



البنك الأهلي اليمني

National Bank Of Yemen

Trust & Experience

الخبرة والثقة

Annual Report

2021

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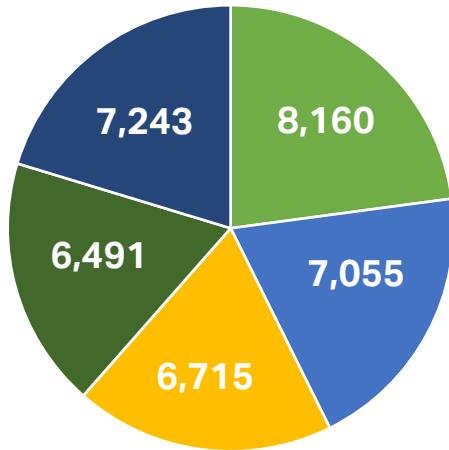
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Financial Statement Summary

Statement	Years				
	μ2021	μ2020	μ2019	μ2018	μ2017
Financial Position:					
Total Assets	395,614	355,332	324,917	284,752	267,584
Loans and Advances	8,160	7,055	6,715	6,491	7,243
Customers & Bank Deposits	335,867	298,635	283,317	252,541	242,718
Local Investments	208,500	166,581	196,644	187,536	166,581
Capital	20,000	17,000	14,000	10,000	10,000
Equity	39,552	33,340	27,965	20,935	18,434
Balances with Banks	92,982	93,457	71,378	60,264	66,477
Contra Items	12,970	13,408	22,323	16,411	12,742
Income Statement:					
Net Interest Income	18,083	18,962	17,542	14,739	11,478
Operation Income	3,665	1,683	2,561	1,338	-71
Profit Before Tax	9,034	8,272	7,575	5,411	3,265
Net Profit	7,227	6,618	6,060	4,329	2,612
Financial Ratios:					
Return on Assets	1.8%	1.9%	1.9%	1.5%	1.0%
Return on Average Equity	21%	23%	28%	23%	15%
Capital Adequacy Rate	50%	82%	50%	78%	78%
Liquidity Rate	101%	95%	56%	92%	90%
U.S.Dollar Price	400 ريال يمنى	400 ريال يمنى	380 ريال يمنى	380 ريال يمنى	393 ريال يمنى
Share Profit	361 ريال يمنى	389 ريال يمنى	433 ريال يمنى	433 ريال يمنى	261 ريال يمنى
Number of Branches	27	27	27	27	27
Number of Employees	966	973	973	973	966

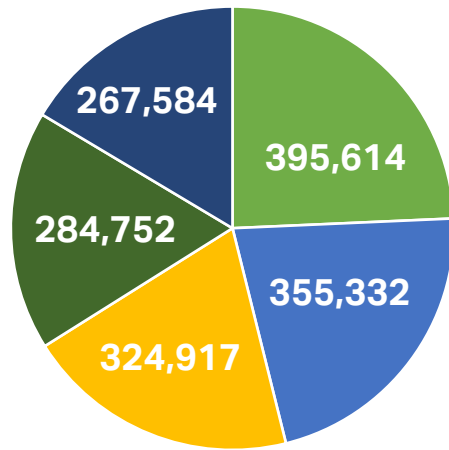
The most important financial indicators (2017 -2021)

Loans and Advances
(YR millions)



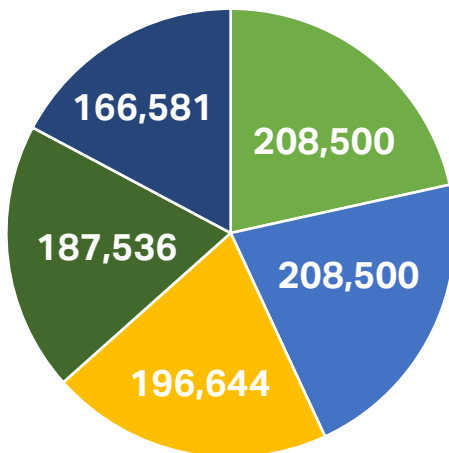
■ 2019 ■ 2018 ■ 2017
■ 2021 ■ 2020

Total Assets
(YR millions)



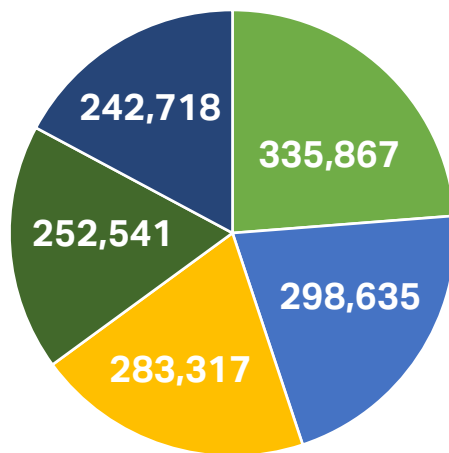
■ 2019 ■ 2018 ■ 2017
■ 2021 ■ 2020

Local Investments
(YR millions)



■ 2019 ■ 2018 ■ 2017
■ 2021 ■ 2020

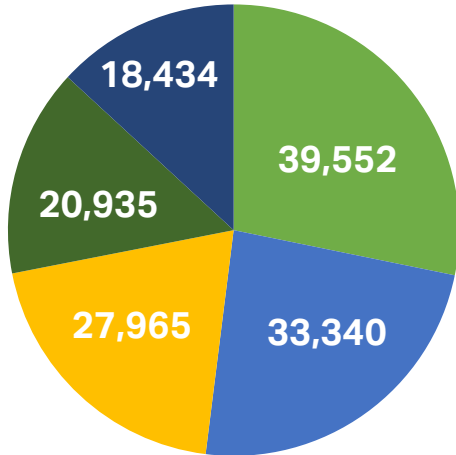
Customers & Bank
Deposits (YR millions)



■ 2019 ■ 2018 ■ 2017
■ 2021 ■ 2020

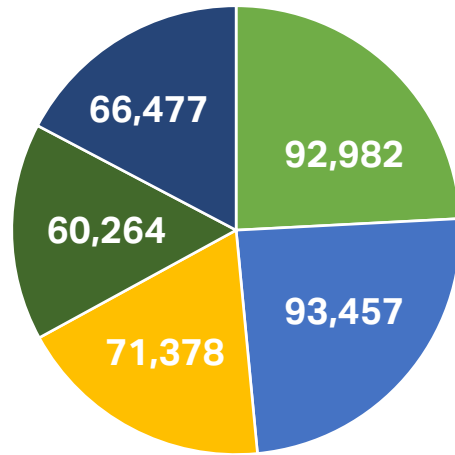
The most important financial indicators (2017 -2021)

Equity
(YR millions)



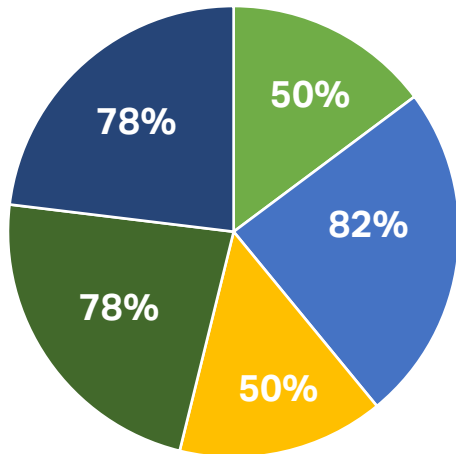
■ 2019 ■ 2018 ■ 2017
■ 2021 ■ 2020

Balances with
Banks (YR millions)



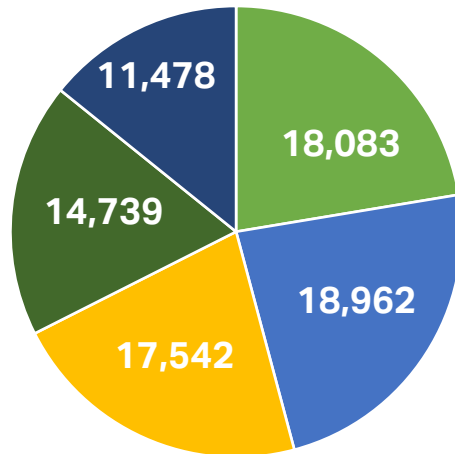
■ 2019 ■ 2018 ■ 2017
■ 2021 ■ 2020

Capital
Adequacy Rate



■ 2019 ■ 2018 ■ 2017
■ 2021 ■ 2020

Net Interest
Income (YR millions)



■ 2019 ■ 2018 ■ 2017
■ 2021 ■ 2020

Our Vision

Our Vision: We in the national bank of Yemen , have determined to fulfill all our customers' needs and to be pioneer in providing innovated banking services and products depending on best and modernized banking services techniques in order to be the first choice to customers and become the distinct bank in Yemen.

Our Mission

Our Mission: The bank is obliged to achieve quality in services and products according to international quality standards, to meet customers needs and achieve objectives and expectations of all those concerned with the interests of the bank, in the framework of comprehensive benefits of society and Yemen economy.

Our strategic objectives

- ⇒ Attract deposits and funds from resident and un resident corporations and individuals and working to achieve continued growth rates to ensure the necessary financial resources for the bank's operations in financing and investment.
- ⇒ Investing financial resources available in the bank in a way that realizes reasonable returns compared to risks resulting from operations in financing and investment.
- ⇒ Realizing remunerative returns to shareholders exceeding opportunity cost of funds invested in the bank.
- ⇒ Offering necessary financial, banking and investment services to meet corporate and individual customer needs with the highest quality possible in a wide geographic area.
- ⇒ Attract and develop the necessary human resources to execute main and assisting bank operations in order to find the suitable organizational environment and climate to stimulate and increase productivity and qualification of employees in offering the banking, financial and investment services.

Head of Board



Chairman of Board of Directors



Deputy Chairman of the Board



General Director



Member of the Board of Directors
A representative of the Ministry of Planning and International Cooperation
Director General of the Office of Planning and International Cooperation / Aden



Member of the Board of Directors
A representative of the Ministry of Industry and Trade
Director General of Industry and Trade Office / Aden



Member of the Board of Directors
A representative of the Ministry of Finance
Director General of the Finance Office/ Aden



Deputy Director General of Supporting Departments



Deputy Director General of Banking Departments

Executive Management



Director of the Treasury Department



Department director Central operations



Director of the Financial Control Department



Director of the Internal Audit Department



Director of the Department of Administrative Affairs



Branches department manager



Director of the Human Resources Department



Director of the Troubled Debts Department



Credit Department Manager



IT department manager



Automation project manager



Director of Relations Department



Director of Marketing Department



Director of Risk Department



Director of the Legal Department



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INDEPENDENT AUDITORS' REPORT

TO H.E. MINISTER OF FINANCE

ON BEHALF OF NATIONAL BANK OF YEMEN

ADEN, REPUBLIC OF YEMEN

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

The Opinion

We have audited the financial statements of the National Bank of Yemen ("the Bank"), which comprise the statement of comprehensive income for the year ended 31 December 2021 and the related statement of financial position, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Bank of Yemen ("the Bank") as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, related local laws and regulations and Central Bank of Yemen instructions.

Basis for the Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Emphasis of Matter

We would like to draw attention to the following:

- What is stated in Note 35 of the supplementary notes to the financial statements (Currency Risks), which shows the risks of fluctuations in foreign currencies exchange rates and their impact on significant foreign currency positions, as the closing rate issued by the Central Bank of Yemen/ Aden was followed in presenting transactions in foreign currencies during the year, as well as in valuing assets and liabilities of cash nature in foreign currencies as of 31 December 2021. In accordance with the instructions of the Central Bank of Yemen, the Bank conducted a sensitivity analysis of foreign currencies and determined its impact on the financial statements based on the exchange rate in the parallel market and the exchange rate issued by the Central Bank of Yemen, and indicated the impact of the change on the statement of Comprehensive Income. Our opinion is not qualified in this regard.



- As stated in Note 1 of the supplementary notes to the financial statements, the Bank is working in an unfavourable environment that may expose it to incurring losses or losing profit and affect its activities so that it may not be able to provide some of its services to its customers or meet some of its commitments, which raises doubt on Bank's capability to continue business on a going concern basis in the case of continuation of the unstable security and political situations and their different reflections. This requires the Government as the owner of the Bank to take serious measures to address any difficulties the Bank may face in relation to such matters. Our opinion is not qualified in this regard.
- as stated in Notes No. (18) and (20), the concentration of the Bank's credit activity on the Treasury Bills and the Certificates of Deposit, is a matter that is not free of high risks, in light of the difficult circumstances that the Central Bank of Yemen is going through, which requires the Bank's management to diversify its credit activity.

Management and the Board of Directors Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, Prime Minister Decree no. 405 for 2013 on Reorganisation of the National Bank of Yemen and Bank's Articles of Association issued on 5 August 2013, related local laws and regulations and Central Bank of Yemen instructions and, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for The Audit of The Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Board of Directors with a statement that we have complied with the ethical requirements of independence and communicate with them on all relationships and other matters that may reasonably be believed to affect our independence and where relevant protection is possible.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further to the above and as required by the Prime Minister's Decree No.405 of 2013 on Reorganisation of the National Bank of Yemen and the Bank's Articles of Association issued on 5 August 2013, Law No. 38 of 1998 on Banks, the other related laws and the Central Bank of Yemen instructions, we report the following:

- We have obtained all the information we considered necessary for the purposes of our audit,
- The Bank's financial statements have been prepared and comply, in all material respects, with all laws and regulations regulating Bank's business.
- The Bank maintains appropriate accounting records.
- Note 34 to the financial statements of the Bank discloses the significant related parties' transactions. Terms on which these transactions are made and the basis for managing conflicts of interest were clarified.
- We also confirm that based on the information provided to us, nothing has come to our attention that causes us to believe that the Bank has contravened, during the financial year ended 31 December 2021, any provisions of the laws and regulations that regulates the Bank's business that may have a material impact on Bank's activities or financial position.

Aden, on 14 August 2023.

