



COOPERATIVE AND AGRICULTURAL CREDIT BANK

SANA'A

REPUBLIC OF YEMEN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS
ON COOPERATIVE AND AGRICULTURAL CREDIT BANK**

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Report on the Financial Statements

We have audited the accompanying financial statements of Cooperative and Agricultural Credit Bank (The Bank) which comprise the statement of financial position as of 31 December 2009, the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and related Yemeni laws and regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and related Yemeni laws and regulations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2009, its financial performance, its cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards and related Yemeni laws and regulations.

Report on other Legal and Regulatory Requirements

We have obtained all the information and explanations which we required for the purpose of our audit. We also confirm that, in our opinion, proper accounting records have been kept by the Bank and the accompanying financial statements are in agreement therewith. According to our knowledge and belief, no violations to the provisions of the Banks Law No. 38 for 1998, the Cooperative and Agricultural Credit Bank Law No.39 of 1982 or the guidelines of the Central Bank of Yemen have occurred during the year ended 31 December 2009.

Dahman Awadh Dahman, FCCA
Registered Licensed Accountant No. 384
For Dahman & Co.
A member firm of RSM International



Sana'a, Republic of Yemen
15 May 2010

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	31 December 2009 YR' 000	31 December 2008 YR' 000
ASSETS			
Cash on hand and reserve balances with the Central Bank of Yemen	4	26,431,619	21,476,949
Due from banks	5	35,803,780	17,596,333
Treasury bills, net	6	83,328,359	40,259,234
Certificates of deposit with the Central Bank of Yemen	7	-	26,800,000
Government bonds	8	4,460,866	4,460,866
Loans and advances to customers, net of provision	9	60,232,704	60,894,262
Available for sale investments, net	10	1,982,851	1,847,839
Debit balances and other assets	11	7,296,207	3,359,476
Property, plant and equipment	12	3,957,248	3,547,696
TOTAL ASSETS		223,493,634	180,242,655
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	13	4,568,783	348,919
Customers' deposits	14	206,353,156	167,911,282
Credit balances and other liabilities	15	1,304,943	1,955,469
Other provisions	16	721,477	659,850
Long term loans	17	236,982	235,677
TOTAL LIABILITIES		213,185,341	171,111,197
EQUITY			
Capital	18-a	9,000,000	8,000,000
Share premium		500,000	500,000
Reserves	18-b	655,776	479,251
Retained earnings		152,517	152,207
TOTAL EQUITY		10,308,293	9,131,458
TOTAL LIABILITIES AND EQUITY		223,493,634	180,242,655
CONTRA ACCOUNTS AND OTHER COMMITMENTS, NET	19	72,135,856	65,975,636

Independent Auditors' Report attached (page 1).

The attached notes 1 to 41 form an integral part of these financial statements.

Abduljabbar A. Salama
Financial Manager

Mohammed A. Taki
Vice President for Support Operations

Hafedh F. Meyad
Chairman



COOPERATIVE AND AGRICULTURAL CREDIT BANK

STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2009

	<i>Note</i>	<i>2009</i> <i>YR' 000</i>	<i>2008</i> <i>YR' 000</i>
OPERATING INCOME			
Interest on loans and advances to customers and due from banks	20	7,020,792	7,147,944
Interest on certificates of deposit with the Central Bank of Yemen		533,985	1,437,951
Interest on treasury bills		9,248,936	5,040,797
Interest on government bonds		600,253	679,917
Other investments interest		<u>59,098</u>	<u>11,191</u>
Total interest income		17,463,064	14,317,800
Cost of deposits	21	<u>(9,576,602)</u>	<u>(8,003,310)</u>
Net interest income		7,886,462	6,314,490
Commissions and fee income on banking services	22	1,843,709	1,798,882
Gain on foreign currency transactions	23	546,860	213,522
Grants	24	-	60,000
Other operating income	25	<u>1,052,039</u>	<u>181,028</u>
NET OPERATING INCOME		11,329,070	8,567,922
OPERATING EXPENSES			
General and administration expenses	26	8,101,829	6,638,279
Provisions	27	<u>1,956,072</u>	<u>1,735,576</u>
TOTAL OPERATING EXPENSES		<u>10,057,901</u>	<u>8,373,855</u>
PROFIT FOR THE YEAR BEFORE ZAKAT		1,271,169	194,067
Zakat	28	<u>(94,334)</u>	<u>(15,000)</u>
PROFIT FOR THE YEAR		<u>1,176,835</u>	<u>179,067</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,176,835</u>	<u>179,067</u>
Total comprehensive income attributable to controlling interest		<u>1,176,835</u>	<u>179,067</u>
Total comprehensive income attributable to non-controlling interest		<u>-</u>	<u>-</u>
Basic and diluted earnings per share	29	<u>YER 138</u>	<u>YER 22</u>

The attached notes 1 to 41 form an integral part of these financial statements.

COOPERATIVE AND AGRICULTURAL CREDIT BANK

STATEMENT OF CHANGES IN EQUITY
For The Year Ended 31 December 2009

	-----Controlling Interest-----					Non-controlling interest YR'000	Total YR'000
	Capital YR'000	Share Premium YR'000	Statutory Reserve YR'000	General Reserve YR'000	Retained Earnings YR'000		
Balance as at 1 January 2008	6,000,000	-	310,695	141,696	-	-	6,452,391
Comprehensive income							
Profit for the year	-	-	-	-	179,067	-	179,067
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	179,067	-	179,067
Transaction with owners							
Transfer to statutory reserve	-	-	26,860	-	(26,860)	-	-
Issue of share at premium	2,000,000	500,000	-	-	-	-	2,500,000
Balance at 31 December 2008	8,000,000	500,000	337,555	141,696	152,207	-	9,131,458
Comprehensive income							
Profit for the year	-	-	-	-	1,176,835	-	1,176,835
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	1,176,835	-	1,176,835
Transaction with owners							
Transfer to statutory reserve	-	-	176,525	-	(176,525)	-	-
Transfer to share capital	1,000,000	-	-	-	(1,000,000)	-	-
Balance at 31 December 2009	9,000,000	500,000	514,080	141,696	152,517	-	10,308,293

The attached notes 1 to 41 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2009

	<i>Note</i>	<i>2009</i> <i>YR'000</i>	<i>2008</i> <i>YR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before Zakat		1,271,169	194,067
Zakat paid		(94,334)	(15,000)
Adjustments for:			
Provision for losses on loans and advances and on contra accounts		1,848,026	1,733,150
Other provision		108,046	2,426
Revaluation differences of provisions		51,568	(2,190)
Other provisions written back		(957,280)	(122,818)
Income from sale of property, plant and equipment		(18,885)	(1,801)
Depreciation of property, plant and equipment		863,738	686,440
Net operating profit before changes in assets and liabilities related to operating activities (1)		<u>3,072,048</u>	<u>2,474,274</u>
Changes in banking assets and liabilities:			
(Increase) in reserve balances with the Central Bank of Yemen		(4,442,794)	(325,874)
(Increase) in treasury bills maturing after three months, net of unamortized discount		(25,734,771)	(2,887,146)
(Increase) in loans and advances to customers before provision but after suspended interest		(219,129)	(18,969,163)
(Increase) in debit balances and other assets		(4,044,776)	(1,588,614)
Net (increase) in assets (2)		<u>(34,441,470)</u>	<u>(23,770,797)</u>
Increase in due to banks		4,219,864	338,213
Increase in customers' deposits		38,441,874	50,797,848
(Decrease) / Increase in credit balances and other liabilities		(650,524)	397,770
Net increase in liabilities (3)		<u>42,011,214</u>	<u>51,533,831</u>
CASH FLOWS (USED IN) INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(1,283,986)	(1,870,831)
Sale proceeds from sale of property, plant and equipment		29,578	16,483
Purchase of available for sale investments		(135,012)	(1,710,035)
Net cash flows (used in) investment activities (4)		<u>(1,389,418)</u>	<u>(3,564,383)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long term loans		1,305	92,872
Increase in capital and share premium		-	2,500,000
Net cash flow from financing activities (5)		<u>1,305</u>	<u>2,592,872</u>
Net increase in cash and cash equivalents (1+2+3+4+5)		9,253,677	29,265,797
Cash and cash equivalents at 1 January		<u>88,019,616</u>	<u>58,753,819</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	30	<u><u>97,273,293</u></u>	<u><u>88,019,616</u></u>

The attached notes 1 to 41 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2009

1 INCORPORATION AND ACTIVITIES

The Cooperative and Agricultural Credit Bank (The Bank) was established in Sana'a under law no. 39 of 1982, as a result of the merger of the Agricultural Credit Bank (ACB) (which was established in 1975) and the National Co-operation Development Bank (NCDB), (which was established in 1979). The share holding of the Bank as on 31 December 2009 is 33.825%, 0.675%, 40.500% and 25.000% for the Government represented by the Ministry of Finance, the General Confederation, the Agricultural and Fisheries Production Promotion Fund and Civil Aviation and Metrology Authority respectively. The Bank is registered with the Ministry of Industry and Trade under license no. 5391.

The Bank practices all banking activities through its head office and 52 branches spread all over the governorates of the Republic of Yemen. The registered address of the head office is Al Qeyada Street, and its postal address is P.O. Box 2850, Sana'a, Republic of Yemen.

2 SIGNIFICANT ACCOUNTING POLICIES**2-1 Basis of Preparation of Financial Statements**

The financial statements have been prepared on a historical cost basis, except for the available for sale investments, financial assets and financial liabilities held at fair value through profit or loss and that have been measured at fair value. The financial statements are presented in Yemeni Riyals and all values are rounded to the nearest one thousand Yemeni Riyal except where otherwise stated/

The disclosures on risks from financial instruments are presented note 3-2 relating to risk management.

The statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments. Note (30) shows in which item of the statement of financial position cash and cash equivalents are included.

The cash flows from operating activities are determined by using the indirect method. Profit for the year is therefore adjusted by non-cash items, such as measurement of gains and losses, changes in provisions, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. Interest received or paid is classified as operating cash flows.

