 months**	**More than 9 months less than a year**	**More than year**	**Total**
	SYP	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**
Assets								
Balances with banks and financial institutions	6,418,260,000	35,000,000	6,580,000,000	330,000,000	-	-	-	**13,363,260,000**
Receivables from financing activities	1,743,572,443	1,333,642,203	19,356,280,529	16,785,970,370	2,974,077,006	2,563,476,649	4,398,728,260	**49,155,747,460**
Total Assets	**8,161,832,443**	**1,368,642,203**	**25,936,280,529**	**17,115,970,370**	**2,974,077,006**	**2,563,476,649**	**4,398,728,260**	**62,519,007,460**
Cash margins	525,000	4,733,280	-	-	-	-	-	**5,258,280**
Deposits and investments balances in banks and financial institutions	-	1,856,000,000	1,744,000,000	-	-	-	155,000,000	**3,755,000,000**
Total liabilities	**525,000**	**1,860,733,280**	**1,744,000,000**	**-**	**-**	**-**	**155,000,000**	**3,760,258,280**
Equity of unrestricted investment accounts holders	2,733,513,483	8,834,646,809	9,569,632,183	6,743,132,431	4,137,241,347	5,044,196,033	1,384,034,385	**38,446,396,672**
Total liabilities, equity and equity of unrestricted investment accounts holders	**2,734,038,483**	**10,695,380,089**	**11,313,632,183**	**6,743,132,431**	**4,137,241,347**	**5,044,196,033**	**1,539,034,385**	**42,206,654,952**
Return GAP in every period	5,427,793,960	(9,326,737,886)	14,622,648,346	10,372,837,938	(1,163,164,341)	(2,480,719,384)	2,859,693,875	**20,312,352,508**
Accumulated **Return GAP**	5,427,793,960	(3,898,943,925)	10,723,704,420	21,096,542,358	19,933,378,017	17,452,658,633	20,312,352,508	

41.Risk Management (continued):

2. Market Risk (continued):
Return Gap

2017	7 days and less	More than 7 days less than month	More than month less than 3 months	More than 3 months less than 6 months	More than 6 months less than 9 months	More than 9 months less than a year	More than year	Total
	SYP	SYP	SYP	SYP	SYP	SYP	SYP	SYP
Total Assets	**10,621,497,628**	**2,736,760,116**	**10,134,947,148**	**18,610,719,151**	**5,006,479,923**	**1,222,495,141**	**3,882,189,112**	**52,215,088,219**
Total liabilities, equity and equity of unrestricted investment accounts holders	**4,327,672,162**	**3,032,953,502**	**7,921,282,270**	**3,305,594,846**	**3,023,075,176**	**2,851,408,657**	**808,633,156**	**25,270,619,769**
Return GAP in every period	6,293,825,466	(296,193,386)	2,213,664,878	15,305,124,305	1,983,404,747	(1,628,913,516)	3,073,555,956	26,944,468,450
Accumulated **Return GAP**	6,293,825,466	5,997,632,080	8,211,296,958	23,516,421,263	25,499,826,010	23,870,912,494	26,944,468,450	

41.Risk Management(continued):

2. Market Risk (continued):

Sensitivity analysis for return risks:

2018

Currency	Gape	The impact on income before tax	The impact on equity
		%2	**75%**
Syrian Pounds	(10,824,723,660)	(216,494,473)	(162,370,855)
US Dollar	960,235,355	19,204,707	14,403,530
Euro	7,138,912,277	142,778,246	107,083,684
Other foreign currency	20,178,234,661	403,564,693	302,673,520

2017

Currency	Gape	The impact on income before tax	The impact on equity
		2%	75%
Syrian Pounds	(4,982,006,321)	(99,640,126)	(74,730,095)
US Dollar	18,558,817,966	371,176,359	278,382,269
Euro	10,294,100,849	205,882,017	154,411,513
Other foreign currency	-	-	-

41.Risk Management (continued):
2. Market Risk (continued):
Concentration in foreign currency risk:

2018	US Dollar Evaluated in Syrian Pound	Euro Evaluated in Syrian Pound	Sterling pounds Evaluated in Syrian Pound	Japanese yen Evaluated in Syrian Pound	Swiss Franc Evaluated in Syrian Pound	Other foreign currency Evaluated in Syrian Pound	Total
Assets							
Cash and balances with the Central Bank of Syria	8,163,791,190	1,575,889,713	2,898,192	-	-	**1,360,355**	**9,743,939,450**
Deposits with banks and financial institution	27,295,845,849	7,274,329,465	702,751	-	-	**4,707,493,350**	**39,278,371,415**
Sales receivable and balances of financing activities	1,249,798,194	2,683,212,140	-	-	-	**18,742,374,661**	**22,675,384,995**
Assets under investment	9	169,760	-	-	-	**712**	**170,481**
Investment in real estate	-	-	-	-	-	**-**	**-**
Property and equipment	-	-	-	-	-	**-**	**-**
Intangible assets			-	-	-		**-**
Other assets	481,303,744	19,921,419	-	-	-	**23,446,966**	**524,672,129**
Blocked deposit with Central Bank of Syria	1,881,757,017	-	-	-	-	**-**	**1,881,757,017**
Total assets	39,072,496,003	11,553,522,497	3,600,942	-	-	**23,474,676,044**	**74,104,295,487**
Liabilities, unrestricted investment accounts and equity							
Deposits and investment account due to banks and financial institution	7,037,846,456	1,997,666,061	8,296,350	-	22,622,961	**15,538,918,156**	**24,605,349,984**
Customers' current accounts	14,942,029,559	4,633,719,126	1,659,889	-	-	**122,985,152**	**19,700,393,726**
Cash margins	457,956,537	4,141,490,981	-	-	-	**-**	**4,599,447,518**
Accounts payable	999,631,272	41,638,982	-	-	-	**347,991,580**	**1,389,261,834**
Miscellaneous allowances	159,098,811	159,437	-	-	-	**-**	**159,258,248**
Income tax provision	-	-	-	-	-	**-**	**-**
Other liabilities	1,490,539,235	108,433,341	-	-	-	**317,216,848**	**1,916,189,424**
Total liabilities	**25,087,101,870**	**10,923,107,927**	**9,956,239**	**-**	**22,622,961**	**16,327,111,735**	**52,369,900,733**
Equity of unrestricted investment accounts holders	3,660,061,232	530,390,175	-	-	-	-	**4,190,451,407**
shareholders' equity	527,199,476	89,661,656	-	-	-	-	**616,861,132**
Total liabilities, unrestricted investment accounts and shareholders' equity	**29,274,362,579**	**11,543,159,758**	**9,956,239**	**-**	**22,622,961**	**16,327,111,735**	**57,177,213,272**
Net concentrations inside the balance sheet	**9,798,133,424**	**10,362,739**	**(6,355,297)**		**(22,622,961)**	**7,147,564,309**	**16,927,082,215**
Contingent liabilities off the balance sheet	-	-	-	-	-	-	-

41 Risk Management (continued):

2. Market Risk (continued):
Concentration in foreign currency risk (continued):

2017	US Dollar Evaluated in Syrian Pound	Euro Evaluated in Syrian Pound	Sterling pounds Evaluated in Syrian Pound	Japanese yen Evaluated in Syrian Pound	Swiss Franc Evaluated in Syrian Pound	Other foreign currency Evaluated in Syrian Pound	Total
Assets							
Total assets	**57,859,154,185**	**14,940,272,571**	**6,158,576**	**-**	-	**3,318,886,922**	**76,124,472,253**
Liabilities, unrestricted investment accounts and equity							
Total liabilities, unrestricted investment accounts and shareholders' equity	**30,499,777,302**	**14,923,500,335**	**10,552,164**	-	**22,689,436**	**13,892,758,336**	**59,349,277,573**
Net concentrations inside the balance sheet	**27,359,376,883**	**16,772,236**	**(4,393,588)**	-	**(22,689,436)**	**(10,573,871,415)**	**16,775,194,680**
Contingent liabilities off the balance sheet	-	-	-	-	-	-	-

41 Risk Management (continued):

3. Liquidity Risk:

Liquidity risk is the inability of the Bank to provide the funding necessary to meet its obligations in due dates and funding the increase in assets. And in order to guard against this risk, management has diversified funding sources in addition to the deposits, and assets are managed with liquidity in mind, and liquidity is monitored on a daily basis.
In addition, the Bank estimates the prospective cash flows. As well as maintaining sufficient liquidity ratio, in accordance with the Monetary and Credit Council resolution on liquidity No. 588 / M.N / B4 dated November 22, 2009. The Bank must maintain liquidity ratio in all currencies of not less than 30% every working day, provided that the liquidity ratio in Syrian pounds does not drop below 20%. Liquidity ratio in Syrian pounds amounted to 66.13% as at December 31, 2018, while it amounted to 66.39% as at 31 December 2017.
It is noteworthy that the highest percentage of liquidity in all currencies during 2018 reached 66.89%, while the lowest percentage of liquidity during the year reached 57.75%.

The Bank's management, has taken a wide range of steps to reduce liquidity risk:
- In terms of the management of assets: reducing the credit portfolio in addition to limiting the period of investment of capital with banks to three months.
- In terms of the management of liabilities: issuing the product of representation and the product of deposits for a month, and launching an advertising campaign to attract deposits.
- In terms of the management of returns rate: reducing the share of the speculator in order to increase deposits.
- In terms of the management of both sides of the balance sheet: encouraging reciprocal deposits with banks and giving funds with a complete monetary cover.
- In terms of the management of extra-budgetary commitments: issuing credits with a complete monetary cover.

The Bank also, and in accordance with the applicable laws in Syria, and the Council of Ministers resolution No. 5938 dated May 2, 2011, retains at the Central Bank of Syria mandatory cash reserves on deposits of customers at a rate of 5%.
Management routinely monitors the maturities of assets and liabilities to ensure the availability of adequate liquidity.