Prof. Dr. Abdulbaset Bagonaid

Member of IASCA

Registered Licensed Auditor No. 661


Responsible Partner - Crowe for Auditing and Consulting




NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN
STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2021

	Note No.	2021 YR' 000	2020 YR' 000
REVENUES			
Activity Revenues:			
Interest on direct credit facilities to customers, net	4	(16,885,843)	(15,090,578)
Interest on due from banks, net	5	11,049	86,696
Commissions and fee income on banking services, net	6	853,424	370,257
Interest on certificates of deposit at Central Bank of Yemen	7	619,226	220,457
Returns from treasury bills		34,338,653	33,745,938
Dividends from investments	8	13,768	16,522
Gain on selling and buying foreign currencies		993,950	88,417
Total Activity Revenues		19,944,227	19,437,709
Other revenues	9	1,799,459	1,262,597
TOTAL REVENUES		21,743,686	20,700,306
EXPENSES			
Employees' related expenses	10	(8,798,274)	(8,469,881)
General and administration expenses	11	(1,570,453)	(1,140,882)
Other expenses	12	(2,078,211)	(2,482,594)
TOTAL EXPENSES		(12,446,938)	(12,093,357)
Re-translation differences on balances in foreign currencies	13	(13,154)	(84,634)
PROFIT FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		9,283,594	8,522,315
Zakat	14	(250,000)	(250,000)
PROFIT FOR THE YEAR AFTER ZAKAT AND BEFORE INCOME TAX		9,033,594	8,272,315
Income tax	15	(1,806,719)	(1,654,463)
PROFIT FOR THE YEAR AFTER ZAKAT AND INCOME TAX		7,226,875	6,617,852
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		-	-
TOTAL OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16	7,226,875	6,617,852

The attached notes 1 to 42 form an integral part of these financial statements


 Mohsen Saeed Ali AlShabahi
 Vice General Manager for
 Banking Departments


 Dr. Ahmed Ali Bin Sankar
 General Manager

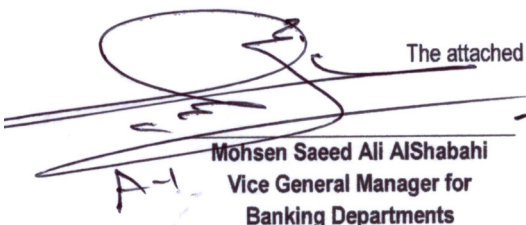

 Dr. Mohammad Husain Halboob
 Chairman

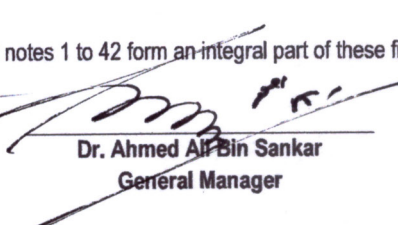


NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	2021	2020
	No.	YR' 000	YR' 000
ASSETS			
Cash on hand and mandatory reserve balances at Central Bank of Yemen	17	43,210,056	31,130,489
Certificates of deposit at Central Bank of Yemen	18	26,000,000	-
Due from banks, net	19	92,982,231	93,456,564
Treasury bills, net	20	208,500,000	208,500,000
Direct credit facilities to customers, net	21	8,160,383	7,055,446
Receivables and other assets, net	22	9,021,283	8,089,175
Investments, net	23	356,560	356,560
Property, plant and equipment	24	7,246,434	4,447,804
Capital work in progress	25	137,486	2,296,068
TOTAL ASSETS		395,614,433	355,332,106
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institutes	26	2,479,218	2,191,246
Customers' deposits	27	335,866,695	298,634,520
Payables and other liabilities	28	11,848,398	16,117,384
Other provisions	29	5,867,937	5,048,670
TOTAL LIABILITIES		356,062,248	321,991,820
EQUITY			
Capital paid	30	20,000,000	17,000,000
Reserves	31	14,493,376	11,707,790
Dividends proposed	16-2	5,058,812	4,632,496
TOTAL EQUITY		39,552,188	33,340,286
TOTAL LIABILITIES AND EQUITY		395,614,436	355,332,106
CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET	32	12,969,993	13,408,070

The attached notes 1 to 42 form an integral part of these financial statements


 Mohsen Saeed Ali AISHabahi
 Vice General Manager for
 Banking Departments


 Dr. Ahmed Ali Bin Sankar
 General Manager


 Dr. Mohammad Husain Halboob
 Chairman



NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN
STATEMENT OF CHANGES IN EQUITY
As at 31 December 2021

	Capital paid	Reserves YR'000	Dividends proposed YR'000	Total YR'000
Balance at 1 January 2021	17,000,000	11,707,790	4,632,496	33,340,286
Comprehensive income				
Profit for the year before Zakat and income tax	-	-	9,283,594	9,283,594
Zakat	-	-	(250,000)	(250,000)
Income tax	-	-	(1,806,719)	(1,806,719)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	7,226,875	7,226,875
Transactions with owner				
Transfer to capital from Government's share in profit for the year retained (Note 28-3):	3,000,000	-	-	3,000,000
Prior year dividends (Note 16-2)	-	-	(4,632,496)	(4,632,496)
Automation Project revaluation Reserves ("BANKS" System)	-	617,524	-	617,524
Transfer from profit for the year to:				
Statutory reserve (Note 31-1)	-	1,084,031	(1,084,031)	-
General reserve (Note 31-2)	-	1,084,031	(1,084,031)	-
Total transaction with owner	3,000,000	2,785,586	(6,800,558)	(1,014,974)
Balance at 31 December 2021	20,000,000	14,493,376	5,058,812	39,552,188
Balance at 1 January 2020	14,000,000	9,722,434	4,242,140	27,964,574
Comprehensive income				
Profit for the year before Zakat and income tax	-	-	8,522,315	8,522,315
Zakat	-	-	(250,000)	(250,000)
Income tax	-	-	(1,654,463)	(1,654,463)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	6,617,852	6,617,852
Transactions with owner				
Transfer to capital from Government's share in profit for the year retained (Note 28-3):	3,000,000	-	-	3,000,000
Prior year dividends (Note 16-2)	-	-	(4,242,140)	(4,242,140)
Transfer from profit for the year to:				
Statutory reserve (Note 31-1)	-	992,678	(992,678)	-
General reserve (Note 31-2)	-	992,678	(992,678)	-
Total transaction with owner	3,000,000	1,985,356	(6,227,496)	(1,242,140)
Balance at 31 December 2020	17,000,000	11,707,790	4,632,496	33,340,286

The attached notes 1 to 42 form an integral part of these financial statements.

Mohsen Saeed Ali AISHabahi
 Vice General Manager for
 Banking Departments

Dr. Ahmed Bin Sankar
 General Manager

Dr. Mohammad Husain Halboob
 Chairman



NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2021

	2021 YR 000	2020 YR 000
OPERATING ACTIVITIES		
Profit for the year after Zakat and income tax	7,226,875	6,617,852
Adjustments for the following:		
Depreciation of property, plant and equipment	642,142	197,971
Provisions:		
Re-translation differences on balances in foreign currencies	615,767	319,055
Made	1,216,108	1,757,737
Written back	(1,486,206)	(1,255,813)
Written off	-	-
Operating Profit Before Changes in Banking Assets and Liabilities Related to Operating Activities	8,214,685	7,636,802
CHANGES IN BANKING ASSETS		
Mandatory reserve balances at Central Bank of Yemen	-	(417,822)
Due from banks maturing in over than three months	-	-
Direct credit facilities to customers before provision for impairment but after suspended interest	(13,820)	(378,393)
Receivables and other assets	(932,108)	11,768,223
Net decrease / (increase) in banking assets	(945,928)	10,972,008
CHANGES IN BANKING LIABILITIES		
Due to banks and financial institutes	287,972	521,014
Customers' deposits	37,232,175	16,985,263
Payables and other liabilities	(4,268,986)	6,724,420
Net increase in banking liabilities	33,251,161	24,230,697
Net Cash Flows from Operating Activities (1)	40,519,918	42,839,507
INVESTING ACTIVITIES		
Treasury bills maturing in over than three months	-	(11,856,184)
Investments	-	(14,768)
Additions to property, plant and equipment	(3,440,772)	(770,349)
Capital work in progress	2,158,582	(160,323)
Net Cash Flows (Used In) Investing Activities (2)	(1,282,190)	(12,801,624)
FINANCING ACTIVITIES		
Dividends proposed	(4,632,496)	(4,242,140)
Capital increase	3,000,000	3,000,000
Net Cash Flows (Used In) / From Financing Activities (3)	(1,632,496)	(1,242,140)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)	37,605,233	28,795,743
Cash and cash equivalents at 1 January	105,430,055	76,634,312
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Note 33)	143,035,288	105,430,055

The attached notes 1 to 42 form an integral part of these financial statements.

Mohsen Saeed Ali AISHabahi
 Vice General Manager for
 Banking Departments

Dr. Ahmed Ali Bin Sankar
 General Manager

Dr. Mohammad Husain Halboob
 Chairman



NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2021

1. BACKGROUND

1.1. Incorporation

The National Bank of Yemen (the Bank) was incorporated in Aden in 1969 in accordance with Law No. 37 of 1969 that is amended by Law No. 36 of 1972 which both got cancelled in accordance with provisions of Law No. 22 of 1997 on Commercial Companies, Law No. 8 of 1998 on Banks and Law No. 21 of 1996 on Islamic Banks amended by Law No. 16 of 2009.

The Bank's status was amended in accordance with Prime Minister Decree No. 405 of 2013 on Reorganisation of the National Bank of Yemen issued on 5 August 2013, upon which the Article of Association of National Bank of Yemen was issued, as until that date it was operating in accordance with Law No. 35 of 1991 on Authorities, Corporations and Public Companies.

The Bank is wholly owned by the Yemeni State and is registered under commercial registration number 1748 and in Chamber of Commerce under no. 2404. It enjoys a corporate personality of a financial and administrative independency and is subject to supervision of the Minister of Finance in accordance with Article No. 3 of Prime Minister Decree No. 405 of 2013 on Reorganisation of the National Bank of Yemen.

The Bank's Head Office and legal place is located in Aden City and it can establish branches, agencies or offices inside or outside the Republic upon a license from Central Bank of Yemen after the approval of National Bank of Yemen Board of Directors in accordance with Article No. 4 of the same Decree.

1.2. Activity

The Bank is one of the biggest Yemeni commercial banks and is a primary contributor in the economic and social development in Yemen. It provides banking services to individuals and companies and treasury and investment management. The Bank's Head Office is located at Queen Arwa Street and its postal address is P. O. Box 5, Crater, Aden, Republic of Yemen.

1.2.1. The Year Ended 31 December 2021

During the year, the Bank continued doing business through its Head Office in Aden City and its branches in a number of governorates of the Republic of Yemen under the management of a Board of Directors of 8 members headed by Dr. Muhammad Hussein Halboub - Chairman, appointed under Republican Decree No. 12 of 2017 dated 28 January 2017, and an executive management team headed by Dr. Ahmed Ali Omar bin Sankar- General Director, appointed under Prime Minister Resolution No. 7 of 2017 dated 29 January 2017.

During the period February 2021-26 December 2021 the Board of Directors held 17 periodic and exceptional meetings.

As at 31 December 2021, number of Bank's branches continuing in business under the authority and control of Bank's Head Office-Aden reached 25 commercial branches and 3 offices with 966 employees - 954 permanent and 21 contracted (31 December 2020: 25 commercial branches and 3 offices with 875 employees - 862 permanent and 13 contracted). The number of Bank's branches continuing in business but out of the authority and control of the Bank's Head Office-Aden were 3, i.e., Sana'a Branch, Al-Hodeida Branch and the Islamic Branch, with 98 employees - 90 permanent and 8 contracted as at 31 July 2019 (31 December 2020: 3 branches with 98 employees - 90 permanent and 8 contracted as at 31 July 2019).

1.2.2. Significant Events

- Inaugurating the Modern Banking "BANKS" System

On 2 February 2020, the Bank's Head Office - Aden inaugurated the "Go Live" stage of the "BANKS" System at the Bank's Head Office and the two branches Al-Aydarous and Queen Arwa in conjunction with the 50th memorial of establishing the Bank and were followed by Little Aden Branch on 1 November 2020. In the year 2021, the System was inaugurated in 8 branches. The implementation of this project comes in accordance to an agreement signed on 22 May 2017 with ICSFS, Amman - Jordan for the purchase, supply of systems and programs, application and training for "Banks" System. The tender was awarded to the company according to the Higher Tender Committee Resolution No. 61 of 2014 for the implementation of Part Two of Bank's Development and Modernization Project - Installing and Operating Information Technology Equipment and Programs which the Bank is implementing, self-financed, with the aim of enhancing the Bank's efficiency and competitiveness and maximizing profitability. The Bank had signed a contract with an international consulting firm on 20 December 2006 to implement the first part of the Project.

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- Covid-19 Pandemic

Early 2020, the world witnessed the spread of the Covid-19 Virus, which caused death of thousands of people around the world and led to the imposition of quarantine, the closure of several cities and countries, decrease in transport, travel and trade between and within countries and a global economic recession. On 11 March 2020, the World Health Organisation (WHO) declared Covid- 19 Virus a world-wide pandemic and recommended with national health ministries, several measures to preserve the health of employees and support the prevention of contagion in their administrative and operational places, such as working from home, reducing work shifts in operation areas to minimise number of commuting workers, rigorous cleaning in workplaces, distribution of personal protective materials, testing of suspected cases and measuring body temperature.

At the local level, the Yemeni Banks Association issued on 28 March 2020 a comprehensive plan for banks to confront the Corona Virus crisis that comprised the following areas: a) preventive measures, b) remote work continuity plan, c) technological requirements for working remotely and ensuring business continuity, d) Providing customers' needs with a focus on the basic and necessary priorities of the Country, e) recommendations on the role assigned to the Central Bank in providing incentives to support the banks' plans to confront the Corona Virus crisis.

In the year 2021, the precautions , preventive measures and controls were continued to be applied to maintain the employees' health and to limit the spread of infection, transportation in and between governorates of the Republic got limited, the social distancing measures were applied and the number of office hours were reduced at working places , which affected the performance, as the circumstances in the Bank required providing personal protection and cleanness materials to employees working in the Bank and paying aid to employees inside Yemen and those who are abroad in assignments related to the Bank (Note 12-2) during the period. Also, Bank's performance with regard to implementing of the new banking system and the revaluation of Bank's land and buildings were affected in addition to the delay of external audit procedures for the year 2020..

- Management Approval on Bank's Audited Financial Statements for the Year Ended 31 December 2020

On 15 May 2022, the management approved the Bank's audited financial statements for the year ended 31 December 2020 on which the Independent Auditors expressed a qualified audit opinion. The reason for this opinion was the inability to obtain a confirmation from the Central Bank of Yemen on the Bank's mandatory reserve balance as of 31 December 2020. Later, the Board of Directors held a meeting in its capacity as the General Assembly and approved the financial statements in light of the independent auditors' qualified report, which was later amended based on confirmations from the Central Bank of Yemen.