The cash flows from investing and financing activities are determined by using the direct method. The Bank's assignment of the cash flows to operating, investing and financing category depends on the Bank's business model (management approach)

Statement of Compliance

The financial statements are prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) in force as at 31 December 2009 and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) of the IASB in force as at 31 December 2009, the requirements of the current local prevailing laws and regulations and the rules and instructions issued by the Central Bank of Yemen including those covered by the Central Bank of Yemen circular no. 2 of 2002 regarding the format of the financial statements.

a) *Standards, amendments and interpretations effective on or after 1 January 2009:*

- The following standards, amendments and interpretations, which became effective in 2009, are relevant to the Bank:

Standard	Content	Applicable date for financial years beginning on / after
IFRS 7	Improving disclosures about financial Instruments	1 January 2009
IAS 1	Presentation of financial statements (amended on 2007)	1 January 2009

- **Amendment to IFRS 7: Financial Instrument - Disclosures**

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosure about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or on the comprehensive income of the Bank.

- **IAS 1: Presentation of financial statements**

A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity but requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also conforms to the revised standard.

According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES**2-1 Basis of Preparation of Financial Statements**

a) *Standards, amendments and interpretations effective on or after 1 January 2009:*

- The following standards, amendments and interpretations became effective in 2009, but were not relevant for the Bank's operations:

Standard / Interpretation	Content	Applicable date for financial years beginning on / after
IFRS 2	Share – based payment – Vesting conditions and cancellations	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 23	Borrowing Costs (amended in 2007)	1 January 2009
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRIC 13	Customer loyalty programme	1 July 2008
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008

- **IFRS 2: Share based payments – Vesting conditions and cancellations**

The IASB published an amendment to IFRS 2, 'Share-based payment', in January 2008. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the entity. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled. IFRS 2 is not relevant to the Bank's operations because the Bank does not make any share based payments.

- **IFRS 8: Operating segments**

IFRS 8 was issued in November 2006 and became mandatorily applicable for accounting periods beginning on 1 January 2009. The standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments.

- **IAS 23: Borrowing costs**

A revised version of IAS 23 was issued in March 2007. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. This amendment is not relevant since the Bank has not incurred any borrowing costs for the construction of an asset.

- **IAS 32 and IAS 1: Puttable financial instruments and obligations arising on liquidation**

The IASB amended IAS 32 in February 2008. It now requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation. This amendment to IAS 32 is not relevant to the Bank because the Bank does not have any puttable financial instruments.

- **IFRIC 13: Customer loyalty programmes**

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products); the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Bank's operations as the Bank does not operate any loyalty programmes.

- **IFRIC 16: Hedges of a net investment in a foreign operation**

This interpretation clarifies the accounting treatment in respect of net investment hedging. This interpretation is not relevant to the Bank's operations because the Bank does not have any foreign operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For The Year Ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2-1 Basis of Preparation of Financial Statements (Continued)***b) Standards and interpretations issued but not yet effective:*

- For the avoidance of doubt, the following standards and interpretations, which were issued by IASB before 31 December 2009 and are not yet in effect, have not been adopted early:

Standard / Interpretation	Content	Applicable date for financial years beginning on / after
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly – controlled entity or associate	1 July 2009
IFRS 3	Business combinations	1 July 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IAS 39	Financial Instruments: Recognition and measurement – eligible hedged items items	1 July 2009
IFRIC 17	Distribution of non – cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013

- **IFRS 1 and IAS 27: Cost of an investment in a subsidiary, jointly-controlled entity or associate**

The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investor. This amendment is not likely to be relevant to the Bank since the bank does not have any investments in subsidiaries, associates or jointly-controlled entities.

- **IFRS 3: Business combinations**

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Bank will apply IFRS 3 (revised) prospectively to all business combination transactions from 1 January 2010.

- **IAS 27: Consolidated and separate financial statements**

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Bank will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- **IAS 39: Financial instruments: Recognition and measurement – eligible hedged items**

The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This amendment is not expected to be relevant to the Bank's operations since the Bank has not entered into any hedge transactions.

- **IFRIC 17: Distributions of non-cash assets to owners**

IFRIC 17 was issued in November 2008. It addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognized when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit or loss. Additional disclosure is to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For The Year Ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2-1 Basis of Preparation of Financial Statements (Continued)***b) Standards and interpretations issued but not yet effective (continued):***- IFRIC 18: Transfers of assets from customers**

IFRIC 18 was issued in January 2009. It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and / or services. The Bank will not be impacted by applying IFRIC 18.

- Improvements to IFRS

'Improvements to IFRS' were issued in May 2008. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual International Financial Reporting Standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

- IFRS 9: Financial instruments Part 1: Classification and measurement

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

The exceptions to International Financial Reporting Standards in compliance with local laws and regulations issued by the Central Bank of Yemen are:

- i) The adoption of minimum fixed percentages for losses on non performing loans and advances in accordance with the Central Bank of Yemen circular no. 6 of 1996 and its amendments in circular no. 5 of 1998;
- ii) The non inclusion of the general provision for risk calculated on the non performing loans and advances in the equity.
- iii) The non adoption of some of the provisions of IAS 39: Financial Instruments - Recognition and Measurement relating to the valuation of investments available for sale on the basis of their fair value unless such investments are traded in a recognized stock exchange.
- iv) Allocation of non-owner changes.

2-2 Significant Accounting Judgments and Estimates

The preparation of financial statements requires management to make adjustments, estimates and assumptions that affect the application of policies and reported amounts of the financial assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates considered by the management of the Bank to have a significant risk of material adjustment in subsequent periods primarily comprise provisions for impairment of loans and advances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2-2 Significant Accounting Judgments and Estimates (Continued)**

The Bank takes into consideration the following factors when determining the provisions for loans and advances and contingent liabilities:

- The overall customer's financial position;
- Risk percentage i.e. the ability of the customer to conduct profitable business activities and collect enough money to pay the debt;
- Value of the collateral and possibility of transferring ownership to the Bank; and
- Cost of settling the debt.

Management Estimates

The estimates and associated assumptions are based on historical experience of the bank and various other factors that are believed by the Bank to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized 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.

2-3 Summary of Principal Accounting Policies

The management has applied, consistently and continuously, the following accounting policies which comply the International Financial Reporting Standards, in dealing with items which are considered material in relation to the Bank's financial statements:

Trade and Settlement Date Accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Foreign Currencies

- (i) The Bank maintains its records in Yemeni Riyal which is the Bank's functional and presentation currency.
- (ii) Transactions denominated in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the value date of the transactions. Balances of monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Yemeni Riyals at the rate of exchange rate ruling on that date. All realized and unrealized gains or losses resulting from revaluation are taken to "other operating income" or "other operating expense" in the statement of comprehensive income.
- (ii) The Bank does not deal in derivative foreign exchange contracts.

Revenue Recognition

- (i) Interest income is recognized in the statement of comprehensive income on the accrual basis using the effective interest rate method. The effective interest rate is established on initial recognition of the financial asset / liability and is not revised subsequently. However, in order to comply with the requirements of the Central Bank of Yemen circular no. 6 of 1996, the Bank does not accrue interest income on non-performing loans and credit facilities. When an account is classified as non-performing, all uncollected interest relating to the three months prior to categorizing the loan as non-performing is reversed from income and recorded as uncollected interest income.
- (ii) Income from investments is accrued on notification of entitlement. Dividend income is recognized when the right to receive payment is established
- (iii) In accordance with the Central Bank of Yemen circular no. 2 of 2000, any provisions written back are included under "other operating income".
- (iv) Commission and other fee income are recognized when accrued.

Cash and Cash Equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents consist of cash on hand, cash balances with the Central Bank of Yemen other than statutory reserve balances, demand deposits with other banks, treasury bills and certificates of deposit with the Central Bank of Yemen maturing within three months from the reporting date.

Due from Banks

Deposits and balances due from banks are presented at cost after deducting any amount that has been written off and any impairment in their value.

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

For the year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)**2-3 Summary of Principal Accounting Policies (*Continued*)**Customers' Deposits

All customer deposits are carried at amortised cost.

Treasury Bills

Treasury bills issued by the Central Bank of Yemen on behalf of the Ministry of Finance are stated at their nominal value, adjusted for any unamortised discount outstanding at the reporting date.

Certificates of Deposit

Certificates of deposit issued by the Central Bank of Yemen and are stated at cost. The accrued interest on certificates of deposit is included under "debit balances and other assets".

Provision for Losses on Loans, Advances and Contingent Liabilities

In compliance with the Central Bank of Yemen circular no. 6 of 1996 and circular no. 5 of 1998, provision is made for specific loans, advances and contingent liabilities, in addition to a percentage for general risks calculated on the total of other loans, advances and contingent liabilities after deducting balances secured by deposits and bank guarantees. The provision is determined based on periodic comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, provision is made in accordance with the following rates:

- Performing loans including watch loans 1%
- Performing contingencies including watch accounts 1%
- Non-performing loans and contingencies:
 - Substandard debts 15%
 - Doubtful debts 45%
 - Bad debts 100%

When a loan is known to be uncollectible, after all the necessary legal procedures have been completed, and the final loss has been determined, or if directed by the Central Bank of Yemen upon review of the portfolio, it will be written off by debiting the provision. Loans and advances to customers are presented, in the statement of financial position, net of provision and uncollected interest. Proceeds from loans and advances previously written off in prior years are credited to "other operating income".

Financial Assets and Liabilities

The Bank recognizes all financial assets and liabilities in accordance with IAS 39 in the statement of financial position and measured in accordance with their assigned category.

