



البنك الأهلي اليمني

National Bank Of Yemen

Trust & Experience

الخبرة والثقة

Annual Report

2022





Content List

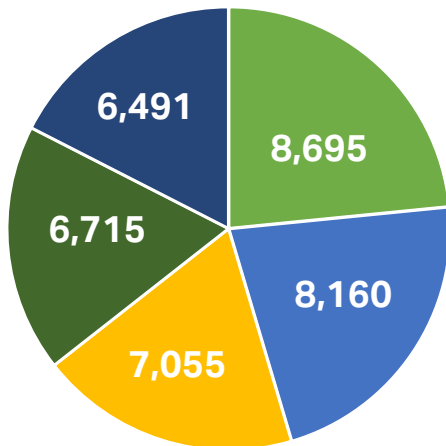
Content List	3
Summary of financial statements	4
Main Basic Financial Indicators	5-6
Our Vision, Our Message, Strategic Objectives	7
Financial Statement Summary	9
Chairman and Members of Board of Directors	10
Executive Management	11-14
Independent Auditor's Report	15
Financial Position Statement	19
Profit or loss & other Comprehensive	20
Statement of Changes in Equity	21
Cash Flows Statement	22
Notes To The Financial Statements	50-23
List of Branches in Yemen	57-51

Financial Statement Summary

Statement	Years				
	μ2022	μ2021	μ2020	μ2019	μ2018
Financial Position:					
Total Assets	396,064	395,614	355,332	324,917	284,752
Loans and Advances	8,695	8,160	7,055	6,715	6,491
Customers & Bank Deposits	334,016	335,867	298,635	283,317	252,541
Local Investments	208,500	208,500	208,500	196,644	187,536
Capital	20,000	20,000	17,000	14,000	10,000
Equity	35,919	39,552	33,340	27,965	20,935
Balances with Banks	82,445	92,982	93,457	71,378	60,264
Contra Items	12,044	12,970	13,408	22,323	16,411
Income Statement:					
Net Interest Income	20,971	18,083	18,962	17,542	14,739
Operation Income	2,656	3,665	1,683	2,561	1,338
Profit Before Tax	5,940	9,034	8,272	7,575	5,411
Net Profit	4,752	7,227	6,618	6,060	4,329
Financial Ratios:					
Return on Assets	1.2%	1.8%	1.9%	1.9%	1.5%
Return on Average Equity	12%	21%	23%	28%	23%
Capital Adequacy Rate	50%	50%	82%	50%	78%
Liquidity Rate	98%	101%	95%	56%	92%
U.S.Dollar Price	400 R.Y	400 R.Y	400 R.Y	400 R.Y	400 R.Y
Share Profit	238 R.Y	361 R.Y	389 R.Y	433 R.Y	433 R.Y
Number of Branches	27	27	27	27	27
Number of Employees	966	966	973	973	973

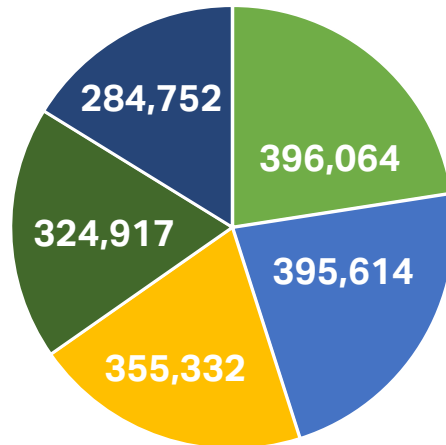
The most important financial indicators (2018 -2022)

**Loans and Advances
(YR millions)**



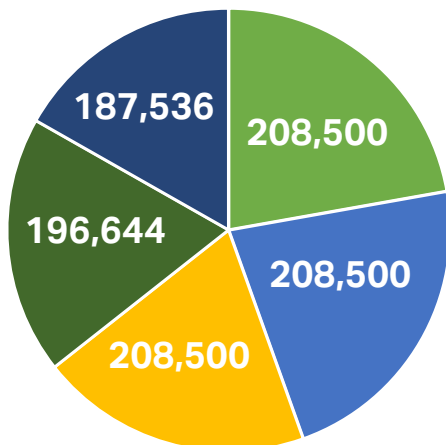
■ 2020 ■ 2019 ■ 2018
■ 2022 ■ 2021

**Total Assets
(YR millions)**



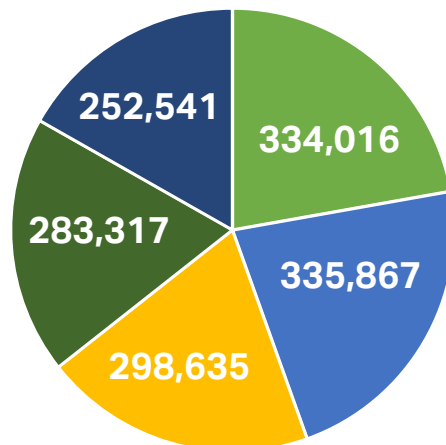
■ 2020 ■ 2019 ■ 2018
■ 2022 ■ 2021

**Local Investments
(YR millions)**



■ 2020 ■ 2019 ■ 2018
■ 2022 ■ 2021

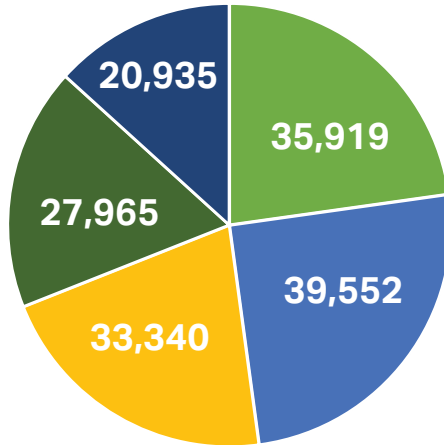
**Customers & Bank
Deposits (YR millions)**



■ 2020 ■ 2019 ■ 2018
■ 2022 ■ 2021

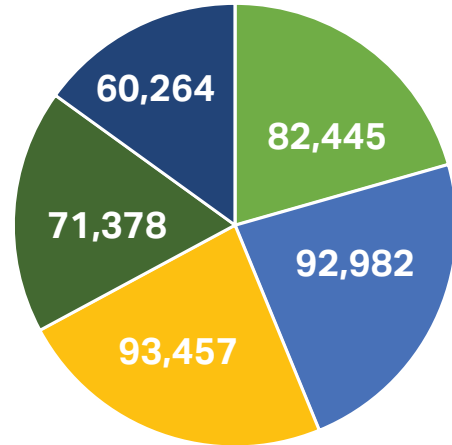
The most important financial indicators (2018 -2022)

**Equity
(YR millions)**



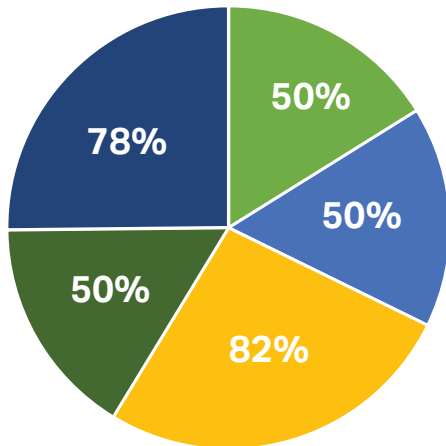
2020 2019 2018
2022 2021

**Balances with
Banks (YR millions)**



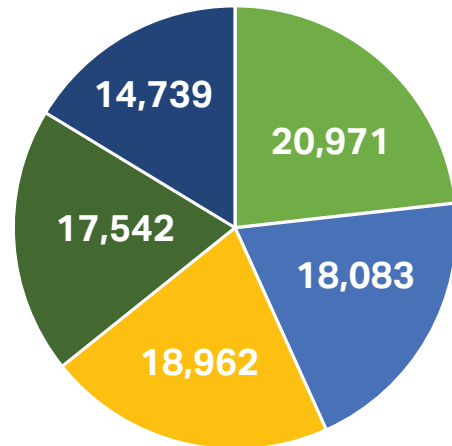
2020 2019 2018
2022 2021

**Capital
Adequacy Rate**



2020 2019 2018
2022 2021

**Net Interest
Income (YR millions)**



2020 2019 2018
2022 2021

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



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 Qualified Opinion

As indicated in note (19-4-1) of the notes to the financial statements, it is evident that:

1. A provision for Bank of Beirut – Beirut was not made in the original currency of the accounts. While the currencies of the accounts of Bank of Beirut – Beirut were the US Dollar, Euro, and Saudi Riyal, the provision was made in Yemeni Riyal, which contradicts international accounting standards.
2. The amount of the provision may not be sufficient to cover the expected losses, as the provision rate does not exceed 40% of the balances of Bank of Beirut – Beirut, valued at the central bank exchange rate as of 31 December 2022. Meanwhile, the actual value of these balances, according to the prevailing market rate at that date, is much higher.
3. The provision was completed after the distribution of profits by transferring the government's share of the year's profits, which contradicts accounting rules and regulations.
4. We have not seen the approval of the owner (the government – Ministry of Finance) for transferring its share to form the provision.