- Year's Results

In the light of continuing political and security instability in the Country since the outbreak of the war in April 2015 and their various repercussions, the deterioration of the local currency rate, the reduction transactions volume locally and abroad, the difficulty of communication with some correspondent banks, the limited opportunities for internal and external investment due to the existing regional and international conditions and the exit of Bank's branches in Sana'a and Al-Hodeida from the authority and control of Bank's Head Office in Aden. Management believes that despite the difficulty to predict the impact of circumstances on the financial statements and management's estimates concerning the fair value of Bank's assets and liabilities and the financial plans prepared for the subsequent period, the Bank will continue in business as a going concern in the foreseeable future. Therefore, the Bank's financial statements were prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. New Or Amended Accounting Standards and Interpretations Adopted

The Bank has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2.2. Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') in

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addition to provisions of Central Bank of Yemen circulars.

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of certain classes of property, plant and equipment and financial assets at fair value through other comprehensive income. The Bank does not carry any financial assets or liabilities at fair value through profit or loss.

Critical Accounting Estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.3. Discontinued Operations

In June 2019, the Bank's branches in Sana'a and Al-Hodeida (two commercial branches and an Islamic branch) exited out of the authority and control of the Bank's Head Office - Aden. The Bank and the Central Bank of Yemen / Aden published a warning announcement on that regard on 24 and 26 December 2019.

Due to the continuity of those branches in operation under the name and logo of the Bank independently and management's belief that their situation can be resolved in the future, the management did not apply the requirements of IFRS 5- "Non-current Assets Held for Sale and Discontinued Operations" which defines discontinued operations as a component of an entity that has either been excluded or classified as held for sale, and represents major business line operations, a separate geographical area, or part of a single plan coordinated to exclude a line of business, a separate geographical area or a subsidiary facility acquired only with a resale perspective since the definition of the Standard does not apply on the status of those branches.

Therefore, the accounts of the Bank's two commercial branches in Sana'a and Al-Hodeida as at 31 July 2019 are presented, independently, in the notes to the Bank's financial statements, based on the last trial balance obtained by Bank's Head Office- Aden from the two branches dated 31 July 2019, while the accounts of the same branches as in the records of Bank's Head Office -Aden for the period 1 August - 31 December 2019 are presented as suspended accounts balances because the Bank's Head Office -Aden did not obtain any financial reports on them from the two branches. As for the Islamic Branch, which represents an independent entity of the Bank according to the requirements of the Central Bank of Yemen, its balance is presented as at 25 December 2019 which is the date of the last transaction recorded for this branch in the records of the Bank's Head Office -Aden in the light of the fact that this branch did not submit any financial reports to Bank's Head Office - Aden for the period 1 January - 31 December 2019.

2.4. Translation Of Foreign Currencies

- The Bank maintains its accounting records in Yemeni Rial which is the Bank's functional and presentation currency.
- Transactions denominated in foreign currencies or required to be paid in foreign currencies are initially recorded in Yemeni Rial according to exchange rate ruling at date of the transactions.
- All monetary assets and liabilities denominated in foreign currencies at year end are re-translated at exchange rate ruling at reporting date. Non-monetary items measured at historical cost in foreign currencies are re-translated using exchange rate ruling at transaction date. Non-monetary items measured at fair value are re-translated using exchange rate ruling when determining fair value and its recognition in equity. Differences on re-translation of balances in foreign currencies are included in profit or loss.
- The Bank does not deal in forward foreign exchange contracts.

2.5. Revenue Recognition

The Bank recognises revenue from contracts with customers based on a five-step model as set out in 'IFRS 15 – Revenue from Contracts with Customers' as follows:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and set out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligations is a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which an entity expects to be

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entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation

Activity Revenues

Activity revenues of the Bank are represented by revenues of banking activity as determined by Article No. 2-h of Law No. 38 of 1998 on Banks.

The Bank recognizes activity revenues as follows:

- Interest received on direct credit facilities and paid for customers' deposits: on accrual basis using the effective interest rate method which is established on initial recognition of the financial asset / liability and is not revised subsequently. In compliance with Central Bank of Yemen instructions in its circular no. 6 of 1996, the revenue on interest on credit facilities which passed due time three months or more are not recognised until actually collected.
- Commission and fee income on banking services such as issuing letters of credit and letters of guaranty, etc.: when earned.
- Gain on selling foreign currencies: when earned.
- Dividends from investments: when the right of the Bank to receive payment is established.
- Interest on certificates of deposit at Central Bank of Yemen and returns on treasury bills: based on maturity period.
- Interest on due from banks: when the right of the Bank to receive payment is established.

Other Revenues

All other revenues are recognised when received or the right to be received is established.

2.6. Employees' Benefits

Regular Leave

An employee is entitled of a regular leave with full salary on each year of actual service that is not less than 30 days. If have passed the age of 50 the employee could obtain a regular leave for 45 days. Eid days and official holidays are not included in the regular leave in accordance with Article No. 53 of Law No. 19 of 1991 on Civil Service. Enjoying this leave is compulsory in year of entitlement and should not accumulate to more than 90 days at maximum in accordance with Article No. 54 of the same law. The amount of the leave is paid in cash to Bank's employees whose duties require continuing to work throughout the year.

Social Insurance

Bank employees' contribution for social insurance is calculated in accordance with Law No. 25 of 1991 on Social Insurance. The Bank deducts this contribution directly from employees' salaries and pays it on their behalf to the General Authority for Insurance and Pensions in accordance with Authority's procedures. Bank's annual contribution in social insurance is included in "employees related expenses".

End of Service Benefits

The Bank provides end of service benefits to it employees since 2015. It is represented by employee's 3 months' salary according to last payroll sheet when retired.

2.7. Leases

Lease contracts entered by the Bank are annual rent contracts to use buildings for Bank's branches and apartments for some of Bank's employees. The Bank recognizes lease payments as an expense in the statement of profit or loss on a straight-line basis over the lease term as permitted by IFRS 16 "Leases".

2.8. Zakat

The Bank pays Zakat amount for the year in accordance with claims of General Department for Zakat-Dues / Aden and obtains clearance letter from it on payment for the year. Donations and gifts paid upon management's decision are stated in general and administrative expenses.

2.9. Taxes

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Income Tax On Trade And Industry Profits

The amount of this tax is calculated at 20% in accordance with Law No. 17 of 2010 on Income Tax, its bylaw no. 508 of 2010 and orders effective in the Republic of Yemen and is paid in accordance with Tax Authority procedures.

The Bank does not pay tax on provisions for losses / impairment of direct credit facilities (and suspended interests) and indirect credit facilities it makes in compliance with Central Bank of Yemen instructions in accordance with Article No. 85 of Law No. 38 of 1998 on Banks and Article No. 14-a-2 of Law No. 17 of 2010 on Income Tax.

In accordance with Article No. 19-a of Law No. 17 of 2010 on Income Tax, the Bank, "If the account of one year subject to tax was closed with a loss and it has provided its tax declaration as approved by a licensed chartered accountant based on proper books and accounts, could carry this loss on expenses of the year following the year of loss and deduct it from its profit. If profit is not enough to cover the whole loss, the rest of the loss is to be transferred to the next year and so on until the fifth year of starting the deduction". The provision of this article "does not apply on the losses carried by the Bank in the tax year and prior years, if there is a 100% change in ownership of capital in accordance with Article No. 19-b of the same law.

Payroll Tax

The instead amount of this tax is calculated in accordance with Law No. 17 of 2010 on Income Tax, its bylaw no. 508 of 2010 and orders effective in the Republic of Yemen. The Bank deducts this tax directly from employees' salaries and pays it on their behalf to the Tax Authority in accordance with Authority's procedures.

Other Taxes

Other taxes are calculated in accordance with effective related taxes laws.

2.10. Basic Earnings Per Share

Basic earnings per share is calculated by dividing the comprehensive profit for the year by the weighted average number of ordinary shares during the year.

2.11. Profit Distribution

In accordance with Article No. 10-a of the Bank's Article of Association, the net profit after Zakat and tax is distributed as follows:

- 15% Statutory reserve;
- 15% General reserve;
- 60% Government's share in excess of profit;
- 10% Employee's incentives as per their activity in accordance with performance reports based on a recommendation of Bank's management and approval of Board of Directors.

2.12. Current And Non-Current Classification

An asset is classified as current when: it is either expected to be realized or intended to be sold or consumed in the Bank's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realized within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in the Bank's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

2.13. Cash And Cash Equivalents

Bank's cash and cash equivalents are represented by cash on hand and balances at the Central Bank (except mandatory reserve), current accounts and short term fixed deposits due from banks and treasury bills and certificates of deposit at Central Bank maturing in three months from its issuance date.

2.14. Mandatory Reserve with Central Bank of Yemen

This reserve represents the minimum limit of balances the Bank has to maintain at Central Bank of Yemen against customers' deposits at the Bank in local currency and foreign currencies and is calculated on the basis of the average deposit balances during the week at 7% on deposits in local currency and 20% on deposits balances in foreign currencies in accordance with Central Bank of Yemen circular no. 4 of 2009 on Weekly Reporting on Calculating the Mandatory Reserve on Deposits. The

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percentage of this reserve on all deposits in foreign currency with the bank has been reduced to 10% in accordance with Article No. 1 of the Governor of the Central Bank of Yemen Decision No. 3 of 2011 regarding the reserve in foreign currencies. The Central Bank does not give interest on this reserve and it is not available for the Bank's daily use.

2.15. Certificates of Deposit at Central Bank of Yemen

These accounts represent a public debt instrument subscribed at Central Bank of Yemen. They are stated at nominal value and revenue on them is defined by the period of maturity, interest rate and commission as determined by Central Bank of Yemen / Aden.

2.16. Treasury Bills

These accounts represent a public debt instrument issued by the Central Bank of Yemen on behalf of the Ministry of Finance. They are stated at net value and revenue on them is defined by the period of maturity and return rate as determined by Central Bank of Yemen/ Aden. Treasury bills which mature in a period not more than three months are considered part of cash and cash equivalents in accordance with Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended).

2.17. Due From Banks

These accounts are represented by Bank's current accounts and fixed deposits at other banks and are stated at amortised cost. The provision for impairment is calculated using the simplified approach to measure expected credit losses - one stage over the life of the instrument.

2.18. Direct Credit Facilities

These accounts are represented by short term loans and overdraft facilities to Bank's customers in public and private sectors and individuals. They are stated net of relevant provision for impairment and suspended interest in accordance with Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended). Impairment of these credit facilities are recognised in accordance with several indicators as defined in Central Bank of Yemen circular no. 6 of 1996, its annex circular no. 5 of 1998 and its annex circular no. 8 of 2015 on Classification of Credit Facilities and the Way to Calculate Required Provisions and Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended) including the following:

- The amount of difference between the size of customer's deposits and cash flows in his accounts at the Bank and the return due from the debt for a certain period of time;
- The amount the customer is exceeding on the authorised limit of facility granted to him for a certain period of time;
- The period of customer's delay in payment of the debt on agreed installment or interest; and
- Occurrence of defect in the customer's financial position resulting in negative net equity.

Provision for impairment on these facilities is calculated after deducting suspended interest and cash or bank guarantees of high quality that can get liquefied in a short term in same currency of direct credit facility in accordance with rates determined by the relevant Central Bank of Yemen circulars.

The Bank applies the requirements of IFRS 9 - Financial Instruments since 1 January 2018, in line with the Central Bank of Yemen circulars regarding direct credit facilities issued in prior periods due to not obtaining any instructions or circulars issued by Central Bank of Yemen on IFRS 9 - Financial Instruments, as follows:

- Stages of impairment recognition:

Impairment stages	Exposure to credit risk	Default payment indicator	Recognition of expected credit loss
First	Not materially high since initial recognition or of low credit risk	Less than 30 days	For 12 months
Second	Materially high since initial recognition or no subjective evidence of impairment	30 days and less than 90 days 90 days and less than 180 days 180 days and less than 360 days	For debt life
Third	There is subjective evidence of impairment	360 days or more	For debt life

- Credit classification categories and provision type:

Impairment	Credit classification category	Provision rate	Provision type
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stages

First	Performing	2%	General
	Under performing-1: Under watch	2%	
Second	Under performing-2: Substandard	15%	Specific
	Under performing-3: Doubtful	45%	
Third	Impaired	100%	Specific

- Suspended interest (uncollected interest): The Bank includes the interest on direct credit facilities that have passed due three months or more and not been paid marginally under suspended interest. They are not carried to customers' accounts receivable and are not credited to profit or loss unless collected and after the principal has been collected.

2.19. Receivables

These accounts are mainly represented by amounts due to the Bank from its employees or other entities and are presented at amortised cost. The provision for impairment is calculated using the simplified approach to measure expected credit losses - one stage over the life of the instrument.

2.20. Investments

The Bank holds investments at fair value through other comprehensive income represented by shares in capital of financial and commercial entities not exceeding 17% from the capital of any if them. These accounts are stated at fair value including purchase price and costs associated with their acquisition. Changes in fair value are recognized, upon notice from the investment entity, in other comprehensive income and then transferred to the related reserve. The Bank provides for impairment when it is not possible to receive dividends and the investment is incurring accumulated losses in accordance with the latest available financial statements of investment.

2.21. Property, Plant and Equipment

Bank's lands and buildings are stated at revaluation amount. Plant and equipment are shown at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected productive lives using the rates set forth in the Council of Ministers Resolution No. 144 of 1999 on this regard as shown below:

Item	Depreciation Rate
Buildings	2%
Vehicles	20%
Furniture and equipment – safes	10-2%
Swift and computer hardware and software	20%
Land	Not depreciated
Improvements to leasehold property	Years of lease or estimated useful life whichever is lower.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Bank. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Bank's lands and buildings are revalued with the help of an independent advisory firm every five years since 2007 in the light of the situation the Country is going through. The recognition of re-valuation results and their inclusion in the Bank's records require the approval of the Central Bank of Yemen.

2.22. Capital Work in Progress

These assets are represented by construction and procurement projects relevant to the Bank whose implementation has started but not been completed, yet, as at reporting date. It is stated at cost which includes all related expenses such as professional fees and amounts paid to developer or implementer. It is transferred to property, plant and equipment and becomes subject to depreciation or to the appropriate account when ready for use.

2.23. Due to Banks and Financial Institutes

These accounts are represented by fixed deposits and current accounts of other banks and financial institutions at the Bank.

