CHAM BANK S.A.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019

	Notes	2019 SYP	2018 SYP
Assets			
Cash and balances with Central Bank of Syria	**3**	**57,391,278,327**	51,101,530,575
Deposits and investment accounts at banks and financial institutions for three months or less	**4**	**34,064,455,093**	37,090,791,587
Investment accounts at banks and financial institutions for more than three months	**5**	**11,408,384,361**	6,945,000,000
Receivables from financing activities, net	**6**	**65,900,728,653**	47,981,064,955
Net assets under investment or liquidation	**7**	**164,343,393**	134,933,805
Investment in real estate	**8**	**2,276,500,000**	2,380,850,000
Property and equipment	**9**	**10,391,860,898**	6,627,130,010
Intangible assets	**10**	**43,138,048**	6,933,540
Deferred tax assets	**17**	**1,107,879**	1,338,589
Other assets	**11**	**862,960,263**	2,276,009,080
Blocked deposit with Central Bank of Syria	**12**	**2,263,455,530**	2,163,455,530
Total assets		**184,768,212,445**	156,709,037,671
Liabilities, equity of unrestricted investment accountholders, non- controlling interest and equity			
Liabilities			
Deposits and investment accounts due to banks and financial institutions	**13**	**46,251,810,234**	28,222,042,495
Customers' current accounts	**14**	**49,454,399,523**	53,967,068,395
Cash margin	**15**	**10,573,360,661**	5,245,066,197
Miscellaneous Provisions	**16**	**486,385,550**	290,319,608
Income tax provision	**17**	**622,078,494**	313,010,014
Other liabilities	**18**	**5,034,949,750**	4,769,750,985
Total liabilities		**112,422,984,212**	92,807,257,694
Equity of unrestricted investment accountholders			
Unrestricted investment accounts	**19**	**43,186,923,046**	38,707,773,250
Investment risk reserve	**20**	**274,186,895**	210,829,472
Profit equalization reserve	**25**	**270,614,341**	126,624,831
Total equity of unrestricted investment accountholders		**43,731,724,282**	39,045,227,553
Total liabilities and equity of unrestricted investment accountholders		**156,154,708,494**	131,852,485,247
Equity			
Equity attributable to Bank shareholders			
Paid-in capital	**21**	**6,000,000,000**	5,250,000,000
General reserve for credit risk	**22**	**-**	33,051,351
Investments in real estate fair value reserve	**23**	**2,521,481,216**	2,175,411,384
Statutory reserve	**24**	**825,184,691**	430,618,546
Special reserve	**24**	**825,184,691**	430,618,546
Profit equalization reserve	**25**	**1,290,334,070**	1,017,254,859
Unrealized retained earnings		**14,708,920,881**	14,708,920,881
Realized retained earnings		**2,439,531,297**	807,850,250
Total equity attributable to Bank shareholders		**28,610,636,846**	24,853,725,817
Non-controlling interest	**26**	**2,867,105**	2,826,607
Total equity		**28,613,503,951**	24,856,552,424
Total liabilities, equity of unrestricted investment accountholders and equity		**184,768,212,445**	156,709,037,671

Chairman	Chief Executive Officer	Chief Financial Officer

The attached notes from (1) to (48) are an integral part of these consolidated financial statements

Consolidated Income Statement
For the year ended 31 December 2019

	Notes	2019 SYP	2018 SYP
Income from sales receivable and financing activities	27	6,170,226,752	4,607,373,963
Income from banks and financial institutions	28	258,339,930	359,658,992
Expenses charged to the jointly financed pool	29	-	-
Total revenue from investments between the Bank and the unrestricted investment accountholders		6,428,566,682	4,967,032,955
Profit equalization reserve		(418,913,462)	(587,683,264)
Total revenue from investments after deducting Profit equalization reserve		6,009,653,220	4,379,349,691
Unrestricted investment accountholders share including reserve		(1,530,264,283)	(1,222,679,438)
Investment risk reserve	20	(63,458,161)	(39,826,666)
Unrestricted investment accountholders share after deducting investment risk reserve	30	(1,466,806,122)	(1,182,852,772)
Bank's share of the joint income as a Mudarib, investment agent and fund owner	31	4,479,388,937	3,156,670,253
Income from banking services	32	1,962,897,180	960,769,756
Gain from foreign currencies' differences (operational position)		600,887,451	142,504,595
Other income	33	28,044,604	317,989,935
Total Bank's income		7,071,218,172	4,577,934,539
Personnel expenses	34	(1,436,413,522)	(1,154,764,879)
Depreciation and amortization	9-10	(222,074,727)	(180,843,939)
General and administrative expenses	35	(1,346,298,127)	(2,210,189,255)
Expected credit losses	36	(70,727,544)	185,000,000
Miscellaneous Provisions	16	(50,000,000)	(50,000,000)
Total Expenses		(3,125,513,920)	(3,410,798,073)
Income before tax		3,945,704,252	1,167,136,466
Income tax expense	17	(767,625,317)	(308,694,767)
Net income		3,178,078,935	858,441,699
Attributable to:			
Bank shareholders		3,178,038,437	858,395,033
Non-controlling interest		40,498	46,666
		3,178,078,935	858,441,699
Basic earnings per share for the year	37	52.97	14.31

Cham Bank S.A.

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Notes	2019 SYP	2018 SYP
Cash Flows from Operating activities			
Net income before tax		**3,945,704,252**	1,167,136,466
Adjustments for non-cash items:			
Depreciation and amortization		**222,074,727**	180,843,939
Unrestricted investment accountholders share		**1,530,264,283**	1,222,679,438
Expected credit losses		**70,727,544**	(185,000,000)
Gain from fixed assets disposal		**(267,308)**	-
Miscellaneous Provisions		**50,000,000**	50,000,000
Net income before changes in operating assets and liabilities		**5,818,503,498**	2,435,659,843
Change in operating assets and liabilities			
Investment accounts at banks (for more than three months)		**(4,461,718,202)**	(6,945,000,000)
Restricted balances*		**(374,551,756)**	7,623,017,089
Deposits at Central Bank of Syria (cash reserve)		**(271,947,932)**	(1,664,117,788)
Receivables from financing activities		**(18,146,595,254)**	(12,528,982,724)
Other assets		**1,402,886,492**	(1,532,311,117)
Deposits due to banks (for more than three months)		**(1,494,000,000)**	2,074,000,000
Paid income tax		**(458,326,127)**	(137,569,891)
Margins		**5,411,439,600**	677,688,820
Other liabilities		**416,335,198**	1,847,919,112
Net cash flows used in operating activities		**(12,157,974,483)**	(8,149,696,656)
Cash Flows from Investing activities			
Assets under investment or liquidation		**(29,412,862)**	963,703,077
Purchase of intangible assets		**(41,299,408)**	(6,597,048)
Purchase of fixed assets		**(3,477,354,854)**	(5,110,439,690)
Cash from selling fixed assets		**25,151,567**	-
Blocked deposit with Central Bank of Syria		**(100,000,000)**	-
Net cash flows used in investing activities		**(3,622,915,557)**	(4,153,333,661)
Cash flows from financing activities			
Equity of unrestricted investment accountholders		**4,639,303,329**	13,884,809,261
Shareholders' share in profit equalization reserve		**274,827,639**	502,686,897
Current accounts		**(4,420,220,843)**	21,761,226,612
Returns paid to investment accountholders		**(1,472,865,039)**	(1,147,739,630)
Cash dividends		**(2,136,186)**	(83,809,300)
Shares issuance expenses		**(7,225,100)**	(4,152,148)
Net cash flows (used in) from financing activities		**(988,316,200)**	34,913,021,692
Foreign exchange effect on the cash and cash equivalents		**(132,720,712)**	(289,701,827)
Net changes in cash and cash equivalents during the year		**(16,901,926,952)**	22,320,289,548
Add			
Cash and cash equivalents at the beginning of the year		**38,470,709,211**	16,150,419,663
Cash and cash equivalents at the end of the year	**38**	**21,568,782,259**	38,470,709,211

* Total blocked balances due to the sanctions imposed on Cham Bank by US Treasury

The attached notes from (1) to (48) are an integral part of these consolidated financial statements

Cham Bank S.A.

Consolidated Statement of Change in Equity
For the year ended 31 December 2019

2019	Paid-in Capital	Reserves										
		Statutory reserve	Special reserve	General reserve for credit risk	Profit equalization reserve	Fair value reserve for real estate investments	Unrealized retained earnings	Profit for the year	Realized retained earnings	Total Bank shareholders' equity	Non-controlling interest	Total Equity
	SYP	SYP	SYP	SYP	SYP	SYP	SYP	SYP	SYP	SYP	SYP	SYP
Balance at 1 January 2019	**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**
FAS 30 early adoption impact	**-**	**-**	**-**	**(33,051,351)**	**-**	**-**	**-**	**-**	**-**	**(33,051,351)**	**-**	**(33,051,351)**
Modified 1 January balance 2019	**5,250,000,000**	**430,618,546**	**430,618,546**	**-**	**1,017,254,859**	**2,175,411,384**	**14,708,920,881**	**-**	**807,850,250**	**24,820,674,466**	**2,826,607**	**24,823,501,073**
Real estate investments fair value reserve movement (Note 23)	**-**	**-**	**-**	**-**	**-**	**346,069,832**	**-**	**-**	**-**	**346,069,832**	**-**	**346,069,832**
Capital increase (Note 46)	**750,000,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(750,000,000)**	**-**	**-**	**-**
Shares issuance expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,225,100)**	**(7,225,100)**	**-**	**(7,225,100)**
Profit equalization reserve	**-**	**-**	**-**	**-**	**273,079,211**	**-**	**-**	**-**	**-**	**273,079,211)**	**-**	**273,079,211**
Net income	**-**	**-**	**-**	**-**	**-**	**-**		**3,178,038,437**	**-**	**3,178,038,437**	**40,498**	**3,178,078,935**
Net income allocation	**-**	**394,566,145**	**394,566,145**	**-**	**-**	**-**	**-**	**(3,178,038,437)**	**2,388,906,147**	**-**	**-**	**-**
Balance at 31 Dec 2019	**6,000,000,000**	**825,184,691**	**825,184,691**	**-**	**1,290,334,070**	**2,521,481,216**	**14,708,920,881**	**-**	**2,439,531,297**	**28,610,636,846**	**2,867,105**	**28,613,503,951**
2018												
Balance at 1 January 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	2,783,666	23,503,887,689
Profit equalization reserve	-	-	-	-	498,747,644	-	-	-	-	498,747,644	-	498,747,644
Prior years adjustments	-	-	-	-	-	-	-	-	(368,735)	(368,735)	(3,725)	(372,460)
Stock dividends	250,000,000	-	-	-	-	-	-	-	(250,000,000)	-	-	-
Net income	-	-	-	-	-	-	-	858,395,033	-	858,395,033	46,666	858,441,699
Net income allocation	-	116,709,330	116,709,330	-	-	-	-	(858,395,033)	624,976,373	-	-	-
Shares issuance expenses	-	-	-	-	-	-	-	-	(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	2,1754,11,384	14,708,920,881	-	807,850,250	24,853,725,817	2,826,607	24,856,552,424

1 General information

Cham Bank S.A. ("the Bank") is licensed as a public shareholding Company in accordance with the Prime Ministry decision No. (66/M.W) issued on 7 September 2006, the commercial register No. (14809); and the resolution No.(104/L.A) issued by the Board Committee of the Central Bank of Syria on 10 February 2007. The Bank is subject to the Islamic banks decree No. (35) for the year 2005; the private and joint banks law No. (28) for the year 2001 and its executive instructions; the law No. (23) for the year 2002; the commerce law No. (33) for the year 2007, companies law No. 29 for 2011, and the regulations stated by the Monetary and Credit Council in accordance with Shari`ah rules and principals. The Bank's headquarter is located at Al Nagmah square, Damascus – Syrian Arab Republic.

The Bank is established with a total capital of SYP 5,000,000,000 representing 5,000,000 shares; with a par value of SYP 1000 per share. The Bank started its operations on 27 August 2007.
During the extraordinary general assembly of shareholders on 20 June 2011, the split of shares was approved in accordance with article 91 item /3/ of the legislative decree No. (29) for the year 2011, which stipulates the nominal value of each share should be one hundred Syrian pounds, and that within two years starting from the effective date of that decree, accordingly, the General Assembly of Shareholders decided to authorize the Board of Directors to follow up the procedures for stock split before the concerned authorities. On 22 November 2011, Resolution No. 119/M was issued by Syrian Commission of Financial Markets and Securities approving the amendment of the par value of the shares of the Bank to become one hundred Syrian Pounds per share, bringing the total number of shares to 50 million shares. Share's split was determined to be effective at Damascus Securities Exchange on the end of day 6 December 2011.

Bank shares were listed in Damascus Securities Exchange on 25 May 2014.

On 1 October 2018, the Board of Commissioners of Syrian Commission of Financial Markets and Securities Authority issued resolution No. (117/M) approving the final capital increase of the Bank using part of the retained earnings. The capital of the Bank was increased by a total value of SYP 250,000,000 through the approval of 2,500,000 stock at a par value of SYP 100 per share.
The General Assembly of shareholders on 29 April 2019 approved the Board of Directors recommendation for increasing the Bank`s capital using part of the retained earnings to issue stock dividends, increasing the total capital to SYP 6,000,000,000.
On 25 July 2019, Syrian Commission of Financial Markets and Securities approved the capital increase.

The Bank carries out Banking, financing and investing activities through its headquarter, and 12 branches and its brokerage company Amwal Al-Cham.

Company's Name	Company's Nationality	Ownership Percentage	Type of activity
Amwal Al-Cham for Islamic Brokerage Company LLC	Syrian	99%	Brokerage activities on behalf of the company and on behalf of others and managing financial investments and initial public offering without undertaking coverage.

The Bank, particularly carries out the following activities:

1. Opening current accounts.
2. Opening unrestricted investment accounts and integrating it with the Bank's funds and funds under the total discretion of the Bank and investing it in transaction approved by the Shari`ah Supervisory Board.
3. Opening off Balance sheet restricted investment accounts and investing it in transactions approved by the Shari`ah Supervisory Board.
4. Managing Mudarabah or investment agency account.
5. Financing, Ijarah, and Direct Investing through initiating productive projects and incorporating companies and financial investment through the purchase of securities.
6. Providing banking services permitted by the Bank`s Shari`ah Supervisory Board.
7. Providing benevolent loans whether funded by owner`s equity, or unrestricted investment accounts and their equivalent.
8. Any other Banking operations allowed by the applicable laws and regulations and approved by the Bank's Shari`ah Supervisory Boards.

Preliminary consolidated financial statements at 31 Dec 2019 were approved by the Board of Directors of the Bank, and the final consolidated financial statements were approved by the Chairman.

1 General information (continued)

Shari`ah Supervisory Board

The activities of the Bank are subject to the supervision of a Shari`ah Supervisory Board composed of three members (Dr.Ahmad Hasan/Chairman and executive member, Dr. Abed AlSalam Mohammadah/Chairman Deputy, and Dr. Mohamad Tawfiq Ramadan /member).
Shari`ah Supervisory Board were appointed by the General Assembly, based on the approval of Monetary and Credit council in its resolution No. 64/M.N dated 21 May 2017 for Chairman and Deputy Chairman, Monetary and Credit council resolution No. 97/M.N dated 19 July 2017 for the Board Member. And appointed Dr.Mohammad Khalaf as an intern member under the aforementioned resolution No.97/M.N
Shari`ah Supervisory Board members cannot be dismissed without the consent of the General Assembly and notifying Central Bank of Syria.
The role of the Shari`ah Supervisory Board is to monitor the Bank operations and activities to ensure compliance with Shari`ah rules and principals and its opinion is obligatory to the Bank.

2 Accounting policies

Basis of preparation

-The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions standards (AAOIFI) and International Financial Reporting Standards (IFRS) for the cases not covered by Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions standards (AAOIFI), and in accordance with the local regulations and instructions issued by the Monetary and Credit Council, according to Shari`ah rules and principles.

-The consolidated financial statements are prepared on a historical cost basis, except for real estate investments that are recorded at fair value at the date of the financial statements.

-The consolidated financial statements are presented in Syrian Pounds.

Basis of Consolidation

The consolidated financial statements (whether funded by unrestricted investment accounts or by the owner`s equity) include the financial statements of the Bank and its subsidiary, Amwal Alcham Islamic Brokerage Company LLC (“the Group”). Control gained where the Bank has the power to govern the financial and operatinal policies of an entity to benefit from its activities. Transactions, balances, income and expenses between the Bank and the subsidiary are eliminated on consolidation level. The Bank’s share in the subsidiary’s capital is 99%.

The financial statements of the subsidiary are prepared for the same reporting year as for the Bank, using the same accounting policies as the Bank. If the subsidiary has accounting policies that differ from those of the Bank, necessary adjustments are made to the financial statements of the subsidiary to match the accounting policies adopted by the Bank.
Subsidiary is fully consolidated from the date of acquisition, being the date on which the Group gains control.
The results of the subsidiary are included in the consolidated income statement from the date of acquisition up to date of disposal, and in accordance with Monetary and Credit Council regulation No. 501/M.N/B4 issued on 10 May 2009, and its amendments.

Non-Controlling Interest represents the portion of profit or loss and net assets of the subsidiary that are 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 (bargain purchase) directly in the income statement for the year of the purchase.
If separate financial statements are prepared for the Bank, the investment in subsidiary is presented at cost.

2 Accounting policies (continued)

Changes in accounting policies

Standards issued by AAOIFI and not effective yet

- Financial Accounting Standard 31 "Investment Agency"

AAOIFI has issued Financial Accounting Standard No.31 in 2017; the objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al-Istithmar) from both perspectives (the principal (investor) and the agent), pertaining classification, initial recognition, subsequent measurement, presentation and disclosure and other related issues.

This standard shall apply to all investment agency (Al-Wakalah Bi Al-Istithmar) contracts entered into by the Islamic financial institutions IFIs, either in the capacity of an agent or a principal, except for investments in Sukuk or similar instruments, investment funds and Takaful structures.
This standard shall be effective for the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

- Financial Accounting Standard 32 "Ijarah"

AAOIFI has issued Financial Accounting Standard No.32 in 2019; the objective of this standard is to set out principles for the classification, recognition, measurement, presentation and disclosure for Ijarah transactions entered into by the Islamic financial institutions IFIs, this standard supersedes the earlier AAOIFI FAS 8 "Ijarah and Ijarah Muntahia Bittamleek". The standard brings significant changes from its predecessor standard (FAS 8), in classification, new recognition and measurement principles and presentation and disclosure.

This standard shall apply for accounting and financial reporting for a lessor or lessee, for all Ijarah (asset Ijarah, including Ijarah Muntahia Bittamleek (Ijarah MBT)) transactions, except for accounting of Sukuk based on Ijarah, Ijarah transactions for exploration and extraction of natural resource and service Ijarah transactions.
This standard shall be effective for the financial periods beginning on or after 1 January 2021. Early adoption is permitted.

- Financial Accounting Standard 34 "Financial Reporting for Sukuk-holders"

AAOIFI has issued Financial Accounting Standard No.34 in 2018; the objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting to all relevant stakeholders particularly Sukuk-holders.

This standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

- Accounting Standard 35 "Risk Reserves"

AAOIFI has issued Financial Accounting Standard No.35 in 2018; the objective of this standard is to establish the principles of accounting and financial reporting for risk reserves, this standard does not mandatorily require the Islamic Financial Institutions (IFIs) to maintain risk reserves. If an IFI established such reserves, it shall apply this standard in its entirety.
This standard encourages IFIs to establish adequate risk reserves to mitigate the credit, market, equity investment, liquidity, rate of return or displaced commercial risks faced by stakeholders (mainly the profit and loss taking investors).

This standard, along with FAS 30 "Impairment, Credit Losses and Onerous Commitments", supersedes the earlier FAS 11 "Provisions and Reserves". This standard shall become effective along with FAS 30 "Impairment, Credit Losses and Onerous Commitments" and its adoption shall be subject to the transitional provisions provided in the said standard, and is effective for the annual financial periods beginning on or after 1 January 2021. Early adoption is permitted, only if the IFI decided to early adopt FAS 30 "Impairment, Credit Losses and Onerous Commitments".
As the Financial Accounting Standard FAS 30 has been issued prior to the issuance of FAS 35, it was temporarily permitted to continue adopting the Accounting Standard No. 11 in relation to risk reserves despite early application of FAS 30.

2 Accounting policies (continued)

Changes in accounting policies (continued)

Standards issued by AAOIFI and not effective yet (continued)

- Financial Accounting Standard 30 “Impairment and credit losses” (early adoption)

AAOIFI has issued Financial Accounting Standard No. 30 in 2017, related to the impairment, credit losses and onerous contract or commitment. This standard supersedes the earlier FAS 11 “Provisions and Reserves” and certain sections related to impairment in FAS 25 “Investment in Sukuk, Shares and similar Instruments”.

This standard is effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted. FAS 30 is early adopted on 1 January 2019 based on the decision of the Accounting and Auditing Board in its meeting No. 1 of 2018.

The Group applied the transitional provisions in the standard, and adopted FAS 30 retrospectively without restating the comparative financial statements.

According to FAS 30, credit risk exposure shall be categorized within the following three stages:

Stage 1: 12 Months Expected Credit Loss
Stage 1 includes financial assets on initial recognition and those whose credit risk has not increased significantly since initial recognition. The provision for expected credit losses for assets classified under stage 1 is recognized on a 12 months basis. 12 month expected credit losses are those expected credit losses resulting from default events that are possible within the 12 months after the statement of financial position date.

Stage 2: Lifetime Expected Credit Loss – not credit impaired.
Stage 2 includes financial assets whose credit risk has increased significantly since initial recognition without an objective evidence of impairment.
The provision for expected credit losses for assets classified in Stage 2 is recognized over the lifetime of the credit.
lifetime expected credit losses are those expected credit losses result from all possible default events over the entire life of the financial asset.

Stage 3: Lifetime Expected Credit Loss – credit impaired.
Stage 3 includes financial assets for which there is an objective evidence of impairment at the date of the statement of financial position.
The provision for expected credit losses for assets classified in stage 3 is recognized over the entire time of the credit exposure.

Expected Credit Loss (ECL) is calculated as follows:
Probability of Default (PD) x Loss Given Default (LGD) x Exposure at Default (EAD)
The expected credit loss, weighted by the probability of default, is calculated within the next 12 months of the lifetime of the debt for exposures classified in Stage 1, and for the entire life of the debt for exposures classified in Stage 2 and Stage 3.

2 Accounting policies (continued)

Changes in accounting policies (continued)

Standards issued by AAOIFI and not effective yet (continued)

- Financial Accounting Standard No. 30 “Impairment and credit losses” (early adoption) (continued)

Financial Accounting Standard 30 adoption impact

In accordance with the transitional provisions related to the first time adoption of Financial Accounting Standard No. 30, the Group recognizes any difference between the previously recorded value according to the resolutions of Monetary and Credit Council and Central Bank of Syria and the value of expected credit losses attributable to shareholders at the beginning of the financial statements period (which includes the date of first time implementation) in the opening balance of retained earnings and the accumulated provision attributable to shareholders, unless there is a surplus.
As a result first time adoption on 1 January 2019, the resulting expected credit losses were covered using provisions formed in accordance with the credit risk classification system and the provisions policy effective before the adoption of FAS 30, in addition to the balance of the provisions surplus resulted from the application of Resolution 902/M.N /B4 for the year 2012, and the general provisions recorded based on stress testing, which resulted in a surplus of SYP 43,864,645, that was used - in addition to the general reserve for credit risk of SYP 33,051,351 - to cover the expected credit losses during 2019, according to the instructions of Central Bank of Syria.

The following table illustrates the impact of FAS 30 adoption on opening balances:

	Balance before adjustment	adjustments of implementing FAS 30	Balance after adjustment
Assets			
Cash and balances with Central Bank of Syria	**51,101,530,575**	**(24,837,873)**	**51,076,692,702**
Deposits and investment accounts at banks and financial institutions for three months or less	**37,090,791,587**	**(2,837,619)**	**37,087,953,968**
Investment accounts at banks and financial institutions for more than three months	**6,945,000,000**	**(286,858)**	**6,944,713,142**
Receivables from financing activities, net	**47,981,064,955**	**88,859,287**	**48,069,924,242**
Liabilities			
Miscellaneous Provisions	**(290,319,608)**	**(17,032,292)**	**(307,351,900)**
Equity of unrestricted investment accountholders	**(39,045,227,553)**	**-**	**(39,045,227,553)**
Realized retained earnings	**(807,850,250)**	**-**	**(807,850,250)**

Standards issued by AAOIFI and effective from 1 January 2019

- Financial Accounting Standard FAS 28 “Murabaha and Other Deferred Payment Sales”

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures to apply in relation to Murabaha and other deferred payment sales transactions.
In addition to Murabaha there are several other transactions of Islamic Finance which are based on trade but unlike Murabaha, do not require disclosure of the cost and profit to the intended buyer. Such sales may take different forms and for the purpose of this standard are generally referred to as deferred payment sales. This standard does not apply to Tawarruq and commodity Murabaha transactions.
This standard superseded the earlier FAS 2 “Murabaha and Murabaha to the Purchase Orderer” and FAS 20 “Deferred Payment Sales”.

2 Accounting policies (continued)

Significant 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 financial statements, in addition to the disclosure of contingent liabilities. Judgments and estimates could as well affect the revenues, expenses, provisions and the changes in fair value that is presented in the consolidated income statement.
The key assumptions about future estimates of events that are not certain at the date of the consolidated financial statements, that could result in significant risk could require a material adjustments to the carrying amounts 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:

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.

Zakah and tax Treatment

The responsibility of paying Zakah rests with the shareholders and the equity of unrestricted investment accountholders in accordance with Shari`ah rules and principles, as the General Assembly of the Bank hasn't authorize the Bank to pay Zakah on behalf of shareholders.
Total Zakah for Cham Bank shares is SYP 553,825,075, and it's calculated using a percentage of 2.577% annually (Gregorian year), after determining the Zakah base using the two methods for calculation of Zakah base: net assets methods, or net investment assets method. The two methods were tested, yet if such difference is well recognized the final outcome is the same, and Zakah base amounted SYP 21,486,908,835.
According to Shari`ah Standard NO.35, paragraph 5/3/4/8 issued by the Accounting and Auditing Organization for Islamic Financial Institutions, the blocked deposit with Central Bank of Syria has been excluded from the Zakah base, as the Bank shall pay Zakah on it for only one time at the date of refund.
The Bank shares are evaluated according to their acquisition purpose. Shares acquired for retaining them (Nama`), should pay Zakah of SYR 09.230 per share, while shares acquired for trading, the ruling on articles of trade should be applied to them, and owner should pay 2.577% from its market value at the time of Zakah (Gregorian year).

Impermissible earnings under Islamic Shari`ah

The Bank recognizes Impermissible earnings under Islamic Shari`ah in a special account called "Shari`ah infringements fund" that is presented in the consolidated statement of financial position within other liabilities, and is used for charitable activities based on the approval of the Shari`ah Supervisory Board. During 2019 the amount of SYP 244, 334 was posted to Saria`h infringements fund based on the directions of the Shari`ah Supervisory Board, comparing to SYP 761,905 during 2018.
Amount resulted from:

	2019	2018
	SYP	SYP
Interest from Banks	**-**	-
Impermissible earnings under Islamic Shari`ah	**164,834**	657,833
Increase in fund	**79,500**	52,000
others	**-**	52,072
Total revenue of Shari`ah infringements fund	**244,334**	761,905
Balance of Shari`ah infringements fund	**193,107**	-

InShari`ah infringements fund movement was as following:

	2019	2018
	SYP	SYP
Opining Balance	**-**	-
Increasing during the year	**244,334**	761,905
Usage during the year	**(51,227)**	(761,905)
Ending Balance	**193,107**	-

Based on the approval of the Shari`ah Supervisory Board, balance is channeled at the end of each year to charities.

2 Accounting policies (continued)

Significant accounting estimates (continued)

Fair value of financial instruments

If the fair value of financial assets and liabilities at the date of the consolidated statement of financial position cannot be derived from quoted prices in an active market, 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.

Deferred tax assets

Deferred tax assets are recognized for tax losses or untaxable expenses when it is 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 profits and tax plans.

Profit distribution basis between shareholders and unrestricted investment accountholders

The Bank's revenues are mainly from financing and investing activities and Bank commissions. Revenues from Bank commissions or resulting from foreign currencies exchange deals fully belong to the Bank and are not shared with the unrestricted investment accountholders as they result from services provided by the Bank and are not related to the unrestricted investment accountholders, since they don't bear their expenses.

The revenues generated from investments are separated by currency into revenues from assets financed by capital (owners' equity), and revenues from assets jointly financed by owners' equity and unrestricted investment accountholders equity. Revenues from joint sources are distributed proportionately between average owners' equity or equivalent and average unrestricted investment accountholders in order to figure out the share of the unrestricted investment accountholders (Mudarabah contracts) from the revenue using the Scoring method or according to the agency contract with the unrestricted accountholders (Wakalah contracts) in accordance with the Requirements of the Monetary and Credit Council resolution 834 /M.N/B4 dated 9 April 2012.

Average shareholders' equity includes 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 accountholders is calculated based on the following sharing percentages:

	2019	2018
Saving account	30%	30%
Ala'ata Deposit	85%	85%
Alaman Deposit	90%	90%
Term deposit account 1 month	55%	55%
Term deposit account 3 months	75%	75%
Term deposit account 6 months	80%	80%
Term deposit account 12 months	85%	85%
Term deposit account 24 months	90%	90%

Distributable profit to unrestricted investment accountholders equals net revenue from joint fund source (total revenue less expenses approved by the Shari`ah Supervisory board to be charged to Modaraba pool since such expenses are not the Mudarib responsibility) less the Bank`s share in the joint income as a Mudarib, and the Investment risk reserve.

If the jointly financed investments incurred a loss, the shareholders and the unrestricted investment accountholders will bear the loss according to their respective contribution to the jointly financed investment as per the above percentages. Loss due to Bank`s misconduct, negligence or breach of contract terms is totally borne by the Bank.

The profit is calculated and valuated 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.

2 Accounting policies (continued)

Significant accounting estimates (continued)

Profit distribution basis between shareholders and unrestricted investment accountholders

Investment Agency "Al-Wakala Bi Al-Istithmar" (Forsa deposit and others): the owner of the investment account "the Investor" authorizes the Bank "the Agent" to invest the money on behalf of the Investor, with or without fees. Investment agency (local/foreign currency) is included in investment process through one transaction or multiple transactions and at 100% of the invested amount. Profits of the Investment Agency shall be determined according to the agency contract concluded with the unrestricted investment accountholders. However, the expected profit does not place any obligation on the Bank. At the end of the investment period, the investor deserves profit according to the actual realized outcome of the investment process, with the possibility of Bank donating to the owners of investment accounts, and the Bank is entitled to remuneration as a result of acting in the Investment Agency, and any excess over the expected profit as an performance incentive. If the results of the investment are losses, only the investor bear the loss. The investment Agent –the Bank- doesn't bear loss except in case of negligence, misconduct, or breach of the of the agency's conditions and restrictions, in this case the Bank bear the loss According to Shari`ah standards.

The average annual rate of return to the unrestricted investment accountholders during the year was as follows:

	2019			2018		
	SYP	**USD**	**EURO**	SYP	USD	EURO
Unrestricted investment accounts' average rate of return	**%5.26**	**%3.21**	**%1.30**	%5.77	%1.86	%0.81

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

	2019			2018		
	SYP	**USD**	**EURO**	SYP	USD	EURO
Unrestricted investment accounts' average rate of return	**11.72%**	**7.00%**	**2.91%**	12.82%	4.12%	1.67%

Mudarabah rate (Bank's share of profit) is calculated at 50% of the net realized profit.
The Investment Risk Reserve IRR is calculated at10% of Unrestricted Investment Accountholders' profit.
The Bank donated a portion of its profit to the unrestricted investment accountholders of Alaman Deposit by raising the proportion of sharing to 100%.

The Bank has not charged Mudarabah pool with any burdens relating to impairment provisions of Receivables from financing activities.
The Bank has not charged Mudarabah pool with any expenses (expenses approved by Shari`ah Supervisory Board) during 2019.
Profits are distributed in accordance with the Bank`s adopted policy and in line with the resolution of the Monetary and Credit Council 834/M.N/B4 dated 9 April 2012.
The Bank`s policy gives the primary to the fund of the Investment accountholders in the investment pool.
Investment in real estate and ownership of shares in other companies were totally financed by the Bank's equity. All other investments were financed jointly (equity and funds of unrestricted investment accountholders).

Withdrawal of investment accountholders (Breaking Deposits)

If the investment accountholder wishes to withdraw from the investment before the maturity date, and the management decided not to grant this holder all or part of the revenue, the breaking principle applies between the investment account holder and the fund of Mudarabah pool first and then the shareholders' fund if the fund of these accounts was fully invested, and according to this principle, the account holder reconciles Mudarabah pool or shareholders' fund for its share in Mudarabah assets, and profits is distributed as followings:

If the funds were withdrawal from Mudarabah pool: the profit of the deposit is returned to Mudarabah pool before deducting the portion of Mudarib (the Bank) to be re-distributed to the unrestricted investment accountholders and Bank, or is transfered to Profit equalization Reserve PER (for the benefit of the unrestricted investment accountholders).

But if the withdrawal was from shareholders' fund: the profit of this account is assigned to the shareholder.

2 Accounting policies (continued)

Significant Accounting Policies

The consolidated financial statements are prepared based on the following significant accounting policies:

Foreign Currency Transactions

Balances and Transactions

Transactions in foreign currencies on basis other than Mudarabah or Musharakah are initially recorded on spot currency exchange rate. If transactions are based on Mudarabah or Musharakah contracts, the balances of assets and liabilities denominated in foreign currencies are translated to Syrian Pounds at exchange rate published by 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 gains and losses resulting from translation to the presentation currency of the group, in addition to the gains and losses resulting from foreign currencies transactions.

Segment Information

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

Financial instruments – initial recognition and subsequent measurement

Date of recognition

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

Murabahah contracts

- For the purpose of mitigating the risk arising from buying ordered goods and then customer commitment breach towards the Bank. Cham Bank applies "sale or return" basis with the option of returning goods to the supplier (first seller) within a specified period, and in case "sale or return" basis are not applied the Bank requests its customer to sign a binding promise. In all cases the Bank takes Hamish Jiddiyyah (security deposit).
- Hamish Jiddiyyah (security deposit) is considered as a liability at the Bank.
- In the case of applying "sale or return" basis or the binding promise, and taking Hamish Jiddiyyah from the customer. Hamish Jiddiyyah shall be returned completely to the customer.
- In the case that the orderer (customer) declines to his binding promise, the actual damage incurred by the Bank should be reimbursed out of Hamish Jiddiyyah. If Hamish Jiddiyyah falls short of the amount of damage incurred by the Bank, the Bank recourse to the orderer for the difference between the selling price of goods for others and the cost borne by the Bank.
- The customer commits to Murabaha transaction, Hamish Jiddiyyah is turned to an advance payment and is deducted from the purchase price.
- Hamish Jiddiyyah is either invested under Mudarabah basis or it is considered as a blocked current account according to the customer desire.
- Profits are recognized at the time of contracting if the sale is for cash or on credit for a period that do not pass the current financial period.
- Profits of a credit sale (which is paid for either by one payment due after the current financial period or by instalments over several future financial periods) are allocated over the credit periods whereby each financial period carries its portion of profits.

Receivables arising from deferred payment sale are recognized at the point of contracting, and measured at their face value. At the end of the current financial period, receivables are measured at their net realizable cash value (which is the amount of debt outstanding at the end of the financial period less any provision for expected credit losses).

Salam and Parallel Salam

- Financing by Salam is recognized at the point that the customer (al- Muslam Ilaihi) receives the capital of Salam or put under his control. Parallel Salam is recognized when the Bank receives the capital. The amount of capital is measured by the paid or received amount, and if it is in- kind or a benefit then it is measured at fair value.
- When the Bank receives al-Muslam Fihi, received assets are recorded based on the historical cost and assets is reevaluated at the end of the financial year based on historical cost or fair market value whichever is less, and the differences are recognized as a loss in the income statement.

- -Result of delivering the goods in the parallel Salam transaction is recognized as the difference between the amount received by the final buyer and the cost of al-Muslam Fihi (goods) as profits or losses in the income statement.

2 Accounting policies (continued)

Significant Accounting Policies (continued)

Istisna’a and Parallel Istisna’a

- Istisna'a contracts are recognized at the value of amounts paid by the Bank at the point of contracting, and the parallel Istisna'a contracts are recognized at the net contracting value. Any impairment below the net realizable value is recognized in the income statement.
- The deferred profits in Istisna'a entries are recognized at the contracting date, and then deferred profit is deducted from each due installment and recognized in the income statement. Istisna'a revenue and gross profit of Istisna’a and parallel Istisna’a are recognized using the completion ratio method.
- Any additional cost paid by the Bank in the parallel Istisna'a contracts as a result of breaching terms of the contractual obligation are recognized as losses in the income statement and are not a part of Istisna'a cost account.
- In case the Bank holds the Istisna'a asset for any reason, this asset should be measured at the end of the financial period at historical cost or net realizable value whichever less, and the differences are recognized as loss in the income statement.

Mudarabah Financing

- Mudarabah financing transactions are recorded at the point of delivering capital (cash or in-kind) to Al Mudarib or putting it under his control. Capital is measured by the paid amount, or by the fair value if it was an in- kind. If the evaluation of an asset at contracting resulting a difference between the fair value and the book value, then the profit (loss) is recognized in the income statement, at the end of the financial period the amount returned by the Bank is deducted from Al Mudarabah capital.
- The Bank`s share in profit (loss) resulted from Mudarabah transactions started and ended during the financial period is recognized after liquidation, in case the Mudarabah financing continued for more than one financial period the Bank share in earnings will be recognized at the point of full settlement on them or any part thereof in the financial period in which they occurred within the limits of the distributable profits, and the loss of any financial period is recognized in the Bank's books for that period limited by losses that the Mudarabah capital will reduce according to it.
- If the Mudarib does not deliver Mudarabah capital or his share from the profit after the liquidation or full settling, the accruals are recognized as receivables from Mudarib.
-In case of losses due to encroachment, negligence or Mudarib breach of the terms of the contract, the accruals are recognized as receivables from the Mudarib, but if loss occured at the point of liquidation, it is recognized by deducting it from the Mudarabah capital.