Stress tests on the liquidity ratio in Syrian pounds:
The Bank is conducting stress tests on the daily liquidity ratios to determine liquidity risk according to several accredited by management scenarios, the required liquidity needs are determined based on these scenarios to reach the specific liquidity ratios by management and keep it higher than permitted levels
The bank conducts stress tests on the liquidity ratios in Syrian Pound according to several scenarios to evaluate the assumed risk tolerance and the status of the liquidity ratios. The purpose is to take procedures to help hedging from this risks. Withdrawals by 50% of the current balances are assumed, and also withdrawals from big clients by 100% of their balances, also some withdrawals from several clients categories.
Stress testing are conducted on the balances of long-term deposits assuming breaking and withdrawals to this deposits, the scenario in conducted on big clients and some of clients' categories.
The results of the previous tests showed that the liquidity ratio (in Syrian Pound) was over the minimum limits from the Credit and Monetary Council and the management of the Bank.

41 Risk Management (continued):

3. Liquidity Risk (continued):

First: The table below summarizes the distribution of assets and liabilities (non-discounted) based on the remaining period of the contractual date of the financial statements:

31 December 2018 **The amount in thousands of Syrian pounds**	**7 days or less**	**More than 7 days less than month**	**More than month less than 3 months**	**More than 3 months less than 6 months**	**More than 6 months less than 9 months**	**More than 9 months less than a year**	**More than a year less than 5 years**	**5 years and more**	**Total**
Assets									
Cash and balances with the Central Bank of Syria	51,582,819								**51,582,819**
Current accounts and short terms deposits with banks and financial institution	17,926,411	35,000	6,580,000	-	-	-	-	19,164,380	**43,705,792**
Deposits with banks and financial institution	-	-	-	330,000	-	-	-	-	**330,000**
Sales receivable and balances of financing activities	568,890	1,333,642	19,356,281	16,785,970	2,974,077	2,563,477	4,398,728	-	**47,981,065**
Assets under investments							134,934	-	**134,934**
Investment in real estate	-	-	-					2,380,850	**2,380,850**
Property equipment and project under construction	-	-	-			-	-	6,627,130	**6,627,130**
Intangible assets	-	-	-			-	-	6,934	**6,934**
Deferred tax assets	-	-	-	1,339		-	-		**1,339**
Other assets	77,761	78,719	243,073	934,576	22,777	293,944	143,872	-	**1,794,721**
Blocked deposit with Central Bank of Syria								2,163,456	**2,163,456**
Total Assets	**70,155,881**	**1,447,361**	**26,179,353**	**18,051,885**	**2,996,854**	**2,857,420**	**4,677,535**	**30,342,749**	**156,709,038**
Current accounts and deposits due to banks and financial institutions	24,467,042	1,856,000	1,744,000	-	-	-	155,000	-	**28,222,042**
Customers' current accounts	10,793,414	8,095,060	8,095,060	8,095,060	8,095,060	5,396,707	5,396,707	-	**53,967,068**
Cash margins	386,103	48,862	1,008,000	3,411,686	123,319	267,095	-	-	**5,245,066**
Accounts payable	1,389,261								**1,389,261**
Provisions	3,626	-	-	-	-	-	-	286,693	**290,320**
Income tax provision	-		-	313,010	-	-	-		**313,010**
Other Liabilities	2,271,551	1,097,238	11,700	0	-	-	-	-	**3,380,490**
Total liabilities	39,310,998	11,097,161	10,858,761	11,819,757	8,218,380	5,663,802	5,551,707	286,693	**92,807,258**
Equity of unrestricted investment accounts holders	2,749,510	9,020,291	9,632,703	6,793,338	4,167,236	5,078,839	1,603,310	-	**39,045,228**
Total liabilities & Equity of unrestricted investment accounts	**42,060,508**	**20,117,452**	**20,491,464**	**18,613,095**	**12,385,616**	**10,742,641**	**7,155,017**	**286,693**	**131,852,485**
Liquidity Gap 2018	**28,095,373**	**(18,670,091)**	**5,687,889**	**(561,210)**	**(9,388,761)**	**(7,885,221)**	**(2,477,482)**	**30,056,056**	**24,856,552**

41 Risk Management (continued):
3. Liquidity Risk (continued):
First: The table below summarizes the distribution of assets and liabilities (non-discounted) based on the remaining period of the contractual date of the financial statements:

31 December 2017

The amount in thousands of Syrian pounds	**7 days or less**	**More than 7 days less than month**	**More than month less than 3 months**	**More than 3 months less than 6 months**	**More than 6 months less than 9 months**	**More than 9 months less than a year**	**More than a year less than 5 years**	**5 years and more**	**Total**
Assets									
Cash and balances with the Central Bank of Syria	36,216,904	-	-	-	-	-	-	-	36,216,904
Current accounts and short terms deposits with banks and financial institution	49,130,072	405,871	6,392,520	-	-	-	-	-	55,928,463
Deposits with banks and financial institution	-	-	-	-	-	-	-	-	-
Sales receivable and balances of financing activities	218,898	2,701,760	3,742,427	18,610,719	5,006,480	1,222,495	3,527,153	355,036	35,384,968
Assets under investments	-	-	-	-	-	-	1,098,644		1,098,644
Investment in real estate	-	-	-	-	-	-	-	2,380,850	2,380,850
Property equipment and project under construction	-	-	-	-	-	-	-	1,693,854	1,693,854
Intangible assets	-	-	-	-	-	-	-	4,017	4,017
Deferred tax assets	-	-	-	1,361	-	-	-	-	1,361
Other assets	34,737	229,275	190,010	36,989	20,681	-	233,018	-	744,710
Blocked deposit with Central Bank of Syria	-	-	-	-	-	-	-	2,163,455	2,163,455
Total Assets	**85,600,611**	**3,336,906**	**10,324,957**	**18,649,069**	**5,027,161**	**1,222,495**	**4,858,815**	**6,597,212**	**135,617,226**
Current accounts and deposits due to banks and financial institutions	45,971,577	325,000	-	-	-	-	155,000	-	46,451,577
Customers' current accounts	6,481,910	4,861,433	4,861,433	4,861,433	4,861,433	3,240,955	3,240,955	-	32,409,552
Cash margins	1,443,117	852,833	1,262,004	490,240	173,182	527,956	-	-	4,749,332
Accounts payable	137,394	-	-	-	-	-	-	-	137,394
Provisions	3,371	-	-	-	-	-	-	236,700	240,071
Income tax provision	-	-	-	141,535	-	-	-	-	141,535
Other Liabilities	1,761,896	1,104,988	8,144	-	-	-	68	-	2,875,096
Total liabilities	**55,799,265**	**7,144,254**	**6,131,581**	**5,493,208**	**5,034,615**	**3,768,911**	**3,396,023**	**236,700**	**87,004,557**
Equity of unrestricted investment accounts holders	4,297,879	2,756,828	7,931,771	3,344,037	3,057,153	2,864,818	856,297	-	25,108,783
Total liabilities & Equity of unrestricted investment accounts	**60,097,144**	**9,901,082**	**14,063,352**	**8,837,245**	**8,091,768**	**6,633,729**	**4,252,320**	**236,700**	**112,113,340**
Liquidity Gap 2017	**25,503,467**	**(6,564,176)**	**(3,738,395)**	**9,811,824**	**(3,064,607**	**(5,411,234)**	**606,495**	**6,360,512**	**23,503,886**

41 Risk Management (continued):

3. Liquidity Risk (continued):

Off Balance sheet items

31 December 2018	For a year	More than year less than 5 years	More than 5 years	Total
	SYP	SYP	SYP	SYP
Acceptances and letter of credits	4,053,909,940	-	-	**4,053,909,940**
Unused Credit Limits	12,455,170,001	-	-	**12,455,170,001**
Guarantees	2,375,868,232	-	-	**2,375,868,232**
Total	**18,884,948,173**	**-**	**-**	**18,884,948,173**

31 December 2017	For a year	More than year less than 5 years	More than 5 years	Total
	SYP	SYP	SYP	SYP
Acceptances and letter of credits	5,278,411,627	-	-	5,278,411,627
Unused Credit Limits	9,042,656,202	-	-	9,042,656,202
Guarantees	3,645,533,390	-	-	3,645,533,390
Total	**17,966,601,219**	-	-	**17,966,601,219**

41 Risk Management (continued):

Operational risk:

The risk that could cause losses to the bank, resulting from defects in the internal control systems, which in turn are resulting from inadequate policies and procedures, or because of errors in the applied technical regulations, or because of errors committed by staff.
The adoption of the basic indicator to measure operational risk, as well as the identification of operational risks faced by the Bank, and the precaution against operational risk, are conducted by reviewing the policies and work procedures, and updating them in line with the decisions and laws issued and the requirements of the period. As well as controlling the technical regulations and testing all applications before they are adopted. As well as subjecting the staff to training programs, in order to qualify them and refine their expertise in a manner which enables them to understand the nature of the banking business to them it was assigned.
And in this regard these points have been taken into consideration:

- Adoption of a matrix of powers specified according to the administrative levels and exposure levels to operational risk.
- Separation of duties between staff and non-assignment of tasks to the staff which give rise to conflicts with their personal interests.
- Providing adequate protection for the Bank's assets and records.
- Conduction of matches between operations and accounts and periodic verification of them.
- Providing procedures and internal control systems for any new activities and any new financial instruments.
- Insurance on Bank assets.
- Designing plans for Internal Audit according to a risk-based approach.
- Development of a strict internal control system.
- Development of control procedures to ensure the legitimacy of banking activities carried out by the Bank.
- Development of contingency and business continuity plans and testing them, to ensure the continuation of work in case of the occurrence of severe failures (communication failures and servers platforms failures).

Operational Risk Management Policy:

- Identification of operational risks inherent in the activities, processes and systems and the development of regulatory procedures.
- Self-assessment of risk and regulatory measures by evaluating the impact of potential operational risks, which the Bank can be exposed to, on the operations and activities conducted by the Bank.
- Classification of risks according to its types in a manner that helps to set priorities for steps, and measures to be adopted to address these risks in accordance with the risk management system by type.
- Setting limits to the risk of various operational processes according to a specific matrix.
- Developing contingency plans and business continuity plans and testing them to ensure the bank's ability to continue to work and mitigate losses in cases of the occurrence of extreme events.

Business risk:

Business risk arises from several factors, which may affect the Group or the banking sector in general, such as surrounding political and economic risks which carries many negative indicators on the results of the Group's business. And in this regard the risk assessment is conducted continually, and appropriate actions are taken, in order to minimize the impact of potential risks on the results of the Bank's operations.