- *Financial assets*

The Bank allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

a) Financial assets at fair value through profit or loss: This category comprises two sub-categories: financial assets classified as held for trading and financial assets designated by the Bank as at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. They are recognised in the statement of financial position as 'financial assets held for trading'.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the statement of comprehensive income. Gains and losses arising from changes in fair value are included directly in the statement of comprehensive income and are reported as 'Net gains / (losses) on financial instruments classified as held for trading'. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Dividend income', respectively. The instruments are derecognised when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

b) Loans and receivables: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss;
- those that the Bank upon initial recognition designates as available for sale; or
- those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

For the year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)2-3 Summary of Principal Accounting Policies (*Continued*)Financial Assets and Liabilities (*Continued*)

- *Financial assets (continued)*

Loans and receivables are initially recognised at fair value and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to banks or customers or as investment securities. Interest on loans is included in the statement of comprehensive income and is reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognized in the statement of comprehensive income as 'loan impairment charges'.

c) Held-to-maturity financial assets: These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity, other than:

- those that the Bank upon initial recognition designates as at fair value through profit or loss;
- those that the Bank designates as available for sale; and
- those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the statement of comprehensive income and reported as 'interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income as 'net gains / (losses) on investment'.

d) Available-for-sale financial assets: Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value which is the cash consideration including any transaction costs and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired the cumulative gain or loss previously recognized in the statement of comprehensive income is recognised in the statement of comprehensive income. However, interest is calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income in 'dividend income' when the Bank's right to receive payment is established.

- *Financial liabilities*

The Bank's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those designated at fair value), financial liabilities at amortised cost and hedging derivatives. Financial liabilities are derecognised when extinguished.

a) Financial liabilities at fair value through profit or loss: This category comprises two sub-categories, i.e. financial liabilities classified as held for trading and financial liabilities designated by the Bank as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised in the statement of financial position as 'financial liabilities held for trading'.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the statement of comprehensive income and are reported as 'net gains/ (losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'net interest income'.

b) Other liabilities measured at amortised cost: financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt instruments in issue for which the fair value option is not applied.

Recognition

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'assets pledged as collateral', if the transferee has the right to sell or repledge them.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2-3 Summary of Principal Accounting Policies (Continued)**Financial Assets and Liabilities (Continued)

- *Financial liabilities (continued)*

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Property, Plant and Equipment

Land and buildings comprise mainly branches and offices. All property, plant and equipment used by the Bank are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditures are included in the asset carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Freehold land is not depreciated. Other property and equipment items are stated at cost or revalued amounts less accumulated depreciation.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or revalued amount, less estimated residual value based on prices prevailing at the date of acquisition, of each asset over its expected useful life using the straight-line method at the rates shown below:

- | | |
|---------------------------------------|---|
| • Buildings and constructions | 2.5% |
| • Furniture, machinery and equipments | 10-20% |
| • Vehicles | 20% |
| • ATMs and points of sale | 20% |
| • Improvements to leasehold property | Years of lease or estimated useful life whichever is lower. |

An asset carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 31 December 2009 (31 December 2008: nil).

Gains and losses on disposals of property, plant and equipment are determined by comparing the sale proceeds with carrying amount. These are included in other operating expenses in the statement of comprehensive income.

Real Estate Properties Acquired from Customers in Settlement of Loans Pending Sale / Collateral Pending Sale

The Bank occasionally acquires real estate in settlement of certain loans and advances. In accordance with the Banks Law no. 38 of 1998 and the Central Bank of Yemen instructions assets acquired from customers in settlement of loans are included in the statement of financial position under "debit balances and other assets", using the value at which these assets were acquired less any decline in their value. Any decline is charged to the statement of comprehensive income.

Social Security Provision

All the employees of the Bank are contributing to the social security scheme in accordance with the Republic of Yemen's Social Insurance Law no. 25 of 1991. Payments are made to the Social Security General Corporation before the 10th day of next month. The Bank's contribution is charged to the statement of comprehensive income.

Contingent Liabilities and Commitments

Contingent liabilities and commitments, in which the Bank is a party, are presented off statement of financial position, net of margins, under "contingent liabilities and commitments" as they do not represent actual assets or liabilities at the reporting date.

Leasing Contracts

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. All the leases entered into by the Bank are operating leases.

Rentals payable under this lease are charged to statement of comprehensive income on a straight-line basis over the term of the relevant lease.

Long Term Loans

Long term loans are stated at cost in accordance IAS 39: Financial Instruments - Recognition and Measurement.

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)
For the year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

2-3 Summary of Principal Accounting Policies (*Continued*)

Taxation

In accordance to Article no 21 of the Cooperative and Agricultural Credit Bank Law no. 39 of 1982, the Bank is exempted from commercial and industrial profit tax. The Bank, also, is not subject to the Income Tax Law no. 31 of 1991 and its amendments in the Republican Decree Law no. 12 of 1999 and the provisions of article no. 85 of the Banks Law no. 38 of 1998.

Zakat

The Bank pays Zakat, in accordance with the Zakat Law No.2 of 1999 to the Zakat General Directorate that decides on its allocation.

Related Party Transactions

Disclosures are made in the financial statements of transactions carried out with related parties such as such as Board of Directors members, senior management, their families and companies in which they are major owners as well as major shareholders, other than the Government, owning, directly or indirectly, 5% of the voting rights.

A party is considered related if being able to either control or exercise significant and material influence over the Bank's financial and operating decision making process. The Bank deals with related parties on the same basis by which it deals with other unrelated parties in compliance with the provision of the law and the narrative resolutions of the Central Bank of Yemen issued in the circular no. 4 of 1999.

Impairment of Assets

The Bank, at each reporting date, assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or cash generation unit's fair value less costs to sell and its value in use and determined for an individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or Bank assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systemic basis over its remaining useful life.

Offsetting the Financial Assets and Liabilities

Financial assets and financial liabilities are only offset and the resultant net balance is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Bank intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

3 FINANCIAL INSTRUMENTS

The Bank's financial instruments are represented in financial assets and liabilities. Financial assets include cash on hand, current accounts and deposits with banks, treasury bills, certificates of deposit with the Central Bank of Yemen, investments, and loans and advances to customers and banks. Financial liabilities include customers' deposits, balances due to banks and long term loans. Also, financial instruments include rights and obligations stated in "contra accounts and other commitments".

3-1 Fair Value of Financial Instruments

Based on the valuation of the Bank's assets and liabilities stated in the notes to the financial statements, the fair value of the financial instruments do not differ fundamentally from their fair values at the reporting date, except for what is shown in note 9 on loans and advances to customers.

3-2 Risk Management of Financial Instruments

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 or her responsibilities.

The Bank is exposed to credit risk, liquidity risk, interest rate risk, exchange rate risk and operational risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

3 FINANCIAL INSTRUMENTS (CONTINUED)**3-2 Risk Management of Financial Instruments (Continued)**Credit Risk

Loans and credit facilities to customers and banks, current accounts and deposits with banks and rights and obligations from others are considered as financial assets exposed to credit risk. Credit risk represents the inability of other parties to meet their obligations when they fall due. In order to comply with the Central Bank of Yemen circular no. 10 of 1997 pertaining to the management of credit risk exposure, the Bank adheres to certain minimum standards in order to properly manage its credit risk.

In addition to the standards stated in the above-mentioned circular, additional procedures applied by the Bank to minimize the credit risk exposure are:

- preparing credit studies on customers and banks before dealing with them and determining their related credit risk rates;
- obtaining sufficient collateral to minimize the credit risk exposure which may result from financial problems facing customers or banks;
- follow-up and period reviews of customers and banks in order to evaluate their financial positions, credit rating and the required provision for non-performing loans;
- distributing credit portfolio and balances with banks over diversified sectors to minimize concentration of credit risk.

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position. The maximum exposure is shown gross, before the effect of mitigation by the use of collateral agreements.

	<i>31 December 2009 YR'000</i>	<i>31 December 2008 YR'000</i>
Assets:		
Reserve balances with the Central Bank of Yemen	19,571,628	15,128,834
Due from Bank	35,803,780	17,596,333
Treasury bills, net	83,328,359	40,259,234
Certificates of deposit with Central Bank of Yemen	-	26,800,000
Government bonds	4,460,866	4,460,866
Loans and advances to customers, net of provision	60,232,704	60,894,262
Available for sale investments, net	1,982,851	1,847,839
Debit balances and other assets	<u>7,107,261</u>	<u>3,359,476</u>
Total assets	<u>212,487,449</u>	<u>170,346,844</u>
Contra accounts and other commitments	<u>72,135,856</u>	<u>65,975,636</u>
Total credit risk exposure	<u><u>284,623,305</u></u>	<u><u>236,322,480</u></u>

The Bank manages concentration of credit risk by distributing the portfolio over diversified economic sectors and geographical locations. Note no. 34 shows the distribution of financial instruments over different economic sectors and note no. 35 shows the distribution of financial instruments based on geographical locations.

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal circumstances. To limit this risk, the bank's management in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis and has arranged diversified funding sources.

The table below shows the maturity analysis for financial liabilities that shows the remaining contractual maturities:

As at 31 December 2009

	<i>Less than 3 months YR'000</i>	<i>From 3 to 6 months YR'000</i>	<i>From 6 months to 1 year YR'000</i>	<i>Over 1 year YR'000</i>	<i>Total YR'000</i>
LIABILITIES					
Due to banks	4,568,783	-	-	-	4,568,783
Customers' deposits	177,733,615	19,079,694	9,539,847	-	206,353,156
Long term loans	-	-	-	236,982	236,982
Total liabilities	<u>182,302,398</u>	<u>19,079,694</u>	<u>9,539,847</u>	<u>236,982</u>	<u>211,158,921</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

3 FINANCIAL INSTRUMENTS (CONTINUED)**3-2 Risk Management of Financial Instruments (Continued)**Liquidity Risk (Continued)

As at 31 December 2008

	<i>Less than 3 months YR'000</i>	<i>From 3 to 6 months YR'000</i>	<i>From 6 months to 1 year YR'000</i>	<i>Over 1 year YR'000</i>	<i>Total YR'000</i>
LIABILITIES					
Due to banks	348,919	-	-	-	348,919
Customers' deposits	167,290,539	355,181	251,543	14,019	167,911,282
Long term loans	-	-	-	235,677	235,677
Total liabilities	167,639,458	355,181	251,543	249,696	168,495,878

In addition to the above, note no. 32 shows the maturity analysis of assets and liabilities and the net gap between the two.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the value of the financial instruments. The Bank performs a number of procedures 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.