Musharakah Financing

- Bank's share of Musharakah capital is recorded when it is delivered to the managing partner or placed in the Musharakah account. If the share is in cash, then it is measured by the paid amount, but if it was in -kind then it is measured by fair value, and if the evaluation of the in- kind resulted in a difference at the time of contracting between the fair value and the book value, then the profit (loss) is recognized in the income statement.
- The Bank`s share in the Musharakah is measured at the end of the financial period by the historical cost, and in the case of diminishing Musharakah the Bank`s share is measured at the end of the financial period by the historical cost less the historical cost for the sold share, and the difference between the historical cost and the net realizable value of the sold share is recognized as profit or loss in the income statement.
- The share of the Bank in the profit or loss of the Musharakah financing that are started and ended during the financial period is recorded at the time of liquidation, in case of the continuing of Musharakah for more than one financial period, the Bank’s share is recorded at the time of earning 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 is recognized in the Bank's books for that period limited by losses that reduce the Musharakah capital.
- Bank's share in the Musharakah capital or the amount of profit after the liquidation or full settlement are recognized as receivables from the partner if the partner did not deliver the Bank share, and in case of losses 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.

2 Accounting policies (continued)

Significant Accounting Policies (continued)

Restricted Investments

Restricted investments are assets of all kinds, whether it takes the form of a portfolio investment, fund investment or it did not, if the Bank invested in it 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 Bank is limited to managing them, either on the basis of Mudarabah contract or on the basis of Agency contract, and therefore they are not considered assets of the Bank 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 account.

Usually, the Bank finances the restricted investments by the funds of the restricted investment accountholders and without using its own resources.

Accounting treatment of restricted investments is similar to the treatment of the financial instruments that consists of it.

Expected Credit Losses

The Group classifies its exposures as sovereign exposures, exposures to financial institutions and correspondent banks, and deferred sales receivables and financing activities exposures, and adopts a methodology of managing these exposures, within the three stages, and calculating expected credit losses for them.

The Group classifies exposures into three stages:

Stage 1: 12-month expected credit losses: The first stage includes financial assets on initial recognition and those whose credit risk has not increased significantly since initial recognition. The provision for expected credit losses for assets classified under stage 1 is recognized on a 12-month basis.

Stage 2: Expected credit losses over the lifetime of the credit - not credit-impaired: The second stage includes financial assets whose credit risk has increased significantly since the initial recognition without objective evidence of its impairment. Identifying significant increase in credit risks for different exposures at the Group, the Group uses quantitative and qualitative indicators, including financial difficulties, non-compliance with contractual terms, low credit rating. A significant decrease in income and future cash flows, and delinquency of 30 days or more. The provision for expected credit losses for assets classified under Stage 2 is recognized over the life of the credit.

Stage 3: Impaired Financial Assets
The third stage includes financial assets for which there is objective evidence of impairment at the date of the statement of financial position.
The provision for expected credit losses for assets classified under the third stage is recognized over the lifetime of the credit. The Group uses quantitative and qualitative indicators to identify impaired financial assets, including failure to pay obligations on time (delinquency of 90 days or more), significant credit rating deterioration, bankruptcy signs.

To evaluate a range of possible outcomes, the Group develops different scenarios. For each scenario, the Group derives the expected credit losses and applies a probability-weighted approach to determine the impairment provision in accordance with the requirements of accounting standards.

The process of estimating credit risk is a complex process that requires the usage of statistical models, where exposure varies with different market conditions, expected cash flows and passage of time. Estimating expected credit risk requires the use of estimates, whereby ECL is measured using the probability of default, loss givin default, and exposure at default.

The Group calculates Expected Credit Loss (ECL) as follows:
Expected Credit Loss (ECL) = Probability of Default (PD) x Loss at Default (LGD) x Exposure at Default (EAD)

The expected credit loss, weighted by the probability of default, is calculated within the next 12 months of the lifetime of the debt for exposures classified in stage 1, and for the entire life of the debt for exposures classified in stage 2 and stage3.

2 Accounting policies (continued)

Significant Accounting Policies (continued)

Expected Credit Losses (continued)

Probability of Default (PD)
The Group estimates probability of default for credit facilities on a specific date using statistical models. These models depend mainly on historical internal data that includes quantitative and qualitative factors and are processed to reflect a forward-looking information External credit rating of exposures to banks and financial institutions is used.

Loss Given Default (LGD)
Amount of losses that will arise in the event of default. The Group estimates the loss given default using statistical models that depend on historical internal data for exposures to credit facilities, while the recommended ratios are adopted for exposures of banks and financial institutions according to Basel Accord and the directions of Central Bank of Syria.

Exposure at Default (EAD)
The value of the exposure at default represents the expected exposures in the event of default. When calculating the value of the exposure at default, the Group takes into account the expected settlements based on the contractual terms of the asset, in addition to the undrawn balances and other off balance sheet contractual obligations, if any.

The value of the financial asset is reduced by expected credit losses provision. The loss is recognized in the income statement in the item (expected credit losses).
Debts are written off through provision account when there is no reasonable expectation of future recovery of losses, and all collateral has been liquidated or transferred to the Group.
If there is a subsequent increase or decrease in the expected credit losses that were previously recognized due to events that occurred after recognition, the previously recognized amount of loss is increased or decreased through the by adjusting the balance of the provision.
If debts previously written off are recovered, the proceeds are recognized in the income statement as income.

<u>Derecognition of financial assets and liabilities</u>

Financial assets

Financial assets are derecognized when:
- The contractual rights to the cash flows from the financial asset expire; or
- Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- In which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial Liabilities
- Financial liabilities are derecognized when the obligation is canceled or expired, or when financial liabilities are replaced by existing financial liabilities from the same (source) on completely different terms and conditions.

<u>Financial guarantees</u>
- The Bank issues financial guarantees that include credits, guarantees and acceptances, through providing various services.
- Financial guarantees are initially recorded in the financial statements at fair value under other liabilities, which is equal to the amount received from the customer (premium, commission).
- After the initial recognition, the Bank's obligation for each guarantee is measured separately by comparing the collected installment minus the amortization recognized in the income statement and the best estimate of the payments to settle the financial obligation resulting from this guarantee and adopting the largest value between them.
- Any increase in the liability relating to financial guarantees is recognized in the income statement as other expense.
- The premium (commission) received is recognized within the credit fees and commissions item on a straight-line basis over the lifetime of the guarantee.

2 Accounting policies (continued)

Significant Accounting Policies (continued)

Investments in associate's companies

- Associates are those companies on which the Bank exercises significant influence regarding the decisions related to the financial and operational policies (not controlled by the Bank). Investments in associates are recorded using the equity method.
- Under the equity method, the investment in the associate is recorded initially at cost and adjusted later on by the Bank's share in the income of the associate (increase) and by cash dividends to the Bank from the associate (decrease).
- Bank`s share of associate results (net income) is reflected in the consolidated income statement, and when there is a profit or loss recognized directly in the equity of the associate company, the Bank recognizes its share of this profit or loss and discloses that in the statement of change in equity.
- Profit or loss resulted from the transactions between the Bank and the associate company are eliminated by the participating percentage of the Bank ownership in the associate.
- Goodwill resulted from acquisition of associate is included in investment in the associate account, and is not subject to amortization.
- If separate financial statements are prepared for the Bank, the investment in the associate is recorded at cost.

Ijarah and Ijarah Muntahia Bittamleek

- The assets that are acquired for the purpose of Ijarah and Ijarah Muntahia Bittamleek are measured at the point of acquiring it at historical cost plus any direct expenses for bringing it to be ready for use. And those assets are depreciated according the policy of the lessor (the Bank) in the absence of a policy adopted by related authorities.
- Leased assets are measured at the end of the financial period by cost minus accumulated depreciation and impairment provision, in case of expected significant permanent decrease in its value.
- The revenue of Ijarah is allocated over the financial periods that are mentioned in the lease contract.
- Required maintenance cost is recognized at the same period in which it occurred if it is immaterial.
- If maintenance cost is varying from year to another during the Ijarah contract`s period, a maintenance provision should be formed and allocated equally over the financial periods.
- If the lessee did a maintenance and the lessor agrees to bear their cost, the lessor recognizes them as expenses in the related financial period.

Investments in real estate

- Investments in real estates acquired for the potential value appreciation are recorded at fair value.
- Income from the investment in real estate is recognized at maturity in the income statement, taking into consideration shares of owners' equity and that related to the holders of unrestricted investment accounts.

Profit Equalization Reserve

- Profit Equalization Reserve is the amount appropriated by the Bank out of Mudarabah income before allocating the share of al-Mudarib (the Bank), to maintain a specific level of return on investment for investment accountholders and increase owners' equity. It is measured by the required amount to be formed.
- At the end of the financial period, required amount is configured as a distribution of income before the deduction of al-Mudareb 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 before the Mudareb share deducted.
- On liquidation, the remaining balance of reserve is returned to unrestricted investment accountholders and the shareholders according to their participation ratio in the investment pool.

Fair value of the financial assets

- The fair value for financial instruments traded in active markets on financial statements preparation date is based on their quoted market price.
- For all other financial instruments not traded in an active market, the fair value is determined by using the comparison to similar instruments for which market observable prices exist.

- Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data is not available. If fair value could not be reliably estimated, the financial instruments are carried at cost less any possible impairment in value, if any.

2 Accounting policies (continued)

Significant Accounting Policies (continued)

Fair value of non-financial assets carried at fair value

- At the date of the financial statements, market prices represent (in case of active market for these assets) the fair value of non-financial assets. In the absence of such markets, the non-financial assets are assessed at the date of financial statements through taking the average of ratings of (3) evaluating committees that are licensed and certified.

Depreciation of assets under investment or liquidation

- The assets under investment or liquidation are initially recorded at cost, then measured at cost minus accumulated depreciation and accumulated impairment, if any.

Fixed Assets

- Fixed assets are recorded at cost, plus other direct costs, and later on are measured at cost less accumulated depreciation and accumulated impairment if any.
- Fixed assets are depreciated (except for lands) when they are ready for use. Depreciation is calculated using the straight-line method over their estimated useful lives using the following percentages:

	Percentage
Building	2.50%
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 asset is less than the net book value, then the fixed asset is decreased to the value that can be recovered and impairment value is recorded in the income statement as other expenses.

- The useful lives of the fixed assets are revised at the end of each year, and if the useful life expectations are different from previous expectation, the change in estimate is recorded in the upcoming years.
- Fixed assets are excluded from the records upon disposal, or when there is no expected future benefits from using or disposing them.

Investment risk reserve

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

At the end of the financial period, the required amount configured as a distribution of income is addressed after the deduction of the Mudarib share, and if the balance of the provision exceeds the required amount, the excess amount is settled from the provision and added to the income of the unrestricted investment accountholders in the financial period after the Mudarib share deduction.

At liquidation, the Monetary and Credit Council decides how to treat the remaining balance of the investment risk reserve after covering all the expenses related to the fund purpose.

Provisions

Provisions are recognized when the Bank has obligations at the date of the financial position which are derived from previous events, when it is probable to settle the liability and it can measured reliably.

Employees end of service compensation

No provision is formed for the end of service compensation, as the Group`s policy does not provide this kind of compensation.

2 Accounting policies (continued)

Significant Accounting Policies (continued)

Income tax

- Income tax expenses are the amounts of accrual and deferred tax.
- Accrual tax expense is calculated based on taxable profit, Taxable profit varies from the disclosed profit in the financial statement because it includes revenue not subject to tax, or expenses not allowed to be deducted for the fiscal year but in later years, or cumulated loses that are taxable or nontaxable items.
- Tax is calculated using the tax percentages as per the laws and regulations in the countries at which the Group operates.
- 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 based on taxable income. Deferred tax is calculated according to the tax rates expected to apply upon settling the tax liability or realizing the deferred tax assets.
- Deferred tax liabilities are recognized for the timing differences that will result in amounts included in the calculation of taxable income in the future. While the deferred tax assets for the timing differences that will result in payments will be deducted in the future when calculating taxable income.
- The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Capital

Cost of issuing or acquiring Bank's shares

Any cost resulted from issuing or acquiring shares are recorded in the equity (in the net value after deducting tax for this cost if there is any). If shares issuing or acquiring is not completed, then these costs are recorded as expenses in the income statement.

Accounts managed on behalf customers

Restricted investments:

Restricted investments are assets of all kinds, both took a shape of an investment portfolio or investment fund, 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, the role of the Bank is limited to manage them, either on the basis of Mudarabah contract or on the basis of agency contract and therefore the restricted investment accounts are not considered assets of the Bank, and do not appear in its financial statements, usually the Bank finances the restricted investments by using the fund of the restricted investment accountholders and without uses its own resources to finance these investments.

If the relationship between the Bank and the restricted investment accountholders is based on Mudarabah contract, the Bank receives a portion of the net profit for its effort, while in case of loss the Bank does not receive any compensation against its effort, and does not bear any loss, only if there is encroachment or default or breach of contract conditions. In case the relationship between the Bank and the restricted investment accountholders is based on Wakalah contract, the Bank receives a fixed fee against managing the restricted investments, regardless whether there is a profit or not. Profit/ loss and commissions of managing these accounts are recognized in the income statement.

Offsetting

Financial assets and financial liabilities are offset and the net amount is 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.

Cash and cash equivalents

Cash and cash equivalents represent cash and Group 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 months or less and restricted balances.

2 Accounting policies (continued)

Significant Accounting Policies (continued)

Recognition of revenue and expenses

Revenue and expenses are recognized on the accrual base expect the revenue that are related to deferred sales and nonperforming financing balances where no revenue is recognized and it is recorded as suspended revenue.
Bank realizes fees and commission income through providing several services to customers, fees and commission income is categorized into two categories:

1) **Income from services provided at a specific period of time:** income is recognized on an accrual basis so that each financial period has its realized income, which includes commissions and fees from assets management, custodial services, administrative and advisory fees, and others.
   Commissions related to credit facilities are deferred and recognized on accrual basis.
2) **Income from transactions (operations):** such as fees that arise from negotiations or participate in negotiations for a deal (transaction) with a third party such as purchase of shares arrangements or of securities or sale and purchase of properties. Income is recognized upon completion of deal (transaction).
   Commissions and fees, or part of them, which are linked with specific performance that must be accomplished, are recognized after the agreed-upon standards of performance achieved.

Cash dividends

Companies` shared dividends are recognized when they are realized (when it became a right for the Group, declareded by the general assembly of shareholders).

Pledged financial assets

Funds (movable and immovable) on which a pledge is placed over its deeds for real estate, and for movables that have records and are pledged for the favor of creditor (pledger), while the possession remains with the debtor along with all the ownership rights. However, the right to dispose is conditioned by the consent of the creditor (pledgee).

Intangible assets

a. Goodwill

- Goodwill is recorded at cost. Goodwill is the excess in the cost of owning or buying investment in an associate or affiliate over the Group's share in the fair value of the net assets of the company when acquisition.
- Goodwill resulting from investment in subsidiaries is recorded as separate item as an intangible asset, the goodwill arising from investment in associates are shown as a part of the investment account in the associate and is subsequently reduced with the cost of any impairment in the value of the investment.
- Goodwill that is generated internally cannot be capitalized, however, recognize any related costs contributed are recognized in the income statement when they occur.

b. Other intangible assets

- Intangible assets that are acquired through the merger are recorded at their fair value at the date of acquisition. Intangible assets that are obtained by any other method are recorded at cost.
- Intangible assets are classified based on estimated life for a specified or unspecified period, and the intangible assets with a specified life are amortized though it's life and amortization is recorded in the income statement, but for intangible assets that do not have any specified life, an impairment review in its value is done at the financial statement date and any impairment in 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 the life of these assets is reviewed, and needed amendments for the subsequent periods are done.

Amortization is calculated using the straight-line method to reduce the value of intangible assets to their residual value over their estimated useful lives according to the following percentages: Computer software 20%.

Assets acquired by the Bank in settlement of debts

Assets acquired by the Bank are presented in the Statement of financial position under the item assets under investment and liquidation at the value of acquiring it or at 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 it does not exceed the amount of impairment that has been previously recorded.

3 Cash and balances with Central Bank of Syria

	2019	2018
	SYP	SYP
Cash on hand	**5,493,744,800**	3,213,570,410
Cash and balances with Central Bank of Syria:		
Current accounts/ Demand deposits	**47,082,819,684**	43,323,769,797
Cash reserve (*)	**4,831,209,084**	4,564,190,368
(Less) Expected credit losses provision	**(16,495,241)**	-
	57,391,278,327	51,101,530,575

(*) According to Banking laws and regulations, Banks are required to maintain cash mandatory reserve with the Central Bank of Syria in form of non-interest-bearing deposit. Mandatory reserve as of 31 December 2019 was SYP 4,831,209,084 which represents 5% of total customers' average deposits as per Prime Ministry resolution No. (5938) dated 2 May 2011, while as of 31 December 2018 it was SYP 4,564,190,368**.** This reserve is mandatory and not available for use in the Bank's day-to-day operations.

Following is the movement of expected credit losses provision for balances with central Banks, according to the stage classification:

	Stage 1 SYP	**Stage 2 SYP**	**Stage 3 SYP**	**Total SYP**
At 1 January 2019 (adjusted)	**24,837,873**	-	-	**24,837,873**
Expected credit losses	**(8,342,632)**	-	-	**(8,342,632)**
At 31 December 2019	**16,495,241**	-	-	**16,495,241**

4 Deposits, investment accounts at banks and financial institutions for three months or less

	Local Banks		**Foreign banks**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	SYP	SYP	**SYP**	SYP	**SYP**	SYP
Current accounts and demand deposits	**6,757,697,174**	8,970,027,370	**6,062,779,333**	21,538,188,771	**12,820,476,507**	30,508,216,141
Unrestricted investment accounts for 3 months or less	-	-	**21,088,547,502**	6,418,260,000	**21,088,547,502**	6,418,260,000
Cash margin at banks and financial institutions for 3 months or less	-	-	**161,146,148**	164,315,446	**161,146,148**	164,315,446
(less) expected credit losses provision	**(1,029,077)**	-	**(4,685,987)**	-	**(5,715,064)**	-

6,756,668,097	8,970,027,370	**27,307,786,996**	28,120,764,217	**34,064,455,093**	37,090,791,587

In accordance with the Bank's bylaws, the Bank does not receive any interest on current accounts with local and foreign Banks and Banking institutions. The restricted balances amounted to SYP19,538,931,843 as of 31 December 2019, while as of 31 December 2018 it was SYP 19,164,380,087.