41 Risk Management (continued):

Shari'a risk:

Sharia risk arises from non-compliance with the Shari'a Supervisory Board resolutions, and the Monetary and Credit Council decisions in connection with the aspects of legitimacy, as well as ignoring the Shari'a guidelines which exist within the special procedures of the Bank's departments.
To avoid this risk, the Bank conducts the following:

- Connecting business processes with the bank's automated system, in a manner which ensures the adherence of workers to the legitimate steps, necessary to provide a product or a banking service.
- Continuous two-fold training for workers in the Bank, includes all aspects of banking and legitimacy.
- reviewing work policies and procedures of the Bank's departments, and presenting them to the Shari'a Supervisory Board before applying them.
- The Bank does not provide any product before ensuring that the Bank employees fully understand the legitimate aspects of Shari'a upon which it is based.
- Establishing procedures to ensure adherence to the legitimate standards of Shari'a and the recommendations of the Shari'a Supervisory Board.

The risk of non-compliance:

It is the risk that the Bank might be exposed to, as a result of non-compliance with: laws, regulations, directives, orders , codes of conduct, standards and sound banking practices. The most important risks of non-compliance with the aforementioned: the risk of legal penalties, reputational risk, the risk of financial losses, the risk of financial crimes, money laundering and fraud and corruption. And in order to protect the Bank from these risks, the Compliance Department insures the bank's complete commitment to, and its internal policies' compliance with : all laws, regulations, directives, orders, codes of conduct, standards and sound banking practices issued by local and international regulatory bodies, through the preparation and development of the compliance policy and compliance procedures guidelines, as well as the general policy of combating money laundering and terrorism financing, in addition to the preparation of procedures and work questionnaires to ascertain the extent of the application of laws, regulations, internal and external instructions, including instructions issued by the Central Bank of Syria and all governing bodies of the work of the banking system.

Reputational risk:

Reputational risk arises from influencing negative public opinions which results in large losses to customers or funds. These opinions include acts practiced by the Bank's management or its employees, which reflects a negative image of the Bank and its performance and its relationships with its customers and other stakeholders. It is also caused by the promotion of negative rumors about the Bank and its activities.
Reputational risk results from the lack of success in the management of one or more types of other banking risks faced by the Bank, as well as the lack of efficiency in the Bank systems or products, causing wide negative reactions, where a breach of security precautions, whether caused by internal or external attacks on the Bank system, reduces the customers' confidence in the soundness of the Bank's operations. In addition, reputational risk arises in the event of failure to provide services to customers according to expectations, or to give them sufficient data on how to use the product or troubleshooting steps.
In order to reduce reputational risk, the Bank applies policies and work procedures in a manner which guarantees to provide the requested services as required, as well as following the principle of transparency and disclosure, and caring about its customers satisfaction with the services provided by it, as well as advising customers and raising their banking awareness of services offered by the Bank, whether they were depositors or holders of credit facilities.

41 Risk Management (continued):

The Bank pays attention to contracts with third parties which provide the Bank with the required services, since any default in the performance of these third parties directly affects the reputation of the Bank and not the reputation of the service provider, and therefore, the Bank pays attention to the terms of the contract in a manner which defines powers and responsibilities.

Contingency and business continuity plans:

The Bank has updated emergency and business continuity plans that ensure the availability of internal and external services of the Bank in regular and exceptional situations, and ensure easy and quick access to the Bank information services in those situations, and contribute to responding to the specific risks, and manage them in a manner which does not affect the availability of the Bank services.
The contingency and business continuity plans provide alternatives for all the resources necessary to operate and provide the services of the Bank, and provide maintenance processes in case of breakdowns without damaging the continuity of providing services, and secure operating the necessary resources during an acceptable period of time with minimum acceptable and predictable losses through:

- Determining the procedures and criteria for working in exceptional circumstances (emergency and disasters).
- Determining the distribution of roles and responsibilities and providing a guide for action for operating during emergency.
- Adopting acceptable operating parameters during emergency.
- Providing mechanisms for the restoration of normal operations and the restoration of data and applications.

The plan includes a set of plans that are integrated with each other to achieve the desired objective and includes the following plans:

- The plan of continuity of the operations of the Department of Information Technology, which estimates and analyzes the size of risk, and ensures the availability of the required human resources with passwords and regular and electronic keys, and provides alternative data center with communications and alternative network and associated suppliers and the banking system and alternative applications and manages the alternative operation and ensures the continuity of the services of service providers, and secures the necessary informatics and technical requirements for the continuity of the Bank's departments.
- The contingency plan, which estimates the emergency and discusses the subject of circulating and activation of emergency and emergency level (partial / total).
- IT contingency plan in terms of the transition from normal operation to emergency operation, and then returning to normal operation, as well as operating the alternative Center and stopping the main center, and determining the emergency covered and uncovered services.
- Backup and Recovery Plan, which manages applications and databases and electronic files for the departments and sections of the bank, and highlights the settings of switches and dispensers ,and the settings of running servers, mail archives, documents and paper documents systems.
- The plan of communications during disasters in terms of the means and mechanisms of communication between the members of the contingency plan team, and the limits of notifying and circulating.
- The plan of responding to incidents, which observes and reports incidents, classifies them as normal or emergent, records them, and determines the responsibility for follow-up and treatment.
- Coordination and public events plan in terms of coordination with the Damage Assessment Commission, and coordination with the official responsible for the emergency announcement and activation, and coordination with Emergency Control Room and with the Human Resources Department and the Bank's departments concerned, and discusses the subject of evacuation and first aid.