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 2022 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 2022 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 Qualified 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 2022. 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 2022, 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 29 July 2024.

Prof. Dr. Abdulbaset Bagonaid

Member of IASCA

An Independent Member of UC&CS GLOBAL

Registered Licensed Auditor No. 661

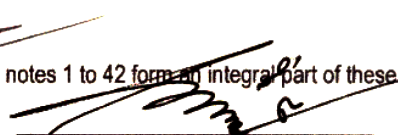


NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN
STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2022

	Note	2022	2021
	No.	YR' 000	YR' 000
REVENUES			
Activity Revenues:			
Interest on direct credit facilities to customers, net	4	(18,625,558)	(16 885 843)
Interest on due from banks, net	5	124,323	11 049
Commissions and fee income on banking services, net	6	875,824	853 424
Interest on certificates of deposit at Central Bank of Yemen	7	5,119,282	619 226
Returns from treasury bills		34,353,348	34 338 653
Dividends from investments	8	13,768	13 768
Gain on selling and buying foreign currencies		1,359,929	993 950
Total Activity Revenues		23,220,916	19 944 227
Other revenues	9	391,431	1 799 459
TOTAL REVENUES		23,612,348	21 743 686
EXPENSES			
Employees' related expenses	10	(10,149,569)	(8 798 274)
General and administration expenses	11	(1,876,580)	(1 570 453)
Other expenses	12	(5,145,845)	(2 078 211)
TOTAL EXPENSES		(17,171,994)	(12 446 938)
Re-translation differences on balances in foreign currencies	13	(44)	(13 154)
PROFIT FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		6,440,309	9 283 594
Zakat	14	(500,000)	(250 000)
PROFIT FOR THE YEAR AFTER ZAKAT AND BEFORE INCOME TAX		5,940,309	9 033 594
Income tax	15	(1,188,062)	(1 806 719)
PROFIT FOR THE YEAR AFTER ZAKAT AND INCOME TAX		4,752,247	7 226 875
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		-	-
TOTAL OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16	4,752,247	7 226 875

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 Omar Bin Sankr
 General Manager


Dr. Mohammed Hussein Halboob
 Chairman

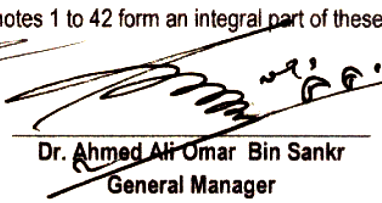


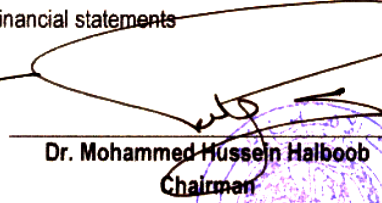
NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	2022	2021
	No.	YR' 000	YR' 000
ASSETS			
Cash on hand and mandatory reserve balances at Central Bank of Yemen	17	47,644,127	43 210 056
Certificates of deposit at Central Bank of Yemen	18	31,936,503	26 000 000
Due from banks, net	19	82,445,007	92 982 231
Treasury bills, net	20	208,500,000	208 500 000
Direct credit facilities to customers, net	21	8,694,512	8 160 383
Receivables and other assets, net	22	9,176,164	9 021 283
Investments, net	23	417,186	356 560
Property, plant and equipment	24	6,658,854	7 246 434
Capital work in progress	25	592,109	137 486
TOTAL ASSETS		396,064,463	395 614 433
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institutes	26	2,395,171	2 479 218
Customers' deposits	27	334,016,034	335 866 695
Payables and other liabilities	28	17,014,218	11 848 398
Other provisions	29	6,719,988	5 867 937
TOTAL LIABILITIES		360,145,412	356 062 248
EQUITY			
Capital paid	30	20,000,000	20 000 000
Reserves	31	15,919,051	14 493 376
Dividends proposed	16-2	0	5 058 812
TOTAL EQUITY		35,919,051	39 552 188
TOTAL LIABILITIES AND EQUITY		396,064,463	395 614 436
CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET	32	12,043,501	12 969 993

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


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 Vice General Manager for
 Banking Departments


Dr. Ahmed Ali Omar Bin Sankr
 General Manager


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 Chairman

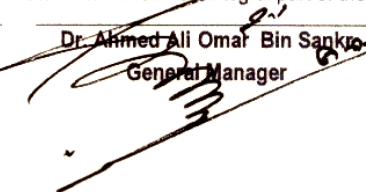


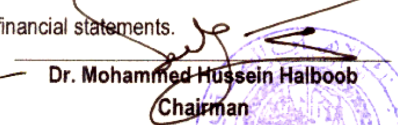
NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN
STATEMENT OF CHANGES IN EQUITY
As at 31 December 2022

	<i>Capital paid</i>	<i>Reserves YR'000</i>	<i>Dividends proposed YR'000</i>	<i>Total YR'000</i>
Balance at 1 January 2022	20,000,000	14,493,376	5,058,812	39 552 188
Comprehensive income				
Profit for the year before Zakat and income tax	-	-	6,440,309	6,440,309
Zakat	-	-	(500,000)	(500,000)
Income tax	-	-	(1,188,062)	(1,188,062)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	4,752,247	4,752,247
Transactions with owner				
Transfer to capital from Government's share in profit for the year retained (Note 28-3):	-	-	-	-
Prior year dividends (Note 16-2)	-	-	(5,058,812)	(5,058,812)
Automation Project revaluation Reserves ("BANKS" System)	-	-	-	-
Transfer from profit for the year to:	-	712,837	(712,837)	-
Statutory reserve (Note 31-1)	-	712,837	(712,837)	-
General reserve (Note 31-2)	-	-	(3,344,572)	(3,344,572)
Total transaction with owner	-	1,425,674	(9,829,058)	(8,403,384)
Balance at 31 December 2022	20,000,000	15,919,050	(17,999)	35,901,051
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)	(1 014 972)
Balance at 31 December 2021	20 000 000	14 493 376	5 058 812	39 552 188

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 Omar Bin Sankro
 General Manager

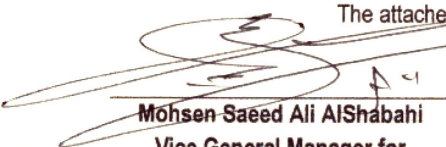

Dr. Mohammed Hussein Halboob
 Chairman

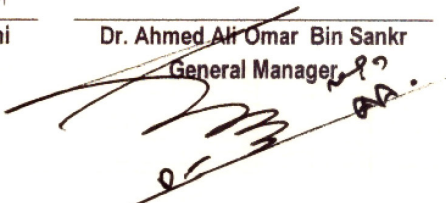


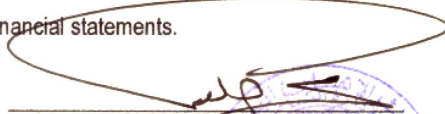
NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2022

	2022 YR 000	2021 YR 000
OPERATING ACTIVITIES		
Profit for the year after Zakat and income tax	4,752,247	7 226 875
Adjustments for the following:		
Depreciation of property, plant and equipment	729,096	642 142
Provisions:		
Re-translation differences on balances in foreign currencies	195,012	615 767
Made	1,342,906	1 216 108
Written back	(366,673)	(1 486 206)
Written off	-	-
Operating Profit Before Changes in Banking Assets and Liabilities Related to Operating Activities	6,652,588	8 214 685
CHANGES IN BANKING ASSETS		
Mandatory reserve balances at Central Bank of Yemen	(6,916,714)	-
Due from banks maturing in over than three months	-	-
Direct credit facilities to customers before provision for impairment but after suspended interest	(614,962)	(13 820)
Receivables and other assets	(154,881)	(932 108)
Net decrease / (increase) in banking assets	(7,686,557)	(945 928)
CHANGES IN BANKING LIABILITIES		
Due to banks and financial institutes	(84,047)	287 972
Customers' deposits	(1,850,661)	37 232 175
Payables and other liabilities	6,353,882	(4 268 986)
Net increase in banking liabilities	4,419,174	33 251 161
Net Cash Flows from Operating Activities (1)	3,385,205	40 519 918
INVESTING ACTIVITIES		
Treasury bills maturing in over than three months	-	-
Investments	(60,626)	-
Additions to property, plant and equipment	(141,515)	(3 440 772)
Capital work in progress	(455,369)	2 158 582
Net Cash Flows (Used In) Investing Activities (2)	(657,510)	(1 282 190)
FINANCING ACTIVITIES		
Dividends proposed	(9,811,059)	(4 632 496)
Capital increase	-	3 000 000
Net Cash Flows (Used In) / From Financing Activities (3)	(9,811,059)	(1 632 496)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)	(7,083,364)	37 605 233
Cash and cash equivalents at 1 January	143,035,288	105 430 055
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Note 33)	135,951,924	143 035 288

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 Omar Bin Sankr
General Manager


Dr. Mohammed Hussein Halboob
Chairman

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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 in 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 2022

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 from January 6, 2022 - December 12, 2022 the Board of Directors held 15 periodic and exceptional meetings.