4 Deposits, investment accounts at banks and financial institutions for three months or less (continued)

Following is the movement of expected credit losses provision for deposits and investment accounts with Banks and Banking institutions for a period of three months or less, according to the stage classification:

	Stage 1 SYP	**Stage 2 SYP**	**Stage 3 SYP**	**Total SYP**
At 1 January 2019 (adjusted)	**2,742,703**	**94,916**	**-**	**2,837,619**
Expected credit losses	**(1,423,899)**	**4,301,344**	**-**	**2,877,445**
At 31 December 2019	**1,318,804**	**4,396,260**	**-**	**5,715,064**

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

	Local Banks		**Foreign banks**		**Total**	
	2019 SYP	2018 SYP	**2019 SYP**	2018 SYP	**2019 SYP**	2018 SYP
Unrestricted investment accounts for more than 3 months	**225,000,000**	405,000,000	**9,797,890,848**	12,251,775,848	**10,022,890,848**	12,656,775,848
Cash margin with banks for more than 3 months	**7,155,252,312**	-	**-**	-	**7,155,252,312**	-
(less) expected credit losses provision *	**(351,140)**	-	**(5,769,407,659)**	(5,711,775,848)	**(5,769,758,799)**	(5,711,775,848)
	7,379,901,172	405,000,000	**4,028,483,189**	6,540,000,000	**11,408,384,361**	6,945,000,000

Following is the movement of expected credit losses provision for deposits and investment accounts with Banks and Banking institutions for a period of three months or more, depending on the stage classification:

	Stage 1 SYP	**Stage 2 SYP**	**Stage 3 SYP**	**Total SYP**
At 1 January 2019 (adjusted)	**286,858**	-	**5,711,775,848**	**5,712,062,706**
Expected credit losses	**57,696,093**	-	**-**	**57,696,093**
At 31 December 2019	**57,982,951**	-	**5,711,775,848**	**5,769,758,799**

(*) 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 hearing held on 15 February 2010, the court has requested experts from the Ministry of Justice to review the lawsuit documents and evidences of both parties. A hearing 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 issued directions to stop all legal procedures against Investment Dar Company, until a final decision is reached upon the request of Investment Dar Company for the restructuring under the Kuwaiti financial stability law.

On 2 June 2011, Kuwaiti commercial court specialized in corporate restructuring has ratified 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.

5 Investment accounts at banks and financial institutions for more than three months (continued)

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 1 July 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 proved, 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.
A letter was directly sent to Investment Dar Company on the first installment due 30 June 2013; another one was directly sent to Central Bank of Kuwait to acknowledge responsibility and to inform it of the company's breach of commitment to the restructuring plan approved by Central Bank of Kuwait.
In October 2013 a law firm in Kuwait was assigned to assess starting a judicial implementation to obligate Investment Dar Company to pay the obligations incurred by it, the Bank is following up with Hamdan firm in order to collect the debt in the best way.

Most recent updates of Investment Dar Company legal case

On 12 May 2014 Central Bank of Kuwait demanded canceling of restructuring plan with a registration number 8/2014. On 24 July 2014 a decision has been taken by the restructuring department to cancel the restructuring plan and turn of all the judicial and executive actions.
Investment Dar Company objected to the judgment in the Court of Cassation No. 1622/2014 commercial/1, which refused in its term on 17 June 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 August 2015, the request has been redirected to the central Bank of Kuwait to assess the financial position of the Company, and it showed in its 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 recovery of the Company, despite the offered opportunity through the restructuring plan presented by the Company on 06 February 2011 as a result of the above decision issued on 16 February 2016, to refuse a restructuring request and considering them as if they were not issued, thus allowing 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 declaration has been received, enclosed with the executive formula, and the lawyer has submitted a new executive file. Investment Dar has been notified, and Bank is still awaiting execution procedures from other creditors.
An expert was assigned to show the amounts due to Cham Bank and the balances held by Investment Dar Company, the case was suspended on 7 April 2020, until the expert opinion is received.

6 Receivables from financing activities, net

	Jointly		Self		Total	
	2019	2018	**2019**	2018	**2019**	2018
	SYP	SYP	**SYP**	SYP	**SYP**	SYP
Murabaha receivables	**73,138,352,848**	54,056,779,126	-	-	**73,138,352,848**	54,056,779,126
Add: Other receivables (*)	**107,725,323**	107,725,323	-	-	**107,725,323**	107,725,323

	73,246,078,171	54,164,504,449	-	-	**73,246,078,171**	54,164,504,449
Less: deferred profit	**(4,684,620,495)**	(3,450,431,852)	-	-	**(4,684,620,495)**	(3,450,431,852)
Less: suspended profit	**(112,625,067)**	(84,786,899)	-	-	**(112,625,067)**	(84,786,899)
Less: expected credit losses provision (**)	**(2,548,103,956)**	(2,648,220,743)	-	-	**(2,548,103,956)**	(2,648,220,743)
Sales receivable from financing activities, net	**65,900,728,653**	47,981,064,955	**-**	**-**	**65,900,728,653**	47,981,064,955

6 Receivables from financing activities, net (continued)

(*) Represents receivables resulting from off balance sheet commitments turned to on balance sheet like due letters of credit that were paid by the Bank on behalf of its customers and were not reimbursed by the customers.

(**) Bank did not charge Mudarabah pool with any expenses related to expected credit losses provision of Receivables from financing activities. All sales receivables and balances of financing activities above are jointly financed with investment accountholders.

The Bank did not allocate the investment accountholders with any expenses related to provisions for impairment of receivables and balances of financing activities.

Following is the movement of the credit exposures for sales receivables and balances of financing activities, depending on the stage classification:

	Stage 1 **SYP**	**Stage 2** **SYP**	**Stage 3** **SYP**	**Total** **SYP**
At 1 January 2019	**38,788,406,923**	**9,681,155,974**	**2,159,722,801**	**50,629,285,698**
Changes in opening balance as a result of a transfer between stages:				
Transfers to stage 1	**(1,257,015,391)**	**1,078,431,635**	**178,583,756**	**-**
Transfers to stage 2	**465,588,144**	**(473,107,821)**	**7,519,677**	**-**
Transfers to stage 3	**-**	**31,428,486**	**(31,428,486)**	**-**
New facilities during the year	**48,451,201,903**	**12,358,261,824**	**1,593,111,940**	**62,402,575,667**
Facilities paid during the year	**(33,946,264,867)**	**(8,787,104,536)**	**(318,269,170)**	**(43,051,638,573)**
Balances changes	**(807,830,782)**	**(598,076,914)**	**(124,015,982)**	**(1,529,923,678)**
Facilities written off	**-**	**-**	**(1,466,505)**	**(1,466,505)**
At 31 December 2019	**51,694,085,930**	**13,290,988,648**	**3,463,758,031**	**68,448,832,609**

Following is the movement of the impairment provision for sales receivables and balances of financing activities, depending on the stage classification:

	Stage 1 **SYP**	**Stage 2** **SYP**	**Stage 3** **SYP**	**Total** **SYP**
At 1 January 2019	**549,688,384**	**495,967,089**	**1,513,705,983**	**2,559,361,456**
Changes in opening balance as a result of a transfer between stages:				
Transfers to stage 1	**(6,578,212)**	**5,858,640**	**719,572**	**-**
Transfers to stage 2	**13,151,712**	**(13,311,481)**	**159,769**	**-**
Transfers to stage 3	**-**	**10,093,405**	**(10,093,405)**	**-**
Bad debt written off	**-**	**-**	**(1,466,505)**	**(1,466,505)**
Expected credit losses	**(84,163,210)**	**(176,276,582)**	**250,648,797**	**(9,790,995)**
At 31 December 2019	**472,098,674**	**322,331,071**	**1,753,674,211**	**2,548,103,956**

6 Receivables from financing activities, net (continued)

Suspended profits

	Jointly		Self		Total	
	2019	2018	**2019**	2018	**2019**	2018
	SYP	SYP	**SYP**	SYP	**SYP**	SYP
At the beginning of year	**84,786,899**	89,391,911	-	-	**84,786,899**	89,391,911
Suspended profit during the year	**51,661,352**	19,985,048	-	-	**51,661,352**	19,985,048
Suspended profit transferred to revenue during the year	**(23,823,184)**	(24,590,060)	-	-	**(23,823,184)**	(24,590,060)
Suspended profit/written off	**-**	-	-	-	**-**	-
At the end of year	**112,625,067**	84,786,899	**-**	**-**	**112,625,067**	84,786,899

7 Net assets under investment or liquidation

	Jointly		Self		Total	
	2019	2018	**2019**	2018	**2019**	2018
	SYP	SYP	**SYP**	SYP	**SYP**	SYP
Assets acquired for the purpose of Murabaha	**163,183,393**	133,773,805	-	-	**163,183,393**	133,773,805
Assets acquired for the purpose of operating lease (*)	**71,154,400**	71,154,400	-	-	**71,154,400**	71,154,400
Assets acquired for Debt` settlement	**1,160,000**	1,160,000	-	-	**1,160,000**	1,160,000
Total	**235,497,793**	206,088,205	**-**	**-**	**235,497,793**	206,088,205
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)
Net	**164,343,393**	134,933,805	**-**	**-**	**164,343,393**	134,933,805

(*) It represents the value of a property in Homs city which the Bank transferred it during 2010 from projects under construction to assets under investment (at cost) due to the intention to use this property as operating lease and receive return. As a result of instability in the country, the property was exposed to theft, and damaged, therefore, a provision of total value was recorded, which amounted to SYP 71,154,400 in 2012.

There is no movement in the balance of the assets acquired for debt`s settlement.

8 Investment in real estate

	Jointly		Self		Total	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018	**31 December 2019**	31 December 2018
	SYP	SYP	**SYP**	SYP	**SYP**	SYP
Investment in real estate kept for value increasing (*)	-	-	**2,276,500,000**	2,380,850,000	**2,276,500,000**	2,380,850,000
	-	**-**	**2,276,500,000**	2,380,850,000	**2,276,500,000**	2,380,850,000

(*) During 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.

Followings are the movement in the investment in real estate:

	2019	2018
	SYP	SYP
Opening balance	**2,380,850,000**	2,380,850,000
Additions	**78,820,288**	-
Change in fair value during the year	**356,829,712**	-
Transfer to fixed assets	**(540,000,000)**	-
	2,276,500,000	2,380,850,000

During 2019, Bank transferred a part of the real estate in Aleppo city (real estate investments) with a value of SYP 540,000,000 to a branch (note 9).

9 Property and equipment

2019	Lands and buildings	Improvement on property	Office equipment	Computers	Motor vehicles	Projects under construction	Other	Total
	SYP	SYP	SYP	SYP	SYP	SYP	SYP	SYP
Cost:								
Balance as at 1 January	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
Additions	-	130,139,244	179,842,516	74,057,343	56,700,000	3,035,980,251	635,500	3,477,354,854
Transfers from real estate investments	459,504,213	80,495,787	-	-	-	-	-	540,000,000
Disposals	-	-	(3,378,368)	(3,118,441)	-	(23,746,949)	-	(30,243,758)
Balance as at 31 Dec	1,141,178,281	697,138,834	652,776,276	369,092,911	69,136,800	8,294,886,097	12,391,416	11,236,600,615
Accumulated depreciation:								
Balance as at 1 January	20,987,186	180,790,912	179,036,395	169,744,750	12,292,198	-	11,202,816	574,054,257
Additions	16,039,541	80,489,858	69,520,782	47,058,578	3,142,108	-	728,960	216,979,827
Disposals	-	-	(2,301,454)	(3,058,045)	-	-	-	(5,359,499)
Fair value amortization	10,759,880	-	-	-	-	-	-	10,759,880
Balance as at 31 Dec	47,786,607	261,280,770	246,255,723	213,745,283	15,434,306	-	11,931,776	796,434,465
Impairment:								
Impairment as at 1 Jan	48,305,252	-	-	-	-	-	-	48,305,252
Impairment during the year	-	-	-	-	-	-	-	-
Impairment as at 31 Dec	48,305,252	-	-	-	-	-	-	48,305,252
Net book value as at 31 Dec	1,045,086,422	435,858,064	406,520,553	155,347,628	53,702,494	8,294,886,097	459,640	10,391,860,898

9 Property and equipment (continued)

2018	Lands and buildings	Improvement on property	Office equipment	Computers	Motor vehicles	Projects under construction	Other	Total
	SYP	SYP	SYP	SYP	SYP	SYP	SYP	SYP
Cost:								
Balance as at 1 January	241,674,068	359,362,434	326,537,638	228,018,424	12,436,800	900,535,670	73,952,736	2,142,517,770
Additions	440,000,000	127,141,369	152,137,332	71,296,704	-	5,028,033,016	14,278,036	5,832,886,457
Transfers	-	-	-	-	-	(645,915,891)	-	(645,915,891)
Disposals	-	-	(2,362,842)	(1,161,119)	-	-	(76,474,856)	(79,998,817)
Balance as at 31 Dec	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:								
Balance as at 1 January	8,324,515	116,132,017	128,749,935	128,057,115	11,852,378	-	7,242,503	400,358,463
Additions	12,662,671	64,658,895	52,593,311	42,848,725	439,820	-	3,960,313	177,163,735
Disposals	-	-	(2,306,851)	(1,161,090)	-	-	-	(3,467,941)
Balance as at 31 Dec	20,987,186	180,790,912	179,036,395	169,744,750	12,292,198	-	11,202,816	574,054,257
Impairment:								
Impairment at the beginning of year	48,305,252	-	-	-	-	-	-	48,305,252
impairment during the year	-	-	-	-	-	-	-	-
Impairment at the end of year	48,305,252	-	-	-	-	-	-	48,305,252
Net book value as at 31 Dec	612,381,630	305,712,891	297,275,733	128,409,259	144,602	5,282,652,795	553,100	6,627,130,010

10 Intangible assets

Amortization for intangible assets (Computer systems, other intangible assets) is calculated on straight line basis over useful life of five years.

	2019 SYP	2018 SYP
Cost		
Balance as at 1 January	**110,308,328**	103,767,298
Additions	**41,299,408**	6,541,030
Balance as at 31 December	**151,607,736**	110,308,328
Amortization		
Balance as at 1 January	**103,374,788**	99,750,602
Additions	**5,094,900**	3,624,186
Balance as at 31 December	**108,469,688**	103,374,788
Net book value as at 31 December	**43,138,048**	6,933,540

11 Other Assets

	2019 SYP	2018 SYP
Prepaid Expenses	**498,306,933**	502,097,168
Property purchase advances	**144,943,983**	896,454,566
Other receivables	**108,934,422**	111,094,720
Accrued Revenue (*)	**79,561,025**	263,848,406
Stamps and Stationery stock	**21,130,900**	17,926,184
Clearing house	**6,683,000**	481,288,036
Paid Margins	**3,300,000**	3,200,000
Due from insurance company (**)	**100,000**	100,000
Legal expenses owed by receivables of deferred sales receivables (***)	**-**	-
	862,960,263	2,276,009,080

(*) Accrued investment revenue from deposits and accounts with Banks and financial institutions.
(**) Receivables from the insurance company in relation to the robbery of Homs branch.
(***) The Bank has raised lawsuits against the deferred sales receivable debtors who have settling paying, the total expenses of these lawsuits amounted to SYP 69,169,003 on 31 December 2019 against SYP 68,879,436 on 31 December 2018, a provision has been made for the full amount of these expenses.

12 Blocked deposit with Central Bank of Syria

As per private bank's law No. 28 for the year 2001, private banks should keep 10% of their capital as a legal blocked interest free deposit at the Central Bank of Syria, it is released at liquidation of the Bank.

	2019 SYP	2018 SYP
Balance of the blocked deposit in Syrian pounds	**381,698,513**	281,698,513
Balance of the blocked deposit in US dollars (translated into Syrian Pounds)	**1,881,757,017**	1,881,757,017
	2,263,455,530	2,163,455,530

13 Deposits and investment accounts due to banks and financial institutions

	Inside Syria		Outside Syria		Total	
	2019	2018	**2019**	2018	**2019**	2018
	SYP	SYP	**SYP**	SYP	**SYP**	SYP
Current accounts/ demand deposits	**45,371,356,073**	24,312,137,789	**145,454,161**	154,904,706	**45,516,810,234**	24,467,042,495
Investment accounts for banks and financial institutions	**735,000,000**	3,755,000,000	**-**	-	**735,000,000**	3,755,000,000
	46,106,356,073	28,067,137,789	**145,454,161**	154,904,706	**46,251,810,234**	28,222,042,495

14 Customers' current accounts

	2019	2018
	SYP	SYP
Current accounts/demand deposits:		
Syrian Pounds	**41,528,386,675**	34,266,674,669
Foreign Currency	**7,926,012,848**	19,700,393,726
	49,454,399,523	53,967,068,395

Deposits of Syrian government and Syrian public sector amounted SYP 19,614,041,658 at a rate of 39.66% from total deposits, versus SYP 14,898,910,904 at a rate of 27.61% as at 31 December 2018.

15 Cash Margin

	2019		2018	
	SYP	**SYP**	SYP	SYP
	Jointly	**Self**	Jointly	Self
Margins against indirect credit facilities	**8,657,412,319**	-	5,050,717,381	-
Other Margins	**1,915,948,342**	-	194,348,816	-
	10,573,360,661	-	5,245,066,197	-

16 Miscellaneous provisions

2019	**Opening balance**	**Additions during the year**	**Disposal during the year**	**Returns to revenue**	**Exchange rate effect**	**Ending balance**
	SYP	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**
Provision for operational position differences	**17,707,521**	**-**	-	-	-	**17,707,521**
Provision for probable liabilities (*)	**148,708,394**	**25,000,000**	-	-	-	**173,708,394**
Provision for off balance sheet items	**9,886,853**	**122,235,921**	-	-	**(3,072)**	**132,119,702**
Provision for ATM retentions	**1,717,500**	**582,500**	-	-	-	**2,300,000**
Provision for money transfer risk (**)	**110,390,417**	**25,000,000**	-	-	-	**135,390,417**
Tax provision	**1,908,923**	**23,250,593**	-	-	-	**25,159,516**
	290,319,608	**196,069,014**	-	-	**(3,072)**	**486,385,550**

2018	Opening balance	Additions during the year	Disposal during the year	Returns to revenue	Exchange rate effect	Ending balance
	SYP	SYP	SYP	SYP	SYP	SYP
Provision for operational position differences	17,707,521	-	-	-		17,707,521
Provision for probable liabilities (*)	123,708,394	25,000,000	-	-		148,708,394
Provision for off balance sheet items	9,893,859	-	-	-	(7,006)	9,886,854
Provision for ATM retentions	1,462,500	255,000	-	-		1,717,500
Provision for money transfer risk (**)	85,390,417	25,000,000	-	-		110,390,417
Tax provision	1,908,923	-	-	-		1,908,922
	240,071,614	50,255,000	-	-	(7,006)	290,319,608

(*) Due to the current instability and the high risk related assets at some branches, provisions are recorded.
(**) Bank is recording provisions to meet the risk of transferring money between branches according to the circumstances.

Followings are the movement of the provision for off-balance sheet items, depending on the stage classification:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	SYP	**SYP**	**SYP**	**SYP**
Balance at 1 January 2019 (adjusted)	**3,867,974**	**23,051,171**	**-**	**26,919,145**
Changes in opening balance as a result of a transfer between stages:				
Transfers to stage 1	**(145,833)**	**145,833**	**-**	**-**
Transfers to stage 2	**5,512,349**	**(7,949,411)**	**2,437,062**	**-**
Transfers to stage 3	**-**	**-**	**-**	**-**
The effect of exchange rate changes	**-**	**(3,072)**	**-**	**(3,072)**
Expected credit losses during the year	**5,481,591**	**1,583,042**	**98,138,996**	**105,203,629**
Balance at 31 December 2019	**14,716,081**	**16,827,563**	**100,576,058**	**132,119,702**

17 Income tax

17-1 Income tax provision

The movement of income tax provision is as follows:

	2019 SYP	2018 SYP
Opening balance	**313,010,014**	141,535,228
Tax paid during the year	**(458,326,127)**	(137,569,891)
Accrued income tax	**767,394,607**	309,044,677
	622,078,494	313,010,014

Tax return revenue was submitted for the years from 2014 to 2018, and tax was paid as stated in tax return, and the data is still under review and auditing by Damascus Directorate of Finance. The Bank received notification from the tax committee for 2014, and tax was paid as stated in the notification, and the Bank objected to the tax reconsideration committee. The tax appeals committee's decision for 2012 was also received and the amount of the tax was paid and the Bank objected to the tax reconsideration committee.