2.24. Customer Deposits

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These accounts are mainly represented by current accounts, saving accounts and fixed deposits of Bank's clients in public and private sectors and individuals.

2.25. Payables

These accounts are mainly represented by amounts due from the Bank to its employees or other entities.

2.26. Other Provisions

Other than the provisions made by the Bank for impairment of financial and non-financial assets, the Bank recognises other provisions when it has an obligation (legal or constructive) arising from a past event, and the Bank may be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

2.27. Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market. Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair Value of Investments

Year	Level one YR'000	Level two YR'000	Level three YR'000	Total YR'000
2021	-	-	356,560	356,560

2.28. Reserves

Statutory Reserve and General Reserve

In accordance with Article No. 10-2 of Bank's Article of Association, the Bank has to maintain a statutory or general reserve or both together until reserve balance is double the authorised capital for the Bank. The Bank has to stop deducting and calculating reserve when reaching such limit.

Such percentage could be increased upon the recommendation of management, approval of the Board Directors and acceptance of the Minister. In accordance with Article No. 10-3 of the Bank's Article of Association the Bank may use the general reserve to increase capital or develop Bank's activities and raise its efficiency, based on Bank's management recommendation and Board of Directors and Minister approval.

Surplus on Revaluation of Property, Plant and Equipment Reserve

This reserve includes the difference between fair value and book value of Bank's lands and buildings which were revalued for the first time on 1 December 1999 effective as at 31 December 1999 by an independent specialised firm. In accordance with IAS 16, the cost and related accumulated depreciation as at that date were eliminated based on revaluation results and the revaluation amount has been considered the new gross book carrying amount. Surplus was added to this reserve.

Cumulative Change in Fair Value Reserve

This reserve includes the cumulative net change in the fair value of Bank's investments at fair value through other comprehensive income that are still recognised in the Bank's financial statements. This reserve is maintained until these

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investments are sold, disposed or impaired. Fair value gains or losses in this reserve represent non-distributable profits and it is part of restricted equity, which also includes share capital and revaluation reserve.

2.29. Contingent Liabilities, Commitments and Contra Accounts

These accounts are represented by contractual amounts for the purpose of providing funds to a customer when necessary. They are not included in the statement of financial position as they are not actual assets or liabilities of the Bank at the reporting date but get converted from a contingent liability to a direct obligation in the future and the Bank is obliged to pay the amounts due on behalf of the customer, only, when the customer defaults on the terms of the contract. These accounts are stated at unamortised value (net value after deducting the corresponding cash security) in accordance with the Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended).

Indirect Credit Facilities

These accounts are represented by local and foreign letters of guaranty and letters of credit - import and export. The Bank makes general or specific provisions for the value not covered with cash security of all these accounts in compliance with the requirements of IFRS 9- Financial Instruments on the 'expected credit loss' model.

Other Contingent Liabilities and Commitments

These accounts are represented by accepted securities on suppliers' facilities, re-discounted bills, non-cancellable credit grants or whose cancellation would result Bank incurring significant fines or expenses, commitments for differed foreign exchange contract and interest rate contracts etc.

Contra Accounts

These accounts are represented by securities that do not entail any contingent liability to the Bank, as the Bank is not a party of, and its responsibility is restricted to the custody of them, such as cheques, bills deposited for collection, bills deposited for insurance and securities deposited for guarantee or as free deposit. These are maintained in regular record books to register value and are reviewed and adjusted in accordance with sound systems and proper control.

2.30. Related Party Transactions

In its normal course of business, the Bank conducts transactions with other entities that fall in the definition of related parties as comprised in the International Accounting Standard 24 - Related Party Disclosures. A related party is a person or entity that is able to control or exercise significant and material influence over the Bank's financial and operating decision making process. The Bank discloses in its financial statements on transactions made with related parties such as Board of Directors, senior management, their families and companies in which they own 25% or more of its share capital. The Bank deals with related parties at the same basis it deals with others in accordance with provisions of Law No. 38 of 1998 on Banks and interpretation of Central Bank of Yemen in its circular no. 4 of 1999 on Lending Related Parties and Their Related Interest. The pricing policies and terms of these transactions are subject to Bank's management approval. (Note 34).

2.31. Offsetting The Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the resultant net balance is reported in the statement of financial position, if and only if, there is a legally enforceable right to offset the recognised amounts and there is intention for either settlement on a net basis or an asset to be realised and a liability settled simultaneously

2.32. Fiduciary Assets

Assets held in trust are not treated as assets of the Bank. Therefore, they are not included in the financial statements of the Bank.

2.33. Rounding of Amounts

Amounts in this report have been rounded off to the nearest thousand Yemeni Riyal, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of the financial assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience of the Bank and various other factors the Bank believes are reasonable under the circumstances, the results of which form the basis of making the judgments made about the carrying values of assets and liabilities that are not readily apparent from other sources. Therefore, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed

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on a regular basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Key judgment, estimates and assumptions are subject to management approval.

Management Estimates

Estimates considered by Bank's management to have a significant risk of material adjustment in subsequent periods primarily comprise provisions for impairment of direct credit facilities.

When determining the provisions for direct credit facilities, the Bank takes into consideration several factors including: the overall customer's financial position; risk percentage i.e., the ability of the customer to conduct profitable business activities and collect enough income to enable him pay the debt; value of the collateral and possibility of transferring its ownership to the Bank; and cost of settling the debt.

4. INTEREST ON DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

	2021 YR'000	2020 YR'000
Interest on direct credit facilities to customers (Note 4-1)	774,733	762,508
Cost of customers' deposits (Note 4-2)	(17,660,576)	(15,853,086)
	<u>(16,885,843)</u>	<u>(15,090,578)</u>

4.1. Interest on Direct Credit Facilities to Customers

	2021 YR'000	2020 YR'000
Short term loans	529,044	472,621
Overdraft facilities	245,689	289,887
	<u>774,733</u>	<u>762,508</u>

4.2. Cost of Customers' Deposits

	2021 YR'000	2020 YR'000
Fixed deposits	(13,564,578)	(11,951,639)
Saving accounts	(4,095,998)	(3,901,447)
	<u>(17,660,576)</u>	<u>(15,853,086)</u>

5. INTEREST ON DUE FROM BANKS

	2021 YR'000	2020 YR'000
Foreign banks:		
Fixed deposits	5,023	63,432
Current accounts	6,026	23,264
	<u>11,049</u>	<u>86,696</u>

6. COMMISSIONS AND FEE INCOME ON BANKING SERVICES, NET

	2021 YR'000	2020 YR'000
Commissions and fee income on banking services (Note 6-1)	870,883	402,851
Commissions and fee expenses on banking services (Note 6-2)	(17,459)	(32,594)
	<u>853,424</u>	<u>370,257</u>

6.1. Commissions and Fee Income on Banking Services

	2021 YR'000	2020 YR'000
Commissions:		
Cheques and money transfer	130,929	90,275
Letters of credit	59,475	84,068
Letters of guaranty	51,495	24,282

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Collection policies and export drafts	772	-
Fees:		
Fixed deposits	140,225	112,458
Current accounts	19,406	15,776
Postage, fax and swift	5,005	13,608
Others	463,576	62,384
	870,883	402,851

6.2. Commissions and Fee Expenses on Banking Services

	2021 YR'000	2020 YR'000
Commissions - foreign banks	(17,459)	(32,592)
Charges on printing Central Bank of Yemen sheets	-	(2)
	(17,459)	(32,594)

7. INTEREST ON CERTIFICATES OF DEPOSIT AT CENTRAL BANK OF YEMEN

	2021 YR'000	2020 YR'000
Interest receivable	619,226	207,865
Central Bank of Yemen:		
Commission	-	(4,725)
Additional interest	-	17,317
	619,226	220,457

8. DIVIDENDS FROM INVESTMENTS

	2021 YR'000	2020 YR'000
ALUBAF Arab International Bank - Bahrain (Note 8-1)	13,768	16,522
Yemen Mobile Company - Yemen (Note 8-2)	-	-
Arab Financial Services Company - Bahrain (Note 8-3)	-	-
	13,768	16,522

8.1. ALUBAF Arab International Bank - Bahrain

In March 2021, the Bank received the dividend amount of USD 34,420 according to the latest financial statements available of the investment as at 31 December 2020.

8.2. Yemen Mobile Company - Yemen

During the year ended 31 December 2021, the Bank did not receive dividends from this investment for the year 2020 nor received any response from it on that regard.

8.3. Arab Financial Services Company - Bahrain

During the year ended 31 December 2021, the investment did not pay dividends for the three years 2020, 2019 and 2018 and that the total amount of dividends due to the Bank not paid for the period from 2015 to 2017 is USD 11,761.

9. OTHER REVENUES

	2021 YR'000	2020 YR'000
Written back provision for:		
Impairment of direct credit facilities (Note 21-2)	1,425,503	1,052,652
Indirect credit facilities (Note 29-3)	-	203,161

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Prior year revenues	261,900	5,163
Surplus cash with tellers'	51,353	
Others	-	1,621
Differences in currencies revaluation	60,703	-
	1,799,459	1,262,597

10. EMPLOYEES' RELATED EXPENSES

	2021 YR'000	2020 YR'000
Basic salaries and wages	3,165,751	2,959,374
Allowances and benefits	2,752,383	2,586,306
Bonuses and incentives	2,180,575	2,289,283
Employees regular leave (Note 28-1-2)	250,000	250,000
Bank's contribution in social insurance	206,589	188,735
End of service benefits (Note 28-1-1)	156,212	146,419
Professional Training Fund	49,666	40,462
Qualification and Training (Note 10-1)	21,273	9,302
Prior years expenses (Employees' entitlements)	15,825	-
	8,798,274	8,469,881

10.1. Qualification and Training

	2021 YR'000	2020 YR'000
Academic and professional qualification- Bank:		
External	-	4,939
Internal	21,273	4,363
	21,273	9,302

11. GENERAL AND ADMINISTRATION EXPENSES

	2021 YR'000	2020 YR'000
Guarding and security	352,440	328,723
Maintenance and repairs	209,954	187,720
Fuel and oil - vehicles and generators	214,042	99,051
Local and abroad transport	161,263	93,481
Electricity and water	95,622	87,447
Advertisement and publishing	65,943	56,775
Postage, communication, swift and internet	63,277	55,119
Stationery and printing	62,881	49,956
Rent	40,262	35,499
Professional and consultancy fees	27,944	29,231
Prescriptions	19,487	25,491
Hospitality and reception	32,049	25,429
Donations and gifts	164,492	22,489
Insurance	28,332	20,334
Information technology	1,852	2,979
Public charges	2,072	1,611
Other	28,541	19,547
	1,570,453	1,140,882

12. OTHER EXPENSES

NATIONAL BANK OF YEMEN
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 For The Year Ended 31 December 2021

	2021 YR'000	2020 YR'000
Provisions made during the year (Note 12-1)	1,221,718	1,757,737
Prior years expenses	16,223	361,907
Depreciation of property plant and equipment (Note 24)	642,142	197,971
Corona Virus epidemic related expenses (Note 12-2)	188,875	143,000
Judicial expenses	9,253	3,898
Others	-	18,081
	<u>2,078,211</u>	<u>2,482,594</u>

12.1. Provisions Made During the Year

	2021 YR'000	2020 YR'000
Impairment of direct credit facilities (Note 21-2)	397,507	891,318
Contingent claims (Note 29-1)	500,000	500,000
Fees on annual subscription in Bank Deposit Insurance Corporation (12-1-1)	365,657	365,657
Indirect credit facilities - General (Note 29-3)	-	512
Operational risks	-	250
Capital works provisions	5,610	-
Differences in currencies revaluation	(47,056)	-
	<u>1,221,718</u>	<u>1,757,737</u>

12.1.1. Fees on Annual Subscription in Bank Deposit Insurance Corporation

During the year ended 31 December 2021, the Bank did not receive a claim from the Bank Deposit Insurance Corporation on such fees in accordance with Article No. 16 of Law No. 21 of 2008 on Bank Deposit Insurance Corporation. Therefore, it made an estimated provision on total clients' deposits with the Bank in case of any future claims. The Bank pays these fees in accordance with Article No. 12-2-b of the same law.

12.2. Corona Virus Epidemic Related Expenses

	2021 YR'000	2020 YR'000
Aid to employees:		
Inside Yemen	188,875	115,940
Outside Yemen	-	3,672
Personal protection and hygiene materials	-	23,388
	<u>188,875</u>	<u>143,000</u>

13. RE-TRANSLATION DIFFERENCE ON BALANCES IN FOREIGN CURRENCIES

	2021 YR'000	2020 YR'000
Gain on re-translation of debt balances in foreign currencies	-	26,900
(Loss) on re-translation of credit balances in foreign currencies	(13,154)	(111,534)
	<u>(13,154)</u>	<u>(84,634)</u>

14. ZAKAT

	2021 YR'000	2020 YR'000
Balance at 1 January	10,000	5,000
Made for the year	250,000	250,000
(Paid) during the year for prior year	(151,393)	-
Balance at 31 December	<u>108,607</u>	<u>10,000</u>

During the year ended 31 December 2021, the Bank could not complete paying Zakat amount. In a subsequent period, the Bank obtained a clearance on paying Zakat for the year (Note 41-3) (2020: The Bank completed paying Zakat amount for 2020 on Bank's branches in Aden, Taiz, Hadramout and the Head Office, and obtained a clearance on payment dated 22 March 2021. It

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also paid Zakat amount for 2019 on Hodeida Branch and the increase defined on Hadramout Branches as per claim of General Department for Zakat-Dues.

15. INCOME TAX

	2021 YR'000	2020 YR'000
Balance at 1 January	1,969,513	1,515,050
Made for the year	1,806,719	1,654,463
(Paid) during the year - for the year 2019	(315,050)	-
(Paid) during the year - for the year 2020	(1,654,463)	(1,200,000)
Balance at 31 December	<u>1,806,719</u>	<u>1,969,513</u>

16. COMPREHENSIVE INCOME FOR THE YEAR

For the year ended 31 December 2021 the Bank made a total comprehensive income (excess profits) of YR'000 7,226,875 (2020: comprehensive income of YR'000 6,617,852).