The Bank also developed contingency plans to manage liquidity and cash, in terms of the adoption of protective procedures that will maintain the liquidity ratio which suits the current period and the

41 Risk Management (continued):

maturities of existing and anticipated funds, in addition to giving great importance to the subject of control, in terms of confirmation of adherence to the retained monetary ceilings, and distributing them to the branches of the Bank, so that the monetary size could be reduced to the extent which commensurate with the size of risks which could be endured in each branch of the Bank.

42 Sectorial analysis:

Business sector constitutes the major sector, while the geographical distribution sector constitutes the minor sector.

Business sector:

The Bank is organized for administrative purposes through four major business sectors:

- Retail: Includes following-up the deposits of individual customers and small businesses and providing them with Islamic finance and other services.
- Businesses: includes following-up the deposits and credit facilities and Islamic banking services specific to customer institutions.
- Public Sector: includes credit facilities for the public sector institutions.
- Others: This sector includes trading and treasury services and management of the Bank funds.

	Individual	Companies	Treasury	Foreign Trade	Others	2018	2017
	SYP	SYP	SYP	SYP	SYP	SYP	SYP
Total revenue	290,453,010	4,316,920,953	502,163,588	594,871,645	683,888,047	6,388,297,242	3,414,901,044
Impairment provision for financing receivable	-	185,000,000	-	-	-	185,000,000	(677,198,549)
Impairment of financial assets	-					-	-
Result of sector business	**290,453,010**	**4,501,920,953**	**502,163,588**	**594,871,645**	**683,888,047**	**6,573,297,242**	**2,737,702,495**
Undistributable expenses on the sectors	-	-	-	-	(5,406,160,775)	(5,406,160,775)	(5,154,049,171)
The bank's share of profits (losses) of associates	-	-	-	-	-	-	-
Income before tax	**290,453,010**	**4,501,920,953**	**502,163,588**	**594,871,645**	**(4,722,272,729)**	**1,167,136,466**	**(2,416,346,676)**
Income tax expense	-				(308,694,767)	(308,694,767)	(137,382,891)
Net profit (loss) for the year	**290,453,010**	**4,501,920,953**	**502,163,588**	**594,871,645**	**(5,030,967,496)**	**858,441,699**	**(2,553,729,567)**
Sectors assets	2,256,571,850	45,724,493,105	97,881,598,686	164,315,447	-	146,026,979,088	127,720,878,754
Undistributable assets on the sectors	-	-	-	-	10,682,058,583	10,682,058,583	7,896,347,743
Total assets	2,256,571,850	45,724,493,105	97,881,598,686	164,315,447	10,682,058,583	156,709,037,671	**135,617,226,497**
Sectors liabilities	-	-	28,239,928,332	5,971,824,417	-	34,211,752,749	51,236,223,433
Undistributable liabilities on the sectors				-	58,595,504,946	58,595,504,946	35,768,334,295
Total liabilities	**-**	**-**	**28,239,928,332**	**5,971,824,417**	**58,595,504,946**	**92,807,257,695**	**87,004,557,728**

42-Sectorial analysis:(continued):
Geographical distribution sector:
This sector represents the geographical distribution of the work of the Bank. The Bank performs its activities mainly in the Syrian Arab Republic, which represent the local business. In addition, the Bank performs its activities in the Middle East, Asia, Africa and Europe.

	2018		
	Inside Syria	Outside Syria	Total
Revenue			
Total income from the investment of the bank and the unrestricted investment accounts	4,618,624,735	348,408,220	4,967,032,955
Share of unrestricted investment accounts holders	(1,810,362,703)	-	(1,810,362,703)
Net fees and commission income and other income	960,769,756	-	960,769,756
Earnings (loss) of the foreign currencies differences (operational position)	142,504,595	-	142,504,595
Unrealized earnings of the structural exchange position evaluation	-	-	-
Other Revenue	317,989,935	-	317,989,935
Gross operating income	**4,229,526,319**	**348,408,220**	**4,577,934,539**
Operating expenses	(3,179,954,134)	-	(3,179,954,134)
Other operating provisions	(230,843,939)	-	(230,843,939)
Net income before tax	**818,728,247**	**348,408,220**	**1,167,136,466**
Income Tax expense	(308,694,767)	-	(308,694,767)
Net income for the year		-	858,441,699
Assets	**121,796,088,610**	**34,912,949,061**	**156,709,037,671**