The table below shows the Bank's exposure to interest rate risks:

<u>As at 31 December 2009</u>	<i>Less than 3 months YR'000</i>	<i>From 3 to 6 months YR'000</i>	<i>From 6 months to 1 year YR'000</i>	<i>Over 1 year YR'000</i>	<i>Non Interest Sensitive YR'000</i>	<i>Total YR'000</i>
ASSETS						
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	26,431,619	26,431,619
Due from banks	11,256,661	-	-	-	24,547,119	35,803,780
Treasury bills, net	54,609,522	12,796,693	15,922,144	-	-	83,328,359
Government bonds	-	-	-	4,460,866	-	4,460,866
Loans and advances to customers, net of provision	31,755,419	5,695,458	13,922,227	8,859,600	-	60,232,704
Available for sale Investments, net	-	-	-	-	1,982,851	1,982,851
Debit balances and other assets	-	-	-	-	7,107,261	7,107,261
Total assets	97,621,602	18,492,151	29,844,371	13,320,466	60,068,850	219,347,440
LIABILITIES						
Due to banks	4,568,783	-	-	-	-	4,568,783
Customers' deposits	66,671,740	19,079,694	9,539,847	-	111,061,875	206,353,156
Credit balances and other liabilities	-	-	-	-	1,131,624	1,131,624
Long term loans	-	-	-	86,982	150,000	236,982
Total liabilities	71,240,523	19,079,694	9,539,847	86,982	112,343,499	212,290,545
Interest rate sensitivity gap	26,381,079	(587,543)	20,304,524	13,233,484	(52,274,649)	7,056,895

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

3 FINANCIAL INSTRUMENTS (CONTINUED)

3-2 Risk Management of Financial Instruments (Continued)

Interest Rate Risk (Continued)

As at 31 December 2008

	Less than 3 months YR'000	From 3 to 6 months YR'000	From 6 months to 1 year YR'000	Over 1 year YR'000	Non Interest Sensitive YR'000	Total YR'000
ASSETS						
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	21,476,949	21,476,949
Due from banks	8,743,249	-	-	-	8,853,084	17,596,333
Treasury bills, net	37,275,168	2,984,066	-	-	-	40,259,234
Certificates of deposit with Central Bank of Yemen	26,800,000	-	-	-	-	26,800,000
Government bonds	-	-	-	4,460,866	-	4,460,866
Loans and advances to customers, net of provision	28,792,883	6,254,268	13,540,422	12,306,689	-	60,894,262
Available for sale Investments, net	-	-	-	-	1,847,839	1,847,839
Debit balances and other assets	-	-	-	-	3,359,476	3,359,476
Total assets	101,611,300	9,238,334	13,540,422	16,767,555	35,537,348	176,694,959
LIABILITIES						
Due to banks	286,472	-	-	-	62,447	348,919
Customers' deposits	88,341,318	355,181	251,542	14,019	78,949,222	167,911,282
Credit balances and other liabilities	-	-	-	-	2,615,319	2,615,319
Long term loans	-	-	-	85,677	150,000	235,677
Total liabilities	88,627,790	355,181	251,542	99,696	81,776,988	171,111,197
Interest rate sensitivity gap	12,983,510	8,883,153	13,288,880	16,667,859	(46,239,640)	5,583,762

In addition to the above mentioned note no. 33 shows the average interest rates on assets and liabilities applied during the years ended 31 December 2009 and 31 December 2008.

Exchange Rate Risk

Due to the nature of the Bank's activities, the Bank deals in different foreign currencies; hence it is exposed to exchange rate risk. The Bank strives to maintain a balanced foreign currencies positions to comply with the Central Bank of Yemen instructions and the requirements of the Central Bank of Yemen circular no. 6 of 1998 which specifies that individual foreign currency positions shall not exceed 15% of the Bank's capital and reserves, and that the aggregate open position for all currencies shall not exceed 25% of the Bank's capital and reserves. In order to comply with the Central Bank of Yemen circular no. 6 of 1998, the Bank regularly monitors its foreign currency positions and sells the excess funds in foreign currencies to the Central Bank of Yemen at the prevailing rates on the date of sale. The significant foreign currency positions of the Bank are shown in note no. 38.

The Bank had the following significant net exposures to foreign currencies:

As at 31 December 2009	United States Dollar YR'000	Pound Sterling YR'000	Euro YR'000	Saudi Riyal YR'000	Other currencies YR'000	Total YR'000
Assets	72,130,248	411,860	5,292,591	2,628,320	695,780	81,158,799
Liabilities	69,631,134	413,520	4,944,458	3,271,915	570,265	78,831,292
Net currency position	2,499,114	(1,660)	348,133	(643,595)	125,515	2,327,507

As at 31 December 2008

	United States Dollar YR'000	Pound Sterling YR'000	Euro YR'000	Saudi Riyal YR'000	Other currencies YR'000	Total YR'000
Assets	57,601,752	432,998	2,530,144	1,758,105	542,593	62,865,592
Liabilities	54,752,813	592,211	2,141,537	3,043,443	809,013	61,339,017
Net currency position	2,848,939	(159,213)	388,607	(1,285,338)	(266,420)	1,526,575

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2009

3 FINANCIAL INSTRUMENTS (CONTINUED)**3-2 Risk Management of Financial Instruments (Continued)**Operational Risk

Operational risk is the possibility of financial losses occurring due to shortcomings or failure of internal processes, in information technology or in people, or as a result of adverse external events. This definition includes legal risk but not strategic risk or reputational risk.

Operational risk management is governed by well defined policy and procedures, integrated through a comprehensive framework clearly communicated across the Bank.

Materialized actual loss arising from operational error, violation of regulator law / system, trouble, disaster, accident, damage to tangible assets and external frauds are monitored by operational risk management. Potential risks / losses are identified and assessed through key risk indicators and Risk and Control Self Assessment (RCSA) of branches and business and support units.

Further, during the year a number of policies and procedures have been reviewed to strengthen the system and processes. One of the major components of operational risk being the potential of disruption to business operation due to exceptional event that may disrupt system, infrastructure and human resource are given prime importance and Business Continuity Plan has been revised to cater to current threats being faced.

The Bank approach in managing operational risk is to adopt practices that are fit for the purpose to suit the organizational maturity and particular environments in which our business operates.

Operational Risk Management (ORM) has been entrenched to increase the efficiency and effectiveness of the Bank's resources, minimize losses and utilize opportunities.

3-3 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 are monitored on a quarterly basis by the management of the Bank employing techniques based on the guidelines as implemented by the Central Bank of Yemen for supervisory purposes. The required information is filed with the Central Bank of Yemen on a quarterly basis.

The Central Bank of Yemen requires each bank in Yemen to maintain a ratio of total capital to the risk - weighted assets at or above the internationally agreed minimum of 8%. In addition, the Bank is required to maintain a ratio of total capital to the customer deposits at or above 5%.

The total capital of the Bank is divided in two tiers:

Tier 1 capital: This comprises the share capital, statutory reserve and general reserve.

Tier 2 capital: This comprises the revaluation reserve and unrealized gains arising from any changes in fair value of available for sale investments.

Investment in any local bank or finance company is deducted from the Tier 1 and Tier 2 capital. The balance of general provision for loans and advances is added to the Tier 1 and Tier 2 capital.

The risk - weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off statement of financial position exposure, with some adjustments to reflect the more contingent nature of potential losses.

The Bank complied with all the externally imposed capital requirements to which they are subject.

The capital adequacy is calculated as follows:

	<i>31 December 2009 YR' millions</i>	<i>31 December 2008 YR' millions</i>
Capital	9,000	8,000
Share premium	500	500
Reserves	656	479
Retained earnings	153	152
Total equity	<u>10,309</u>	<u>9,131</u>
General provision balance as at year end	977	955
Investment in local banks and financial companies	(59)	(59)
Total qualifying capital	<u>11,227</u>	<u>10,027</u>
Risk weighted assets		
On statement of financial position	43,013	42,352
Off statement of financial position	36,392	37,905

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

Total risk - weighted assets	<u>79,405</u>	<u>80,257</u>
Capital adequacy ratio	14.14%	12.49%
4 CASH ON HAND AND RESERVE BALANCES WITH THE CENTRAL BANK OF YEMEN		
	<i>31 December</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Cash on hand:		
In local currency	5,002,520	3,681,124
In foreign currencies	<u>1,857,471</u>	<u>2,666,991</u>
Total cash on hand	6,859,991	6,348,115
Reserve balances with the Central Bank of Yemen:		
In local currency	8,693,243	7,303,305
In foreign currencies	<u>10,878,385</u>	<u>7,825,529</u>
Total reserve balances with the Central Bank of Yemen	<u>19,571,628</u>	<u>15,128,834</u>
Total cash on hand and reserve balances with the Central Bank of Yemen	<u>26,431,619</u>	<u>21,476,949</u>

In accordance with the Banking Law No. 38 of 1998, the Bank is required to maintain statutory deposits with the Central Bank of Yemen at stipulated percentages on local currency and foreign currencies of its demand, time and other deposits.

5 DUE FROM BANKS

	<i>31 December</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
<i>Due from the Central Bank of Yemen and other local banks</i>		
Current accounts with the Central Bank of Yemen:		
In local currency	10,805,284	4,492,270
In foreign currencies	<u>1,658,156</u>	<u>867,045</u>
Total due from the Central Bank of Yemen	12,463,440	5,359,315
Current account balances with other local banks	<u>180,622</u>	<u>330,512</u>
Total due from the Central Bank of Yemen and other local banks	12,644,062	5,689,827
<i>Due from foreign banks and other financial institutions</i>		
Current and demand account balances	11,903,058	3,429,339
Time deposits	<u>11,256,660</u>	<u>8,477,167</u>
Total due from foreign banks and other financial institutions	<u>23,159,718</u>	<u>11,906,506</u>
Total due from banks	<u>35,803,780</u>	<u>17,596,333</u>

Current accounts and time deposits with foreign banks carry variable interest rates while current accounts with the Central Bank of Yemen and local banks do not carry any interest.