16.1. Basic Earnings Per Share

		2021	2020
Comprehensive income for the year	YR'000	7,226,875	6,617,852
Weighted average number of shares	1000 shares	20,000	17,000
Basic earnings per share	YR	<u>361</u>	<u>389</u>

16.2. Proposed Dividends

	2021 YR'000	2020 YR'000
Balance at 1 January	4,632,496	4,242,140
Comprehensive income for the year	7,226,874	6,617,852
Government's share in prior year's profit- retained (Note 28-3)	(3,970,713)	(3,636,120)
Employees' share in prior year's profit	(661,783)	(606,020)
Balance distributable for the year	7,226,874	6,617,852
Transfer to statutory reserve during the year	(1,084,031)	(992,678)
Transfer to general reserve during the year	(1,084,031)	(992,678)
Balance at 31 December	<u>5,058,812</u>	<u>4,632,496</u>
Proposed dividends for current year:		
Government's share	4,336,125	3,970,711
Employees' share	722,687	661,785
Total proposed dividends	<u>5,058,812</u>	<u>4,632,496</u>

17. CASH ON HAND AND MANDATORY RESERVE BALANCES AT CENTRAL BANK OF YEMEN

	2021 YR'000	2020 YR'000
Cash on hand:		
Foreign currencies	18,655,700	7,775,810
Local currency	5,397,357	4,197,680
Total cash on hand	<u>24,053,057</u>	<u>11,973,490</u>
Mandatory reserve balances at Central Bank of Yemen: (Note 17-1)		
Local currency	10,800,555	10,800,555
Foreign currencies	8,356,444	8,356,444
Total mandatory reserve balances at Central Bank of Yemen	<u>19,156,999</u>	<u>19,156,999</u>
	<u>43,210,056</u>	<u>31,130,489</u>

17.1. Mandatory Reserve At Central Bank Of Yemen - Local Currency

As at 31 December 2021 the Bank could not obtain a confirmation from Central Bank of Yemen on its mandatory reserve balance. In a subsequent period, the Bank obtained a notice from Central Bank of Yemen/ Aden on a mandatory reserve

NATIONAL BANK OF YEMEN
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balance.

18. CERTIFICATES OF DEPOSIT AT CENTRAL BANK OF YEMEN

	2021 YR'000	2020 YR'000
Certificates of deposit per period		
90 days	11,000,000	-
180 days	15,000,000	-
	26,000,000	-

19. DUE FROM BANKS, NET

	2021 YR'000	2020 YR'000
Local banks:		
Central Bank of Yemen (Note 19-1)	59,402,312	62,024,979
Other local banks (Note 19-2)	709	709
Total due from local banks	59,403,021	62,025,688
Foreign banks (Note 19-3)	33,587,543	31,668,883
Provision for impairment (Note 19-4)	(8,333)	(238,007)
	92,982,231	93,456,564

19.1. Central Bank of Yemen

	2021 YR'000	2020 YR'000
Current accounts:		
Foreign currencies	43,507,852	43,261,747
Local currency	15,289,413	18,187,693
Suspended entries for the years 1990 and 1996 Sana'a and Al-Hodeida Branches	59,015	29,507
	546,032	546,032
	59,402,312	62,024,979

19.2. Other Local Banks

	2021 YR'000	2020 YR'000
Commercial current accounts	298	298
Islamic Investment deposits	272	272
Sana'a Branch	139	139
	709	709

19.3. Foreign Banks

	2021 YR'000	2020 YR'000
Current accounts	20,168,047	18,389,743
Fixed deposits	13,419,496	13,279,140
	33,587,543	31,668,883

19.4. Provision for Impairment

	2021 YR'000	2020 YR'000
Central Bank of Yemen - suspended entries for the years 1990 and 1996 Current accounts at:	-	29,507

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Asya Katlim Bank - Turkey	-	199,537
Bank of Credit and Development – Netherlands	8,333	8,963
	8,333	238,007

20. TREASURY BILLS, NET

	2021 YR'000	2020 YR'000
Duration of:		
91 days	133,500,000	133,500,000
364 days	45,000,000	45,000,000
182 days	30,000,000	30,000,000
	208,500,000	208,500,000

The outstanding treasury bills certificates carry a return at the rate of 16.25% - 17% and the last one is maturing on 30 June 2022 (31 December 2020: return rate of 17% and last one maturing on 30 June 2021) as per issued by the Central Bank of Yemen/ Aden.

21. DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

	2021 YR'000	2020 YR'000
Gross direct credit facilities to customers (Note 21-1)	17,204,890	17,053,867
Provision for Impairment (Note 21-2)	(5,134,707)	(6,225,824)
Suspended interest (Note 21-3)	(3,909,800)	3,772,597
	8,160,383	7,055,446

21.1. Gross Direct Credit Facilities to Customers

21.1.1. Purposes

	2021			2020 YR'000
	Overdraft facilities YR'000	Short term loans YR'000	Total YR'000	
Personal	-	5,385,009	5,385,009	4,979,153
Commercial	1,688,062	818,485	2,506,549	4,017,466
Industrial	7,325	623,062	630,386	479,614
Services	37,937	3,833	41,770	243,125
Others	1,497,219	-	1,497,219	181,103
Sana'a and Al-Hodeida Branches:				
Commercial	6,024,455	373,773	6,398,228	6,379,777
Industrial	134,131	397,767	531,897	531,898
Personal	-	211,609	211,609	187,640
Others	-	2,223	2,223	54,091
	9,389,129	7,815,761	17,204,890	17,053,867

21.1.2. Beneficiaries

	2021			2020 YR'000
	Overdraft facilities YR'000	Short term loans YR'000	Total YR'000	
Private sector	3,364,675	1,671,160	5,035,835	4,847,921
Bank's employees	-	3,299,465	3,299,465	2,917,251
Public sector	-	1,845,997	1,845,997	2,117,856
Related parties	-	13,767	13,767	17,433
Sana'a and Al-Hodeida Branches:				
Public sector	4,361,974	-	4,361,974	4,488,484
Private sector	1,662,481	985,371	2,647,852	2,664,922
	9,389,130	7,815,760	17,204,890	17,053,867

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21.1.3. Currencies

	2021			2020 YR'000
	<i>Overdraft facilities</i> YR'000	<i>Short term loans</i> YR'000	<i>Total</i> YR'000	
Local currency	5,495,727	1,554,499	7,050,226	7,302,051
Foreign currencies	1,334,663	1,676,045	3,010,708	2,598,410
Sana'a and Al-Hodeida Branches:				
Foreign currencies	310,348	5,751,166	6,061,514	6,070,964
Local currency	675,022	407,420	1,082,442	1,082,442
	<u>7,815,760</u>	<u>9,389,130</u>	<u>17,204,890</u>	<u>17,053,867</u>

21.1.4. Credit Classification

	2021			2020 YR'000
	<i>Overdraft facilities</i> YR'000	<i>Short term loans</i> YR'000	<i>Total</i> YR'000	
Performing	474,667	3,272,304	3,746,971	2,424,761
Under performing	35,229	1,450,256	1,485,485	1,891,926
Impaired	2,720,648	2,107,829	4,828,477	5,583,774
Sana'a and Al-Hodeida Branches:				
Under performing	-	-	-	-
Impaired	6,158,586	985,371	7,143,957	7,153,406
	<u>9,389,130</u>	<u>7,815,760</u>	<u>17,204,890</u>	<u>17,053,867</u>

21.2. Provision for Impairment

	2021				2020 Provision YR'000
	Gross value YR'000	Cash guarantees YR'000	Suspended interest YR'000	Net debt YR'000	
Credit Classification					
Performing	3,746,971	(409,313)	(23,175)	3,314,483	44,227
Under performing	1,485,485	-	(638)	1,484,847	497,933
Impaired	11,972,434	(4,138,838)	(3,885,986)	3,947,610	4,306,161
Expected credit loss	-	-	-	-	1,377,503
Total	<u>17,204,890</u>	<u>(4,548,151)</u>	<u>(3,909,799)</u>	<u>8,746,940</u>	<u>6,225,824</u>

For the year ended 31 December 2021 movement of provision for impairment was as follows:

	2021				2020 YR'000
	General	Specific			
	Performing YR'000	Under performing YR'000	Impaired YR'000	Expected credit loss YR'000	Total YR'000
Balance at 1 January	46,262	497,932	5,681,630	-	6,225,824
Re-translation difference on balances in foreign currencies (Written off) during the year	-	-	(12,314)	-	(12,314)
(Written back) during the year (Note 9)	-	(225,711)	(1,199,792)	-	(1,425,503)
Made during the year (Note 12-1)	25,619	11,173	(360,715)	-	397,507
Balance at 31 December	<u>71,881</u>	<u>283,394</u>	<u>4,779,432</u>	<u>-</u>	<u>5,134,707</u>

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21.3. Suspended Interests

	2021	2020
	YR'000	YR'000
Balance at 1 January	3,772,597	3,230,499
Re-translation difference on balances in foreign currencies	(1,581)	117,916
(Written off) during the year	(50,807)	(17,130)
(Written back) during the year	(11,313)	(8,264)
Made during the year	200,904	449,576
Balance at 31 December	<u>3,909,800</u>	<u>3,772,597</u>

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22.4. Accounts of the Period August- December 2019

	2021 YR'000	2020 YR'000
Sana'a Branch:		
Debit transactions	114,756,980	114,756,917
Credit transactions	113,906,333	113,908,944
Balance	848,647	847,973
Al-Hodeida Branch:		
Debit transactions	43,308	43,308
Credit transactions	(3,521)	(3,520)
Balance	39,787	39,788
	888,434	887,761

22.5. Provision for Impairment

	2021 YR'000	2020 YR'000
Operational risk	1,027,930	972,293
Buildings:		
Al-Towahi Branch taken over -2014	25,000	25,000
Property acquired by the Bank against impaired debts- Aden	-	11,878
	1,052,930	1,009,171

23. INVESTMENTS, NET

	2021 YR'000	2020 YR'000
Foreign investments (Note 23-1)	476,168	476,168
Local investments (Note 23-2)	243,764	243,764
	719,932	719,932
Provision for impairment (Note 23-3)	(363,372)	(363,372)
	356,560	356,560

23.1. Foreign Investments

	2021 YR'000	2020 YR'000
ALUBAF Arab International Bank - Bahrain (Note 23-1-1)	275,360	275,360
Holding Company UBAC Curacao N V- Curacao (Note 23-1-2)	180,808	180,808
Arab Financial Services Company - Bahrain (Note 23-1-3)	20,000	20,000
	476,168	476,168

23.1.1. ALUBAF Arab International Bank – Bahrain

The Bank has subscribed in this investee in accordance with subscription certificate no. 40 dated 31 December 1991. Its value as at 31 December 2021 amounted USD 688,400 representing 13,768 shares of value USD 50 per share (31 December 2020: USD 688,400)

23.1.2. Holding Company UBAC Curacao N V- Curacao

The Bank has subscribed in this investee in accordance with subscription certificate no. 15 dated 23 September 1991. Its value as at 31 December 2021 amounted USD 452,020 representing 45,202 shares of value USD 10 per share (31 December 2020: USD 452,020).

23.1.3. Arab Financial Services Company - Bahrain

The Bank has subscribed in this investee in accordance with subscription certificate no. 41 dated 1 August 1984

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22.4. Accounts of the Period August- December 2019

	2021 YR'000	2020 YR'000
Sana'a Branch:		
Debit transactions	114,756,980	114,756,917
Credit transactions	113,906,333	113,908,944
Balance	848,647	847,973
Al-Hodeida Branch:		
Debit transactions	43,308	43,308
Credit transactions	(3,521)	(3,520)
Balance	39,787	39,788
	888,434	887,761

22.5. Provision for Impairment

	2021 YR'000	2020 YR'000
Operational risk	1,027,930	972,293
Buildings:		
Al-Towahi Branch taken over -2014	25,000	25,000
Property acquired by the Bank against impaired debts- Aden	-	11,878
	1,052,930	1,009,171

23. INVESTMENTS, NET

	2021 YR'000	2020 YR'000
Foreign investments (Note 23-1)	476,168	476,168
Local investments (Note 23-2)	243,764	243,764
	719,932	719,932
Provision for impairment (Note 23-3)	(363,372)	(363,372)
	356,560	356,560

23.1. Foreign Investments

	2021 YR'000	2020 YR'000
ALUBAF Arab International Bank - Bahrain (Note 23-1-1)	275,360	275,360
Holding Company UBAC Curacao N V- Curacao (Note 23-1-2)	180,808	180,808
Arab Financial Services Company - Bahrain (Note 23-1-3)	20,000	20,000
	476,168	476,168

23.1.1. ALUBAF Arab International Bank – Bahrain

The Bank has subscribed in this investee in accordance with subscription certificate no. 40 dated 31 December 1991. Its value as at 31 December 2021 amounted USD 688,400 representing 13,768 shares of value USD 50 per share (31 December 2020: USD 688,400)

23.1.2. Holding Company UBAC Curacao N V- Curacao

The Bank has subscribed in this investee in accordance with subscription certificate no. 15 dated 23 September 1991. Its value as at 31 December 2021 amounted USD 452,020 representing 45,202 shares of value USD 10 per share (31 December 2020: USD 452,020).

23.1.3. Arab Financial Services Company - Bahrain

The Bank has subscribed in this investee in accordance with subscription certificate no. 41 dated 1 August 1984. Its value as at 31 December 2021 amounted USD 50,000 representing 10,000 shares of value USD 5 per (31 December 2020: USD 50,000).

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23.2. Local Investments

	2021 YR'000	2020 YR'000
Yemen Financial Services Company –Yemen (Note 23-2-1)	161,564	161,564
Yemen Mobile Company-Yemen (Note 23-2-2)	61,200	61,200
Al-Amal Bank for Microfinance -Yemen (Note 23-2-3)	20,000	20,000
Aden Foundation for Microfinance - Yemen (23-2-4)	1,000	1,000
	<u>243,764</u>	<u>243,764</u>

23.2.1. Yemen Financial Services Company - Yemen

The Bank has subscribed in this investee in accordance with subscription certificate no. 1 which original of was received on 24 May 2006. Its value as at 31 December 2021 amounted USD 403,910 representing 3,107 shares of value USD 130 per share, after the share value was raised from USD 100 to USD 130 in 2020 based on the investee's General Assembly Resolution to increase investment by USD 93,210 supplied to the investee's account at the International Bank (31 December 2020: USD 310,700 in addition to an increase of USD 93,210).

23.2.2. Yemen Mobile Company - Yemen

The Bank has subscribed in this investee in accordance with subscription certificate no. 0020035246 dated 4 September 2007. Its value as at 31 December 2021 amounted YR'000 61,200 represented by 120 thousand shares of nominal value YR 500 per share in addition to issuance expenses amounting YR'000 1,200 in accordance with latest letter the Bank received from the investee dated 31 December 2018 (31 December 2020: YR'000 61,200).