	2017		
	Inside Syria	Outside Syria	Total
Revenue			
Total income from the investment of the bank and the unrestricted investment accounts	4,091,557,387	840,721,177	4,932,278,564
Share of unrestricted investment accounts holders	(847,993,192)	-	(847,993,192)
Net fees and commission income and other income	1,459,951,609	-	1,459,951,609
Earnings (loss) of the foreign currencies differences (operational position)	115,247,629	-	115,247,629
Unrealized earnings of the structural exchange position evaluation	(3,106,312,496)	-	(3,106,312,496)
Other Revenue	7,117,509	-	7,117,509
Gross operating income	**1,719,568,446**	**840,721,177**	**2,560,289,623**
Operating expenses	(4,824,357,118)	-	(4,824,357,118)
Other operating provisions	(152,279,181)	-	(152,279,181)
Net income before tax	**(3,257,067,853)**	**840,721,177**	**(2,416,346,676)**
Income Tax expense	(137,382,891)		(137,382,891)
Net income for the year			(2,553,729,567)
Assets	**87,730,192,043**	**47,887,034,454**	**135,617,226,497**

43 Capital Management:

Regulatory requirements regarding capital and how to meet these requirements:
In order to cover all of the credit, market and operational risks, the capital adequacy ratio is controlled so that it does not drop below 8% according to Basel Reconciliation II, produced by dividing the net private capital into each of: credit risk, risk of asset accounts, extra-budgetary accounts weighted with the risk significance after the reduction of the value of acceptable collateral, market risk weighted according to the degree of risk and operational risk.

The Bank's net private capital consists of all the basic private funds and the supporting private funds. The basic private funds consists of: subscribed capital, statutory reserve, special reserve, and other reserves, capital feed accounts, reserves promote agricultural projects, issue and merger premiums, other provisioning not allocated to cover any risks or potential expenses, retained earnings from previous years, the net profit of the financial year whose profits have not been recycled to the retained earnings after the exclusion of the shares of profits available for distribution to shareholders and after the deduction of all unpaid premiums of the subscribed capital, net equity, contributions to the banks and financial institutions, net non-physical fixed assets, reacquired shares of the bank, net book losses up to the end of the period, unrealized losses on financial investments, lack of provisioning on debts unproductive of the estimated revenues and not constituted by the bank, lack of the impairment provisions estimated for the rest of the assets which have not been made, amounts awarded to major shareholders and board members or used by them, whichever is greater. While supporting private funds consist of margins of reevaluating, 50% of unrealized gains on securities portfolio available for sale, restricted debts resulting from borrowing from third parties.

The capital adequacy ratio calculated as following:

	2018 SYP	2017 SYP
Basic private fund	**22,637,169,542**	**21,287,464,592**
Capital	5,250,000,000	5,000,000,000
Accumulated unrealized profit (losses)	14,708,920,881	14,708,920,881
Realized retained loss	807,850,250	437,394,760
Statutory reserve	430,618,546	313,909,216
Private reserve	430,618,546	313,909,216
Profit equalization reserve	1,017,254,859	518,507,215
Intangible assets	(6,933,540)	(4,016,696)
Real estate devolved to the Bank in settlement of debts	(1,160,000)	(1,160,000)
Supporting private fund	**33,051,351**	**33,051,351**
Provision for credit risk	33,051,351	33,051,351
Net equity according to the instruction of central bank of Syria	**22,670,220,893**	**21,320,515,943**
Burdened assets	74,056,691,193	78,019,060,318
Burdened accounts off balance sheet	634,465,549	1,442,955,143
Operational risks	4,606,804,947	3,762,975,256
Operational position	7,159,680,270	10,814,178,673
	86,457,641,959	**94,039,169,390**
The capital adequacy ratio (%)	**26.22%**	**22.67%**
The basic capital adequacy ratio (%)	**26.18%**	**22.64%**
The capital adequacy to shareholders equity ratio (%)	**99.85%**	**99.84%**

According to the Monetary and Credit Council resolution No. 253 issued on January 24, 2007, capital adequacy ratio of the banks operating in the Syrian Arab Republic should not decline below 8%.
It has been issued- the Monetary and Credit Council resolution No. 1088 / M.N / B4 date 02/26/2014- which included the amendment of Article VIII of the Monetary and Credit Council Resolution No. 362 / M.N / B 1 date 04.02.2008, so that the unrealized evaluation differences of the structural foreign exchange will be included within the basic private funds for the purpose of calculating the capital adequacy in accordance with the requirements of the Monetary and Credit Council Resolution No. 253 / M.N / B 4, 2007.

44 Maturity of assets and liabilities analysis

31 December 2018 Amounts in thousands of Syrian pounds	For a year	More than a year	Total
Assets			
Cash and balances with the Central Bank of Syria	51,582,819	-	51,582,819
Current accounts and investments with banks and financial institutions	24,541,411	19,164,380	43,705,792
Deposits with banks and financial institutions	330,000	-	330,000
Sales receivable and balances of financing activities	43,582,337	4,398,728	47,981,065
Assets under investments	-	134,934	134,934
Investments in real estate	-	2,380,850	2,380,850
Property equipment and project under constructions	-	6,627,130	6,627,130
Intangible assets	-	6,934	6,934
Deferred tax asset	1,339	-	1,339
Other assets	1,650,849	143,872	1,794,721
Blocked deposit with Central Bank of Syria	-	2,163,456	2,163,456
Total assets	**121,688,754**	**35,020,284**	**156,709,038**
Liabilities and equity of unrestricted investment accounts holders			
Liabilities			
Current accounts and deposits due to banks and financial institutions	28,067,042	155,000	28,222,042
Customers’ current accounts	48,570,362	5,396,707	53,967,068
Cash margins	5,245,066	-	5,245,066
Accounts Payable	1,389,261	-	1,389,261
Provisions	3,626	286,693	290,320
Income tax provision	313,010	-	313,010
Other liabilities	3,380,490	-	3,380,490
Total liabilities	**86,968,858**	**5,838,400**	**92,807,258**
Equity of unrestricted investment accounts holders	37,441,918	1,603,310	39,045,228
Total liabilities and equity of unrestricted investment accounts holders	**124,410,775**	**7,441,710**	**131,852,485**
Net	**(2,722,021)**	**27,578,574**	**24,856,552**