6 TREASURY BILLS, NET

	<i>31 December</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Treasury bills due within 90 days	55,200,000	38,200,000
Treasury bills due within 180 days	13,137,120	3,120,630
Treasury bills due within one year	<u>16,614,170</u>	<u>-</u>
Total treasury bills	84,951,290	41,320,630
Unamortized discount due within 90 days	(590,478)	(924,832)
Unamortized discount due within 180 days	(340,427)	(136,564)
Unamortized discount due within one year	<u>(692,026)</u>	<u>-</u>
Total unamortized discount	<u>(1,622,931)</u>	<u>(1,061,396)</u>
Net book value of treasury bills	<u>83,328,359</u>	<u>40,259,234</u>

The treasury bills carry an interest at the rate from 11% to 15%. In accordance with the instructions of the Central Bank of Yemen, treasury bills which mature within a period not exceeding three months are considered as part of cash and cash equivalent assets.

7 CERTIFICATES OF DEPOSIT WITH THE CENTRAL BANK OF YEMEN

<i>31 December</i>	<i>31 December</i>
<i>2009</i>	<i>2008</i>
<i>YR'000</i>	<i>YR'000</i>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

Certificates of deposit - 90 days	-	26,800,000
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In accordance with the instructions of the Central Bank of Yemen, such certificates of deposit are considered as part of cash and cash equivalent assets.

8 GOVERNMENT BONDS

	<i>31 December 2009 YR'000</i>	<i>31 December 2008 YR'000</i>
Government bonds	<u>4,460,866</u>	<u>4,460,866</u>

In accordance with the Council of Ministers' Resolution no. 145 of 2006 dated 11 April 2006, in which it was decided that the Ministry of Finance should purchase the agricultural credit portfolio due to the Bank as at 31 December 2005 and according to the agreement reached between the Ministry of Finance and the Bank, the Central Bank of Yemen, on behalf of the Ministry of Finance, issued government bonds maturing on 11 April 2016. These bonds earn interest at the average rate of three months of treasury bills and this interest is being paid on due dates.

9 LOANS AND ADVANCES TO CUSTOMERS, NET OF PROVISION

	<i>31 December 2009 YR'000</i>	<i>31 December 2008 YR'000</i>
Agricultural loans (junior farmers)		
Short term agriculture loans	19,919	430,672
Medium term agriculture loans	235,808	206,605
Long term agriculture loans	5,043	5,219
Rural development and environment protection loans	54,749	139,215
Total agricultural loans (1)	<u>315,519</u>	<u>781,711</u>
Other loans and advances		
Debit current accounts and overdraft accounts	24,992,814	28,411,634
Commercial loans	23,978,778	21,431,047
Personal loans	10,313,909	7,902,542
Employees loans	528,844	323,755
Financing documentary letters of credit	6,429,937	7,151,696
Cheques purchased	417,837	847,672
Total other loans and advances (2)	<u>66,662,119</u>	<u>66,068,346</u>
Total loans and advances to customer (1+2)	<u>66,977,638</u>	<u>66,850,057</u>
Provision for losses on agricultural loans (note 9-a)	(30,939)	(7,819)
Provision for losses on other loans and advances (note 9-a)	(5,127,879)	(4,270,312)
Suspended interest (note 9- b)	(1,586,116)	(1,677,664)
Total provision for losses on loans and advances and suspended interest	<u>(6,744,934)</u>	<u>(5,955,795)</u>
Net loans and advances to customers	<u>60,232,704</u>	<u>60,894,262</u>

Gross non-performing loans and advances at 31 December 2009 amounted to YR 8,738,767 thousands (31 December 2008: YR 12,052,632 thousands). The breakup of the above amount is as follows:

	<i>31 December 2009 YR'000</i>	<i>31 December 2008 YR'000</i>
Substandard debts	2,858,928	2,633,545
Doubtful debts	913,785	510,214
Bad debts	4,966,054	8,908,873
Total gross non – performing loans and advances	<u>8,738,767</u>	<u>12,052,632</u>

The Bank had a loan for an amount of YR 2,779,860 thousand to the Yemen Textile Corporation (Corporation). The Council of Ministers through resolution no. 455 of 2008 as amended by resolution no. 7 of 2009 formed a committee consisting of the Minister of Finance and the Minister of Industry and Trade to settle the loan against part of a land owned by the Corporation. The committee reviewed and prepared a report identifying the location of the land and its value which amounts to YR 2,196,361 thousands.

A sale contract was made determining the value of land as YR 2,196,361 thousands as settlement of the loan. As per part 3 of the said contract, the ownership of the land is transferred to the Bank, after being signed by the Bank, the Corporation and members of the committees of the Council of Ministers. The contract becomes effective only after being signed by the Minister of Finance, Minister of Industry and Trade and the Head of Public Authority of Land, Survey and Urban Planning.

The contract was signed by the Bank, the Corporation and members of the committees of the Council of Ministers. It was approved by Minister of Finance, Minister of Industry and Trade and the Head of Public Authority of Land, Survey and Urban Planning as on 25

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

April 2010. As a result the Bank waived the loan of YR 2,779,860 thousands with the value of land of YR 2,196,361 thousands. The board of director of the Bank has approved the deal in its meeting held on 15 May 2010.

9 LOANS AND ADVANCES TO CUSTOMERS, NET OF PROVISION (CONTINUED)

9-a) Provision for Losses on Non-Performing Loans and Advances

Details of movements in the provision for possible losses on non performing loans and advances during year were as follows:

Provision for agriculture loans	-----31 December 2009-----			-----31 December 2008-----		
	Specific YR'000	General YR'000	Total YR'000	Specific YR'000	General YR'000	Total YR'000
Balance at 1 January	-	7,819	7,819	-	6,383	6,383
Provided for during the year (note 27)	23,120	-	23,120	-	1,436	1,436
Specific allocation	4,944	(4,944)	-	-	-	-
Balance at end of the year	<u>28,064</u>	<u>2,875</u>	<u>30,939</u>	<u>-</u>	<u>7,819</u>	<u>7,819</u>

Provision for other loans and advances	-----31 December 2009-----			-----31 December 2008-----		
	Specific YR'000	General YR'000	Total YR'000	Specific YR'000	General YR'000	Total YR'000
Balance at 1 January	3,982,911	287,401	4,270,312	2,384,079	226,644	2,610,723
Provided for during the year (note 27)	1,742,670	-	1,742,670	1,601,022	60,757	1,661,779
Revaluation of beginning of the year balances	27,996	4,344	32,340	(2,190)	-	(2,190)
Specific allocation	39,155	(39,155)	-	-	-	-
Written back during the year (note 25)	(917,443)	-	(917,443)	-	-	-
Balance at end of the year	<u>4,875,289</u>	<u>252,590</u>	<u>5,127,879</u>	<u>3,982,911</u>	<u>287,401</u>	<u>4,270,312</u>

Management has decided to provide for a general provision for performing loans and contingencies including watch loans at the rate of 1% (2008: 1%).

9-b) Suspended Interest

This represents interest on non-performing loans and advances in accordance with the Central Bank of Yemen regulations and which is recognized as revenue only when collected.

	31 December 2009 YR'000	31 December 2008 YR'000
Balance at beginning of the year	1,677,664	1,204,666
Recovered during the year	(636,884)	-
Suspended during the year	545,336	472,998
Balance at end of the year	<u>1,586,116</u>	<u>1,677,664</u>

10 AVAILABLE FOR SALE INVESTMENTS, NET

These comprise investments, available for sale, in the following companies and financial institutions:

	31 December 2009 YR'000	31 December 2008 YR'000
INVESTMENT IN ASSOCIATED COMPANY		
Mareb Poultry Company YSC (note 10-a)	289,500	157,488
CAC Informational Technology Company (note 10-b)	1,500	-
CAC Marketing and Advertisement Company (note 10-c)	1,500	-
INVESTMENT IN OTHER COMPANIES AND FINANCIAL INSTITUTES		
Yemen Financial Services Company - Yemen (note 10-d)	59,131	59,131
CAC International Bank – Djibouti (note 10-e)	19,970	19,970
Yemen Company for the Manufacturing of Pumps	15,750	15,750
Yemen Company for Marketing Agricultural Products	1,350	1,350
Yemen Hotels Company	2,500	2,500
Dates Factory at Al Tahiti	11,834	11,834
Yemen British Company for Investment	125	125
President Saleh Project for Housing and Agriculture (note 10-f)	600,000	600,000
Bank Deposit Insurance Corporation (note 10-g)	10,000	10,000

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2009

Al Asas for Development of Building Company Limited (note 10-h)	<u>1,001,250</u>	<u>1,001,250</u>
Total available for sale investments	<u>2,014,410</u>	<u>1,879,398</u>
Provision for impairment (note 10-i)	<u>(31,559)</u>	<u>(31,559)</u>
Net book value of available for sale investments	<u><u>1,982,851</u></u>	<u><u>1,847,839</u></u>

10 AVAILABLE FOR SALE INVESTMENTS, NET *(CONTINUED)***10-a) Mareb Poultry Company**

The Bank owns 26.93% of the share capital of the Mareb Poultry Company, YSC. During the year the Bank paid an amount of YR 132,012 thousand towards the increase of the capital of Mareb Poultry Company, YSC.

10-b) CAC Information Technology Company

The Bank owns 30% of the share capital of the CAC Information Technology Company. The share capital of the company is YR 5,000 thousands.

10-c) CAC Marketing and Advertising Company

The Bank owns 30% of the share capital of the CAC Marketing and Advertising Company. The share capital of the company is YR 5,000 thousands.

10-d) Yemen Financial Services Company - Yemen

The Bank owns 10.36% of the share capital through contribution of a sum of USD 310.7 thousands to the capital of Yemen Financial Services Company, which had been established in joint venture with a number of other local banks. The share capital of the company is USD 3 million.

10-e) CAC Bank International - Djibouti

The Bank has contributed a sum of USD 100 thousands which is 5% of the capital of CAC International – Djibouti, which, had been established in joint venture with a number of Yemeni private sector entities. The authorised share capital of CAC Bank International is USD 2 million.

10-f) President Saleh Project for Housing and Agriculture

The Bank paid a sum of YR 600,000 thousand, the first 30% of the Bank's total share to the capital amounting YR 2,000,000 thousands of President Saleh Project for Housing and Agriculture, which had been established in joint venture with number of public sector entities.