17-2 Deferred tax assets

The movement of deferred tax assets is as follows:

	2019 SYP	2018 SYP
Opening balance	**1,338,589**	1,361,139
Additions	**246,180**	349,910
Exclusions	**(476,890)**	(372,460)
Ending balance	**1,107,879**	1,338,589

17-3 Summary of reconciliation between accounting income and taxable income

Summary of reconciliation between accounting income and tax income

	2019 SYP	2018 SYP
Income before tax	**3,945,704,252**	1,167,136,466
Adjustments		
Non-taxable income	**(1,221,800,450)**	(106,000,313)
Nondeductible tax expenses	**66,622,040**	62,662,671
Taxable income	**2,790,525,842**	1,123,798,824
Tax rate	**%25**	%25
Income tax	**697,631,461**	280,949,706
Rebuilding-tax rate	**%10**	%10
Rebuilding-tax	**69,763,146**	28,094,971
Income tax expense	**767,394,607**	309,044,677
Subsidiary tax adjustments	**230,710**	(349,910)
Income tax expense	**767,625,317**	308,694,767

18 Other liabilities

	2019	2018
	SYP	SYP
Remittances and payment orders	**2,303,435,123**	2,833,782,122
Accrued Expenses	**1,307,769,100**	1,270,204,411
Vendors	**1,107,437,982**	432,539,680
Due to governmental parties	**145,713,478**	105,999,858
Due to shareholders	**80,102,939**	82,239,125
Payables to ATM	**23,053,631**	14,809,750
Realized profits for deposits and investment accounts of Banks and financial institutions	**20,044,382**	17,885,837
Retained arrests – Istisnaa contractor	**19,346,582**	11,022,195
Shari`ah infringements fund	**193,107**	-
Other payables	**27,853,426**	1,268,007
	5,034,949,750	4,769,750,985

19 Unrestricted investment accounts

	2019			2018		
	Individuals	**Banks and financial institutions**	**Total**	Individuals	Banks and financial institutions	Total
	SYP	**SYP**	**SYP**	SYP	SYP	SYP
Saving Deposits	**12,853,606,655**	**2,735,960,125**	**15,589,566,780**	8,555,179,492	2,538,264,363	11,093,443,855
Term deposits	**9,469,122,712**	**599,752,034**	**10,068,874,746**	8,283,682,798	104,934,000	8,388,616,798
Wakalah investment	**15,337,170,170**	**1,936,000,000**	**17,273,170,170**	16,326,286,020	2,638,050,000	18,964,336,020
Total	**37,659,899,537**	**5,271,712,159**	**42,931,611,696**	33,165,148,310	5,281,248,363	38,446,396,673
Accrued expenses	**223,960,839**	**31,350,511**	**255,311,350**	222,457,597	38,918,980	261,376,577
Total unrestricted investment accounts	**37,883,860,376**	**5,303,062,670**	**43,186,923,046**	33,387,605,907	5,320,167,343	38,707,773,250

20 Investment risk reserve

	2019	2018
	SYP	SYP
Opining balance	**210,829,472**	171,225,534
Additions during the year	**63,458,161**	39,826,666
Exchange rate differences	**(100,738)**	(222,728)
	274,186,895	210,829,472

21 Paid -in capital

The Bank's capital is SYP 5,000,000,000 divided into 5,000,000 shares with a par value of SYP1,000 per share. The founders subscribed in 3,750,000 shares representing SYP 3,750,000,000 (75% of the capital), 1,250,000 shares with the value of SYP 1,250,000,000 have been put in public offering. 50% of the shares value was paid through the Initial Public Offering (IPO) and the founders.

The extraordinary General Assembly in its meeting held at 8 December 2009, discussed and approved the second payment of share capital to be completed -as proposed by the Board of Directors- during the period from 8 December 2009 until 29 June 2010.

According to the legislation decree No. 3 dated 4 January 2010 that included amendments to certain 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, and three years were considered as a grace period for banks to increase capital to the required minimum limit, and this period has been extended to become 5 years under the legislative decree No. 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 three years to four years.

According to the presidency of the Council of Ministers decision No. 13 of 22 April 2015 the time limit has been extended to six years. Required increase and the given period in accordance to legislation resolution No. 3 dated 4 January 2010 and its amendments is followed up with the authorities.

During the extraordinary General Assembly held on 20 June 2011, stock split was approved 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 SYP 100 within two years of the resolution implementation date. Accordingly, the General Assembly delegate the Board of directors to follow up the required procedure to execute the split of shares with the authorities and supervisory bodies, on 22 November 2011 the Syrian Commission of Financial Markets and Securities issued the resolution 119/M that approved the adjustment of the nominal value of the shares to be 100 SYP, so that total shares become 50 million shares. The effective date for the split was at the end of day 6 December 2011.

On 1 October 2018, the Board of Commission of Financial Markets and Securities issued the resolusion 117/M which approved the capital increase of the Bank by stock dividends.

During the meeting of the General Assembly of shareholders on 29 April 2019, the recommendation of the Board of Directors was approved to increase the Bank's capital by transferring part of the retained earnings and distributing stock dividends to the shareholders, so that the Bank's capital becomes SYP 6,000,000,000.

22 General reserve for credit risk

Based on the Monetary and Credit Council regulation 902/M.N/B4 for 2012, which has been extended under the Monetary and Credit Council resolution 1079/M.N/B4 dated 29 January and under circular 1145/M/1 dated 6 April 2015 and under circular 2271/M/1 dated 30 June 2015, and the Monetary and Credit Council regulation 650/M.N/B4 dated 14 April 2010 which amended certain provisions in the resolution 597/M.N/ B4 dated 9 December 2009.

- The shares of unrestricted investment accountholders in the general reserve for credit risk is integrated to the investment risk reserve which means that there is no need to establish general reserve for credit risk in case the investment risk reserve equals to the general reserve for credit risk or exceeds, the investment risk reserve mustn't decrease under the limit that are imposed by Legislative Decree No. 35 of the Islamic Banks in 2005 or to the amount of the shares of unrestricted investment accountholders from the general reserve for credit risk, which is greater.
- Article No.14 of the Legislative Decree No. 35 for 2005 is valid in relation to Islamic Banks forming a reserve to meet the jointly financed pool risk to cover the resulting losses till the amount of the reserve becomes twice as the paid in capital of Islamic Banks or any other amount determined by the Monetary and Credit Council.
- Based on the Monetary and Credit Council regulation 4/M.N/B4 dated 14 February 2019, the Bank has used the general reserve for credit risk for the assets that are financed by shareholders and fund that are guaranteed by the Bank at the end of 2019, where the total of general reserve for credit risk at 31 December 2019 was SYP 33,051,351 and it is the same amount that was formed at 31 Dec 2011.
- Resolution 597/M.N/B4 and its amendments were terminated according to resolution 4/M.N/B4 of the Monetary and credit Council issued on 14 February 2019.

23 Investment in real estate fair value reserve

	2019	2018
	SYP	SYP
Opening balance	**2,175,411,384**	2,175,411,384
Investment fair value	**356,829,712**	-
Amortization of fair value reserve of fixed assets (previously classified as investment in real estate)	**(10,759,880)**	-
Investment in real estate fair value reserve	**2,521,481,216**	2,175,411,384

24 Reserves

1-24 Statutory Reserve

According to regulation 29/2011, and to the two circulars issued by Central Bank of Syria 369/100/3 on 20 January 2009, 952/100/1 on 12 February 2009, 10% of the net profits before tax and after excluding the effects of foreign exchange is included in the Statutory reserve.
The Bank has the right to stop increasing reserve whenever the balance of the reserve becomes equal to 25% of the capital.

2-24 Special Reserve

According to article 97 of Central Bank of Syria law 23/2002, and according to the two circulars issued by Central Bank of Syria 369/100/3 on 20 January 2009 and no 952/100/1 on 12 February 2009, the special reserve is 10% of net earnings of the year until it becomes 100% of the capital.
The two previous reserves are calculated as following:

	2019	2018
	SYP	SYP
Income before tax	**3,945,704,252**	1,167,136,466
Deductions:		
Profit/loss of unrealized exchange differences	**-**	-
Bank share of subsidiary profits before tax	**(42,805)**	(43,168)
	3,945,661,447	1,167,093,298
Special/Statutory reserve 10%	**394,566,145**	116,709,330

Following table shows the statutory reserve balance:

	2019	2018
	SYP	SYP
Balance at 1 January	**430,618,546**	313,909,216
Formed during the year	**394,566,145**	116,709,330
Balance as at 31 December	**825,184,691**	430,618,546

Following table shows the special reserve balance:

	2019	2018
	SYP	SYP
Balance as at 1 January	**430,618,546**	313,909,216
Formed during the year	**394,566,145**	116,709,330
Balance as at 31 December	**825,184,691**	430,618,546

25 Profit equalization reserve

	2019 SYP		2018 SYP	
	Investment accountholders	**Shareholders**	Investment accountholders	Shareholders
Opening balance	**126,624,831**	**1,017,254,859**	40,965,245	518,507,215
Additions	**171,046,674**	**690,449,663**	92,299,088	596,451,791
Disposals	**(27,018,084)**	**(415,564,791)**	(6,593,487)	(94,474,128)
Exchange rate differences	**(39,080)**	**(1,805,661)**	(46,015)	(3,230,019)
	270,614,341	**1,290,334,070**	126,624,831	1,017,254,859

26 Non- controlling interest

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 activities

	Jointly	
	2019 SYP	2018 SYP
Corporate	**5,732,983,609**	4,316,920,953
Retail	**437,243,143**	290,453,010
	6,170,226,752	4,607,373,963

28 Income from banks and financial institutions

	Jointly	
	2019 SYP	2018 SYP
Investment accounts	**258,339,930**	359,658,992
	258,339,930	359,658,992

29 Expenses charged to the jointly financed pool

The Bank allocates the expenses charged to Mudarabah pool with a percentage of %50 according to the policies that are approved by the Shari`ah Supervisory Board, Bank did not charge any expenses to Mudarabah pool at the end of 31 December 2019, the same applies for 2018. Bank has incurred these expenses as a donation.

30 Unrestricted investment accountholders share after deducting investment risk reserve

	2019 SYP	**2018 SYP**
Customers (investment account on Mudarabah base)		
Saving deposits	**181,284,150**	134,356,835
Term deposits	**360,082,025**	224,083,158
Customers (investment accounts on Wakalah base)	**925,439,947**	824,412,779
	1,466,806,122	1,182,852,772

*No investment risk reserve is calculated for Wakalah profits.

31 Bank's share in the joint income as a Mudarib, an investment agent and a fund owner

Bank's share in the joint income as a Mudarib, an investment agent and a fund owner are:

	2019	2018
	SYP	SYP
As a Mudarib	**634,495,664**	398,150,285
As a fund owner	**3,844,893,273**	2,758,519,968
	4,479,388,937	3,156,670,253

32 Net income from Banking services

	2019	2018
	SYP	SYP
Fees and commission income	**2,594,180,097**	1,252,714,681
Fees and commission expenses	**(631,282,917)**	(291,944,925)
	1,962,897,180	960,769,756

33 Other income

	2019	2018
	SYP	SYP
Other	**28,044,604**	317,989,935
	28,044,604	317,989,935

34 Personnel expenses

	2019	2018
	SYP	SYP
Salaries and related benefits	**1,331,880,874**	1,085,592,053
Social Security	**48,893,494**	41,361,043
Training expenses	**31,589,294**	7,386,320
Medical expenses	**24,049,860**	20,425,463
	1,436,413,522	1,154,764,879

35 General and administrative expenses

	2019 SYP	2018 SYP
Board of directors and General Assembly expenses	**222,786,756**	73,578,972
Rent expenses	**200,194,495**	178,658,371
IT expenses	**160,162,751**	138,851,191
Governmental expenses	**118,908,037**	155,261,947
Consulting fees	**85,238,413**	79,664,672
Administrative expenses - ATMs	**60,867,497**	46,243,344
Advertising expenses	**57,047,424**	45,705,221
Maintenance and repair expenses	**57,439,256**	36,828,132
Transportation, traveling and hospitality expenses	**45,533,213**	42863932
Utilities expenses	**37,477,676**	37,763,016
Legal expenses	**36,194,817**	1,197,358,732
Shari`ah supervisory board expenses	**28,500,000**	27,683,333
Cleaning expenses	**27,284,607**	19,852,134
Telephone, fax and carrier	**27,072,674**	17,826,371
Stationery and printing	**27,057,740**	18,058,198
Security expenses	**22,397,847**	14,853,725
Insurance expenses	**21,340,134**	16,735,204
Donations	**8,600,000**	4,215,100
Others	**102,194,790**	58,187,660
	1,346,298,127	2,210,189,255

36 Expected credit losses provision

	Stage 1	Stage 2	Stage 3	Not allocated to stages	Total
Expected credit losses provision additions	**57,696,093**	**4,301,344**	**-**	**-**	**61,997,437**
Banks and financial institutions	**-**	**-**	**250,648,797**	**-**	**250,648,797**
Receivables from financing activities	**5,481,591**	**1,583,042**	**98,138,996**	**-**	**105,203,629**
Off balance sheet credit facilities	**-**	**-**	**-**	**-**	**-**
Expected credit losses provision recovery	**(9,766,531)**	**-**	**-**	**-**	**(9,766,531)**
Banks and financial institutions	**(84,163,210)**	**(176,276,582)**	**-**	**-**	**(260,439,792)**
Receivables from financing activities	**-**	**-**	**-**	**-**	**-**
Off balance sheet credit facilities					
Using the surplus provisions resulting from Regulation (4 /M.N/B4) as at 1 January 2019	**-**	**-**	**-**	**(43,864,645)**	**(43,864,645)**
General reserve for credit risk	**-**	**-**	**-**	**(33,051,351)**	**(33,051,351)**
	(30,752,057)	**(170,392,196)**	**348,787,793**	**(76,915,996)**	**70,727,544**

Impairment provision for sales receivable and financing balances has been formed according to Monetary and Credit Council regulation 4/M.N /B4 for 2019.

37 Basic earnings per share for the year

	2019 SYP	2018 SYP
Net income for the year	**3,178,038,437**	858,395,033
Weighted average number of shares (*)	**60,000,000**	60,000,000
Basic earnings per share for the year (Bank`s shareholders)	**52.97**	**14.31**

38 Cash and cash equivalents

	2019 SYP	2018 SYP
Cash and balances with central Bank of Syria with maturity of three months	**52,560,069,243**	46,537,340,207
Add: Deposits and investment accounts at banks and financial institutions for three months or less	**34,064,455,093**	37,090,791,587
Less: Investment accounts due to banks and financial institutions for three months or less	**(45,516,810,234)**	(25,993,042,496)
Less: Restricted balances*	**(19,538,931,843)**	(19,164,380,087)
	21,568,782,259	38,470,709,211

The reserve with Central Bank of Syria is not available for the Bank's day-to-day operations; therefore, it is not considered a part of cash and cash equivalents.

* Restricted balances resulted from the sanctions imposed on the Bank by US Treasury, and amounted to SYP 19,538,931,843 as of 31 December 2019, while amounted to SYP 19,164,380,087 as of 31 December 2018.

39 Related party transactions

Related parties are parties that have a significant influence on the financial or operational decisions of the Group. Related parties include significant shareholders, entities over which the Group exercises a significant influence, shareholders and members of the Board of Directors, and key management employees of the Group.

The consolidated financial statements include the Bank and following subsidiary financial statements:

Company name	Company type	Company activity	ownership percentage	Bank`s share in the subsidiary`s capital 2019 SYP	 2018 SYP
Amwal AlCham	Limited Liability	Brokerage	99%	**247,500,000**	247,500

39 Related party transactions (continued)

Following is a summary of related party's transactions at the end of the year 31 December 2019:

	Associate	Subsidiary
	SYP	SYP
Consolidated financial statements items: Assets		
Current and demand accounts	**5,841,210,842**	-
Unrestricted investment accounts with maturity of 3 months or less	**21,088,547,502**	-
Cash margin with banks and financial institutions for more than 3 months	**2,899,115,000**	-
Other assets	**70,290,695**	-
Total Assets	**29,899,164,039**	-
Consolidated financial statements items: Liabilities		
Current and demand accounts	**96,230**	**132,747,552**
Unrestricted investment accounts/term	**-**	**150,000,000**
Other liabilities	**-**	**-**
Total liabilities	**96,230**	**282,747,552**
Off balance sheet items		
Inward Letter of Guarantees	**13,952,000,000**	-
Consolidated income statement items:		
Income from investment activities	**223,234,562**	-
Unrestricted investment accountholders share before deducting the Bank's share as a Mudarib	-	**5,399,515**

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

	2019	2018
	SYP	SYP
Senior executive management		
Salaries and Bonuses	**396,449,806**	208,057,426
Board of directors		
Accommodation and conference expenses	**100,570,256**	71,754,441
Shari`ah Supervisory Board		
Compensations	**28,500,000**	27,683,333
	525,520,062	307,495,200

Bonuses for members of the Board of Directors, which was approved in the General Assembly meeting on 29 April 2019, amounted to SYP 38,000,000 was detained within the unpaid expenses for the year 2018, and paid in cash during July 2019.

40 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 is linked 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 decisions of: Monetary and Credit Council, Central Bank of Syria and the Banking norms in this regard, and securing adequate capital to guard against these risks. As well as applying the Governance Guide according to the Monetary and Credit Council resolution No. 489/2009 and Basel accord II, and it constantly follows up to reduce the likelihood of the occurrence of risks and the impact of these risks, if any.

Risk management structure

Board of Directors:

The Board of Directors is considered the responsible for the Risk Management of the Bank where an independent department for Risk Management was formed by the Board within three units to manage credit risk, market and liquidity risks and operational risk. The Board formed a Risk Management Committee, that included the non-executive members and the Risk Manager was the Secretary of the Committee.

the Board determines the level of the risk that are acceptable to the Bank and can be afforded, the Board 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 stresses on the duties of the Senior Management to establish and creat an independent infrastructure that are appropriate and adequate for managing risks and provide the necessary technological system that ensures constant work of the Risk management in determining, measuring, following- up and setting the risk within the approved limit. The Board periodically monitors the effectiveness of the Senior management and Risk management depending on the review of an independent party where the Board receives periodic reports prepared by the Risk Management Department 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 with management in dealing with any overrun 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 activities, The Executive Management carries out its work within the approved risk strategy by the Board of Directors within the specified limits.

Risk Management:

The Risk Management monitors and quantifies capital adequacy to face the risks to which the Bank is exposed to and set out a clear Risk Management policy that commensurate with the nature and size of the Bank's business, taking into account the Bank's products and Banking activities to adequately control

Products and activities, in compliance with the directions of the Monetary and Credit Council and decisions of the Central Bank of Syria and the Basel accord II.