As at 31 December 2022, 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 2022: 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 2022: 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. In 2022, work was launched in 5 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.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

- Management Approval on Bank's Audited Financial Statements for the Year Ended 31 December 2021

On October 16, 2023, the management approved the Bank's audited financial statements for the year ended 31 December 2021.

- Year's Results

In the light of continuing political and security instability in the Country since the outbreak of the war in March 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 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

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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 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 balances from banks: when the right of the Bank to receive payment is established.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2022

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 the amount of Zakat for the year according to the claims of the General Directorate of Zakat Duties / Aden and obtains a clearance letter for the payment for the year. Donations and gifts paid by the decision of the administration are included in the general and administrative expenses.

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.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

2.9. 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.

2.10. 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.

2.11. Current And Non-Current Classification

An asset is classified as current when: it is either expected to be realised 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.

2.12. 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.

2.13. 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 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.

2.14. 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.

2.15. 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).

2.16. 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.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

2.17. 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 stages	Credit classification category	Provision rate	Provision type
First	Performing	2%	General
Second	Under performing-1: Under watch	2%	Specific
	Under performing-2: Substandard	15%	
	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.

2.18. 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.

2.19. 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.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

2.20. 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.

2.21. 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.

2.22. 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.

2.23. Customer Deposits

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

2.24. Payables

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

2.25. 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.

2.26. 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

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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
2022	-	-	356,560	356,560

2.27. 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 of 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 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.

2.28. 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 deferred foreign exchange contract and interest rate contracts etc.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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.

2.29. 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).

2.30. 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

2.31. 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.

2.32. 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 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.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

4. INTEREST ON DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

	2022 YR'000	2021 YR'000
Interest on direct credit facilities to customers (Note 4-1)	710,669	774 733
Cost of customers' deposits (Note 4-2)	(19,336,227)	(17 660 576)
	<u>(18,625,558)</u>	<u>(16 885 843)</u>

4.1. Interest on Direct Credit Facilities to Customers

	2022 YR'000	2021 YR'000
Short term loans	542,960	529 044
Overdraft facilities	167,709	245 689
	<u>710,669</u>	<u>774 733</u>

4.2. Cost of Customers' Deposits

	2022 YR'000	2021 YR'000
Fixed deposits	(15,189,112)	(13 564 578)
Saving accounts	(4,147,115)	(4 095 998)
	<u>(19,336,227)</u>	<u>(17 660 576)</u>

5. INTEREST ON DUE FROM BANKS

	2022 YR'000	2021 YR'000
Foreign banks:		
Fixed deposits	124,323	5 023
Current accounts	-	6 026
	<u>124,323</u>	<u>11 049</u>

6. COMMISSIONS AND FEE INCOME ON BANKING SERVICES, NET

	2022 YR'000	2021 YR'000
Commissions and fee income on banking services (Note 6-1)	890,634	870 883
Commissions and fee expenses on banking services (Note 6-2)	(14,810)	(17 459)
	<u>875,824</u>	<u>853 424</u>

6.1. Commissions and Fee Income on Banking Services

	2022 YR'000	2021 YR'000
Commissions:		
Cheques and money transfer	310,108	130 929
Letters of credit	7,434	59 475
Letters of guaranty	77,108	51 495
Collection policies and export drafts	1,427	772
Fees:		
Fixed deposits	181,504	140 225
Current accounts	21,568	19 406
Postage, fax and swift	3,942	5 005
Others	287,543	463 576
	<u>890,634</u>	<u>870 883</u>

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

6.2. Commissions and Fee Expenses on Banking Services

	2022	2021
	YR'000	YR'000
Commissions - foreign banks	(14,810)	(17 459)
	(14,810)	(17 459)

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

	2022	2021
	YR'000	YR'000
Interest receivable		
Central Bank of Yemen:	5,119,282	619 226
	5,119,282	619 226

8. DIVIDENDS FROM INVESTMENTS

	2022	2021
	YR'000	YR'000
ALUBAF Arab International Bank - Bahrain (Note 8-1)	13,768	13 768
Yemen Mobile Company - Yemen (Note 8-2)	-	-
Arab Financial Services Company - Bahrain (Note 8-3)	-	-
	13 768	13 768

8.1. ALUBAF Arab International Bank - Bahrain

In March 2022, the Bank received the dividend amount of USD 34,420 according to the latest financial statements available of the investment as at 31 December 2021.

8.2. Yemen Mobile Company - Yemen

During the year ended 31 December 2022, the Bank did not receive dividends from this investment for the year 2021, noting that Yemen Mobile distributed the annual dividends, and for unknown reasons Yemen Mobile did not pay the Bank's share of the annual dividends, the last year the Bank received its share of the annual dividends was in 2018..

8.3. Arab Financial Services Company - Bahrain

During the year ended 31 December 2022, the Arab Financial Services Company – Bahrain did not pay dividends for the four years 2021, 2020, 2019, and 2018. The total amount of unpaid dividends due to the bank for the period from 2015 to 2017 is USD 11,761..

9. OTHER REVENUES

	2022	2021
	YR'000	YR'000
Written back provision for:		
Impairment of direct credit facilities (Note 21-2)	366,673	1 425 503
Prior year revenues	-	261 900
Surplus cash with tellers'	24,758	51 353
Differences in currencies revaluation	-	60,703
	391,431	1,799,459

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

10. EMPLOYEES' RELATED EXPENSES

	2022 YR'000	2021 YR'000
Basic salaries and wages	3,312,741	3 165 751
Allowances and benefits	3,018,323	2 752 383
Bonuses and incentives	2,880,785	2 180 575
Employees regular leave (Note 28-1-2)	250,000	250 000
Bank's contribution in social insurance	216,818	206 589
End of service benefits (Note 28-1-1)	163,489	156 212
Professional Training Fund	52,560	49 666
Qualification and Training (Note 10-1)	220,602	21 273
Prior years expenses (Employees' entitlements)	34,251	15 825
	10,149,569	8 798 274

10.1. Qualification and Training

	2022 YR'000	2021 YR'000
Academic and professional qualification- Bank:		
External	189,759	-
Internal	30,843	21 273
	220,602	21 273

11. GENERAL AND ADMINISTRATION EXPENSES

	2022 YR'000	2021 YR'000
Guarding and security	454,182	352 440
Maintenance and repairs	201,954	209 954
Fuel and oil - vehicles and generators	333,766	214 042
Local and abroad transport	238,494	161 263
Electricity and water	141,718	95 622
Advertisement and publishing	62,261	65 943
Postage, communication, swift and internet	74,240	63 277
Stationery and printing	58,445	62 881
Rent	40,055	40 262
Professional and consultancy fees	26,890	27 944
Prescriptions	17,495	19 487
Hospitality and reception	30,537	32 049
Donations and gifts	49,588	164 492
Insurance	69,653	28 332
Information technology	1,799	1 852
Public charges	7,674	2 072
Other	67,829	28 541
	1,876,580	1 570 453

12. OTHER EXPENSES

	2022 YR'000	2021 YR'000
Provisions made during the year (Note 12-1)	4,236,135	1 221 718
Prior years expenses	23,351	16 223
Depreciation of property plant and equipment (Note 24)	729,096	642 142
Corona Virus epidemic related expenses (Note 12-2)	131,810	188 875
Judicial expenses	24,153	9 253
Others	1,300	-
	5,145,845	2 078 211

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

12.1. Provisions Made During the Year

	2022 YR'000	2021 YR'000
Impairment of direct credit facilities (Note 21-2)	477,249	397 507
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)	-	-
Operational risks	-	-
Bank of Beirut – Beirut provision	2,893,229	
Capital works provisions	-	5 610
Differences in currencies revaluation	-	(47,056)
	4,236,135	1 221 718

12.1.1. Fees on Annual Subscription in Bank Deposit Insurance Corporation

During the year ended 31 December 2022, 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