10-g) Bank Deposit Insurance Corporation

The Bank has contributed a sum of YR 10,000 thousands to the capital of Deposit Insurance Corporation, which had been established in joint venture with the Yemeni Government, Central Bank of Yemen and all banks practicing in the Republic of Yemen.

10-h) Al Asas for Development of Building Company Limited

The Bank contributed a sum of USD 5,000 thousand to the share capital of Al Asas for Development of Building Company Limited, which had been established in joint venture with Arab Yemen Libyan Holding Company, General Social Security Corporation and the General Authority for Insurances and Pensions.

10-i) Provision for Impairment

The Bank did not receive any dividends from the investee companies namely Yemen Company for the Manufacturing of Pumps, Yemen Company for Marketing Agricultural Products, Yemen Hotels Company, Dates Factory at Al Tahiti and Yemen British Company for Investment during the last few years and whereas no dividends are expected to be received in the coming years, a full impairment provision was taken for those investments.

11 DEBIT BALANCES AND OTHER ASSETS

	<i>31 December</i> <i>2009</i> <i>YR'000</i>	<i>31 December</i> <i>2008</i> <i>YR'000</i>
Interest receivable	2,390,228	1,367,036
Prepaid expenses	188,945	171,409
Advance to employees	376,109	309,020
Deposits and amounts paid in advance	3,790	1,444
Inventory for sale	44,194	47,325
Inventory other than for sale	148,525	160,914
Advance towards purchase of fixed assets	48,316	92,359
Capital costs of new branches under construction	475,215	486,984
Sundry debit balances, net of provision	173,475	480,502
Assets acquired by the Bank in settlement of debts	<u>3,447,410</u>	<u>242,483</u>
Total debit balances and other assets	<u><u>7,296,207</u></u>	<u><u>3,359,476</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

Inventory for sale represents cost of ATM cards issued to the Bank's customers and spare parts transferred from the former Agricultural Bank to the Bank.

Sundry debit balances are net of provision for doubtful balances amounting to YR 183,069 thousands (31 December 2008: 75,648 thousands).

Asset acquired by the Bank in settlement of debts includes the land obtained from Yemen Textile Corporation in settlement of the loans (note 9).

12 PROPERTY, PLANT AND EQUIPMENT

	<i>Land, buildings and constructions YR'000</i>	<i>Leasehold improvements YR'000</i>	<i>Furniture, plant and equipment YR'000</i>	<i>Motor vehicles YR'000</i>	<i>Appliances, points of sale and ATMs YR'000</i>	<i>Total YR'000</i>
Cost or valuation:						
At 1 January 2008	732,831	357,474	1,468,581	322,287	400,868	3,282,041
Additions during the year	83,697	207,903	1,046,937	57,538	474,756	1,870,831
Disposal during the year	(452)	(501)	(4,068)	(20,294)	-	(25,315)
Adjustments	-	-	12,625	-	(12,625)	-
At 31 December 2008	816,076	564,876	2,524,075	359,531	862,999	5,127,557
Additions during the year	85,211	248,014	737,325	51,545	161,891	1,283,986
Disposal during the year	(6,646)	-	(24,081)	(4,097)	-	(34,824)
At 31 December 2009	894,641	812,890	3,237,319	406,979	1,024,890	6,376,719
Depreciation:						
At 1 January 2008	107,057	116,059	376,236	178,498	126,204	904,054
Charge for the year	15,941	80,623	321,914	43,407	224,555	686,440
On disposal for the year	(43)	(501)	(2,949)	(7,140)	-	(10,633)
Adjustments	-	-	1,894	-	(1,894)	-
At 31 December 2008	122,955	196,181	697,095	214,765	348,865	1,579,861
Charge for the year	17,933	115,767	485,937	50,079	194,022	863,738
On disposal for the year	(609)	-	(20,047)	(3,472)	-	(24,128)
At 31 December 2009	140,279	311,948	1,162,985	261,372	542,887	2,419,471
Book value at 31 December 2009	754,362	500,942	2,074,334	145,607	482,003	3,957,248
Book value at 31 December 2008	693,121	368,695	1,826,980	144,766	514,134	3,547,696

13 DUE TO BANKS

	<i>31 December 2009 YR'000</i>	<i>31 December 2008 YR'000</i>
Due to local banks:		
Current and demand accounts	-	62,447
Time deposits	-	4,063
Total due to local banks	-	66,510
Current and demand accounts with foreign banks	4,568,783	282,409
Total due to banks	4,568,783	348,919

14 CUSTOMERS' DEPOSITS

	<i>31 December 2009 YR'000</i>	<i>31 December 2008 YR'000</i>
Current and demand accounts	94,421,127	68,327,841
Saving accounts	2,942,544	1,974,985
Time deposits	89,920,362	83,895,442
Other deposits	2,532,205	2,599,404
Margin deposit for documentary letters of credit and letters of guarantee (note 19)	16,536,918	11,113,610
Total customers' deposits	206,353,156	167,911,282

15 CREDIT BALANCES AND OTHER LIABILITIES

<i>31 December 2009 YR'000</i>	<i>31 December 2008 YR'000</i>
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NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
 For the year ended 31 December 2009

Accrued interest payable	426,198	528,103
Accrued expenses	173,320	243,860
Interest collected in advance on loans	281,809	332,785
Tax authority	24,373	33,761
Other liabilities	399,243	816,960
Total credit balances and other liabilities	<u>1,304,943</u>	<u>1,955,469</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

16 OTHER PROVISIONS

	<i>31 December</i> <i>2009</i> <i>YR'000</i>	<i>31 December</i> <i>2008</i> <i>YR'000</i>
Balance at beginning of the year	659,850	589,915
Additional provision due to revaluation of foreign currency exposures	19,228	-
Provision charged during the year (note 27)	82,236	69,935
Reversal of provision (note 25)	<u>(39,837)</u>	<u>-</u>
Balance at end of the year	<u><u>721,477</u></u>	<u><u>659,850</u></u>

17 LONG TERM LOANS

	<i>31 December</i> <i>2009</i> <i>YR'000</i>	<i>31 December</i> <i>2008</i> <i>YR'000</i>
Tehama Development Project-III (17-a)	6,231	6,231
Raimah Development Project (17-b)	7,641	7,641
Mahra Rural Development Project (17-c)	73,110	71,805
Agricultural and Fisheries Production Promotion Fund (17-d)	<u>150,000</u>	<u>150,000</u>
Total long term loans	<u><u>236,982</u></u>	<u><u>235,677</u></u>

17-a) Tehama Development Project

The government received the loan from Kreditanstalt für Wiederaufbau, a reconstruction credit institution of Germany to activate the agricultural loans activates in the Tehama Development Project. The Bank is executing the project through an agreement with the Ministry of Agriculture.

17-b) Raimah Development Project

The government received the loan from International Fund for Agricultural Development (IFAD) to activate the agricultural loans activates in the Raimah Development Project. The Bank is executing the project through an agreement with the Ministry of Finance.

17-c) Mahra Rural Development Project

The government received the loan from International Fund for Agricultural Development (IFAD) to activate the agricultural loans activates in the Mahra Rural Development Project. The Bank is executing the project through an agreement with the Ministry of Finance.

17-d) Agricultural and Fishery Production Promotion Fund

The government received the loan from International Fund for Agricultural Development (IFAD) to activate the agricultural loans activates of Agricultural and Fishery Production Promotion Fund in the rural areas of Al-Mahra. The Bank is executing the project through an agreement with the Ministry of Finance.

18 EQUITY

18-a) Capital

The paid up share capital of the Bank amounts YR 9,000,000 thousands (31 December 2008: YR 8,000,000 thousands) distributed to 9,000 thousands (31 December 2008: YR 8,000,000 thousands) shares of YR 1,000 par value each.

The Board of Directors approved the increase in share capital in its meeting held on 15 May 2010.

	-----31 December 2009-----			-----31 December 2008-----		
	Number of Shares	Value of share YR '000	Percentage of holding %	Number of Shares	Value of share YR '000	Percentage of holding %
Government represented by Ministry of Finance	3,044,240	3,044,240	33.82	2,705,991	2,705,991	33.82
General Confederation	60,872	60,872	0.68	54,108	54,108	0.68
Agricultural Promotion Fund	3,644,888	3,644,888	40.50	3,239,901	3,239,901	40.50
Civil Aviation and Metrology Authority	<u>2,250,000</u>	<u>2,250,000</u>	<u>25.00</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>25.00</u>
Balance at the year end	<u><u>9,000,000</u></u>	<u><u>9,000,000</u></u>	<u><u>100</u></u>	<u><u>8,000,000</u></u>	<u><u>8,000,000</u></u>	<u><u>100</u></u>

18-b) Reserves

18-b-1 Legal Reserve

In accordance with article 12-1 of the Banks Law no. 38 of 1998, 15% of the net profit for the year is transferred to the statutory reserve until the balance of this reserve reaches twice the capital. The Bank cannot use this reserve without the prior approval of the Central Bank of Yemen.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

18 EQUITY (CONTINUED)

18-b) Reserves (Continued)

18-b 2 General Reserve

The balance of this reserve can be used for the purposes approved by the Bank.

19 CONTRA ACCOUNTS AND OTHER COMMITMENTS, NET

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees, which are designed to meet the requirements of the Bank's customers.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers' contingent upon the failure of the customer to perform under the terms of the contract.