Risk management daily monitors all Bank activities, ensures compliance with the limits and levels specified in the risk management policy, adjusts abuses and tracks them immediately with the Management, measure 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 assessing the speed of reporting deviations and the taken corrective actions.

40 Risk Management (Continued)

40.1 Qualitative Disclosures

40.1.1 Risk Exposure

The Bank is exposed during the performance of its activities to many types of risks that can be classified under: credit, market, liquidity and operational risks.

Credit risk arises primarily from the possibility of customers failing to pay debts, their Bankruptcy or the existence of credit obstacles to their commitment to the agreed upon time schedule of payment. And in this regard, the Bank works on managing the administration and monitoring 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 area and connected group of customers.

Market risk arises from movements in market variables like prices and volatility, 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 cash 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 adhering 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 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 set for the key indicators of risk of the various operations that can be endured.

Risk Management in Cham Bank represents 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 up 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.

40.1.2 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 followings:

- Design systems that show the potential effects for the different types of risk, and set the control procedures that would -in case of risk- keep the probable losses within the acceptable range.
- Limit the risks within the Bank’s capability and strategies.
- Define the acceptable risk limit for all available products.
- Ensuring that performance incentives applied in the Bank 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 starting from the policies and procedures level, and then departments level, sections and branches levels and assess controls procedures to manage these risks and identify the issues and their consequences.
- Set emergency and going concern plans, ensure their efficiency and improve their continuously.

The Bank sets the hedging polices that mitigate risks and determines the responsibilities that should be followed to avoid any possible errors through tasks and special operating procedures for the management of credit risk, market and liquidity risks and operational risk. Control procedures 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 faces and ensuring complete independence for this department.
- Develop a scale of measurement and reporting systems for each type of risk.
- Emphasize that the Bank's policies should be prudent enough to mitigate risks in terms of guarantees procedures and policies of periodic evaluation of their effectiveness.
- Develop continuous effective control procedures for hedging and mitigating risks.

40 Risk Management (continued)

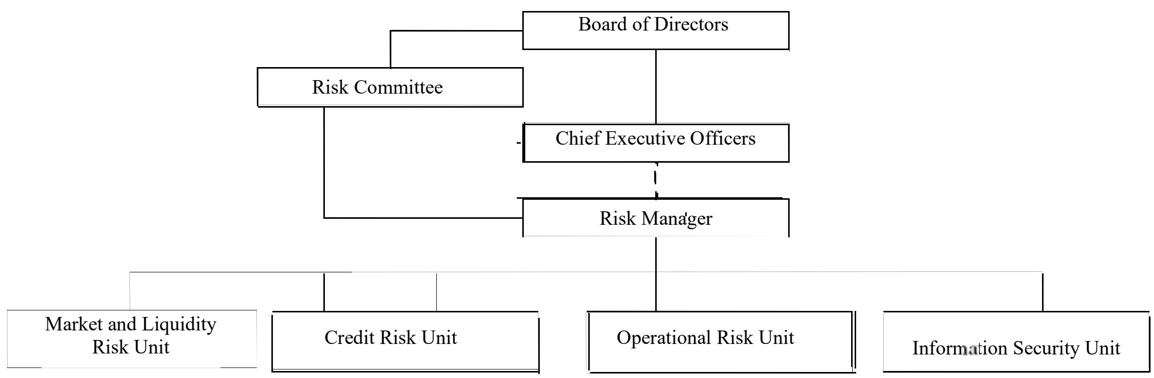
40.1 Qualitative Disclosures (continued)

40.1.3 Risk management organizational structure

Cham Bank activated the performance of the Risk Management Department through activating the units in the department, and the work has been assigned through allocating the responsibilities and determining the tasks and procedures for each unit:

- Credit Risk unit.
- Market and liquidity risk unit.
- Operational risk unit.

Risk Management reports directly to the Risk Committee of the Board of Directors and to the General Manager of the Bank.



40 Risk Management (continued)

40.1 Qualitative Disclosures (continued)

40.1.4 policies and procedures to manage and control risk concentrations

Bank applies policies and procedures that limit e risk concentration faced by the Bank, through compliance with the directions 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, concentration in countries, concentration in correspondent Banks, concentrations in deposits and current accounts and other concentration in Banking products.

	2019	2018
	SYP	SYP
Cash and balances with central Bank of Syria	**51,897,533,527**	47,887,960,165
Deposits and investment accounts at banks and financial institutions for three months or less	**34,064,455,093**	37,090,791,587
Investment accounts at banks and financial institutions for more than three months	**11,408,384,361**	6,945,000,000
Receivables from financing activities		
Individuals:		
Individuals	**985,505,393**	591,227,253
Investments in real estate	**2,669,902,664**	1,665,344,597
Companies:		
Corporate	**60,063,545,299**	43,893,140,863
Small and medium- sized enterprises (SMEs)	**2,181,775,297**	1,831,352,242
Government and public sector	**-**	-
Investments in real estate	**2,276,500,000**	2,380,850,000
Assets under investment and liquidation	**164,343,393**	134,933,805
Fixed Assets	**10,391,860,898**	6,627,130,010
Intangible Assets	**43,138,048**	6,933,540
Blocked deposit with Central Bank of Syria	**2,263,455,530**	2,163,455,530
Deferred tax assets	**1,107,879**	1,338,589
Other assets	**862,960,263**	2,276,009,080
Off Balance sheet items		
Letters of guarantees	**2,420,853,102**	2,375,868,232
Letters of credits	**11,027,076,812**	4,053,909,940
Acceptances	**2,500,000,000**	-
Unused Credit Limits	**4,984,306,635**	12,455,170,002
	200,206,704,194	172,380,415,435

40 Risk Management (continued)

40.1 Qualitative Disclosures (continued)

40.1.4 policies and procedures to manage and control risk concentrations (continued)

Several methods, assumptions and variables are developed and used by the Bank to prepare sensitivity analyses for different periods, as a stress testing over 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, in addition to scenarios concerning acceptable collateral so that the credit portfolio and existing debt situation is well monitored, and 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 stress testing for the major Bank customers in the credit portfolio, according to expected circumstances depending on the business activities operations and guarantees of customer.

The Bank has arrangements, systems and control procedures to ensure compliance with the Islamic law, including a review of the Bank's departments policies and operating procedures, in addition to ensuring the compliance to these procedures by constant review, and to assess the extent of compliance with the directions and recommendations and procedures adopted.

The Bank has activated the process of the work evidence review, by reviewing all policies and work procedures of the departments, and their authorized forms, which 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 type of operations at each department.

40.1.5 Reporting channels and systems according to each type of risk

Reports are prepared to show the risks faced by the Bank, classified according to the types of these risks, as a reporting system has been developed, which reflects the credit risk faced by the Bank's credit portfolio, for corporate and retail credit portfolio, and for direct and indirect facilities, categorized according to the products provided by the Bank, and also distributed to geographical areas. 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 performing and nonperforming debts, and sheds lights on the acceptable collateral that mitigate credit exposures, and monitors the legal actions for debts that have been converted to the legal department, and monitors the excess 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.

In regard market risk and liquidity risk faced by the Bank, there are many periodic reports that monitor: the operational foreign currencies positions, the correspondent banks risk, the excess of the credit ceilings granted to these banks, the concentrations and the risk of exchange rates, and the risk of the interest rates fluctuations. Reports are prepared clarifying the position of the Bank liquidity, and monitoring it closely by shedding light on the 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 existing gaps 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 adopted 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 Basel accord II, which stated all 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 face all the types of risk. And sheds light on market discipline, in order to reach transparency, through the knowledge of the disclosure requirements, and illustrates the extent of exposure to risk in all its forms. Reports are prepared and submitted to the Central Bank of Syria, based on the approved models under issued decisions, that show 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 override 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 submits them to the Bank's Board of Directors, in addition to reports illustrating the detailed risks on various concerned Bank departments.

40.1.6 Reviewing the effectiveness of the risk management tools and procedures

Possible risks and their maximum limits are reviewed from time to time, based on the emergency developments, being taken into account that these limits do not exceed the limits included in Monetary and Credit Council and Central Bank of Syria resolutions. Risk Self-Assessment and hedging practices are adopted. 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, considering regulations issued by Monetary and Credit Council and 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.

40 Risk Management (continued)

40.2 Quantitative Disclosures

40.2.1 Credit Risk

The daily practices of Banking business expose 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 implementation of the mandatory directions issued by Monetary and Credit Council and 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.

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 default. Furthermore, the Bank requires customers to provide suitable guarantees 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 terms of one customer or a group of customers. Committees of credit have been formed to make credit decisions according to their authorities, defined by the degree of risk and the type and term of facility. Decision-making is segregated from the studying function, and both are supervised by a separate controlling 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 entrusted to execute the process of the granting of credit from those that analyze the credit file and ensure their inclusion of the necessary financial data and all requirements for documents that provide the minimum required information, and those who execute planned facilities and those who monitor the procedures and processes required to grant credit to ensure the implementation of the policies and procedures established to ensure implementation of the decisions and instructions as decided.
In measurement of credit risk, Bank relies on a reporting system that reflects the risks inherent in the portfolio of credit facilities, outlining the nature of the granted credit facilities of direct and indirect facilities and determining the types of facilities granted by Murabaha or other Banking products.
This system also measures the economic risk of the credit portfolio by monitoring the size of the facilities granted and used for financing commercial, industrial and service business and other economic sectors, measure the geographical concentration in the credit portfolio, interconnected groups and define the relationship between them and measure the size of the facilities granted and used for each group separately so that they wouldn't exceed the maximum credit allowable limits.

The limits of granted credit is being observed to prevent irregularities on the limits that have been granted for each customer individually, with measuring the size of the facilities to which legal actions taken with the size of the existing credit guarantees and provisions that have been formed.

Credit risk management policy:
- Reaching safe position by ensuring the customer sources of repayment, creditworthiness, and the provided guarantees.
- Accomplish proliferation and diversity through targeting economic and geographical sectors, and avoiding concentrations at the level of customers and correlated credit groups.
- Accomplish profitability and adequate returns.
- Harmonization between the maturities of revenue and funding.
- Accomplish continuity through risk assessment and hedging.

Credit risks related to commitments:
Bank provides commitments to meet customer`s needs, these facilities require payments from the Bank on behalf of its customers, according to the regulations set out by the Shari`ah Supervisory Board of the Bank. 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 receivables, and these risks are prevented by following the same regulatory policies and procedures by limiting this type of facilities to selected parties, and the continuous assessment of the appropriateness of these facilities, and additional arrangements for extra assurance with the parties when needed.

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.1 Credit Risk (continued)

Concentration in the maximum credit risk

The concentration of credit risk is 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 regulation 395/M.N/B4 dated 29 May 2008, where the maximum credit exposure should not exceed 25% of the net private capital at the customer level (individual or organization).

Scheduled debts

Debts that have already been classified as non-performing deferred sales receivables and were taken out of the non-performing deferred sales receivables in accordance with a systematic scheduling, and were classified as Stage 2, amounted at 31 December 2019 SYP 1,203,354,105, rescheduled through debt reverse, versus SYP 15,045,551 at 31 December 2018.

Restructured debts

Restructuring refers to rearranging the deferred sales receivables and financing balances in terms of adjusting installments or extending the duration of the funding or postponing some of the premiums or extending the grace period without any excess in the debt, amounted at 31 December 2019 SYP 49,356,822 and these debts were classified in Stage 2, versus SYP 236,772,853 at 31 December 2018.

Guarantees and credit enhancements

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 is based on ascertaining and validating the provided guarantees, as well as harmonizing and matching these guarantees and following-up their renewal as needed, and these guarantees are evaluated in accordance with the directions of Central Bank of Syria and the instructions pertaining to this matter.

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 a haircut applied to the market value according to real estate geographic area.

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.1 Credit Risk (continued)

Distribution of collateral fair value against credit exposures

2019	Credit exposures	Cash margin	Real estate	Cars and vehicles	Total collateral values	Net exposure after collateral	Expected Credit Losses
Cash and balances with Central Bank of Syria	51,914,028,768	-	-	-	-	51,914,028,768	16,495,241
Deposits and investment accounts at banks and financial institutions for three months or less	34,070,170,157	-	-	-	-	34,070,170,157	5,715,064
Investment accounts at banks and financial institutions for more than three months	17,178,143,160	-	-	-	-	17,178,143,160	5,769,758,799
Receivables from financing activities, net	68,448,832,609	68,579,091	40,721,680,238	2,873,522,246	43,663,781,575	24,785,051,035	2,548,103,956
Individuals	1,096,051,477	42,770,331	784,213,895	195,019,144	1,022,003,370	74,048,108	110,546,083
Investment in real estate	2,712,617,621	400,000	2,518,077,173	9,745,030	2,528,222,203	184,395,418	42,714,958
Corporate	64,640,163,511	25,408,760	37,419,389,170	2,668,758,072	40,113,556,002	24,526,607,509	2,394,842,915
	171,611,174,694	68,579,091	40,721,680,238	2,873,522,246	43,663,781,575	127,947,393,120	8,340,073,060
Items off balance sheet							
Letters of credit	11,027,076,812	4,852,302,003	-	-	4,852,302,003	6,174,774,809	15,877,113
Acceptances	2,500,000,000	2,500,000,000	-	-	2,500,000,000	-	-
Guarantees	2,420,853,102	1,043,009,627	-	-	1,043,009,627	1,377,843,475	116,242,589
payment guarantee	2,085,201,379	932,428,365	-	-	932,428,365	1,152,773,014	111,821,508
Performance guarantee	262,415,723	86,431,156	-	-	86,431,156	175,984,566	3,245,749
Bid bond guarantee	73,236,000	24,150,106	-	-	24,150,106	49,085,895	1,175,332
Unused credit ceilings	4,984,306,635	-	-	-	-	4,984,306,635	-
	20,932,236,549	8,395,311,630	-	-	8,395,311,630	12,536,924,919	132,119,702

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.1 Credit Risk (continued)

<u>Geographical concentration</u>

The following table illustrates the concentration of credit exposures by geographic distribution 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
	SYP	SYP	SYP	SYP	SYP	SYP	SYP	SYP
Cash and balances with Central Bank of Syria	**51,897,533,527**							**51,897,533,527**
Deposits and investment accounts at banks and financial institutions for three months or less	**6,756,668,095**	**27,141,304,975**	**161,872,240**	**4,609,783**	**-**	**-**	**-**	**34,064,455,093**
Investment accounts at banks and financial institutions for more than three months	**7,379,901,173**	**4,028,483,188**	**-**	**-**	**-**	**-**	**-**	**11,408,384,361**
Sales receivable from financing activities, net	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
For individuals:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Individuals	**985,505,393**	**-**	**-**	**-**	**-**	**-**	**-**	**985,505,393**
Investment in real estate	**2,669,902,664**	**-**	**-**	**-**	**-**	**-**	**-**	**2,669,902,664**
For Companies:		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Big Companies	**60,063,545,299**	**-**	**-**	**-**	**-**	**-**	**-**	**60,063,545,299**
SMEs	**2,181,775,297**	**-**	**-**	**-**	**-**	**-**	**-**	**2,181,775,297**
Government and public sector		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets	**3,168,220**	**76,392,805**	**-**	**-**	**-**	**-**	**-**	**79,561,025**
Blocked deposit with Central Bank of Syria	**2,263,455,530**	**-**	**-**	**-**	**-**	**-**	**-**	**2,263,455,530**
Total 31 December 2019	**134,201,455,198**	**31,246,180,968**	**161,872,240**	**4,609,783**	**-**	**-**	**-**	**165,614,118,189**
Total 31 December 2018	107,900,459,618	34,743,905,101	169,043,960	-	-	-	-	142,813,408,679

* With the exception of the Middle East countries

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.1 Credit Risk (continued)

Economical concentration

The following table illustrates the concentration of credit exposures by economical distribution as follows:

	Financial	Industrial	Commercial	Real estate	Agriculture	Individual	Government and public sector	Others	Total
Cash and balances with Central Bank of Syria	**51,897,533,527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51,897,533,527**
Deposits and investment accounts at banks and financial institutions for three months or less	**34,064,455,093**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,064,455,093**
Investment at banks and financial institutions for more than three months	**11,408,384,361**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,408,384,361**
Receivables from financing activities, net	**-**	**5,376,002,280**	**51,445,145,340**	**3,649,785,330**	**218,573,705**	**3,655,408,058**	**-**	**1,555,813,940**	**65,900,728,653**
Other assets	**79,561,025**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**79,561,025**
Blocked deposit with Central Bank of Syria	**2,263,455,530**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,263,455,530**
Total at 31/12/2019	**99,713,389,536**	**5,376,002,280**	**51,445,145,340**	**3,649,785,330**	**218,573,705**	**3,655,408,058**	**-**	**1,555,813,940**	**165,614,118,189**
Total at 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

40 Risk management (continued)

40.2 Quantitative Disclosures (continued)

40.2.2 Market risk

Market risk is 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 it includes:

- Changes in interest rates as indicator and in profit rates.
- Changes in foreign exchange rates.
- Changes in securities prices.
- Changes in commodity prices.

To Measure the market risk, the Bank has set maximum and minimum limits not allowed to be exceeded related to the risk of currency positions, and the risk of the Banking group of Cham Bank, the risk of Local and external correspondent Banks, the daily liquidity ratio for all the currencies and the local currency. These limits are being reviewed periodically, and modified proportionally in line with the Bank activities. Bank has also information systems to guaranty observing the market risks affecting the Bank activity, and it is being compared to the permissible limits. These 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 issued resolutions and circulars.
To measure the net fund needs, the Bank limits the cash inflows and cash outflows due to monetary obligations that result from off-balance accounts and then estimates future cash needs and identifies potential sources to meet these needs through analyzing the maturities of surplus and deficit for each period and assessing the 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 market risks on the Bank's activities. Stress tests take risks which correspondent Banks faced, and fund needs are calculated in total liquidity ratio in Syrian pounds after conducting stress tests to reach legal allowable ratio and minimum limits accredited by the Bank.

Market risk management policy

- Understanding market risks faced by the Bank in its Banking activities, estimating the possible losses incurred as a result of these risks and determining the mitigating factors.
- Conducting analysis for market risk, investment returns trends and expected exchange rates and investing according to performed analysis.
- 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 applying methods like purchase with recourse and binding promise of purchase.
- Having appropriate provisions to reduce the risk of the changes in returns.
- Diversifying the Bank's portfolio so as to achieve geographic and currency diversity and managing operational currency positions and managing risks, in accordance with the regulations of Monetary and Credit Council and Central Bank of Syria in terms of allowed limits.
- Balancing between moderate and conservative policies.

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.2 Market risk (continued)

Return rate risk

Return rate risk differs from interest rate risk in the sense that the institutions that operating in accordance with the Islamic Shari`ah 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 since the Bank accepts deposits on the basis of Al Mudarabah without promising to distribute any profits to the unrestricted investment accountholders, as it is stipulated in Al Mudarabah contract that the depositor endures the loss of his money while the Bank endures the loss of his effort as a Mudarib. However, in the case of loss due to infringement and negligence, the Bank is responsible for the entire loss.