	2022 YR'000	2021 YR'000
Aid to employees:		
Inside Yemen	131,810	188 875
Outside Yemen	-	-
Personal protection and hygiene materials	-	-
	131,810	188 875

13. RE-TRANSLATION DIFFERENCE ON BALANCES IN FOREIGN CURRENCIES

	2022 YR'000	2021 YR'000
Gain on re-translation of debt balances in foreign currencies	-	-
(Loss) on re-translation of credit balances in foreign currencies	(44)	(13 154)
	(44)	(13 154)

14. ZAKAT

	2022 YR'000	2021 YR'000
Balance at 1 January	108 607	10 000
Made for the year	500,000	250 000
(Paid) during the year for prior year	(492,573)	(151 393)
Balance at 31 December	116,031	108 607

During the year ended 31 December 2022, 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) (2022: The Bank completed paying Zakat amount for 2022 on Bank's branches in Aden, Taiz, Hadramout and the Head Office, and obtained a clearance on payment dated 22 March 2022. It 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

	2022 YR'000	2021 YR'000
Balance at 1 January	1,806,719	1 969 513
Made for the year	1,188,062	1 806 719
(Paid) during the year	(1 806, 719)	(1 969 513)
Balance at 31 December	1,188,062	1 806 719

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

16. COMPREHENSIVE INCOME FOR THE YEAR

For the year ended 31 December 2022 the Bank made a total comprehensive income (excess profits) of YR'000 4,752,247 (2021: comprehensive income of YR 7,226,875).

16.1. Basic Earnings Per Share

		2022	2021
Comprehensive income for the year	YR'000	4,752,247	7 226 875
Weighted average number of shares	1000 shares	20,000	20 000
Basic earnings per share	YR	238	361

16.2. Proposed Dividends

	2022	2021
	YR'000	YR'000
Balance at 1 January	5,058,812	4 632 496
Comprehensive income for the year	4,752,247	7 226 874
Government's share in prior year's profit- retained (Note 28-3)	(4,336,124)	(3 970 711)
Employees' share in prior year's profit	(722,687)	(661 785)
Balance distributable for the year	4,752,248	7 226 874
Transfer to statutory reserve during the year	(712,687)	(1 084 031)
Transfer to general reserve during the year	(712,687)	(1 084 031)
Balance at 31 December	3,326,574	5 058 812
Proposed dividends for current year:		
Government's share	(2,851,349)	4 336 125
Employees' share	(475,225)	722 687
Total proposed dividends	3,326,574	5 058 812

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

	2022	20221
	YR'000	YR'000
Cash on hand:		
Foreign currencies	14,793,252	18,655,700
Local currency	6,777,162	5,397,357
Total cash on hand	21,570,414	24,053,057
Mandatory reserve balances at Central Bank of Yemen: (Note 17-1)		
Local currency	15,502,913	10,800,555
Foreign currencies	10,570,800	8,356,444
Total mandatory reserve balances at Central Bank of Yemen	26,073,713	19,156,999
	47,644,127	43,210,056

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

As at 31 December 2022 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 balance.

18. CERTIFICATES OF DEPOSIT AT CENTRAL BANK OF YEMEN

	2022	2021
	YR'000	YR'000
Certificates of deposit per period		
90 days	10,936,503	11 000 000
180 days	21,000,000	15 000 000
	31,936,503	26 000 000

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

19. DUE FROM BANKS, NET

	2022 YR'000	2021 YR'000
Local banks:		
Central Bank of Yemen (Note 19-1)	53,895,704	59 402 312
Other local banks (Note 19-2)	436	709
Total due from local banks	53,896,140	59 403 021
Foreign banks (Note 19-3)	34,300,775	33 587 543
Provision for impairment (Note 19-4)	(5,751,907)	(8 333)
	82,445,007	92 982 231

19.1. Central Bank of Yemen

	2022 YR'000	2021 YR'000
Current accounts:		
Foreign currencies	41,493,795	43 507 852
Local currency	11,855,876	15 289 413
Suspended entries for the years 1990 and 1996	0	59 015
Sana'a and Al-Hodeida Branches	546,033	546 032
	53,895,704	59 402 312

19.2. Other Local Banks

	2022 YR'000	2021 YR'000
Commercial current accounts	298	298
Islamic Investment deposits	0	273
Sana'a Branch	138	138
	436	709

19.3. Foreign Banks

	2022 YR'000	2021 YR'000
Current accounts	21,036,347	20 168 047
Fixed deposits	13,264,428	13 419 496
	34,300,775	33 587 543

19.4. Provision for Impairment

	2022 YR'000	2021 YR'000
Bank of Credit and Development – Netherlands	7,330	8,333
Bank of Beirut – Beirut (Note 19-4-1)	5,744,577	
Current accounts at:		
Asya Katlim Bank - Turkey	-	-
	5,751,907	8,333

19-4-1 Bank of Beirut – Beirut:

During the year 2022, the bank created a provision to cover the impairment specific to Bank of Beirut – Beirut at a rate of (20%) amounting to YER 2,893,299 thousand. The bank also transferred the government's share of the profits to the provision, amounting to YER 2,851,348 thousand, according to the Board of Directors' decision No. (26) for the year 2024 issued on 22 July 2024, bringing the total provision amount to YER 5,744,577 thousand.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

20. TREASURY BILLS, NET

	2022 YR'000	2021 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 2023 (31 December 2021: return rate of 17% and last one maturing on 30 June 2022) as per issued by the Central Bank of Yemen/ Aden.

21. DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

	2022 YR'000	2021 YR'000
Gross direct credit facilities to customers (Note 21-1)	17,927,023	17 204 890
Provision for Impairment (Note 21-2)	(5,215,540)	(5 134 707)
Suspended interest (Note 21-3)	(4,016,971)	(3 909 800)
	8,694,512	8 160 383

21.1. Gross Direct Credit Facilities to Customers

21.1.1. Purposes

	2022			2021 YR'000
	<i>Overdraft facilities YR'000</i>	<i>Short term loans YR'000</i>	<i>Total YR'000</i>	
Personal	-	6,164,377	6,164,377	5 385 009
Commercial	2,706,243	212,970	2,919,213	2 506 549
Industrial	7,325	623,062	630,386	630 386
Services	259,584	824,526	1,084,110	41 770
Others	-	-	-	-
Sana'a and Al-Hodeida Branches:				
Commercial	6,024,433	374,764	6,399,197	6 398 228
Industrial	134,131	397,767	531,897	531 897
Personal	-	195,619	195,619	211 609
Others	-	2,223	2,223	2 223
	9,131,715	8,795,308	17,927,023	17 204 890

21.1.2. Beneficiaries

	2022			2021 YR'000
	<i>Overdraft facilities YR'000</i>	<i>Short term loans YR'000</i>	<i>Total YR'000</i>	
Private sector	2,698,651	3,154,568	5,853,220	5 035 835
Bank's employees	-	3,772,503	3,772,503	3 299 465
Public sector	274,500	884,322	1,158,822	1 845 997
Related parties	-	13,542	13,542	13 767
Sana'a and Al-Hodeida Branches:	0	0	0	0
Public sector	4,361,974	2,223	4,364,197	4 361 974
Private sector	1,796,590	968,150	2,764,740	2 647 852
	9,131,715	8,795,308	17,927,023	17 204 890

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

21.1.3. Currencies

	2022			2021
	<i>Overdraft facilities</i> YR'000	<i>Short term loans</i> YR'000	<i>Total</i> YR'000	YR'000
Local currency	1,219,263	6,703,011	7,922,274	7 050 226
Foreign currencies	1,753,889	1,121,924	2,875,813	3 010 708
Sana'a and Al-Hodeida Branches:	0	0	0	0
Local currencies	407,420	675,283	1,082,703	6 061 514
Foreign currency	5,751,144	295,090	6,046,234	1 082 442
	<u>9,131,715</u>	<u>8,795,308</u>	<u>17,927,023</u>	<u>17 204 890</u>

21.1.4. Credit Classification

	2022			2021
	<i>Overdraft facilities</i> YR'000	<i>Short term loans</i> YR'000	<i>Total</i> YR'000	YR'000
Performing	88,652	3,422,220	3,510,872	3 746 971
Under performing	885,771	1,587,624	2,473,395	1 485 485
Impaired	1,998,729	2,815,091	4,813,820	4 828 477
Sana'a and Al-Hodeida Branches:				
Under performing	-	-	-	-
Impaired	6,158,564	970,373	7,128,937	7 143 957
	<u>9,131,715</u>	<u>8,795,308</u>	<u>17,927,023</u>	<u>17 204 890</u>