As of the reporting date, commitments on behalf of customers for which there were corresponding customer liabilities consisted of the following:

<u>As at 31 December 2009</u>	<i>Gross commitments YR'000</i>	<i>Covered by margin YR'000</i>	<i>Net commitments YR'000</i>
Documentary letters of credit	39,240,780	5,137,278	34,103,502
Letters of guarantee – customers	49,431,994	11,399,640	38,032,354
Total	<u>88,672,774</u>	<u>16,536,918</u>	<u>72,135,856</u>

<u>As at 31 December 2008</u>	<i>Gross commitments YR'000</i>	<i>Covered by margin YR'000</i>	<i>Net commitments YR'000</i>
Documentary letters of credit	38,773,358	3,685,061	35,088,297
Letters of guarantee – customers	38,315,888	7,428,549	30,887,339
Total	<u>77,089,246</u>	<u>11,113,610</u>	<u>65,975,636</u>

20 INTEREST ON LOANS AND ADVANCES TO CUSTOMERS AND DUE FROM BANKS

	<i>2009 YR'000</i>	<i>2008 YR'000</i>
Interest on loans to customers:		
Interest on loans and advances to customers	3,641,886	2,312,366
Interest on debit current accounts	2,890,543	4,070,685
Interest on other facilities	431,126	322,061
Total interest on loans and advances to customers	<u>6,963,555</u>	<u>6,705,112</u>
Interest on balances due to banks:		
Interest on reserves balances with the Central Bank of Yemen	-	240,826
Interest on due from banks	57,237	202,006
Total interest on balances due to banks	<u>57,237</u>	<u>442,832</u>
Total interest on loans and advances to customers and due from banks	<u>7,020,792</u>	<u>7,147,944</u>

21 COST OF DEPOSITS

	<i>2009 YR'000</i>	<i>2008 YR'000</i>
Interest on customers' deposits		
Interest on current accounts and saving accounts	499,572	354,712
Interest on time deposits	8,995,128	7,630,427
Total interest on customer deposits	<u>9,494,700</u>	<u>7,985,139</u>
Interest on due to banks	79,818	16,606
Interest on long term loans	2,084	1,565
Total cost of deposits	<u>9,576,602</u>	<u>8,003,310</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

22 COMMISSIONS AND FEE INCOME ON BANKING SERVICES

	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Commissions on documentary letter of credits	590,563	699,660
Commissions on letters of guarantee	532,734	516,077
Commissions on transfer of funds	152,464	146,586
Banking services fees	29,443	19,607
Other services fees	<u>538,505</u>	<u>416,952</u>
Total commissions and fee income on banking services	<u><u>1,843,709</u></u>	<u><u>1,798,882</u></u>

23 GAIN ON FOREIGN CURRENCY TRANSACTIONS

	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Gain / (Loss) on foreign exchange trading transactions	129,458	(81,597)
Revaluation differences on foreign currency transactions	<u>417,402</u>	<u>295,119</u>
Total gain on foreign currency transactions	<u><u>546,860</u></u>	<u><u>213,522</u></u>

24 GRANT

	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Agricultural and Fisheries Production Promotion Fund	<u>-</u>	<u>60,000</u>

25 OTHER OPERATING INCOME

	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Provision for losses on loans and advances no longer required (note 9-a)	917,443	-
Provision for available for sale investments no longer required	-	78,744
Other provision no longer required (note 16)	39,837	44,074
Prior years adjustments	-	54,984
Income from sale of property, plant and equipment	18,885	1,801
Sundry income	<u>75,874</u>	<u>1,425</u>
Total other operating income	<u><u>1,052,039</u></u>	<u><u>181,028</u></u>

26 GENERAL AND ADMINISTRATION EXPENSES

	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Salaries, wages and related expenses	3,511,708	3,270,805
Depreciation of property, plant and equipment (note 12)	863,738	686,440
Rent	393,063	201,855
Electricity and water	145,463	84,516
Repairs and maintenance	284,209	188,679
Telephone, telex and postage	222,659	138,561
Promotions and publications	980,632	929,183
Insurance expenses	167,369	29,986
Legal expenses	28,513	13,140
Entertainment	114,357	115,487
Stationery and printing supplies	116,639	101,681
Consultancy and professional fees	64,462	49,686
Transportation and allowances expenses	303,064	278,573
Training expenses	43,994	96,025
Prior years expenses	338,133	146,773
Other general and administration expenses	<u>523,826</u>	<u>306,889</u>
Total general and administration expenses	<u><u>8,101,829</u></u>	<u><u>6,638,279</u></u>

The Bank has 1,719 employees as on 31 December 2009 (31 December 2008: 1,799 employees).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

27 PROVISIONS

	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Provision for losses on non performing loans and advances (note 9-a)	1,742,670	1,661,779
Provision for losses on agricultural loans (note 9-a)	23,120	1,436
Provision for off-statement of financial position items (note 16)	82,236	69,935
Other provisions	<u>108,046</u>	<u>2,426</u>
Total provisions	<u><u>1,956,072</u></u>	<u><u>1,735,576</u></u>

28 ZAKAT

	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Zakat paid	<u>94,334</u>	<u>15,000</u>

29 BASIC AND DILUTED EARNINGS PER SHARE

		<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>Share</i>	<i>Share</i>
Profit for the year	1,176,835	179,067	179,067
Weighted average number of shares	8,500,000	8,000,000	8,000,000
Basic earnings per share	<u>138</u>	<u>22</u>	<u>22</u>

There is no diluted effect on the earnings per share of the Bank as at 31 December.

30 CASH AND CASH EQUIVALENTS

	<i>31 December</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Cash on hand and reserve balances with the Central Bank of Yemen (note 4)	26,431,619	21,476,949
Due from banks (note 5)	35,803,780	17,596,333
Treasury bills (note 6)	83,328,359	40,259,234
Certificate of deposit with Central Bank of Yemen (note 7)	-	26,800,000
Reserve balances with the Central Bank of Yemen (note 4)	(19,571,628)	(15,128,834)
Treasury bills maturing after three months, net of unamortized discount (note 32)	<u>(28,718,837)</u>	<u>(2,984,066)</u>
Total cash and cash equivalents	<u><u>97,273,293</u></u>	<u><u>88,019,616</u></u>

31 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank conducts transactions with certain of its Directors, senior management and their families and companies in which they own 25% or more of its capital and who were customers of the Bank during the year. The terms of these transactions are approved by the Bank's management.

The loans issued to related parties during the year amounted to YR 76,033 thousands (31 December 2008: YR 51,817 thousands) are repayable or repaid as per the contract with them. The loans to the related parties are generally collateralised by salaries of the concerned related party, cash deposits and commercial charge over fixed assets.

The year-end balances included in the financial statements are as follows:

	<i>31 December</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Board of Directors and Related parties to them		
Gross loans and advances, net of provision	76,033	51,817
Deposits	7,448,615	10,028,872
Long term loans	150,000	150,000
	<i>2009</i>	<i>2008</i>
	<i>YR'000</i>	<i>YR'000</i>
Interest income for the year	1,008	756
Interest expense for the year	6,851	5,352

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2009

32 MATURITIES OF ASSETS AND LIABILITIES

<u>As at 31 December 2009</u>	<i>Less than 3 months YR'000</i>	<i>From 3 to 6 months YR'000</i>	<i>From 6 months to 1 year YR'000</i>	<i>Over 1 year YR'000</i>	<i>Total YR'000</i>
ASSETS					
Cash on hand and reserve balances with the Central Bank of Yemen	26,431,619	-	-	-	26,431,619
Due from banks	35,803,780	-	-	-	35,803,780
Treasury bills, net	54,609,522	12,796,693	15,922,144	-	83,328,359
Certificates of deposit with the Central Bank of Yemen	-	-	-	-	-
Government bonds	-	-	-	4,460,866	4,460,866
Loans and advances to customers, net of provision	31,755,419	5,695,458	13,922,227	8,859,600	60,232,704
Available for sale Investments, net	-	-	-	1,982,851	1,982,851
Total assets	<u>148,600,340</u>	<u>18,492,151</u>	<u>29,844,371</u>	<u>15,303,317</u>	<u>212,240,179</u>
LIABILITIES					
Due to banks	4,568,783	-	-	-	4,568,783
Customers' deposits	177,733,615	19,079,694	9,539,847	-	206,353,156
Long term loans	-	-	-	236,982	236,982
Total liabilities	<u>182,302,398</u>	<u>19,079,694</u>	<u>9,539,847</u>	<u>236,982</u>	<u>211,158,921</u>
Net Gap	<u>(33,702,058)</u>	<u>(587,543)</u>	<u>20,304,524</u>	<u>15,066,335</u>	<u>1,081,258</u>
<u>As at 31 December 2008</u>	<i>Less than 3 months YR'000</i>	<i>From 3 to 6 months YR'000</i>	<i>From 6 months to 1 year YR'000</i>	<i>Over 1 year YR'000</i>	<i>Total YR'000</i>
ASSETS					
Cash on hand and reserve balances with the Central Bank of Yemen	21,476,949	-	-	-	21,476,949
Due from banks	17,596,333	-	-	-	17,596,333
Treasury bills, net	37,275,168	2,984,066	-	-	40,259,234
Certificates of deposit with the Central Bank of Yemen	26,800,000	-	-	-	26,800,000
Government bonds	-	-	-	4,460,866	4,460,866
Loans and advances to customers, net of provision	28,792,883	6,254,268	13,540,422	12,306,689	60,894,262
Available for sale Investments, net	-	-	-	1,847,839	1,847,839
Total assets	<u>131,941,333</u>	<u>9,238,334</u>	<u>13,540,422</u>	<u>18,615,394</u>	<u>173,335,483</u>
LIABILITIES					
Due to banks	348,919	-	-	-	348,919
Customers' deposits	167,290,540	355,181	251,542	14,019	167,911,282
Long term loans	-	-	-	235,677	235,677
Total liabilities	<u>167,639,459</u>	<u>355,181</u>	<u>251,542</u>	<u>249,696</u>	<u>168,495,878</u>
Net Gap	<u>(35,698,126)</u>	<u>8,883,153</u>	<u>13,288,880</u>	<u>18,365,698</u>	<u>4,839,605</u>

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
For the year ended 31 December 2009