The Bank measures market risk using standardized 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. Bank has not bought any financial instruments held for trading and does not have any securities portfolio.

The Bank is exposed to exchange rate risk and foreign countries and Banks's 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 in preventing the concentration of risks. Bank as well is exposed to the risk of the decline in deposits and the risk of changes in the distributed return, therefore the Bank keeps margin 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 the gaps 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 Shari`ah law through the risk management strategy of the Bank, as well as applying the directions of Monetary and Credit Council and Central Bank of Syria concerned with the management of gaps during the time periods specified in these directions, and in this regard and to mitigate risks a balance between maturities of assets and liabilities is kept and analysis of the gaps are conducted, as well as analyzing investment returns and future trends in exchange rates, and investing based on noted results that contain sensitivity analysis of the Bank's profits and returns and profits rates.

Displaced commercial risks

The risk arising from the assets managed by the Bank on behalf of the investment accountholders, which is actually borne by the Bank's capital since it follows the conduct of waiving part or all of their shares in Al Mudarabah profits from these funds for the investments accountholders 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 accountholders 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 Al Mudarib and manages the liquidity risk with the retention of capital adequacy rate sufficient to meet the displaced commercial risks.

Risks associated with contracts

The risks that are transferred to the shareholders in order to protect the investment accountholders from enduring some or all of the risks to which they are contractually exposed in Al Mudarabah financing contracts.

According to Al Mudarabah contract under which sharing in the profits and enduring the losses occur, the investment accountholders endure, in principle, the risks arising from assets in which they invested their money. however, they benefit from displaced commercial risks endured by the Islamic Financial Institutions, and this risk-sharing is realized through the creation and use of various reserves such as the profit equalization reserve, and supporting Al Mudarib share of profits to smooth returns payable to the investment accountholders 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.

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.2 Market risk (continued)

Foreign currencies 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 currencies operational position, which must not exceed +/- 1% of the net value of the Bank's own capital, the total foreign currencies position is monitored, which should not exceed 60% of the net value of the Bank's own capital. The general policy of the Bank for foreign currencies 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, remittances and bills of collection. 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 Islamic Shari`ah law. The Bank retains appropriate gap for all foreign currencies. Following is the impact of a scenario in which the foreign exchange rate increases by 10%.

2019		SYP	
Currency	**Foreign currency position**	**Effect on income before tax**	**Effect on equity**
US Dollar (Debit)	**20,681,976,180**	**2,068,197,618**	**3,037,403,956**
Euro (Credit)	**(53,588,360)**	**(5,358,836)**	**(4,019,127)**
Sterling pounds (Credit)	**(6,543,256)**	**(654,326)**	**(490,744)**
Other foreign currency (Credit)	**(3,695,045,915)**	**(369,504,592)**	**(277,128,444)**

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

Shares prices risk

Shares prices risk results from the change in the fair value of investments in shares. However, the Bank has not invested in financial instruments market by buying shares for the purpose of speculation or the collection of revenues, as the Bank does not have but its own equity shares listed in 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 practices 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 rules and principles of Shari`ah, by currently limiting the credit products to Al Murabaha product, which saves the Bank from retaining the commodity for a long time, as the period between buying the goods and selling them does not include the risks involved in the Salam products leasing, and other Islamic Banking products, as the Bank takes responsibility for the risk of the existence of hidden defects in the financed 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. With respect to the Bank customer breaching the commitment to buy 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 needed. The Bank uses appropriate expectations methods to assess the probable 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).

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.2 Market risk (continued)

Concentration in foreign currency risk

2019 (In original currency translated to Syrian Pound)	US Dollar	Euro	Sterling Pounds	Japanese Yen	Swiss Franc	Other foreign currency	Total
Assets							
Cash and balances with Central Bank of Syria	22,323,651,500	3,858,708,931	2,996,546	-	-	4,780,512	26,190,137,489
Deposits at banks and financial institutions	22,106,085,091	6,050,403,298	726,600	-	-	6,066,142,075	34,223,357,064
Receivables from financing activities	22	-	-	-	-	21,276,956,485	21,276,956,507
Assets under investment	9	166,486	-	-	-	-	166,495
Investment in real estate	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Other assets	292,484,931	27,910,716	-	-	-	79,328,709	399,724,356
Blocked deposit with Central Bank of Syria	1,881,757,017	-	-	-	-	-	1,881,757,017
Total assets	46,603,978,570	9,937,189,431	3,723,146	-	-	27,427,207,781	83,972,098,928
Liabilities, unrestricted investment accounts and equity							
Current accounts and deposits due to banks and financial institutions	10,470,454,251	7,337,268,500	8,577,900	-	23,040,219	24,314,203,637	42,153,544,507
Customers' current accounts	3,129,119,625	1,287,361,697	1,688,502	-	-	3,507,843,024	7,926,012,848
Cash margin	4,806,291,531	645,819,105	-	-	-	2,762,100,689	8,214,211,325
Miscellaneous provisions	159,098,811	156,362	-	-	-	-	159,255,173
Income tax provision	-	-	-	-	-	-	-
Other liabilities	2,381,079,174	106,561,243	-	-	-	515,066,127	3,002,706,544
Total liabilities	20,946,043,392	9,377,166,907	10,266,402	-	23,040,219	31,099,213,477	61,455,730,397
Equity of unrestricted investment accountholders	4,458,898,048	545,805,883	-	-	-	-	5,004,703,931
shareholders' equity	517,060,950	67,805,001	-	-	-	-	584,865,951
Total liabilities, unrestricted investment accounts and shareholders' equity	25,922,002,390	9,990,777,791	10,266,402	-	23,040,219	31,099,213,477	67,045,300,279
Net concentrations on balance sheet	20,681,976,180	(53,588,360)	(6,543,256)	-	(23,040,219)	(3,672,005,696)	16,926,798,649

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.2 Market risk (continued)

Concentration in foreign currency risk

2018 (In original currency translated to Syrian Pound)	US Dollar	Euro	Sterling Pounds	Japanese Yen	Swiss Franc	Other foreign currency	Total
Assets							
Cash and balances with Central Bank of Syria	8,163,791,190	1,575,889,713	2,898,192	-	-	1,360,355	9,743,939,450
Deposits at banks and financial institutions	27,295,845,849	7,274,329,465	702,750	-	-	4,707,493,350	39,278,371,414
Receivables from 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	74,104,295,486
Liabilities, unrestricted investment accounts and equity							
Current accounts and deposits due to banks and financial institutions	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	19,700,393,725
Cash margin	457,956,537	4,141,490,981	-	-	-	-	4,599,447,518
Miscellaneous provisions	159,098,811	159,437	-	-	-	-	159,258,248
Income tax provision	-	-	-	-	-	-	-
Other liabilities	2,490,170,507	150,072,322	-	-	-	665,208,428	3,305,451,257
Total liabilities	25,087,101,870	10,923,107,927	9,956,239	-	22,622,961	16,327,111,735	52,369,900,732
Equity of unrestricted investment accountholders	3,660,061,232	530,390,175	-	-	-	-	4,190,451,407
shareholders' equity	527,199,477	89,661,656	-	-	-	-	616,861,133
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 on the balance sheet	9,798,133,424	10,362,739	(6,355,297)		(22,622,961)	7,147,564,309	16,927,082,214

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.2 Market risk (continued)

Return gap

	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
2019	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**
Assets								
Investment accounts at banks and financial institutions	**-**	**35,000,000**	**2,483,150,000**	**1,906,115,000**	**2,180,000,000**	**150,000,000**	**-**	**6,754,265,000**
Receivables from financing activities	**819,284,665**	**2,091,644,833**	**24,864,455,880**	**23,850,402,565**	**3,898,355,552**	**2,716,244,916**	**6,744,686,167**	**64,985,074,578**
Total Assets	**819,284,665**	**2,126,644,833**	**27,347,605,880**	**25,756,517,565**	**6,078,355,552**	**2,866,244,916**	**6,744,686,167**	**71,739,339,578**
Liabilities								
Cash margin	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Wakalah investments at banks and financial institutions	**155,000,000**	**330,000,000**	**-** **-**	**-**	**-**	**250,000,000**	**-**	**735,000,000**
Total liabilities	**155,000,000**	**330,000,000**	**-**	**-**	**-**	**250,000,000**	**-**	**735,000,000**
Equity of unrestricted investment accountholders	**3,535,491,365**	**9,102,621,950**	**10,688,522,690**	**7,064,434,426**	**5,299,501,556**	**5,199,011,730**	**2,042,027,979**	**42,931,611,696**
Total liabilities and equity of unrestricted investment accountholders	**3,690,491,365**	**9,432,621,950**	**10,688,522,690**	**7,064,434,426**	**5,299,501,556**	**5,449,011,730**	**2,042,027,979**	**43,666,611,696**
Return gap in each period	**(2,871,206,700)**	**(7,305,977,117)**	**16,659,083,190**	**18,692,083,139**	**778,853,996**	**(2,582,766,814)**	**4,702,658,188**	**28,072,727,882**
Accumulated return gap	**(2,871,206,700)**	**(10,177,183,817)**	**6,481,899,373**	**25,173,982,512**	**25,952,836,508**	**23,370,069,694**	**28,072,727,882**	

Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.2 Market risk (continued)

Return gap (continued)

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								
Investment accounts at 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
Liabilities								
Cash margin	525,000	4,733,280	-	-	-	-	-	5,258,280
Wakalah investments at 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 accountholders	2,733,513,483	8,834,646,809	9,569,632,183	6,743,132,432	4,137,241,347	5,044,196,033	1,384,034,385	38,446,396,672
Total liabilities and equity of unrestricted investment accountholders	2,734,038,483	10,695,380,089	11,313,632,183	6,743,132,432	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	(3,898,943,926)	10,723,704,420	21,096,542,358	19,933,378,017	17,452,658,633	20,312,352,508	

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.2 Market risk (Continued)

Sensitivity analysis for return risks

Accumulated gap for one year

Currency	Gap	Effect on income before tax	Effect on equity
2019		**%2**	**75%**
Syrian Pounds	**309,190,670**	**6,183,813**	**4,637,860**
US Dollar	**(2,029,817,095)**	**(40,596,342)**	**(30,447,256)**
Euro	**1,907,624,635**	**38,152,493**	**28,614,370**
Other foreign currency	**23,183,071,484**	**463,661,430**	**347,746,072**

Currency	Gap	Effect on income before tax	Effect on equity
2018		%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

40.2.3 Liquidity Risk

Liquidity risk is the inability of the Bank to provide the necessary funding to meet its obligations in due dates and funding the increase in assets. In order to mitigate this risk, management has diversified funding sources, and manages the assets and liquidity ratios, and monitors it on a daily basis.
Bank estimates the prospective cash flows, as well as maintaining sufficient liquidity ratio, in accordance with the Monetary and Credit Council regulation on liquidity 588/M.N/B4 dated 22 November 2009. The Bank must maintain liquidity ratio in all currencies of at least 30% every working day, provided that the liquidity ratio in Syrian pounds does not drop below 20%. Liquidity ratio in Syrian pounds amounted to 41.25% as at 31 December 2019, while it amounted to 63.13% as at 31 December 2018.
The highest percentage of liquidity in all currencies during 2019 was 64.82%, while the lowest percentage of liquidity during the year was 50.26%.

The Bank's management, has taken a wide range of steps to reduce liquidity risk:
- In terms of the management of assets: managing the credit portfolio in accordance with the current liquidity status at the Bank.
- In terms of the management of liabilities: issuing Wakalah Investment product and one month deposit product, and launching an advertising campaign to attract deposits.
- In terms of the management of returns rate: reducing the share of Al Mudarib in order to increase deposits.
- In terms of the management of both sides of the balance sheet: encouraging reciprocal deposits with Banks and granting fully guaranteed facilities.
- In terms of the management of off-balance sheet commitments: issuing letter of 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 2 May 2011, retains at the Central Bank of Syria 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.

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.3 Liquidity Risk (continued)

Stress tests on the liquidity ratio in Syrian pounds

Bank conducts stress tests on the daily liquidity ratios to determine liquidity risk according to several management accredited scenarios. 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 Pounds 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 against this risk. Withdrawals of 50% from the current balances are assumed, and also withdrawals by key customers of 100% from their balances, in addition to some withdrawals by several customer's categories.
Stress testing are conducted on the balances of long-term deposits assuming breaking and withdrawals of these deposit, the scenario in conducted on key customers and some of customers' categories.
The results of the previous tests showed that the liquidity ratio (in Syrian Pound) was above the minimum limits stipulated by the Monetary and Credit Council and the management of the Bank.

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.3 Liquidity Risk (continued)

The table below summarizes the distribution of assets and liabilities (non-discounted) based on the remaining contractual period as at 31 December 2019:

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 Central Bank of Syria	57,391,278	-	-	-	-	-	-	-	57,391,278
Current accounts and short terms deposits at banks and financial institutions	12,082,373	-	2,443,150	-	-	-	-	19,538,932	34,064,455
Deposits at banks and financial institutions	3,829,567	35,000	3,307,702	1,906,115	2,180,000	150,000	-	-	11,408,384
Receivables from financing activities	383,069	2,474,306	25,245,048	24,014,999	4,252,848	2,752,007	6,778,452	-	65,900,729
Assets under investments or liquidation	-	-	-	-	-	-	164,343	-	164,343
Investment in real estate	-	-	-	-	-	-	-	2,276,500	2,276,500
Property and equipment	-	-	-	-	-	-	-	10,391,861	10,391,861
Intangible assets	-	-	-	-	-	-	-	43,138	43,138
Deferred tax assets	1,108	-	-	-	-	-	-	-	1,108
Other assets	375,480	1,373	6,173	181,783	276,369	21,682	100	-	862,960
Blocked deposit with Central Bank of Syria	-	-	-	-	-	-	-	2,263,456	2,263,456
Total Assets	74,062,875	2,510,679	31,002,073	26,102,897	6,709,217	2,923,689	6,942,895	34,513,887	184,768,212
Current accounts and deposits due to banks and financial institutions	45,671,810	330,000	-	-	-	250,000	-	-	46,251,810
Customers' current accounts	49,454,400	-	-	-	-	-	-	-	49,454,400
Cash margin	4,563,146	38,077	5,415,715	436,703	65,404	49,262	5,054	-	10,573,361
Provisions	4,209	-	23,251	-	-	-	458,926	-	486,386
Income tax provision	-	-	-	622,078	-	-	-	-	622,078
Other Liabilities	3,174,303	1,025,880	26,082	-	-	932	807,753	-	5,034,950
Total liabilities	102,867,868	1,393,957	5,465,048	1,058,781	65,404	300,194	1,271,733	-	112,422,985
Equity of unrestricted investment accountholders	15,724,807	7,086,624	8,718,872	4,767,802	2,994,613	3,671,207	767,799	-	43,731,724
Total liabilities & Equity of unrestricted investment accountholders	118,592,675	8,480,581	14,183,920	5,826,583	3,060,017	3,971,401	2,039,532	-	156,154,709
Liquidity gap 2019	(44,529,800)	(5,969,902)	16,818,153	20,276,314	3,649,200	(1,047,712)	4,903,363	34,513,887	28,613,503

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.3 Liquidity Risk (continued

The table below summarizes the distribution of assets and liabilities (non-discounted) based on the remaining contractual period as at 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 Central Bank of Syria	51,101,531	-	-	-	-	-	-	-	51,101,531
Current accounts and short terms deposits at banks and financial institutions	11,311,412	35,000	6,580,000	-	-	-	-	19,164,380	37,090,792
Deposits at banks and financial institutions	-	-	-	6,945,000	-	-	-	-	6,945,000
Receivables from 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 or liquidation	-	-	-	-	-	-	134,934	-	134,934
Investment in real estate	-	-	-	-	-	-	-	2,380,850	2,380,850
Property and equipment	-	-	-	-	-	-	-	6,627,130	6,627,130
Intangible assets	-	-	-	-	-	-	-	6,933	6,933
Deferred tax assets	-	-	-	1,339	-	-	-	-	1,339
Other assets	559,049	78,719	243,073	934,576	22,777	293,942	143,874	-	2,276,009
Blocked deposit with Central Bank of Syria	-	-	-	-	-	-	-	2,163,456	2,163,455
Total Assets	63,540,882	1,447,361	26,179,353	24,666,885	2,996,854	2,857,419	4,677,536	30,342,749	156,709,039
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 margin	386,103	48,863	1,008,000	3,411,686	123,320	267,095	-	-	5,245,067
Provisions	3,626	-	-	-	-	-	-	286,694	290,320
Income tax provision	-	-	-	313,010	-	-	-	-	313,010
Other Liabilities	3,660,813	1,097,238	11,700	-	-	-	-	-	4,769,751
Total liabilities	39,310,998	11,097,161	10,858,760	11,819,756	8,218,380	5,663,802	5,551,707	286,694	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	-	39,045,227
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	286,694	131,852,485
Liquidity gap 2018	21,480,374	(18,670,091)	5,687,890	6,053,791	(9,388,762)	(7,885,222)	(2,477,481)	30,056,055	24,856,554

40 Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.3 Liquidity Risk (continued)

Off Balance sheet items

2019	**Up to one year**	**From one year up to 5 years**	**More than 5 years**	**Total**
	SYP	**SYP**	**SYP**	**SYP**
Acceptances and letters of credits	**13,527,076,812**	**-**	**-**	**13,527,076,812**
Unused credit limits/direct and indirect	**4,984,306,635**	**-**	**-**	**4,984,306,635**
Guarantees	**2,416,087,102**	**4,766,000**	**-**	**2,420,853,102**
Total	**20,927,470,549**	**4,766,000**	**-**	**20,932,236,549**

2018	Up to one year	From one year up to 5 years	More than 5 years	Total
	SYP	SYP	SYP	SYP
Acceptances and letters of credits	4,053,909,940	-	-	4,053,909,940
Unused credit limits/direct and indirect	12,455,170,002	-	-	12,455,170,002
Guarantees	2,375,868,232	-	-	2,375,868,232
Total	18,884,948,174	-	-	18,884,948,174

40.2.4 Operational risks

The risk that could cause losses to the Bank, resulting from defects in the internal control systems, which in turn result from inadequate policies and procedures, errors in the applied technical regulations, or errors committed by staff.

Basic indicator to measure operational risk is adopted along with the identification of operational risks faced by the Bank, hedging against operational risks, are conducted by reviewing the policies and work procedures, and updating them in line with the issued decisions and laws and the requirements of the current time. Technical systems are thoroughly controlled and all applications are tested before they are adopted, and staff in order to qualify them and refine their expertise in a manner which enables them to understand the nature of banking business assigned to them. Bank`s products are analyzed and risks associated with them are identified.

Following points are taken into consideration:

- Adoption of a specified authority matrix according to the administrative levels and exposure levels to operational risks.
- Segregation of duties between employees and avoiding conflict of interest.
- Providing adequate protection for the Bank's assets and records.
- Conducting matching procedures between operations and accounts and periodic verification of them.
- Setting 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 robust internal control system.
- Development of Shari`ah 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 continuity of work in case of the occurrence of severe failures (connection failures and servers platforms failures).

40. Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.4 Operational risks (continued)

Operational Risk Management Policy

- Identification of inherent operational risks in the activities, processes and systems and setting controls.
- Self-assessment of risks and control procedures through 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 deal with these risks in accordance with the risk management system by type.
- Setting limits to the risk of various operations 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 minimize losses in case severe events.