21.2. Provision for Impairment

	2022					2021
	Gross value YR'000	Cash guarantees YR'000	Suspended interest YR'000	Net debt YR'000	Provision YR'000	Provision YR'000
Credit Classification						
Performing	3,510,872	349,307	5,021	3,156,544	66,333	71,881
Under performing	2,473,395	-	15,536	2,457,858	420,353	283,394
Impaired	11,942,757	4,138,838	3,996,414	3,807,505	4,728,853	4,779,432
Expected credit loss	-	-	-	-	-	-
Total	<u>17,927,023</u>	<u>4,488,145</u>	<u>4,016,971</u>	<u>9,421,907</u>	<u>5,215,540</u>	<u>5 134 707</u>

For the year ended 31 December 2022 movement of provision for impairment was as follows:

	2022					2021
	General	Specific				YR'000
	Performing YR'000	Under performing YR'000	Impaired YR'000	Expected credit loss YR'000	Total YR'000	YR'000
Balance at 1 January	71,881	283,393	4,779,432	-	5,134,707	6 225 824
Re-translation difference on balances in foreign currencies	317	(3,885)	2,775	-	(793)	(12 314)
(Written off) during the year	-	-	(40,627)	-	(40,627)	(50 807)
(Written back) during the year (Note 9)	(12,981)	(121,833)	(213,360)	-	(348,173)	(1 425 503)
Made during the year (Note 12-1)	7,116	262,677	200,632	-	470,425	397 507
Balance at 31 December	<u>66,333</u>	<u>420,352</u>	<u>4,728,852</u>	<u>-</u>	<u>5,215,540</u>	<u>5 134 707</u>

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

21.3. Suspended Interests

	2022	2021
	YR'000	YR'000
Balance at 1 January	3 909 800	3 772 597
Re-translation difference on balances in foreign currencies	(4,514)	(1 581)
(Written off) during the year	(115,448)	(50 807)
(Written back) during the year	(52,163)	(11 313)
Made during the year	279,296	200 904
Balance at 31 December	4,016,971	3 909 800

22. RECEIVABLES AND OTHER ASSETS, NET

	2022	2021
	YR'000	YR'000
Revenue receivable from:		
Treasury bills	3,867,033	3 867 033
Certificates of deposit	-	461 723
Loans	5,599	2 418
Deposits at foreign banks	27,731	239
Islamic Branches' Administration - National Bank of Yemen (Note 22-1)	1,575,011	1 575 167
Operational risk (Note 22-2)	845,044	845 320
Entries under settlement	14,580	14 500
Prepayments	1,183,665	1 018 508
Property acquired by the Bank against impaired debts (Note 22-3)	16,934	16 934
Stationery and publication inventory	7,993	9 869
Advances with branches	15,294	23 997
Inter-branch accounts	-	-
Others	1,290,702	917 090
Sana'a and Al-Hodeida Branches:		
Prepayments	32,495	32 495
Advances with branches	19,155	20 079
Stationery and publication inventory	99	99
July 2019 result	134,427	134 426
Others	54,397	54 398
Operational risks (embezzlement/ deficit)	65,884	65 884
Suspended accounts:		
Accounts for the period August- December 2019 (Note 22-4)	888,434	888 434
Mutual account- Sana'a Branch September 2019	125,600	125 600
Total receivables and other assets	10,170,080	10 074 213
Provision for impairment (Note 22-5)	(993,916)	(1 052 930)
	9,176,164	9 021 283

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

22.1. Islamic Branches' Administration - National Bank of Yemen

The amount represents the balance of Islamic Branch of the Bank in Sana'a due to Bank's Head Office– Aden as at 25 December 2019 after re-translation of balances in foreign currencies which stopped communication with Bank's Head Office– Aden in June 2019 (Note 2-3). It includes employees' related expenses and general and administration expenses. The Bank officially opened this Branch on 16 April 2017 as a nucleus for an Islamic transaction department in accordance with a final license from the Central Bank of Yemen to open the Islamic Branch dated 10 March 2015, based on the initial approval granted to the Bank of number 7139 dated 18 December 2014, in response to the Bank's Board of Directors Resolution No. 33 of 2009 issued on 17 March 2009 on the Committee for the Preparation and Study of Establishing a Branch for Islamic Transactions recommendation and H.E. Minister of Finance approval on this resolution dated 1 April 2009.

22.2. Operational Risk

This account is represented by cash losses due to work errors and embezzlement as well as looted cash from Bank branches in armed conflict areas. Management follows up with recovering collectible amounts along with taking necessary legal procedures and has made provisions for.

22.3. Property Acquired By The Bank Against Impaired Debts

The Bank maintains, in this account, a property that it had as a collateral and then acquired it against impaired debts. In compliance with Article No. 73 of Law No. 38 of 1998 on Banks, management follows up with addressing this account, which more than five years has passed on without being disposed due to the situation the Country is going through.

22.4. Accounts of the Period August- December 2019

	2022 YR'000	2021 YR'000
Sana'a Branch:		
Debit transactions	114 754 980	114 754 980
Credit transactions	(113 906 333)	(113 906 333)
Balance	848 647	848 647
Al-Hodeida Branch:		
Debit transactions	43 308	43 308
Credit transactions	(3 521)	(3 521)
Balance	39 787	39 787
	888 434	888 434

22.5. Provision for Impairment

	2022 YR'000	2021 YR'000
Operational risk	968,916	1 027 930
Buildings:		
Al-Towahi Branch taken over -2014	25,000	25,000
Property acquired by the Bank against impaired debts- Aden	-	-
	993,916	1 052 930

23. INVESTMENTS, NET

	2022 YR'000	2021 YR'000
Foreign investments (Note 23-1)	536,794	476 168
Local investments (Note 23-2)	222,764	243 764
	759,557	719 932
Provision for impairment (Note 23-3)	(342,372)	(363 372)
	417,186	356 560

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

23.1. Foreign Investments

	2022	2021
	YR'000	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)	80,626	20,000
	536,794	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 2022 amounted USD 688,400 representing 13,768 shares of value USD 50 per share (31 December 2021: 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 2022 amounted USD 452,020 representing 45,202 shares of value USD 10 per share (31 December 2022: USD 452,020).

23.1.3. Arab Financial Services Company – Bahrain

The Bank subscribed to this investment in accordance with Investment Certificate No. (41) dated 1 August 1984, and its value as of 31 December 2022 amounted to USD 213,330 representing (42,666) shares (31 December 2021/50,000/USD) representing (10,000) shares. In addition The Bank subscribed to this investment on 28 August 2022 for USD 108,330 representing (21,666) shares (first tranche) and on 2 December 2022 for USD 55,000 representing 11,000 shares (second tranche). The Bank did not receive the investment certificate for the new subscription and the investment has not distributed dividends since 2018.

23.2. Local Investments

	2022	2021
	YR'000	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
Aden Foundation for Microfinance - Yemen (23-2-4)	-	1,000
	222,764	243,764

We have not seen the Board of Directors' resolutions regarding the termination and write-off of the investment in Al Amal Microfinance Bank and the investment in Aden Microfinance Foundation. These investments were written off, and their balances were closed in the provisions accounts that were previously formed for this purpose.

23.2.1. Yemen Financial Services Company - Yemen

The Bank has subscribed in this investee in accordance with investment certificate no. 1 which original of was received on 24 May 2006. Its value as at 31 December 2022 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 2021: USD 403,910).

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 2022 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 2021: YR'000 61,200).

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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 2022 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 2022: YR'000 20,000). Due to the troubled activities of Al Amal Microfinance Bank, the bank wrote off this investment and closed it in the provision account. We have not seen the Board of Directors' decision regarding the write-off of the investment.

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 2022 amounted YR'000 1,000 (31 December 2020: YR'000 1,000). The previous name of this entity was "Tadhamun Microfinance Foundation", Due to the troubled activities of Aden Microfinance Foundation, the bank wrote off this investment and closed it in the provision account. We have not seen the Board of Directors' decision regarding the write-off.