23.2.3. Al-Amal Microfinance Bank - Yemen

The Bank has contributed in the share capital of this entity on 11 April 2005. The value of its share as at 31 December 2021 amounted YR'000 20,000 representing 200 shares of nominal value of YR 100,000. The share paid is 50% of Bank's share in the entity amounting YR'000 40,000. (31 December 2020: YR'000 20,000).

23.2.4. Aden Microfinance Foundation

The Bank has contributed in the share capital of this entity on 26 October 2005. The value of its share as at 31 December 2021 amounted YR'000 1,000 (31 December 2020: YR'000 1,000). The previous name of this entity was "Tadhamun Microfinance Foundation".

23.3. Provision for Impairment

	2021 YR'000	2020 YR'000
Holding Company UBAC Curacao N V - Curacao	180,808	180,808
Yemen Financial Services Company - Yemen	161,564	161,564
Al-Amal Bank for Microfinance - Yemen	20,000	20,000
Aden Foundation for Microfinance - Yemen	1,000	1,000
Total provision for impairment	<u>363,372</u>	<u>363,372</u>

24. PROPERTY, PLANT AND EQUIPMENT

	2021 YR'000	2020 YR'000
Swift and computer hardware	2,954,765	213,380
Buildings	2,215,042	2,255,808
Land	1,215,282	1,215,282
Furniture and equipment	621,347	510,109
Leasehold improvements	127,732	124,544
Motor vehicles	112,266	128,681
Total property, plant and equipment	<u>7,246,434</u>	<u>4,447,804</u>

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Details of these accounts are as follow:

	<i>Land</i> YR'000	<i>Buildings</i> YR'000	<i>Leasehold improvements</i> YR'000	<i>Furniture and equipment</i> YR'000	<i>Motor Vehicles</i> YR'000	<i>Swift and computer hardware</i> YR'000	<i>Total</i> YR'000
Cost / Revaluation							
At 1 January 2021	1,215,282	2,614,374	294,628	1,157,612	320,773	744,915	6,347,584
Additions during the year	-	12,309	24,039	195,660	31,080	3,177,685	3,440,773
At 31 December 2021	1,215,282	2,626,683	318,667	1,353,272	351,853	3,923,600	9,788,357
At 1 January 2020	1,215,282	2,227,914	241,187	1,032,684	230,893	629,275	5,577,235
Additions during the year	-	386,460	53,441	124,928	89,880	115,640	770,349
At 31 December 2020	1,215,282	2,614,374	294,628	1,157,612	320,773	744,915	6,347,584
Accumulated Depreciation							
At 1 January 2021	-	358,566	170,084	647,503	192,092	531,535	1,899,780
Charged for the year	-	53,076	20,853	84,420	47,495	436,298	642,142
At 31 December 2021	-	411,642	190,937	731,923	239,587	967,833	2,541,922
At 1 January 2020	-	312,193	154,263	576,511	175,126	483,716	1,701,809
Charged for the year	-	46,373	15,821	70,992	16,966	47,819	197,971
At 31 December 2020	-	358,566	170,084	647,503	192,092	531,535	1,899,780
Net Book Value							
At 31 December 2021	1,215,282	2,215,042	127,732	621,348	112,266	2,954,765	7,246,434
At 31 December 2020	1,215,282	2,255,808	124,544	510,109	128,681	213,380	4,447,804

Bank's Head Office-Aden maintains all Bank's property, plant and equipment accounts including those of Bank's commercial branches in Sana'a and Al-Hodeida whose book values as at 31 July 2019 was as follows:

	<i>Land</i> YR'000	<i>Buildings</i> YR'000	<i>Leasehold improvements</i> YR'000	<i>Furniture and equipment</i> YR'000	<i>Motor Vehicles</i> YR'000	<i>Swift and computer hardware</i> YR'000	<i>Total</i> YR'000
Cost	61,478	230,025	5,061	28,433	22,964	8,329	356,290
Accumulated depreciation	-	46,218	3,528	14,068	22,964	6,890	93,668
Net book value	61,478	183,807	1,533	14,365	-	1,439	262,622

As at 31 December 2021, the Bank could not carry out a revaluation of Bank's lands and buildings in spite of administrative measures taken for that regard during the period August - October 2019 due to the prevailing circumstances in the Country including Covid-19 epidemic (Note 1-2-2). According to information available to management there are no indicators of impairment of these assets. Management has carried out a revaluation for Bank's lands and buildings by an independent specialised firm as at 31 December 1999 and for AIMukairas Branch building in 2001 whose results were recorded in Bank's records. Management has also carried out a revaluation as at 31 December 2007 and 2012 but did not obtain a response from Central Bank of Yemen on including such revaluations' results in Bank's records.

25. CAPITAL WORK IN PROGRESS

	2021 YR'000	2020 YR'000
Automation and Technology Project	-	2,251,421
Bank's buildings rehabilitation projects	137,486	33,675
Fixed assets under classification	-	10,972
	137,486	2,296,068

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26. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2021 YR'000	2020 YR'000
Local:		
Central Bank of Yemen- Current Account	380	380
Other local banks- Current Accounts	5,207	5,170
Exchange companies (Note 26-1)	1,778,062	1,437,759
	<u>1,783,649</u>	<u>1,443,309</u>
Foreign:		
Banks- Current Accounts	694,581	746,914
Exchange companies - Current Accounts	988	1,023
	<u>695,569</u>	<u>747,937</u>
	<u>2,479,218</u>	<u>2,191,246</u>

26.1. Local- Exchange Companies

	2021 YR'000	2020 YR'000
Current accounts		
Local currency	1,445,726	1,299,957
Foreign currency	232,237	37,700
Sana'a Branch:		
Local currency	20	20
Foreign currency	79	82
Fixed deposit - Local currency	100,000	100,000
	<u>1,778,062</u>	<u>1,437,759</u>

27. CUSTOMERS' DEPOSITS

	2021 YR'000	2020 YR'000
Current accounts:		
Customers	129,629,907	108,966,071
Government	714,990	714,999
Fixed deposits	119,142,332	108,703,586
Saving accounts	60,127,844	57,447,189
Cash insurance on outstanding indirect credit facilities (Note 27-1)	11,208,812	6,744,002
Payment orders	817,702	2,001,004
Unclaimed balances (Note 27-2)	1,134,926	893,059
Socotra Branch - Deposits on behalf of Central Bank of Yemen (Note 27-3)	781,560	827,912
Sana'a and Al-Hodeida Branches:		
Fixed deposits	9,599,653	9,599,653
Current accounts	1,309,171	1,312,087
Saving accounts	1,237,398	1,239,138
Cash insurance on outstanding indirect credit facilities	108,673	109,643
Unclaimed balances	-	22,450
Payment orders	53,727	53,727
	<u>335,866,695</u>	<u>298,634,520</u>

27.1. Cash Insurance on Outstanding Indirect Credit Facilities

As at 31 December 2021, the account includes an amount of YR'000 817,536 representing a cash insurance surplus for Letters of Credit – import, resulting from customers paying cash insurances to the Central Bank of Yemen directly for the purpose of conducting foreign currency exchange through correspondent banks, provided that the Bank would issue Letters of Credit - import after receipt of relevant notifications from the Central Bank of Yemen.

27.2. Unclaimed Balances

The Bank maintains in this account, deposits which more than 15 years have passed on without any withdrawal or deposit movement and have not been claimed by their owners. Management monitors and evaluates the status of this account in compliance with Article No. 79-2 of Law No. 38 of 1998 on Banks in the light of the prevailing conditions in the Country

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(Note 1-2-2).

27.3. Socotra Branch - Deposits on Behalf of Central Bank of Yemen

Bank's branch in Socotra maintains deposits of Government facilities and corporations in accordance with authorisation from Central Bank of Yemen due to absence of Central Bank branch there based on approval from Ministry of Finance dated 20 April 2014 on Central Bank of Yemen memo no. 2346 dated 14 April 2014 in which executive procedures to open budgetary accounts and current accounts (resources and expenses) at National Bank of Yemen branch in Socotra are illustrated, provided that the National Bank of Yemen should comply with rules of executing Government's General Budget and to be under the supervision of Central Bank of Yemen.

28. PAYABLES AND OTHER LIABILITIES

	2021 YR'000	2020 YR'000
Cash insurance on expired indirect credit facilities	281,361	5,428,510
Employees' entitlements (Note 28-1)	1,824,471	2,510,459
Accrued interest payable on customers' deposits	2,694,895	2,400,757
Government entities (Note 28-2)	2,054,381	2,141,049
Government's share in profit for the year retained (Note 28-3)	1,771,571	1,913,961
Accrued expenses	112,146	221,227
Entries under settlement	2,201	195,330
Projects maintenance guarantee	39,785	61,111
Islamic Branches Department - National Bank of Yemen (Note 28-4)	38,952	39,102
Suspended accounts with branches	357,706	-
Loan installments- surplus and under settlement	5,102	6,835
Interest and commission received in advance	18	86
Others	2,032,372	563,934
Sana'a and Al-Hodeida Branches		
Accrued interest payable on customers' deposits	134,590	134,590
Cash insurance on expired indirect credit facilities	12,873	12,873
Interest and commission received in advance	12,131	12,446
Entries under settlement	305	305
Others	4,757	4,855
Suspended accounts:		
Accounts for the period August- December 2019 (Note 28-5)	111,075	112,249
Mutual account- Sana'a Branch September 2019	357,705	357,705
	11,848,398	16,117,384

28.1. Employees' Entitlements

	2021 YR'000	2020 YR'000
End of service benefits (Note 28-1-1)	903,124	746,912
Employees' regular leave (Note 28-1-2)	545,096	497,873
Social security	82,657	69,646
Bounces and incentives	-	49,595
Outstanding commitments:		
Employees share in profit for the year	48,507	606,020
Salaries	85,368	352,955
Medication	159,719	187,458
	1,824,471	2,510,459

28.1.1. End of Service Benefits

	2021 YR'000	2020 YR'000
Balance at 1 January	746,912	600,493
Made during the year (Note 10)	156,212	146,419
Balance at 31 December	903,124	746,912

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28.1.2. Employees Regular Leave

	2021 YR'000	2020 YR'000
Balance at 1 January	497,873	376,172
Made during the year (Note 10)	250,000	250,000
(Used) during the year	(202,777)	(128,299)
Balance at 31 December	<u>545,096</u>	<u>497,873</u>

28.2. Government Entities

	2021 YR'000	2020 YR'000
Tax Authority / Aden - income tax for:		
Current year (Note 15)	1,806,719	1,654,463
Prior year	-	315,050
Skills Development Fund	138,617	126,101
General Department for Zakat-Dues/ Aden:		
Payable for the year (Note 14)	108,608	10,000
Carried forward from prior years	-	34,108
General Authority for Insurance and Pensions / Aden	437	1,327
	<u>2,054,381</u>	<u>2,141,049</u>

28.3. Government's Share in Profit for the Year Retained

	2021 YR'000	2020 YR'000
Profit for the year:		
2020	3,970,711	3,636,120
2016	1,913,961	1,113,101
(Transferred) from profit for prior years (Note 41-3)	(1,113,101)	164,740
(Transferred) to paid capital (Note 30)	(3,000,000)	(3,000,000)
	<u>1,771,571</u>	<u>1,913,961</u>

28.4. Islamic Branches' Department - National Bank of Yemen

The amount represents the value of letters of credit for customers of the Islamic Branch in Sana'a.

28.5. Accounts of The Period August- December 2019

	2021 YR'000	2020 YR'000
Sana'a Branch:		
Credit transactions	303,645	304,986
Debit transactions	230,110	230,067
	<u>73,535</u>	<u>74,919</u>
Al-Hodeida Branch:		
Credit transactions	201,596	201,595
Debit transactions	164,056	164,265
	<u>37,540</u>	<u>37,330</u>
	<u>111,075</u>	<u>112,249</u>

29. OTHER PROVISIONS

	2021 YR'000	2020 YR'000
Provision for:		
Contingent claims (Note 29-1)	2,950,000	2,494,991
Indirect credit facilities:		
Specific (Note 29-2)	2,016,738	2,016,738

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General (Note 29-3)	169,885	171,284
Fees on annual subscription in Bank Deposit Insurance Corporation	731,314	365,657
	<u>5,867,937</u>	<u>5,048,670</u>

29.1. Contingent Claims

	2021 YR'000	2020 YR'000
Social insurance	2,950,000	2,450,000
Balance of income tax for 2010-2012	-	44,991
	<u>2,950,000</u>	<u>2,494,991</u>

29.2. Indirect credit Facilities - Specific

The Bank made a specific provision for Letters of Guaranty - Foreign amounting USD 11,204,100 issued for Public Electricity Corporation which is under disagreement with State Bank of India.

29.3. Indirect credit Facilities - General

	2021			2020	
	<i>Letters of Credit</i> YR'000	<i>Letters of Guaranty</i> <i>Foreign</i> <i>Local</i> YR'000 YR'000		<i>Total</i> YR'000	<i>Total</i> YR'000
Balance at 1 January	13,939	120,687	36,658	171,284	354,259
Re-translation differences on balances in foreign currencies (Written back) during the year (Note 9)	(1,009)	(390)	-	(1,399)	19,674
Made during the year (Note 12-1)	-	-	-	-	(203,161)
	-	-	-	-	512
Balance at 31 December	<u>12,930</u>	<u>120,297</u>	<u>36,658</u>	<u>169,885</u>	<u>171,284</u>

30. CAPITAL

The Bank's declared capital is YR'billion fifty and its paid capital is YR'billion twenty in accordance with Article No. 5-1 of Prime Minister Decree no. 405 of 2013 on Reorganisation of the National Bank of Yemen and Article No. 8 of Bank's Article of Association.

As at 31 December 2021 the Bank's paid capital amounted YR'billion 20 (31 December 2020: YR'billion 17) by transfer of increase amount from Government's share in profit for the year retained (Note 28-3) in response to H.E. Minister of Finance's letter addressed to the Chairman dated 15 October 2017 approving Bank's Board of Directors' Resolution No. 69 of 2017 issued in its fourth extraordinary meeting held on 25 September 2017 on the National Bank of Yemen paid capital, provided that the increase to be paid in three years period of time, which the Bank could not achieve during the specified period due to the insufficient balance of the Government's share in profit for the year as at 31 December 2020.