33 AVERAGE INTEREST RATES ON ASSETS AND LIABILITIES

	----- 31 December 2009-----			----- 31 December 2008-----		
	<i>Yemeni Riyal %</i>	<i>US Dollar %</i>	<i>Euro %</i>	<i>Yemeni Riyal %</i>	<i>US Dollar %</i>	<i>Euro %</i>
ASSETS						
Due from banks:						
Current accounts	-	-	-	-	1.50	3.00
Time deposits	-	0.05	0.05	-	2.30	-
Treasury bills	12.90	-	-	15.50	-	-
Certificates of deposit with the Central Bank of Yemen	-	-	-	14.50	-	-
Government bonds	12.85	-	-	14.50	-	-
Loans and advances to customers:						
Agricultural loans	11.00	4.00	-	12.00	-	-
Loans to customers	18.00	8.00	8.00	19.00	9.00	9.00
Advances to customers	18.00	8.00	8.00	19.00	9.00	9.00
LIABILITIES						
Due to banks	-	-	-	17.00	8.00	8.00
Customers' deposits						
Time deposits	10.00	2.00	1.00	13.00	3.00	2.00
Saving accounts	10.00	1.00	1.00	13.00	2.00	2.00
Long term loans	-	-	-	-	4.00	-

COOPERATIVE AND AGRICULTURAL CREDIT BANK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For The Year Ended 31 December 2009

34 DISTRIBUTION OF ASSETS, LIABILITIES AND CONTINGENT COMMITMENTS BASED ON ECONOMIC SECTORS

As at 31 December 2009

ASSETS	<i>Manufacturing</i> YR'000	<i>Agriculture</i> YR'000	<i>Trade</i> YR'000	<i>Building and Construction</i> YR'000	<i>Financing</i> YR'000	<i>Tourism</i> YR'000	<i>Other</i> YR'000	<i>Total</i> YR'000
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	39,166,599	-	-	39,166,599
Due from banks	-	-	-	-	23,340,340	-	-	23,340,340
Treasury bills, net	-	-	-	-	83,328,359	-	-	83,328,359
Certificates of deposit with the Central Bank of Yemen	-	-	-	-	-	-	-	-
Government bonds	-	-	-	-	-	-	4,460,866	4,460,866
Loans and advances to customers, net of provision	10,536,806	1,061,466	23,169,892	1,587,193	8,895	954,108	22,914,344	60,232,704
Available for sale Investments, net	-	-	-	1,601,250	89,101	-	292,500	1,982,851
Total assets	<u>10,536,806</u>	<u>1,061,466</u>	<u>23,169,892</u>	<u>3,188,443</u>	<u>145,933,294</u>	<u>954,108</u>	<u>27,667,710</u>	<u>212,511,719</u>
LIABILITIES								
Due to banks	-	-	-	-	4,568,783	-	-	4,568,783
Customers' deposits	6,706,479	12,628,815	96,552,656	13,928,840	1,134,943	1,279,390	74,122,033	206,353,156
Long term loans	-	-	-	-	236,982	-	-	236,982
Total liabilities	<u>6,706,479</u>	<u>12,628,815</u>	<u>96,552,656</u>	<u>13,928,840</u>	<u>5,940,708</u>	<u>1,279,390</u>	<u>74,122,033</u>	<u>211,158,921</u>
Contra accounts and other commitments, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,595,505</u>	<u>-</u>	<u>38,311,353</u>	<u>2,228,998</u>	<u>72,135,856</u>

As at 31 December 2008

ASSETS	<i>Manufacturing</i> YR'000	<i>Agriculture</i> YR'000	<i>Trade</i> YR'000	<i>Building and Construction</i> YR'000	<i>Financing</i> YR'000	<i>Tourism</i> YR'000	<i>Other</i> YR'000	<i>Total</i> YR'000
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	21,476,949	-	-	21,476,949
Due from banks	-	-	-	-	17,596,333	-	-	17,596,333
Treasury bills, net	-	-	-	-	40,259,234	-	-	40,259,234
Certificates of deposit with the Central Bank of Yemen	-	-	-	-	26,800,000	-	-	26,800,000
Government bonds	-	-	-	-	-	-	4,460,866	4,460,866
Loans and advances to customers, net of provision	11,892,283	3,232,557	30,444,806	1,915,214	12,929	569,449	12,827,024	60,894,262
Available for sale Investments, net	-	-	-	-	1,847,839	-	-	1,847,839
Total assets	<u>11,892,283</u>	<u>3,232,557</u>	<u>30,444,806</u>	<u>1,915,214</u>	<u>107,993,284</u>	<u>569,449</u>	<u>17,287,890</u>	<u>173,335,483</u>
LIABILITIES								
Due to banks	-	-	-	-	348,919	-	-	348,919
Customers' deposits	5,465,425	10,269,855	78,564,925	11,327,447	919,529	1,049,031	60,315,070	167,911,282
Long term loans	-	-	-	-	235,677	-	-	235,677
Total liabilities	<u>5,465,425</u>	<u>10,269,855</u>	<u>78,564,925</u>	<u>11,327,447</u>	<u>1,504,125</u>	<u>1,049,031</u>	<u>60,315,070</u>	<u>168,495,878</u>
Contra accounts and other commitments, net	<u>-</u>	<u>-</u>	<u>33,278,294</u>	<u>29,203,401</u>	<u>-</u>	<u>-</u>	<u>3,493,941</u>	<u>65,975,636</u>

COOPERATIVE AND AGRICULTURAL CREDIT BANK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For The Year Ended 31 December 2009

35 DISTRIBUTION OF ASSETS, LIABILITIES AND CONTINGENT COMMITMENTS BASED ON GEOGRAPHICAL LOCATIONS

As at 31 December 2009

ASSETS	<i>Republic of Yemen YR'000</i>	<i>United States of America YR'000</i>	<i>Europe YR'000</i>	<i>Asia YR'000</i>	<i>Africa YR'000</i>	<i>Total YR'000</i>
Cash on hand and reserve balances with the Central Bank of Yemen	26,431,619	-	-	-	-	26,431,619
Due from banks	12,644,062	5,906,598	8,486,260	7,127,619	1,639,241	35,803,780
Treasury bills, net	83,328,359	-	-	-	-	83,328,359
Certificates of deposit with Central Bank of Yemen	-	-	-	-	-	-
Government bonds	4,460,866	-	-	-	-	4,460,866
Loans and advances to customers, net of provision	60,232,704	-	-	-	-	60,232,704
Available for sale Investments, net	1,962,881	-	-	-	19,970	1,982,851
Total assets	<u>189,060,491</u>	<u>5,906,598</u>	<u>8,486,260</u>	<u>7,127,619</u>	<u>1,659,211</u>	<u>212,240,179</u>
LIABILITIES						
Due to banks	-	-	3,168,982	1,387,309	12,492	4,568,783
Customers' deposits	206,353,156	-	-	-	-	206,353,156
Long term loans	236,982	-	-	-	-	236,982
Total liabilities	<u>206,590,138</u>	<u>-</u>	<u>3,168,982</u>	<u>1,387,309</u>	<u>12,492</u>	<u>211,158,921</u>

As at 31 December 2008

ASSETS	<i>Republic of Yemen YR'000</i>	<i>United States of America YR'000</i>	<i>Europe YR'000</i>	<i>Asia YR'000</i>	<i>Africa YR'000</i>	<i>Total YR'000</i>
Cash on hand and reserve balances with the Central Bank of Yemen	21,476,949	-	-	-	-	21,476,949
Due from banks	5,689,827	1,161,767	3,359,320	7,385,419	-	17,596,333
Treasury bills, net	40,259,234	-	-	-	-	40,259,234
Certificates of deposit with Central Bank of Yemen	26,800,000	-	-	-	-	26,800,000
Government bonds	4,460,866	-	-	-	-	4,460,866
Loans and advances to customers, net of provision	60,894,262	-	-	-	-	60,894,262
Available for sale Investments, net	1,827,869	-	-	-	19,970	1,847,839
Total assets	<u>161,409,007</u>	<u>1,161,767</u>	<u>3,359,320</u>	<u>7,385,419</u>	<u>19,970</u>	<u>173,335,483</u>
LIABILITIES						
Due to banks	-	268,200	-	-	65,202	333,402
Customers' deposits	167,911,282	-	-	-	-	167,911,282
Long term loans	235,677	-	-	-	-	235,677
Total liabilities	<u>168,146,959</u>	<u>268,200</u>	<u>-</u>	<u>-</u>	<u>65,202</u>	<u>168,480,361</u>

36 TRUST ACTIVITIES

The Bank does not hold nor manage assets for or on behalf of other parties, except the loans it manages on behalf of The Agricultural Promotion Fund and the Ministry of Finance.

37 CONTINGENT ASSETS AND LIABILITIES

The Bank has filed a number of legal cases with the Public Fund Court and the Commercial Preliminary Court against former employees and customers of the Bank relating to irregularities and default in settlements of amounts due respectively. Where there are legal cases filed against the Bank at the respective courts, management fully and / or partly provided for such cases in the financial statements. In some of the cases, although court decisions were made in favour of the Bank, their executions have not been effected, whereas the other cases are still pending in the courts.

38 SIGNIFICANT FOREIGN CURRENCIES' POSITIONS

The Central Bank of Yemen circular no. 6 of 1998 establishes limits of 15% of capital and reserves for positions in individual foreign currencies and 25% for aggregate of all currencies. The Bank had the following significant net exposures denominated in foreign currencies:

	-----2009-----		-----2008-----	
	YR'000	%	YR'000	%
United States Dollar	2,499,139	28	2,848,939	32
Pound Sterling	(1,660)	-	(159,213)	(2)
Euro	348,133	4	388,607	4
Saudi Riyal	(643,595)	(7)	(1,285,338)	(14)
Other	125,515	1	(266,420)	(3)
Aggregate foreign currency positions	<u>2,327,508</u>	<u>25</u>	<u>1,526,575</u>	<u>17</u>

The US Dollar exchange rate as at 31 December 2009 was 207.31 YR/USD (31 December 2008: 200.08 YR/USD).

39 CAPITAL COMMITMENTS

As at 31 December, the capital commitment amounted as follows:

	31 December 2009 YR'000	31 December 2008 YR'000
Implementation of core banking application	21,024	38,362
Total	<u>21,024</u>	<u>38,362</u>

40 COMPARATIVE FIGURES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

41 DATE OF AUTHORIZATION

The Board of Directors in its meeting held on 15 May 2010 approved these financial statements and presented it for approval to the annual general meeting held on the same date.