23.3. Provision for Impairment

	2022 YR'000	2021 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
Aden Foundation for Microfinance - Yemen	-	1,000
Total provision for impairment	<u>342,372</u>	<u>363,372</u>

24. PROPERTY, PLANT AND EQUIPMENT

	2022 YR'000	2021 YR'000
Swift and computer hardware	2,516,315	2 954 765
Buildings	2,167,406	2 215 042
Land	1,215,282	1 215 282
Furniture and equipment	580,119	621 348
Leasehold improvements	107,067	127 732
Motor vehicles	72,665	112 266
Total property, plant and equipment	<u>6,658,854</u>	<u>7 246 434</u>

Details of these accounts are as follow:

	Land YR'000	Buildings YR'000	Leasehold improvements YR'000	Furniture and equipment YR'000	Motor Vehicles YR'000	Swift and computer hardware YR'000	Total YR'000
Cost / Revaluation							
At 1 January 2022	1,215,282	2,626,684	318,668	1,353,271	351,853	3,922,599	9,788,356
Additions during the year	-	5,610	312	55,707	0	79,887	141,516
At 31 December 2022	<u>1 215 282</u>	<u>2,632,294</u>	<u>318,980</u>	<u>1,408,978</u>	<u>351,853</u>	<u>4,002,486</u>	<u>9,929,872</u>
At 1 January 2021	1 215 282	2,614,375	294,629	1,157,611	320,773	744,914	6,347,584
Additions during the year	-	12,309	24,039	195,660	31,080	3,177,685	3,440,772
At 31 December 2021	<u>1 215 282</u>	<u>2,626,684</u>	<u>318,668</u>	<u>1,353,271</u>	<u>351,853</u>	<u>3,922,599</u>	<u>9,788,356</u>
Accumulated Depreciation							
At 1 January 2022	-	411 640	190 937	731,923	239 587	967 833	2 541 922
Charged for the year	-	53,245	20,975	96,937	39,600	518,339	729,096
At 31 December 2022	<u>-</u>	<u>464,885</u>	<u>211,911</u>	<u>828,860</u>	<u>279,188</u>	<u>1,486,172</u>	<u>3,271,018</u>
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	<u>-</u>	<u>411 640</u>	<u>190 937</u>	<u>731 923</u>	<u>239 587</u>	<u>967 833</u>	<u>2 541 922</u>
Net Book Value							
At 31 December 2022	<u>1,215,282</u>	<u>2,167,409</u>	<u>107,069</u>	<u>580,119</u>	<u>72,665</u>	<u>2,516,315</u>	<u>6,658,854</u>
At 31 December 2021	<u>1 215 282</u>	<u>2 215 041</u>	<u>127 730</u>	<u>621 349</u>	<u>112 266</u>	<u>2 954 766</u>	<u>7 246 434</u>

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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>	<i>Buildings</i>	<i>Leasehold</i>	<i>Furniture</i>	<i>Motor</i>	<i>Swift and</i>	<i>Total</i>
	<i>YR'000</i>	<i>YR'000</i>	<i>improvements</i>	<i>and</i>	<i>Vehicles</i>	<i>computer</i>	<i>YR'000</i>
	<i>YR'000</i>	<i>YR'000</i>	<i>YR'000</i>	<i>equipment</i>	<i>YR'000</i>	<i>hardware</i>	<i>YR'000</i>
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 2022, 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 consulting firm as at 31 December 1999 and for AlMukairas 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

	2022	2021
	YR'000	YR'000
Automation and Technology Project	394,156	-
Bank's buildings rehabilitation projects	120,470	137 486
Fixed assets under classification	77,482	-
	592,109	137 486

25-1 Automation and Technology Project:

The balance of the Automation and Technology Project account as of 31 December 2022 amounted to YER 394,136 thousand against the equipment of branches included in the Automation and Technology Project (Banks System). This requires closing the balance of this account in the fixed assets account with the calculation of the depreciation instalment.

26. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2022	2021
	YR'000	YR'000
Local:		
Central Bank of Yemen- Current Account	380	380
Other local banks- Current Accounts	5,148	5,207
Exchange companies (Note 26-1)	1,777,262	1 778 062
	1,782,790	1 783 649
Foreign:		
Banks- Current Accounts	611,393	694 581
Exchange companies - Current Accounts	988	988
	612,381	695 569
	2,395,171	2 479 218

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

26.1. Local- Exchange Companies

	2022 YR'000	2021 YR'000
Current accounts		
Local currency	1,445,726	1 445 726
Foreign currency	231,441	232 237
Sana'a Branch:		
Local currency	20	20
Foreign currency	75	79
Fixed deposit - Local currency	100,000	100,000
	1,777,262	1 778 062

27. CUSTOMERS' DEPOSITS

	2022 YR'000	2021 YR'000
Current accounts:		
Customers	113,749,785	129,629,907
Government	715,842	714,990
Fixed deposits	130,990,924	119,142,332
Saving accounts	62,484,164	60,127,844
Cash insurance on outstanding indirect credit facilities (Note 27-1)	11,236,265	11,208,812
Payment orders	366,672	817,702
Unclaimed balances (Note 27-2)	1,101,097	1,134,926
Socotra Branch - Deposits on behalf of Central Bank of Yemen (Note 27-3)	1,072,125	781,560
Sana'a and Al-Hodeida Branches:		
Fixed deposits	9,599,653	9,599,653
Current accounts	1,304,814	1,309,171
Saving accounts	1,233,835	1,237,398
Cash insurance on outstanding indirect credit facilities	107,131	108,673
Payment orders	53,727	53,727
	334,016,034	335,866,695

27.1. Cash Insurance on Outstanding Indirect Credit Facilities

As at 31 December 2022, 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 (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.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

28. PAYABLES AND OTHER LIABILITIES

	2022 YR'000	2021 YR'000
Cash insurance on expired indirect credit facilities	207,155	281,361
Employees' entitlements (Note 28-1)	3,400,444	1,824,471
Accrued interest payable on customers' deposits	3,027,576	2,694,895
Government entities (Note 28-2)	255,085	2,054,381
Government's share in profit for the year retained (Note 28-3)	5,306,836	1,771,571
Accrued expenses	153,974	112,146
Entries under settlement	1,558	2,201
Projects maintenance guarantee	22,390	39,785
Islamic Branches Department - National Bank of Yemen (Note 28-4)	38,952	38,952
Suspended accounts with branches	357,554	357,706
Loan installments- surplus and under settlement	1,342	5,102
Interest and commission received in advance	0	18
Others	3,969,297	2,032,372
Sana'a and Al-Hodeida Branches	0	
Accrued interest payable on customers' deposits	134,590	134,590
Cash insurance on expired indirect credit facilities	12,872	12,873
Interest and commission received in advance	11,630	12,131
Entries under settlement	304	305
Others	4,600	4,757
Suspended accounts:		
Accounts for the period August- December 2019 (Note 28-5)	108,059	111,075
Mutual account- Sana'a Branch September 2019	0	357,705
	17,014,218	11,848,398

28.1. Employees' Entitlements

	2022 YR'000	2021 YR'000
End of service benefits (Note 28-1-1)	1,066,613	903,124
Employees' regular leave (Note 28-1-2)	581,864	545,096
Social security	38,748	82,657
Outstanding commitments:		
Employees share in profit for the year	1,197,912	48,507
Salaries	382,918	85,368
Medication	132,389	159,719
	3,400,444	1,824,471

28.1.1. End of Service Benefits

	2022 YR'000	2021 YR'000
Balance at 1 January	903,124	746,912
Made during the year (Note 10)	163,489	156,212
Balance at 31 December	1,066,613	903,124

28.1.2. Employees Regular Leave

	2022 YR'000	2021 YR'000
Balance at 1 January	545,096	497,873
Made during the year (Note 10)	250,000	250,000
(Used) during the year	(213,232)	(202,777)
Balance at 31 December	581,864	545,096

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2022

28.2. Government Entities

	2022 YR'000	2021 YR'000
Tax Authority / Aden - income tax for		
Current year (Note 15)	0	1 806 719
Prior year	-	0
Skills Development Fund	138,617	138 617
General Department for Zakat-Dues/ Aden:		
Payable for the year (Note 14)	116,031	108 608
Carried forward from prior years	0	0
General Authority for Insurance and Pensions / Aden	437	437
	255,085	2 054 381

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

	2022 YR'000	2021 YR'000
Balance on January 1 - remaining from previous years' profits	1,771,571	5,884,672
(Paid) from profit for prior years 2020	(800,860)	(1,113,101)
(Transferred) from profit for prior years 2021	4,336,125	0
(Transferred) to paid capital (Note 30)	0	(3,000,000)
	5,306,836	1,771,571

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

	2022 YR'000	2021 YR'000
Sana'a Branch:		
Credit transactions	297,240	303,645
Debit transactions	227,056	230,110
	70,185	73,535
Al-Hodeida Branch:		
Credit transactions	201,596	201,596
Debit transactions	163,722	164,056
	37,874	37,540
	108,059	111,075

29. OTHER PROVISIONS

	2022 YR'000	2021 YR'000
Provision for:		
Contingent claims (Note 29-1)	3,450,000	2,950,000
Indirect credit facilities:		
Specific (Note 29-2)	2,016,738	2,016,738
General (Note 29-3)	156,278	169,885
Fees on annual subscription in Bank Deposit Insurance Corporation	1,096,972	731,314
	6,719,988	5,867,937

29.1. Contingent Claims

	2022 YR'000	2021 YR'000
Social insurance	3,450,000	2 950 000
	3,450,000	2 950 000

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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

	2022			2021
	<i>Letters of Credit</i>	<i>Letters of Guaranty</i>		
	YR'000	Foreign YR'000	Local YR'000	Total YR'000
Balance at 1 January	19,148	121,919	27,818	168,885
Re-translation differences on balances in foreign currencies (Written back) during the year (Note 9)	-	(462)	(467)	(930)
Made during the year (Note 12-1)	(11,416)	(1,500)	(5,585)	(18,500)
Balance at 31 December	7,732	119,957	28,590	156,279

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 2022 the Bank's paid capital amounted YR'billion 20 (31 December 2021: 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 2022.