Details of Bank's paid capital is as follows:

	2021			2020	
	<i>Share value</i> YR	<i>No. of</i> <i>shares</i>	<i>Capital</i> YR'000	<i>No. of</i> <i>shares</i>	<i>Capital</i> YR'000
Paid capital	<u>1,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>17,000,000</u>	<u>17,000,000</u>

31. RESERVES

	2021 YR'000	2020 YR'000
Statutory reserve (Note 31-1)	7,335,311	6,251,280
General reserve (Note 31-2)	5,850,687	4,766,658
Surplus on revaluation of property, plant and equipment reserve (Note 31-3)	1,257,287	639,762
Cumulative change in fair value reserve (Note 31-4)	50,091	50,090
Total reserves	<u>14,493,376</u>	<u>11,707,790</u>

31.1. Statutory Reserve

	2021 YR'000	2020 YR'000
Balance at 1 January	6,251,280	5,258,602
Transfer from profit for the year	1,084,031	992,678

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Balance at 31 December	7,335,311	6,251,280
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31.2. General Reserve

	2021 YR'000	2020 YR'000
Balance at 1 January	4,766,656	3,773,980
Transfer from profit for the year	1,084,031	992,678
Balance at 31 December	5,850,687	4,766,658

31.3. Surplus on Revaluation of Property, Plant and Equipment Reserve

This reserve includes surplus on revaluation of Banks Land and buildings as at 1999 amounting YR'000 637,093 and of Al-Mukairas building at August 2001 amounting YR'000 2,669. In addition to the revaluation of the automation system ("BANKS" System) amounting YR'000 617,524.

31.4. Cumulative Change in Fair Value Reserve

In this reserve, the changes in the fair value of Arab Financial Services Company - Bahrain, ALUBAF Arab International Bank - Bahrain and Yemen Financial Services Company - Yemen during the years 2002 to 2012 are included.

32. CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET

	2021			2020
	Gross value YR'000	guarantee YR'000	Net value YR'000	Net value YR'000
Indirect credit facilities:				
Letters of guaranty - Local	706,954	(416,818)	290,136	1,403,612
Letters of guaranty - Foreign	2,669,084	(1,220,539)	1,448,545	798,393
Letters of credit - Import	9,786,846	(9,681,004)	105,842	634,955
Letters of credit - Export	570,797	-	570,797	5,580
Sana'a and Al-Hodeida Branches:				
Letters of guaranty - Foreign	10,187,835	(98,290)	10,089,545	9,717,612
Letters of guaranty - Local	41,106	(10,384)	30,723	429,292
Letters of credit - Export	56,431	-	56,432	56,432
	24,019,054	(11,427,035)	12,592,019	13,045,876
Others	377,974	-	377,974	362,194
	24,397,028	(11,427,035)	12,969,993	13,408,070

33. CASH AND CASH EQUIVALENTS

	2021 YR'000	2020 YR'000
Due from Banks maturing in not more than 3 months (Note -Liquidity risk)	92,982,231	93,456,564
Cash on hand (Note 17)	24,053,057	11,973,490
Certificate of deposit at Central Bank of Yemen (Note- Liquidity risk)	26,000,000	-
	143,035,288	105,430,054

34. TRANSACTIONS WITH RELATED PARTIES

For the year ended 31 December 2021, transactions with related parties were as shown below. Management believes that the transactions were made at arm's length basis.

Statement of:	Account	2021 YR'000	2020 YR'000
Comprehensive Income	Interest cost	-	-
	Salaries and benefits	115,237	101,317
Financial Position	Direct credit facilities - loans	13,767	17,433
	Customers' deposits	49,884	50,662

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35. RISK MANAGEMENT

The Bank defines risk as the possibility of incurring losses or profits foregone that may be caused by internal or external factors as the Bank is exposed to credit risk, liquidity risk, interest risk and exchange rate risk.

The core functions of the Bank's risk management are identifying all risks that effect the Bank, measuring such risks, managing risk positions and determining capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. Risks are managed by Bank's management under policies approved by the Board of Directors which provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, interest rate risk, currency risk, use of derivative and non-derivative financial instruments. Bank's management determines and hedge financial risks in cooperation with other operating units in the Bank. In addition to this, internal audit department is responsible for the independent review of risk management and the control environment. Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his / her responsibilities.

35.1. Credit Risk

Credit risk is the risk of incurring a financial loss, should any of the Bank's customers or market counterparties fail to fulfill their contractual obligations towards the Bank. Credit risk arises mainly from commercial and consumer direct credit facilities, credit cards and loan commitments arising from such lending activities. It also could arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of guaranty, endorsements and acceptances. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business. Therefore, the Bank, carefully manages its exposure to credit risk through assigning credit risk management team to manage and control on credit risk, which reports to the Board of Directors and head of each business unit regularly. The Bank works within the framework of risk management standards stated in Central Bank of Yemen circular no. 10 of 1997 on Standards of Credit Risk Management and performs the following procedures to minimise the credit risk exposure:

- Preparing credit studies on customers and banks before dealing with them and determining their related credit risk rates;
- Obtaining sufficient collateral to minimise the credit risk exposure which may result from financial difficulties facing customers or banks;
- Following up and period reviewing of customers and banks in order to evaluate their financial positions, credit rating and the required provision for non performing credit facilities; and
- Distributing credit portfolio and balances with banks over diversified economic sectors and geographic locations to minimise concentration of credit risk.

Exposure to Credit Risk

The table below shows the maximum exposure of net financial assets and indirect credit facilities to credit risk as at 31 December 2021:

	2021 YR'000	2020 YR'000
Financial Assets	363,126,453	336,360,332
Indirect Credit Facilities	12,969,993	13,045,876
Total exposure to credit risk	<u>376,096,446</u>	<u>349,406,208</u>

- **Financial Assets:**

	2021 YR'000	2020 YR'000
Treasury bills, net	208,500,000	208,500,000
Certificates of deposit	26,000,000	-
Due from banks, net	92,982,231	93,456,564

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Mandatory reserve balances at Central Bank of Yemen	19,156,999	19,156,999
Receivables and other assets (except for prepayments), net	7,970,280	7,834,763
Direct credit facilities to customers, net	8,160,383	7,055,446
Investments, net	356,560	356,560
	363,126,453	336,360,332

• **Indirect Credit Facilities**

	2021 YR'000	2020 YR'000
Letters of guaranty - Foreign, net	11,538,090	10,516,005
Letters of guaranty - Local, net	320,859	1,832,904
Letters of credit, net	1,111,044	696,967
	12,969,993	13,045,876

Managing Credit Risk

The Bank manages concentration of credit risk by distributing the portfolio over diversified economic sectors and geographical locations as possible according to its customers' requirements and the situation the Country is going through.

• **Distribution of Financial Instruments According to Economic Sectors**

	2021				Total YR'000
	Trade YR'000	Industry YR'000	Services YR'000	Others YR'000	
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	43,210,056	-	-	-	43,210,056
Certificates of deposit at Central Bank of Yemen	26,000,000	-	-	-	26,000,000
Due from banks, net	92,982,231	-	-	-	92,982,231
Treasury bills, net	208,500,000	-	-	-	208,500,000
Direct credit facilities to customers, net	4,361,733	-	-	3,798,650	8,160,383
Investments, net	356,560	-	-	-	356,560
	375,410,580	-	-	3,798,650	379,209,230
Financial Liabilities					
Due to banks and financial institutes	2,479,218	-	-	-	2,479,218
Customers' deposits	355,866,695	-	-	-	355,866,695
	358,345,913	-	-	-	358,345,913
Contingent Liabilities, Commitments and Contra Accounts, Net	41,500	-	-	12,928,493	12,969,993
	41,500	-	-	12,928,493	12,969,993
2020					
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	31,130,489	-	-	-	31,130,489
Certificates of deposit at Central Bank of Yemen	-	-	-	-	-
Due from banks, net	93,456,564	-	-	-	93,456,564
Treasury bills, net	208,500,000	-	-	-	208,500,000
Direct credit facilities to customers, net	3,581,295	179,315	-	3,294,836	7,055,446
Investments, net	356,560	-	-	-	356,560
	337,024,908	179,315	-	3,294,836	340,499,059
Financial Liabilities					
Due to banks and financial institutes	2,191,246	-	-	-	2,191,246
Customers' deposits	56,142,158	-	39,593,778	202,898,584	298,634,520
	58,333,404	-	39,593,778	202,898,584	300,825,766
Contingent Liabilities, Commitments and Contra Accounts, Net	274,917	28,000	9,118,330	3,986,823	13,408,070
	274,917	28,000	9,118,330	3,986,823	13,408,070

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• Distribution of Financial Instruments According to Geographical Locations

	2021					
	Republic of Yemen YR'000	America and Caribbean YR'000	Europe YR'000	Asia YR'000	Africa YR'000	Total YR'000
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	43,210,056	-	-	-	-	43,210,056
Certificates of deposit at Central Bank of Yemen	26,000,000	-	-	-	-	26,000,000
Due from banks, net	92,982,231	-	-	-	-	92,982,231
Treasury bills, net	208,500,000	-	-	-	-	208,500,000
Direct credit facilities to customers, net	8,160,383	-	-	-	-	8,160,383
Investments, net	61,200	-	-	295,360	-	356,560
Total	378,913,870	-	-	295,360	-	379,209,230
Financial Liabilities						
Due to banks and financial institutes	1,783,648	-	-	695,569	-	2,479,218
Customers' deposits	355,866,695	-	-	-	-	355,866,695
Total	357,650,343	-	-	695,569	-	358,345,913
Contingent Liabilities, Commitments and Contra Accounts, Net	1,454,452	-	1,531,464	9,984,077	-	12,969,993
2020						
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	31,130,489	-	-	-	-	31,130,489
Certificates of deposit at Central Bank of Yemen	-	-	-	-	-	-
Due from banks, net	61,996,181	-	10,089,873	21,198,146	172,364	93,456,564
Treasury bills, net	208,500,000	-	-	-	-	208,500,000
Direct credit facilities to customers, net	7,055,446	-	-	-	-	7,055,446
Investments, net	61,200	-	-	295,360	-	356,560
Total	308,743,316	-	10,089,873	21,493,506	172,364	340,499,059
Financial Liabilities						
Due to banks and financial institutes	1,443,309	-	-	747,937	-	2,191,246
Customers' deposits	298,634,520	-	-	-	-	298,634,520
Total	300,077,829	-	-	747,937	-	300,825,766
Contingent Liabilities, Commitments and Contra Accounts, Net	948,707	-	6,168,039	6,001,487	289,837	13,408,070

35.2. Liquidity Risk

Liquidity risk is the risk of Bank's incapability to meet its financial obligations when they fall due under normal circumstances. To limit such risk, the Bank's management in addition to its reliance on core deposit base; manages assets with required liquidity in mind, monitors future cash flows and liquidity on a daily basis and arranges diversified funding sources as available in the current circumstances in compliance with Central Bank of Yemen circular no. 5 of 2009 on Management of Liquidity Risk.

Liquidity Ratio

The Central Bank of Yemen, in its Circular No. (3) of 1997 on Liquidity Ratio requires that banks maintain a percentage of assets that could be liquefied to meet their obligations not less than 25%.

As at 31 December 2021, the Bank's liquidity ratio, considering its obligations are represented by the total of its financial liabilities and its contingent liabilities and commitments, in the light of the prevailing circumstances was 101% (31 December 2020: 95%).

Maturity Gap

The maturity gap is a measure of Bank's capability to settle its liabilities from its assets for the same maturity period and is represented by the difference between the Bank's assets and liabilities for a certain maturity period. As at 31 December 2021, the maturity gap was as follows:

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	2021				Total YR'000
	Not exceedingss than 3 months YR'000	3 -6 Months YR'000	6 months - 1 year YR'000	More than a year YR'000	
Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	43,210,056			-	43,210,056
Certificates of deposit at Central Bank of Yemen	-	11,000,000	15,000,000	-	26,000,000
Due from banks, net	92,982,231	-	-	-	92,982,231
Treasury bills, net	-	133,500,000	30,000,000	45,000,000	208,500,000
Direct credit facilities to customers, net	4,410,930	133,123	298,725	3,317,606	8,160,384
Investments, net	-	-	-	356,560	356,560
Other assets	-	-	-	16,405,203	16,405,203
Total	140,603,217	144,633,123	45,298,725	65,079,369	395,614,435
Liabilities and Equity					
Due to banks and financial institutes	2,479,218				2,479,218
Customers' deposits	24,442,739	13,380,691	25,911,401	272,131,864	335,866,695
Other liabilities	-	-	-	17,716,335	17,716,335
Equity	-	-	-	39,552,188	39,552,188
Total	26,921,957	13,380,691	25,911,401	329,400,387	395,614,435
Maturity gap	113,681,261	131,252,432	19,387,324	(264,321,018)	-
2020					
Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	31,130,489	-	-	-	31,130,489
Certificates of deposit at Central Bank of Yemen	-	-	-	-	-
Due from banks, net	93,456,564	-	-	-	93,456,564
Treasury bills, net	-	163,500,000	45,000,000	-	208,500,000
Direct credit facilities to customers, net	2,569,065	511,052	501,614	3,473,715	7,055,446
Investments, net	-	-	-	356,560	356,560
Other assets	-	-	-	14,833,047	14,833,047
Total	127,156,118	164,011,052	45,501,614	18,663,322	355,332,106
Liabilities and Equity					
Due to banks and financial institutes	2,091,246	-	-	100,000	2,191,246
Customers' deposits	99,917,407	15,175,887	30,599,486	152,941,740	298,634,520
Other liabilities	-	-	-	21,166,054	21,166,054
Equity	-	-	-	33,340,286	33,340,286
Total	102,008,653	15,175,887	30,599,486	207,548,080	355,332,106
Maturity gap	25,147,465	148,835,165	14,902,128	(188,884,758)	355,332,106

35.3. Interest Rate Risk

Interest rate risk is the risk of effect of interest rates changes on future cash flows or value of financial instruments. The Bank performs a number of measures to limit the effect of such risk to the minimum level by:

- Correlating interest rates on borrowing with interest rates on lending;
- Considering the discount rates for different currencies when determining interest rates;
- Controlling the matching of maturity dates of financial assets and liabilities.