44 Maturity of assets and liabilities analysis (continued):

31 December 2017 Amounts in thousands of Syrian pounds	For a year	More than a year	Total
Assets			
Cash and balances with the Central Bank of Syria	36,216,904	-	36,216,904
Current accounts and investments with banks and financial institutions	55,928,464	-	55,928,464
Deposits with banks and financial institutions	-	-	-
Sales receivable and balances of financing activities	31,502,779	3,882,189	35,384,968
Assets under investments	-	1,098,644	1,098,644
Investments in real estate	-	2,380,850	2,380,850
Property equipment and project under constructions	-	1,693,854	1,693,854
Intangible assets	-	4,017	4,017
Deferred tax asset	1,361	-	1,361
Other assets	511,691	233,017	744,708
Blocked deposit with Central Bank of Syria	-	2,163,456	2,163,456
Total assets	**124,161,199**	**11,456,027**	**135,617,226**
Liabilities and equity of unrestricted investment accounts holders			
Liabilities			
Current accounts and deposits due to banks and financial institutions	46,296,577	155,000	46,451,577
Customers' current accounts	29,168,597	3,240,955	32,409,552
Cash margins	4,749,332	-	4,749,332
Accounts Payable	137,395	-	137,395
Provisions	3,371	236,700	240,071
Income tax provision	141,535	-	141,535
Other liabilities	2,875,027	68	2,875,095
Total liabilities	**83,371,834**	**3,632,723**	**87,004,557**
Equity of unrestricted investment accounts holders	24,252,484	856,297	25,108,781
Total liabilities and equity of unrestricted investment accounts holders	**107,624,318**	**4,489,020**	**112,113,338**
Net	**16,536,881**	**6,967,007**	**23,503,888**

45. Commitments and obligations (off-balance sheet items):
A. Credit commitments and obligations (off-balance sheet items):

	2018 SYP	2017 SYP
letter of credits	4,053,909,940	5,278,411,627
	-	
Guarantees:	2,375,868,232	3,645,533,390
For payments	94,979,917	22,000,000
For good performance	1,886,703,215	3,315,290,022
For bidding to contracts	394,185,100	308,243,368
Unused Direct Credit Limits	12,455,170,001	9,042,656,202
	18,884,948,173	**17,966,601,219**

B. Off- balance sheet contractual obligations and leases:

	2018 SYP	2017 SYP
Obligation from construction Contracts		
Due within 1 year	-	-
Total obligations from construction contracts as at 31 December	**-**	**-**
Obligation from operational Leases		
Due within 1 year	24,572,781	12,434,486
Due in more than 1 year	22,666,199	115,938,699
Total obligations from leases as at 31 December	**47,238,980**	**128,373,185**

46. Lawsuits filed by the Bank:

A lawsuit brought on Investment Dar company:
detailed in Note 5.

Other lawsuit
A lawsuit, in which the Bank demands compensation in regard to the incident of rubbery of the Bank' branch in the city of Homs, has been filed before the Nineteenth Civil Court of First Instance in Damascus, base No. 12419 of the year 2014, witnesses have been listened to in the court at 30/05/2017 and judgment decided that the management of the bank has to proof the incurred damages of this case and that it's covered by an insurance contract, in 19/02/2018 we asked for a delay to complete the documents required so the court was delayed to 12/03/2018, and in this date the evidences were presented. 16/04/2018 is the next date of the court to listen to other party (the insurance). The case is still subject to the exchange of defenses and pending the issuance of a ruling, noting that the next session is set on 13/3/2019.

47. Important Events:
The Treasury Department in the United States of America imposed sanctions on the bank during the first half of the year2017, which is the restricting of the assets of Cham Bank in the United States of America and prevented American individuals and companies from dealing with the Bank. In this context we confirm the absence of any assets or balances or amounts to the bank in the United States of America.

The effect of these sanctions on the bank is to restrict the bank's assets in the parent company.

We confirm that all transactions of the Bank are perfect in both legally and legitimately. We have all the documents that prove this. The Bank's management has taken appropriate measures to avoid the impact of the sanctions. We confirm that the operation and all Bank activities are stable in all fields and banking services which the bank provides to its clients.
We confirm that all imported materials and handled in the bank are goods and materials allowed to be imported to Syria, and no decisions were issued to prevent their supply to Syria from any party.

From its perspective, the Bank's management has taken all legal procedures to remove the name of Cham Bank from the list of penalties by appointing an American law firm specialized in this field and working to lift sanctions according to the procedures and regulations in the United States.
Recently it submitted a reconsideration request to the US Treasury Department - Control of the US Asset Office (OFAC) and waiting for the results.