Details of Bank's paid capital is as follows:

	2022			2021
	<i>Share value YR</i>	<i>No. of shares</i>	<i>Capital YR'000</i>	<i>Capital YR'000</i>
Paid capital	1,000	20,000,000	20,000,000	20,000,000

31. RESERVES

	2022 YR'000	2021 YR'000
Statutory reserve (Note 31-1)	8,048,149	7,335,311
General reserve (Note 31-2)	6,563,525	5,850,687
Surplus on revaluation of property, plant and equipment reserve (Note 31-3)	1,257,287	1,257,287
Cumulative change in fair value reserve (Note 31-4)	50,091	50,091
Total reserves	15,919,052	14,493,376

31.1. Statutory Reserve

	2022 YR'000	2021 YR'000
Balance at 1 January	7,335,311	6,251,280
Transfer from profit for the year	712,838	1,084,031
Balance at 31 December	8,048,149	7,335,311

31.2. General Reserve

	2022 YR'000	2021 YR'000
Balance at 1 January	5,850,687	4,766,656
Transfer from profit for the year	712,838	1,084,031
Balance at 31 December	6,563,525	5,850,687

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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 Changes 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

	2022			2021
	Gross value YR'000	guarantee YR'000	Net value YR'000	Net value YR'000
Indirect credit facilities:				
Letters of guaranty - Local	926,991	(589,027)	337,964	290,136
Letters of guaranty - Foreign	2,557,360	(1,090,064)	1,467,297	1,448,545
Letters of credit - Import	9,317,944	(9,584,819)	(266,875)	105,842
Letters of credit - Export	-	-	-	570,797
Sana'a and Al-Hodeida Branches:				
Letters of guaranty – Foreign	10,142,113	(96,748)	10,045,364	10,089,545
Letters of guaranty – Local	41,106	(10,383)	30,723	30,723
Letters of credit – Export	56,432	-	56,432	56,432
	23,041,946	(11,371,041)	11,670,905	12,592,019
Others	372,596	-	372,596	974,377
	23,414,542	(11,371,041)	12,043,501	12,969,993

33. CASH AND CASH EQUIVALENTS

	2022 YR'000	2021 YR'000
Due from Banks maturing in not more than 3 months (Note -Liquidity risk)	82,445,007	92,982,231
Cash on hand (Note 17)	21,570,414	24,053,057
Certificate of deposit at Central Bank of Yemen (Note- Liquidity risk)	31,936,503	26,000,000
	135,951,924	143,035,288

34. TRANSACTIONS WITH RELATED PARTIES

For the year ended 31 December 2022, transactions with related parties were as shown below. Management believes that the transactions were made at arm's length basis.

Statement of:	Account	2022 YR'000	2021 YR'000
Comprehensive Income	Interest cost	-	-
	Salaries and benefits	89,673	115,237
Financial Position	Direct credit facilities – loans	22,486	13,767
	Customers' deposits	38,478	49,884

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-

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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 2022:

	2022 YR'000	2021 YR'000
Financial Assets	374,494,050	363,126,453
Indirect Credit Facilities	12,043,501	12,969,993
Total exposure to credit risk	386,537,551	376,096,446

• Financial Assets:	2022 YR'000	2021 YR'000
Treasury bills, net	208,500,000	208,500,000
Certificates of deposit	31,936,503	26,000,000
Due from banks, net	82,445,007	92,982,231
Mandatory reserve balances at Central Bank of Yemen	26,073,713	19,156,999
Receivables and other assets (except for prepayments), net	16,427,129	7,970,280
Direct credit facilities to customers, net	8,694,512	8,160,383
Investments, net	417,186	356,560
	374,494,050	363,126,453

• Indirect Credit Facilities	2022 YR'000	2021 YR'000
Letters of guaranty - Foreign, net	11,512,661	11,538,090
Letters of guaranty - Local, net	368,687	320,859
Letters of credit, net	162,153	1,111,044
	12,043,501	12,969,993

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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**

2022					
	Trade YR'000	Industry YR'000	Services YR'000	Others YR'000	Total YR'000
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	47,644,127	-	-	-	47,644,127
Certificates of deposit at Central Bank of Yemen	31,936,503	-	-	-	31,936,503
Due from banks, net	82,445,007	-	-	-	82,445,007
Treasury bills, net	208,500,000	-	-	-	208,500,000
Direct credit facilities to customers, net	1,139,455	-	-	7,555,058	8,694,512
Investments, net	417,186	-	-	-	417,186
	<u>372,082,278</u>	<u>-</u>	<u>-</u>	<u>7,555,058</u>	<u>379,637,335</u>
Financial Liabilities					
Due to banks and financial institutes	2,395,171	-	-	-	2,395,171
Customers' deposits	334,016,034	-	-	-	334,016,034
	<u>336,411,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,411,205</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	41,500	-	-	12,002,001	12,043,501
	<u>41,500</u>	<u>-</u>	<u>-</u>	<u>12,002,001</u>	<u>12,043,501</u>
2021					
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	-	-	3 798 560	8 160 383
Investments, net	356 560	-	-	-	356 560
	<u>375,410,580</u>	<u>-</u>	<u>-</u>	<u>3 798 560</u>	<u>379 209 230</u>
Financial Liabilities					
Due to banks and financial institutes	2 479 218	-	-	-	2 479 218
Customers' deposits	335 866 695	-	-	-	335 866 695
	<u>338 345 913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338 345 913</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	41,500	-	-	12 928 493	12 969 993
	<u>41,500</u>	<u>-</u>	<u>-</u>	<u>12 928 493</u>	<u>12 969 993</u>

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

• **Distribution of Financial Instruments According to Geographical Locations**

	2022					
	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	47,644,127	-	-	-	-	47,644,127
Certificates of deposit at Central Bank of Yemen	31,936,503	-	-	-	-	31,936,503
Due from banks, net	82,445,007	-	-	-	-	82,445,007
Treasury bills, net	208,500,000	-	-	-	-	208,500,000
Direct credit facilities to customers, net	8,694,512	-	-	-	-	8,694,512
Investments, net	61,200	-	-	355,986	-	417,186
Total	379,281,350			355,986		379,637,335
Financial Liabilities						
Due to banks and financial institutes	1,782,790	-	-	612,381	-	2,395,171
Customers' deposits	334,016,034	-	-	0	-	334,016,034
Total	335,798,824			612,381		336,411,205
Contingent Liabilities, Commitments and Contra Accounts, Net	349,584	-	-	11,693,917	-	12,043,501
	2021					
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	335 866 695	-	-	-	-	335 866 695
Total	337 650 343			695 569		338 345 913
Contingent Liabilities, Commitments and Contra Accounts, Net	1 454 452	-	1 531 464	9 984 077	-	12 969 993

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 2022, the Bank's liquidity ratio was 98%, 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 (31 December 2021: 101%).