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Average Interest Rates on Financial Instruments

	2021						2020					
	Yemeni Rial %	US Dollar %	Sterling Pound %	Euro %	Saudi Rial %	UAE Dirham %	Yemeni Rial %	US Dollar %	Sterling Pound %	Euro %	Saudi Rial %	UAE Dirham %
Assets												
Mandatory reserve balances at Central Bank of Yemen	-	-	-	-	-	-	-	-	-	-	-	-
Treasury bills, net	16.5	-	-	-	-	-	16.6	-	-	-	-	-
Certificates of deposit	20.0	-	-	-	-	-	-	-	-	-	-	-
Due from banks - fixed deposits	-	0.26	0.02	-	-	0.07	-	0.19	0.08	-	-	0.18
Direct credit facilities to customers, net	21	11	-	-	-	-	21	11	-	-	-	-
Liabilities												
Due to banks and financial institutes	-	-	-	-	-	-	-	-	-	-	-	-
Customers' deposits	15	0.25	0.25	0.25	0.25	-	15	0.25	0.25	0.25	0.25	-

Interest Rate Sensitivity and Accumulated Interest Rate Sensitivity Gaps

	2021					
	Not exceeding 3 months YR'000	3 - 6 months YR'000	6 months - 1 year YR'000	More than a year YR'000	Non interest sensitive YR'000	Total YR'000
Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	-	-	-	-	43,210,056	43,210,056
Certificates of deposit at Central Bank of Yemen	-	11,000,000	15,000,000	-	-	26,000,000
Due from banks, net	92,981,522	-	-	-	709	92,982,231
Treasury bills, net	-	133,500,000	30,000,000	45,000,000	-	208,500,000
Direct credit facilities to customers, net	4,410,930	133,123	298,725	3,317,606	-	8,160,384
Investments, net	-	-	-	-	356,560	356,560
Other assets	719,932	-	-	-	15,547,785	16,267,718
Capital works in progress	-	-	-	-	137,486	137,486
Total	98,112,384	144,633,123	45,298,725	48,317,606	59,252,596	395,614,435
Liabilities and Equity						
Due to banks and financial institutes	-	-	-	-	2,479,218	2,479,218
Customers' deposits	24,442,739	13,380,691	25,911,401	-	272,131,864	335,866,695
Other liabilities	1,085,127	594,030	1,150,328	-	14,886,850	17,716,335
Equity	-	-	-	-	39,552,188	39,552,188
Total	25,527,866	13,974,721	27,061,729	-	329,050,120	395,614,435
Interest rate sensitivity gap	<u>72,584,518</u>	<u>130,658,402</u>	<u>18,236,996</u>	<u>48,317,606</u>	<u>(269,797,523)</u>	<u>-</u>
Accumulated interest rate sensitivity gap	<u>72,584,518</u>	<u>203,242,919</u>	<u>221,479,915</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	-	-	-	-	31,130,489	31,130,489
Certificates of deposit at Central Bank of Yemen	-	-	-	-	-	-
Due from banks, net	93,456,564	-	-	-	-	93,456,564
Treasury bills, net	-	163,500,000	45,000,000	-	-	208,500,000
Direct credit facilities to customers, net	2,569,065	511,052	501,614	3,473,715	-	7,055,446
Investments, net	-	-	-	-	356,560	356,560
Other assets	-	-	-	-	14,833,047	14,833,047
Total	96,025,629	164,011,052	45,501,614	3,473,715	46,320,096	355,332,106
Liabilities and Equity						
Due to banks and financial institutes	-	-	-	-	2,191,246	2,191,246
Customers' deposits	99,917,467	15,175,867	30,499,486	-	153,041,700	298,634,520
Other liabilities	-	-	-	-	21,166,054	21,166,054
Equity	-	-	-	-	33,340,286	33,340,286
Total	99,917,467	15,175,867	30,499,486	-	209,739,286	355,332,106
Interest rate sensitivity gap	<u>(3,891,838)</u>	<u>148,835,185</u>	<u>15,002,128</u>	<u>3,473,715</u>	<u>(163,419,190)</u>	<u>-</u>
Accumulated interest rate sensitivity gap	<u>(3,891,838)</u>	<u>144,943,347</u>	<u>159,945,475</u>	<u>163,419,190</u>	<u>-</u>	<u>-</u>

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35.4. Currency Risk

Currency risk or exchange rate risk is the risk of fluctuation of fair value or future cash flows of a financial instrument evaluated in a foreign currency due to changes in exchange rates. Due to the nature of the Bank's activities, it deals in different foreign currencies; thus it is exposed to currency risk. The Central Bank of Yemen, in its Circular No. 6 of 1998 on Exposure to Foreign Currencies Risk, requires the Bank not to keep a currency position of more than 25% for different currencies and 15% for a single currency to capital and reserves as defined in the circular no. 2 of 1997 on Capital Adequacy Ratio, whether the position is long or short.

Foreign Currencies Exchange Rates

The Bank deals with the market prevailing exchange rate for the US Dollar and other foreign currencies in trade in the Yemeni market according to exchange rate bulletin issued by Central Bank from its Head Office in Aden which is based on the exchange rate management base officially approved on the floating basis and evaluates foreign currencies positions in financial positions of the Bank on the basis of exchange rate bulletin issued by Central Bank since 15 August 2017 in compliance with resolution issued by the Office of Governor of Central Bank of Yemen, Head Office / Aden cancelling dealing with exchange rate of the US Dollar on the basis of a fixed exchange rate at YR 250 / US Dollar dated 14 August 2017.

Since the exchange rate bulletins issued by the Central Bank of Yemen / Aden head office are limited to the exchange rate of the US Dollar only (2019: US Dollar) the Bank extracts foreign currencies exchange rates from a specialised foreign website in relation to USD exchange rate as stated in the Central Bank of Yemen / Aden head office exchange rate bulletin. The exchange rate bulletin issued by the Bank under this procedure is approved by the Vice General Manager for Banking Departments.

Foreign Currencies Positions

Using exchange rates resulting from the procedure followed by the bank, mentioned above, for evaluating foreign currencies positions, the ratio of net foreign currencies positions of the Bank to core capital and reserves at 31 December 2021 were as follow:

	2021				2020
	Assets Long position YR'000	Liabilities Short position YR'000	Net foreign currency positions YR'000	Ratio to core capital %	Ratio to core capital %
Sterling Pound	7,910,560	1,963,360	5,947,200	19	20
UAE Dirham	3,185,978	66,429	3,119,549	10	8
US Dollar	93,391,600	99,446,800	(6,055,200)	(19)	(10)
Euro	1,785,942	5,946,822	(4,160,880)	(13)	(16)
Saudi Rial	9,383,678	18,308,336	(8,924,658)	(28)	(32)
Others	187,013	12,218	174,795	1	1
Total	<u>115,844,771</u>	<u>125,743,965</u>	<u>(9,899,194)</u>	<u>(30)</u>	<u>(29)</u>

Other currencies are Omani Rial, Swiss Franc and Japanese Yen.

Management is working on addressing such exceedings in compliance with ratios specified in the related Central Bank of Yemen circular, under the situation the Country is going through (Note 1).

Impact of Changes in Fair Value of Currency (Foreign currencies Sensitivity Analysis)

To calculate the impact of changes in fair value of currency, according to Central Bank of Yemen, Head Office/ Aden instructions, the Bank took in account the exchange rates it uses in evaluating significant foreign currencies positions and the average exchange rate of these currencies in accordance with market rates as per local specialised websites shown below:

	2021				
	USD	Sterling pound	Euro	Saudi Riyal	UAE Dirham
Exchange rate in YR:					
Used at the Bank	400	560	462	106	108
At market	874	1,177	989	230	237
Difference	<u>(474)</u>	<u>(617)</u>	<u>(527)</u>	<u>(124)</u>	<u>(129)</u>

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Exchange rate in YR:	2020				
Used at the Bank At	400	545	491.6	106.64	108.9
market Difference	676.29	1020	1070	178.79	195
	<u>(276.29)</u>	<u>(475)</u>	<u>(578.4)</u>	<u>(72.15)</u>	<u>(86.1)</u>

Based on the exchange rates above, the following table shows the impact of decrease of Yemeni Rial exchange rate against significant foreign currencies and the expected effect on statements of comprehensive income and changes in equity, with all other factors held constant.

	<i>Impact on statements of comprehensive income and changes in equity increase / (decrease)</i>	
	2021 YR'000	2020 YR'000
Sterling pound	6,552,540	4,846,425
UAE Dirham	3,683,875	1,791,139
US Dollar	(7,175,412)	(1,932,096)
Euro	(4,740,120)	(5,410,354)
Saudi Rial	(10,326,985)	(5,991,986)
Total	<u>(12,006,102)</u>	<u>(6,696,872)</u>

36. CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure that the Bank complies with external imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios. The capital adequacy is monitored by Bank's management on a quarterly basis employing techniques based on the guidelines approved by Central Bank of Yemen for supervisory purposes. The required information is filed with the Central Bank of Yemen on a quarterly basis.

Capital Adequacy

Capital adequacy is Bank's capability to settle its obligations and confront any losses that might arise in the future. It is represented by the ratio of capital to its risks. The Central Bank of Yemen, in its circular no. 2 of 1997 amending circular no. 3 of 1996 on Minimum Limit of Capital Ratio to Risk - Weighted Assets (Capital Adequacy), requires the Bank to maintain a ratio of total capital to the risk - weighted assets at or above 8%.

In accordance to provisions of the circular above, the total capital of the Bank is divided in two tiers:

- Core capital: which comprises the paid capital, statutory and general reserves. Investments in any other local bank or financial company are deducted from core capital.
- Capital cushions: which comprises the surplus on revaluation of property, plant and equipment reserve, cumulative changes in fair value reserve, general provision for impairment of direct and indirect credit facilities and provision for impairment of receivables and other assets.

The risk - weighted assets are measured by means of a hierarchy of four risk weights classified according to the level of credit, market and operation risks associated with each asset, taking into account any eligible collateral or guarantees.

A similar treatment is adopted for off financial position items risks, with some adjustments to reflect the more contingent nature of potential losses.

The Bank complies with all the externally imposed capital requirements to which it is subject.

For the year ended 31 December 2021, capital adequacy ratio was as follows:

	2021 YR'000,000	2020 YR'000,000
Capital		
Core capital	39,969	27,835
Capital cushions	256	1,914
Total capital	<u>40,225</u>	<u>29,749</u>
Risk- weighted assets		
On statement of financial position	77,948	23,488
Off statement of financial position	1,849	12,850
Total risk - weighted assets	<u>79,797</u>	<u>36,338</u>
Adequacy ratio of:		
Core capital	50%	77%
Total capital	<u>50%</u>	<u>82%</u>

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37. TRUST ACTIVITIES

The Bank does not undertake any activities related to the conservation and management of assets for or on behalf of third parties except for the Housing Project which is managed by the Bank on behalf of the State in accordance with the minutes of the expanded meeting held on 6 April 2000 and approved by H.E. Minister of Finance on 29 April 2000.

The Housing Project was established in Abdul Aziz Abdul Wali area, Al-Mansoura, Aden City, in accordance with Council of Ministers Decree No. 52 of 1988 with a self-financing system from the value of apartments sold in cash and installments to build a number of housing units for Yemeni immigrants and allocating some for the Ministry of Construction and Housing and entitled employees of the National Bank of Yemen. The Bank keeps the bank accounts of the Housing Project as contra accounts.

38. CAPITAL COMMITMENTS

	2021 YR'000	2020 YR'000
In Yemeni Rial	152,037	22,414
In US Dollar	12,900	2,500
In Euro	394,199	-
Total capital commitments	<u>559,136</u>	<u>24,914</u>

39. LEGAL STATUS AND CONTINGENT ASSETS AND LIABILITIES

During the year ended 31 December 2021, the Bank had cases filed against non performing customers for not paying their debts and cases filed against the Bank by customers. While for some cases the verdict was in favor of the Bank, the related legal procedures have not been completed, yet. Some other cases are still in concerned court. Management has made adequate provisions for impaired loans.

40. COMPARATIVE FIGURES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Several amounts of the prior year have been reclassified to conform to the presentation in the current year.

41. SUBSEQUENT EVENTS

41.1. The Bank's Board of Directors' Approval of the Bank's Audited Financial Statements for the Year 2020

On 15 May 2022, the Bank's Board of Directors, in its capacity as the Bank's General Assembly, held a session in which it discussed the Bank's audited financial statements for the year 2020 which the management approved on 6 April 2022 and the Independent Auditors issued a Qualified Report on as a result of being unable to obtain a confirmation from the Central Bank of Yemen on the bank's mandatory reserve balance as of 31 December 2020. The Board of Directors approved the audited financial statements for the fiscal year 2020 in accordance with its Resolution No. 50 for 2021 in light of the Independent Auditors' Qualified Report, which was later amended based on confirmations from the Central Bank of Yemen. On 24 May 2022, the management submitted the audited financial statements for the year ended 31 December 2020 to H.E. Minister of Finance- the representative of the Government the owner of the Bank.

41.2. Transferring the Government's Share in Profit for The Year Retained

On 18 April 2023, the Bank paid Government's share in profit for the fiscal year 2020 amounting YR'000 970,711 (2021: the paid amount was YR'000 1,113,101) the Government's share in profit retained from prior years (Note 28-3).

41.3. Obtaining a Clearance from the General Department for Zakah-Dues / Aden

On 13 January 2022, a clearance letter on paying full Bank's estimated Zakat for 2021 was issued from the General Department for Zakat-Dues / Aden.

41.4. Inaugurating the "BANKS" System in Other Branches of the Bank

The Bank inaugurated the (BANKS) System in the year 2022 in a number of its branches in Al-Tawahi, Zanzibar, Al-Baydha, Al-Ghaydah, Al-Shihr and Taiz. It also continued to inaugurate the system in some other branches in 2023.

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41.5. Payment of Income Tax For 2021

On 23 June 2022, the bank paid the remaining tax due for the fiscal year 2020 amounted to YR'000 798,888, according to SWIFT notice with reference no. 1146. On 30 June 2022, the bank paid an amount of YR'000 500,000, as an installment (on account) of income taxes due for the fiscal year 2021. It also paid on 14 August 2022 an amount of YR'000 500,000, as another installment of income taxes due for the fiscal year 2021. The bank has not received a final clearance for the fiscal years 2019 and 2020.

42. APPROVING THE FINANCIAL STATEMENTS

The management approved these financial statements on 11 July 2023, and it was decided to submit them to the Bank's Board of Directors and the Minister of Finance, the representative of the Government- owner of the Bank, at a subsequent period.



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البنك الأهلي اليمني

National Bank Of Yemen

Trust & Experience

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