Business risks

Business risks arise from several factors, which may affect the Group or the Banking sector in general, such as surrounding political and economic risks that carry many negative indicators on the results of the Group's business. 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.

Shari`ah risks

Shari`a risks arise from non-compliance with the Shari`ah Supervisory Board resolutions, and the Monetary and Credit Council regulations in connection with the aspects of legitimacy, as well as non- compliance with the Shari`ah guidelines which exist within the procedures of the Bank's departments.

To avoid this risk, the Bank conducts the followings:
- Connecting business processes with the Bank's automated system, in a manner which ensures the adherence of employees to the necessary legitimate steps, when offering a product or a Banking service.
- Continuous training for the Bank`s employees, in all aspects of Banking and Shari`ah law.
- Reviewing policies and procedures of the Bank's departments, and presenting them to the Shari`ah Supervisory Board before adopting them.
- The Bank does not provide any product before ensuring that the Bank employees fully understand the Shari`ah concept upon which it is based.
- Establishing procedures to ensure adherence to the Shari`ah standards and the recommendations of the Shari`ah Supervisory Board.

Non-compliance risks

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. Mentioned non-compliance may result in risks most important types of them are risk of legal penalties, reputation risk, risk of financial losses, risk of financial crimes, money laundering, and fraud and corruption. To protect the Bank from these risks, the Compliance Department ensures the Bank's complete compliance, and its internal policies' compliance with all laws, regulations, directions, instructions, 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 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 Banking regulatory bodies.

40. Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.4 Operational risks (continued)

Contingency and business continuity plan

Reputational risks

Reputational risks arise from influencing negative public opinions which results in large losses to customers or funds, as action practiced by the Bank's management or its employees, might reflect 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 and 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. 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 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 customers satisfaction of 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.

The Bank pays attention to contracts with third parties which provide the Bank with the required services, since any failure 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 authorities and responsibilities.

The Bank has updated contingency and business continuity plan that ensures the availability of internal and external services of the Bank in regular and exceptional situations, and ensures easy and quick access to the Bank information services in those situations, and contribute to responding to the specific risks, and manages them in a manner which does not affect the availability of the Bank services.
The contingency and business continuity plans provide alternatives for all necessary resources 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 allocation of roles and responsibilities and providing a guide for action to operate during emergency.
- Adopting acceptable operating parameters during emergency.
- Providing mechanisms to restore of normal operations and restore data and applications.

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

- The plan of continuity of operations for 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, alternative network and associated suppliers and the Banking system, alternative applications and manages the alternative operation, ensures the continuity 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 operations, as well as operating the alternative center and suspending the main center, and determining the emergency covered and uncovered services.

40. Risk Management (continued)

40.2 Quantitative Disclosures (continued)

40.2.4 Operational risks (continued)

Contingency and business continuity plan

Reputational risks (continued)

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

41 Sectorial analysis

Business sector is the primary sector, while the geographical sector is the secondary 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.
- Corporations: 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	**Corporates**	**Treasury**	**Foreign Trade**	**Others**	**2019**	2018
	SYP	**SYP**	**SYP**	**SYP**	**SYP**	**SYP**	SYP
Total revenue	**437,243,143**	**5,732,983,609**	**859,227,381**	**899,803,873**	**1,091,137,911**	**9,020,395,917**	6,388,297,241
Expected credit losses	**6,880,450**	**79,826,541**	**(52,230,905)**	**(105,203,630)**	**-**	**(70,727,544)**	185,000,000
Result of sector business	**444,123,593**	**5,812,810,150**	**806,996,476**	**794,600,243**	**1,091,137,911**	**8,949,668,373**	6,573,297,241
Expenses not allocated to sectors	**-**	**-**	**-**	**-**	**(5,003,964,121)**	**(5,003,964,121)**	(5,406,160,775)
Income before tax	**444,123,593**	**5,812,810,150**	**806,996,476**	**794,600,243**	**(3,912,826,210)**	**3,945,704,252**	1,167,136,466
Income tax expense	**-**	**-**	**-**	**-**	**(767,625,317)**	**(767,625,317)**	(308,694,767)
Net income	**444,123,593**	**5,812,810,150**	**806,996,476**	**794,600,243**	**(4,680,451,527)**	**3,178,078,935**	858,441,699
Sector's assets	**3,655,408,057**	**62,245,320,596**	**95,627,280,347**	**7,316,398,460**	**-**	**168,844,407,460**	146,026,979,088
Assets not allocated to sectors	**-**	**-**	**-**	**-**	**15,923,804,985**	**15,923,804,985**	10,682,058,583
Total assets	**3,655,408,057**	**62,245,320,596**	**95,627,280,347**	**7,316,398,460**	**15,923,804,985**	**184,768,212,445**	156,709,037,671
Sector's liabilities	**-**	**-**	**46,271,854,616**	**9,132,539,552**	**-**	**55,404,394,168**	34,211,752,749
Liabilities not allocated to sectors	**-**	**-**	**-**	**-**	**57,018,590,044**	**57,018,590,044**	58,595,504,945
Total liabilities	**-**	**-**	**46,271,854,616**	**9,132,539,552**	**57,018,590,044**	**112,422,984,212**	92,807,257,694

41 Sectorial analysis (continued)

- **Geographical distribution sector:**

This sector represents the geographical distribution of the Bank`s business. The Bank conducts its activities mainly in the Syrian Arab Republic, which represent the local business. In addition, the Bank conducts its activities in the Middle East, Asia, Africa and Europe.

	2019		
	Inside Syria	**Outside Syria**	**Total**
Revenue			
Total revenue from investments between the Bank and the unrestricted investment accountholders	**6,177,908,397**	**250,658,285**	**6,428,566,682**
Unrestricted investment accountholders share	**(1,949,177,745)**	**-**	**(1,949,177,745)**
Net revenues from fees, commissions, and other income	**1,962,897,180**	**-**	**1,962,897,180**
Gain from foreign currencies' differences (operational position)	**600,887,451**	**-**	**600,887,451**
Unrealized earnings from foreign currencies differences of structural position	**-**	**-**	**-**
Other income	**28,044,604**	**-**	**28,044,604**
Gross operating income	**6,820,559,887**	**250,658,285**	**7,071,218,172**
Operating expenses	**(2,782,711,649)**	**-**	**(2,782,711,649)**
Other operating provisions	**(342,802,271)**	**-**	**(342,802,271)**
Net income before tax	**3,695,045,967**	**250,658,285**	**3,945,704,252**
Income Tax expense	**(767,625,317)**	**-**	**(767,625,317)**
Net income	**2,927,420,650**	**250,658,285**	**3,178,078,935**
Assets	**184,736,601,328**	**31,611,117**	**184,768,212,445**

	2018		
	Inside Syria	Outside Syria	Total
Revenue			
Total revenue from investments between the Bank and the unrestricted investment accountholders	4,618,624,735	348,408,220	4,967,032,955
Unrestricted investment accountholders share	(1,810,362,702)	-	(1,810,362,702)
Net revenues from fees, commissions, and other income	960,769,756	-	960,769,756
Gain from foreign currencies' differences (operational position)	142,504,595	-	142,504,595
Unrealized earnings from foreign currencies differences of structural position	-	-	-
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	818,728,246	348,408,220	1,167,136,466
Income Tax expense	(308,694,767)	-	(308,694,767)
Net income	510,033,479	348,408,220	858,441,699
Assets	121,796,088,610	34,912,949,061	156,709,037,671

42 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 Accord II, measured by dividing the net private capital by risk weighted assets and risk weighted off balance sheet items after the reduction of the acceptable value of collateral, weighted market risk according to the degree of risk, and operational risk.
The Bank's regulatory capital consists of the main capital (tier 1) and subordinated capital (tier 2). The main capital consists of: paid -in capital, statutory reserve, special reserve, and other reserves, capital feed accounts, reserves promote agricultural projects, issuing and merging premiums, other provisions 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 intangible assets, reacquired shares (treasury shares) of the Bank, net losses up to the end of the period, unrealized losses on financial investments, lack of provisions on nonperforming loans for the estimated revenues and not constituted by the Bank, lack of the estimated provisions 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 subordinated capital consist of variances of reevaluating, 50% of unrealized gains on available for sale securities portfolio, subordinated debts resulting from borrowing from third parties.

The capital adequacy ratio was calculated as following

	2019	2018
	SYP	SYP
Main capital (tier 1)	**26,044,857,582**	22,637,169,542
Capital	**6000,000,000**	5,250,000,000
Unrealized retained earnings	**14,708,920,881**	14,708,920,881
Accumulated realized earnings/loss	**2,439,531,297**	807,850,250
Statutory reserve	**825,184,691**	430,618,546
Special reserve	**825,184,691**	430,618,546
Profit equalization reserve	**1,290,334,070**	1,017,254,859
Intangible assets	**(43,138,048)**	(6,933,540)
Real estate seized by the Bank against its debts	**(1,160,000)**	(1,160,000)
Subordinated capital (tier 2)	**-**	33,051,351
Provision for credit risk	**-**	33,051,351
Net equity according to the instruction of Central Bank of Syria	**26,044,857,582**	22,670,220,893
Weighted assets	**85,262,507,230**	74,056,691,193
Weighted off balance sheet items	**5,463,180,854**	634,465,549
Operational risks	**5,483,334,921**	4,606,804,947
Operational position	**4,932,358,069**	7,159,680,270
	101,141,381,074	86,457,641,959
The capital adequacy ratio (%)	**25.75%**	26.22%
The main capital (tier 1) adequacy ratio (%)	**25.75%**	26.18%
The main capital (tier 1) to net equity ratio (%)	**100%**	99.85%

According to the Monetary and Credit Council resolution 253 issued on 24 January 2007, capital adequacy ratio of the Banks operating in the Syrian Arab Republic should not decline below 8%.
Monetary and Credit Council regulation 1088/M.N/B4 dated 26 February 2014 included amendment of Article VIII of the Monetary and Credit Council regulation 362/ M.N/B 1 dated 04 February 2008, so that the unrealized evaluation differences of the structural foreign currencies position is included within the main capital (tier 1) for the purpose of calculating the capital adequacy in accordance with the requirements of the Monetary and Credit Council regulation 253/M.N/B 4 for 2007.

43 Maturity analysis of assets and liabilities

2019 (Amounts in thousands of Syrian pounds)	Up to one year	More than one year	Total
Assets			
Cash and balances with Central Bank of Syria	**57,391,278**	**-**	**57,391,278**
Current accounts and investments at banks and financial institutions	**14,525,523**	**19,538,932**	**34,064,455**
Investment accounts at banks and financial institutions	**11,408,384**	**-**	**11,408,384**
Receivables from financing activities	**59,122,277**	**6,778,452**	**65,900,729**
Assets under investments or liquidation	**-**	**164,343**	**164,343**
Investment in real estate	**-**	**2,276,500**	**2,276,500**
Property and equipment	**-**	**10,391,861**	**10,391,861**
Intangible assets	**-**	**43,138**	**43,138**
Deferred tax asset	**1,108**	**-**	**1,108**
Other assets	**862,860**	**100**	**862,960**
Blocked deposit with Central Bank of Syria	**-**	**2,263,456**	**2,263,456**
Total assets	**143,311,430**	**41,456,782**	**184,768,212**
Liabilities and equity of unrestricted investment accountholders			
Liabilities			
Current accounts and deposits due to banks and financial institutions	**46,251,810**	**-**	**46,251,810**
Customers’ current accounts	**49,454,400**	**-**	**49,454,400**
Cash margin	**10,568,307**	**5,054**	**10,573,361**
Miscellaneous Provision	**27,460**	**458,926**	**486,386**
Income tax provision	**622,078**	**-**	**622,078**
Other liabilities	**4,227,197**	**807,753**	**5,034,950**
Total liabilities	**111,151,252**	**1,271,733**	**112,422,985**
Equity of unrestricted investment accountholders	**42,963,925**	**767,799**	**43,731,724**
Total liabilities and equity of unrestricted investment accountholders	**154,115,177**	**2,039,532**	**156,154,709**
Net	**(10,803,747)**	**39,417,250**	**28,613,503**

43 Maturity analysis of assets and liabilities (continued)

2018 (Amounts in thousands of Syrian pounds)	Up to one year	More than one year	Total
Assets			
Cash and balances with Central Bank of Syria	51,101,531	-	51,101,531
Current accounts and investments at banks and financial institutions	17,926,412	19,164,380	37,090,792
Investment accounts at banks and financial institutions	6,945,000	-	6,945,000
Sales receivable from financing activities	43,582,337	4,398,728	47,981,065
Assets under investments or liquidation	-	134,934	134,934
Investment in real estate	-	2,380,850	2,380,850
Property and equipment	-	6,627,130	6,627,130
Intangible assets	-	6,933	6,933
Deferred tax asset	1,339	-	1,339
Other assets	2,132,135	143,874	2,276,009
Blocked deposit with Central Bank of Syria	-	2,163,456	2,163,456
Total assets	121,688,754	35,020,285	156,709,039
Liabilities and equity of unrestricted investment accountholders			
Liabilities			
Current accounts and deposits due to banks and financial institutions	28,067,042	155,000	28,222,042
Customers' current accounts	48,570,361	5,396,707	53,967,068
Cash margin	5,245,067	-	5,245,067
Miscellaneous Provision	3,626	286,694	290,320
Income tax provision	313,010	-	313,010
Other liabilities	4,769,751	-	4,769,751
Total liabilities	86,968,857	5,838,401	92,807,258
Equity of unrestricted investment accountholders	37,441,917	1,603,310	39,045,227
Total liabilities and equity of unrestricted investment accountholders	124,410,774	7,441,711	131,852,485
Net	(2,722,020)	27,578,574	24,856,554

44. Commitments and contingent liabilities (off-balance sheet)

A. Credit commitments and obligations (off-balance sheet)

	2019	2018
	SYP	SYP
Letters of credits	**11,027,076,812**	4,053,909,940
Acceptances	**2,500,000,000**	
Guarantees:	**2,420,853,102**	2,375,868,232
Payments guarantee	***73,236,000***	*94,979,917*
Performance guarantee	***2,085,201,379***	*1,886,703,215*
Bid bond guarantee	***262,415,723***	*394,185,100*
Unused direct credit limits (undrawn limits)	**4,984,306,635**	12,455,170,002
	20,932,236,549	18,884,948,174

The table below shows the changes in the balances of the off-balance sheet items according to the stage classification:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	SYP	**SYP**	**SYP**	**SYP**
At 31 December 2018	**16,462,498,280**	**2,422,449,894**	**-**	**18,884,948,174**
Changes in the opening balance as a result of a transfer between stages:				
Transfers to stage 1	**(76,764,395)**	**76,764,395**	**-**	**-**
Transfers to stage 2	**233,574,605**	**(678,419,605)**	**444,845,000**	**-**
Transfers to stage 3	**-**	**-**	**-**	**-**
New facilities	**11,451,433,025**	**3,571,774,568**	**22,796,900**	**15,046,004,493**
Settled facilities	**(11,543,261,928)**	**(1,385,351,773)**	**-**	**(12,928,613,701)**
Increase/(decrease) resulted from balances changes	**1,096,486**	**209,532**	**-**	**1,306,018**
Amendments resulted from exchange rates changes	**(70,375,994)**	**(1,032,441)**	**-**	**(71,408,435)**
At 31 December 2019	**16,458,200,079**	**4,006,394,570**	**467,641,900**	**20,932,236,549**

B. Off- balance sheet contractual obligations and leases

	2019	**2018**
	SYP	**SYP**
Obligation from construction Contracts		
Due within a year	-	-
Total obligations from construction contracts as at the date of consolidated statement of financial position	-	-
Obligation from operational Leases		
Due within a year	**102,253,116**	24,572,781
Due in more than 1 year	**177,744,144**	22,666,199
Total obligations from leases contracts as at the date of consolidated statement of financial position	**279,997,260**	47,238,980

45 Legal claims

There are several lawsuits pending, as at 31 December 2019, the group management and the legal counsel of the group believe that there is no material impact of these lawsuits on the consolidated financial statements.
The United States Department of Treasury imposed sanctions on the Bank during the first half of 2017, by freezing assets of Cham Bank in the United States of America and preventing American individuals and companies from dealing with the Bank.
There are no assets or balances or amounts belong to the Bank in the United States of America, and the effect of these sanctions on the Bank is to restrict the Bank's assets in the parent company.
All Bank transactions are legal and legitimate, and documented. The Bank's management has taken appropriate measures to avoid the impact of the sanctions. And the operation and all banking activities are stable in all aspects, as all imported materials handled by the Bank are goods and materials allowed to be imported to Syria, and no directions were issued to prevent their supply to Syria from any party.
Bank's management has taken all legal procedures to remove the name of Cham Bank from the sanctions list by appointing an American law firm specialized in this field to work on lifting sanctions according to the procedures and regulations in the United States.
A request was recently submitted to US Department of Treasury/Office of Foreign Assets Control (OFAC) to ask for reassessing Cham Bank sanctions, and results are not issued till the date of preparation of consolidated financial statements as at 31 December 2019.

46 Dividends

The general assembly of the Bank's shareholders held a meeting on 29 April 2019 and approved the increase of the Bank's capital to reach SYP 6,000,000,000 through the distribution of stock dividends worth SYP 750,000,000 (14.28%). On 26 August 2019, the final approval was issued to issue additional shares by the Board of Commissioners in Syrian commission of financial markets and securities. The capital increase expenses amounted to SYP 7,225,100, including a stamp duty of SYP 3,450,100, registering shares fees in the Syrian commission of financial markets and securities for an amount of 2,250,000, registering and depositing the additional shares in the clearing and central custody center in Damascus Securities Exchange fees in the amount of SYP 525,000 and the allowance for submitting an issuance request of Shares to the Syrian commission of financial markets and securities amounting to SYP 1,000,000.

47 Subsequent events

In early 2020, the spread of the emerging coronavirus (COVID-19) was confirmed during March 2020, as it was classified by the World Health Organization as a pandemic (COVID 19),

In the opinion of the Group's management, this event is considered one of the subsequent events that occurred after the date of the consolidated statement of financial position and that do not require adjustments. The government team concerned with measures to address the emerging corona virus (COVID) has taken precautionary measures to limit the speed of the spread of the emerging coronavirus (19) The virus includes the temporary closure of some economic and commercial activities, which may negatively affect the activities of these events, and this effect may be reflected. On the group, however, it is difficult in practice to provide any quantitative estimate of the potential effects on group outcomes.

48 comparative figures

Some of the 2018 balances have been reclassified to conform to the figure's classification for the current year, and this reclassification did not affect equity or net profit for the previous year, and the following table summarizes the amounts that were reclassified in the consolidated statement of financial position:

		Classification as at 31 December 2018	
		Before reclassification	**after reclassification**
Cash and balances with Central Bank of Syria	Reclassification of clearing house balances	51,582,818,611	51,101,530,575
Other assets		1,794,721,044	2,276,009,080
Deposits and investment accounts at banks and financial institutions for three months or less	Reclassification of deposits and investment accounts with Banks with original maturities of more than 3 months	43,705,791,587	37,090,791,587
Investment accounts at banks and financial institutions for more than three months		330,000,000	6,945,000,000
Payables	Reclassification to remittances and payment orders	1,389,261,156	-
Other liabilities		3,380,489,830	4,769,750,985