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 2022, the maturity gap was as follows:

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

	2022				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	47,644,127	-	-	-	47,644,127
Certificates of deposit at Central Bank of Yemen	-	10,936,503	21,000,000	-	31,936,503
Due from banks, net	82,445,007	-	-	-	82,445,007
Treasury bills, net	-	133,500,000	30,000,000	45,000,000	208,500,000
Direct credit facilities to customers, net	3,711,739	1,604,343	160,940	3,217,490	8,694,512
Investments, net	-	-	-	417,186	417,186
Other assets	-	-	-	16,427,127	16,427,127
Total	133,800,873	146,040,846	51,160,940	65,061,803	396,064,462
Liabilities and Equity					
Due to banks and financial institutes	2,395,171	-	-	-	2,395,171
Customers' deposits	99,917,467	15,175,887	30,599,486	188,323,194	334,016,034
Other liabilities	1,568,252	238,193	480,273	21,447,488	23,734,205
Equity	-	-	-	35,919,051	35,919,051
Total	103,880,890	15,414,080	31,079,760	245,689,733	396,064,462
Maturity gap	29,919,983	130,626,766	20,081,180	(180,627,930)	-

	2021				Total
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)	0

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.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

Average Interest Rates on Financial Instruments

	2022						2021					
	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	-	-	-	-	-	16.5	-	-	-	-	-
Certificates of deposit	20.0	-	-	-	-	-	20.00	-	-	-	-	-
Due from banks - fixed deposits	-	1.09	0.84	-	1.09	0.86	-	0.26	0.02	-	-	0.07
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

	2022					
	Not exceedingss 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	-	-	-	-	47,644,127	47,644,127
Certificates of deposit at Central Bank of Yemen	-	10,936,503	21,000,000	-	-	31,936,503
Due from banks, net	82,444,571	-	-	-	436	82,445,007
Treasury bills, net	-	133,500,000	30,000,000	45,000,000	-	208,500,000
Direct credit facilities to customers, net	3,711,739	1,604,343	160,940	3,217,490	-	8,694,512
Investments, net	-	-	-	-	417,186	417,186
Other assets	186,824	-	-	-	15,648,194	15,835,018
Capital works in progress	-	-	-	-	592,109	592,109
Total	86,343,134	146,040,846	51,160,940	48,217,490	64,302,052	396,064,462
Liabilities and Equity						
Due to banks and financial institutes	-	-	-	-	2,395,171	2,395,171
Customers' deposits	99,917,467	15,175,887	30,599,486	-	188,323,194	334,016,034
Other liabilities	1,568,252	238,193	480,273	-	14,727,500	17,014,218
Other provisions	-	-	-	-	6,719,988	6,719,988
Equity	-	-	-	-	35,919,051	35,919,051
Total	101,485,719	15,414,080	31,079,760	-	248,084,904	396,064,462
Interest rate sensitivity gap	(15,142,585)	130,626,766	20,081,180	48,217,490	(183,782,852)	-
Accumulated interest rate sensitivity gap	(15,142,585)	115,484,183	135,565,362	183,782,852	-	-
2021						
Assets						
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	2479218
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	72,584,518	130,658,402	18,236,996	48,317,606	(269,797,523)	-
Accumulated interest rate sensitivity gap	72,584,518	203,242,919	221,479,915	269,797,523	-	-

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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 periodical 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 periodical 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 2022 were as follow:

	2022				2021
	Assets Long position	Liabilities Short position	Net foreign currency positions	Ratio to core capital	Ratio to core capital
	YR'000	YR'000	YR'000	%	%
Sterling Pound	7,727,643	1,759,296	5,968,347	19	19
UAE Dirham	2,666,961	25,264	2,641,697	8	10
US Dollar	90,301,200	99,536,400	(9,235,200)	(29)	(19)
Euro	964,398	4,657,974	(3,693,576)	(12)	(13)
Saudi Rial	10,993,080	18,117,614	(7,124,534)	(22)	(28)
Others	86,233	11,149	75,084	1	1
Total	112,739,515	124,107,697	(11,368,182)	(35)	(30)

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:

	2022				
	USD	Sterling pound	Euro	Saudi Riyal	UAE Dirham
Exchange rate in YR:					
Used at the Bank	400	539	402	106.2	108.9
At market	1200	1445.5	1275.5	316	326.5
Difference	(800)	(906.5)	(873.5)	(212.8)	(217.6)
	2021				
Exchange rate in YR:					
Used at the Bank	400	560	462	106	108
At market	874	1771	989	230	237
Difference	(474)	(617)	(527)	(124)	(129)

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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>	
	2022	2021
	YR'000	YR'000
Sterling pound	10,037,745	6 552 540
UAE Dirham	5,278,408	3 683 875
US Dollar	(18,275,400)	(7 175 412)
Euro	(8,075,718)	(4 740 120)
Saudi Rial	(14,275,901)	(10 326 985)
Total	(25,310,866)	(12 006 102)

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 four levels 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 2022, capital adequacy ratio was as follows:

	2022	2021
	YR'000,000	YR'000,000
Capital		
Core capital	34,550	39 969
Capital cushions	228	256
Total capital	34,778	40 225
Risk- weighted assets		
On statement of financial position	69,223	77 948
Off statement of financial position	608	1 849
Total risk - weighted assets	69,831	79 797
Adequacy ratio of:		
Core capital	50%	50%
Total capital	50%	50%

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended 31 December 2022

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 these accounts of the Housing Project in USD and YR as contra accounts.

38. CAPITAL COMMITMENTS

	2022	2022
	YR'000	YR'000
In Yemeni Rial	394,156	152,037
In US Dollar	-	12,900
In Euro	-	394,199
Total capital commitments	394,156	559,136

39. LEGAL STATUS AND CONTINGENT ASSETS AND LIABILITIES

During the year ended 31 December 2022, 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 2021

On October 16, 2023, 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 2021, which were approved by management on the same day. The Board of Directors approved the audited financial statements for the fiscal year 2021 in accordance with its Resolution No. (85) of 2023. On October 22 2023 The management submitted the audited financial statements for the year ending December 31, 2021 to His Excellency the Minister of Finance - representative of the government that owns the bank.

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

On April 18, 2023, the bank paid the government's share of the profits for the fiscal year 2020 in the amount of 711,970 thousand riyals.

41.3. Inauguration of "BANKS" system in other Branches of the Bank

The bank launched the Banks system in 2022 in a number of its branches in Al-Tawahi, Zanzibar, Al-Bayda, Al-Ghaydah, and Taiz. Work also continued to launch the system in a number of branches in 2023 and 2024.

NATIONAL BANK OF YEMEN
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2022

41.4. Payment of Income Tax For 2021

On June 23, 2022, the bank paid the remaining tax due for the fiscal year 2020 in the amount of 888,798 thousand riyals, according to SWIFT notice reference 1149. Also, on June 30, 2022, an amount of 500,000 thousand riyals was paid as an installment (on account) of income taxes. The income due for the fiscal year 2021 was also paid on August 14, 2022, in the amount of /500,000/ thousand riyals, another installment of income taxes due for the fiscal year 2021, and the remaining taxes due for profits taxes for the year 2021 were also paid on December 5, 2023, in the amount of /742,516/ One thousand Yemeni riyals, as on March 30, 2023, an amount of 500,000/000 riyals was paid as an installment (on account) of income taxes due for the fiscal year 2022. The bank did not receive a final settlement for the fiscal years 2019, 2020, and 2021..

42. APPROVING THE FINANCIAL STATEMENTS

The management approved these financial statement on --/--/2024, 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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 Box(110)



Aidroos Branch

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 +967 2 251579
 (5)



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 +967 2 243291



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 +967 2 252875
 Box (5)

Atwahi Branch

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 +967 2 202255
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 NBOYYESA

Abdullaziz Branch

 Republic of Yemen
 Aden - Al-Mansoura -
 Abdullaziz
 +967 2 342929
 +967 2 343263

Sayon Branch

 Republic of Yemen
 Hadrmout - Syeon - G. St.
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 +967 5 405517
 NBOYYESA007

Middle Aden Branch

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 Aden - M. Aden - Hoaj St.
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 +967 2 377155
 Box(3018)

Khormaksr Branch

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 Aden - Khormaksr - Airport St.
 +967 2 231076
 +967 2 231950

Zinjebar Branch

 Republic of Yemen
 Abyan - Zinjebar - Main St.
 +967 2 605070
 +967 2 604281

Taiz Branch

 Republic of Yemen
 Taiz - Jamal St.
 +967 4 266010
 +967 4 266012

➔ Habilen Branch

📍 Republic of Yemen
Lahaj - Habilen - General St.
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📠 +967 2 502340

➔ Dallah Branch

📍 Republic of Yemen
Al-Dallah - General St.
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📠 432431 2 +967

➔ Lahaj Branch

📍 Republic of Yemen
Alhodah - Lahaj - Qmata St.
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📠 +967 2 502340

➔ Laboos Branch

📍 Republic of Yemen
Yafah - Laboos - Salam Market
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📠 +967 2 554112

➔ Zara Branch

📍 Republic of Yemen
Ayan - Zara - General St.
☎ +967 2 672195
📠 +967 2 672791

➔ Baydah Branch

📍 Republic of Yemen
Al-Baydah - Aloma St.
☎ +967 6 533599
📠 +967 6 539319

➔ Ataag Branch

📍 Republic of Yemen
Shabwa - Ataag
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➔ Rasd Branch

📍 Republic of Yemen
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➔ Alsaheer Branch

📍 Republic of Yemen
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Gaydah Branch



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Qataan Branch



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Socatra Branch



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Socatra - General Market



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National Bank Of Yemen

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Annual Report

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