

2015

ANNUAL REPORT

**CAC BANK**

بنك التسليف التعاوني والزراعي  
Cooperative & Agricultural Credit Bank

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Republic of Yemen  
(Coat of Arms)

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## CACBANK'S VISION

*The First Pioneering Financial Institution*

## CACBANK'S MISSION

*Offering high quality diverse banking and financial services by using the best management and technology systems with high level professionalism through a wide business network catering for all types of customers (individuals, companies, institutions) thus contributing to the development of the national economy.*

## CACBANK'S FUNDAMENTAL VALUES

- The Customer is the Focus of our Attention
- Constant Pursuit of Distinction and Excellence
- Community Development
- Focusing on Human Resources and Developing their Capacity
- Work with one Team Spirit

## CACBANK'S ESTABLISHMENT

The Cooperative Agricultural Credit Bank was established in 1982 as a result of a merger between Agricultural Credit Bank, set up in 1975 and National Cooperative Development Bank, founded in 1979. As a consequence, the amalgamated Bank has embarked on financing both economic and productive sectors.

In the context of the economic reform programs pursued by the Government in line with the requirements of the modern era of opening up to the international economy, the Bank has entered the banking industry market offering the best banking services, that it exclusively possesses compared to its counterparts in the local banking market. Furthermore, the Bank has kept abreast of international developments relating to financial and banking institutions, guaranteeing for it entry with merit into the international banking competitiveness, in view of its being the first pioneer occupying the top rank among its competitors in the local banking and financial market during the last several consecutive years. The Bank has also the widest local banking network, in addition to its presence in the Arab Gulf states and African Horn and is connected by an excellent banking partnership with a network of correspondent banks.

**Dear Friends:**

It is my pleasure to present to you CAC Bank's Annual Report for the financial year 2015, after having been appointed as its Board Chairman.

In 2015 the Yemeni banking sector was allotted its share of the general risks faced by Yemen. CAC Bank has not been immune from the repercussions of these risks. Despite their severity, however, CAC Bank has been able to offer excellent banking services, besides supporting the national economy and stability of the Yemeni rial exchange rate. In order to achieve these goals, the Bank has incurred expensive costs. Yet it managed to realize net profits exceeding 2,400 billion rials.

This result was achieved through maintenance of the strong relationship with our customers and meeting their demands for bank services. The care and attention provided by the Bank includes both large customers and retail sector individuals, since the number of ATMs has been increased to 189 and a new product the Union Pay family cards has been introduced. Furthermore, a contract has been concluded with Ria the third largest international transfer company, to serve Yemeni expatriates all over the world. In the area of development, CAC Bank has contributed in providing finance for solar energy pumps for farmers. The risk sector has played an important role in relieving the general risk repercussions in cooperation with the business development sector.

In order to improve CAC Bank's performance, special attention has been focused on human cadres, with the aim of raising their efficiency through constant training and orientation. The circumstances being experienced by the country have compelled the Bank to close, on a temporary basis, many of its branches and offices in the country thus incurring vast expenses and cost. CAC Bank has however continued paying the employees' entitlements in the unstable areas.

CAC Bank has a future vision for managing its business and operations during the financial year 2016 in order to deal in a better way with outstanding operational risks, particularly exchange rate risks.

We will also cooperate with all Bank customers to ensure the continuation of CAC Bank's distinction in offering excellent banking services and ensuring its pioneering spirit in the Yemeni banking business.

CAC Bank will also spare no effort in 2016 to cooperate with its partners of businessmen and investors, in addition to paying attention to retail sector individuals by offering them the services they require with a view to enhance the banking habit and culture.

We will intensify our attention to expatriates, by facilitating their financial transfers and their speedy delivery to their families through our special product "Al Sarie Transfer".

The agricultural sector is immensely important and we will cooperate with the Government and international finance agencies to increase financing to the sector.

CAC Bank devotes part of its activities to Islamic banking and we will do our best to meet this sector's needs by diversifying products and services offered to it and providing them in a wider geographic area.

We will do our utmost to enhance governance and transparency rules and in 2016 we will issue the conflicts of interest policy and ethics code of conduct and banking business behavior.

We will not be able to achieve our ambitions without qualified specialized and efficient employees and therefore we will spare no effort to provide them with all their material and moral needs.

In conclusion, I would like to thank CAC Bank's faithful customers and all Bank employees in all administrative levels for their loyalty and faithfulness. I also express my gratitude to Board members for their cooperation and one team work spirit. I must not forget expressing my thanks to Mr. Munassar Saleh Al Qu'aiti, the previous Board Chairman for all his contribution during his leadership of our Bank in 2015.

*Thank you.*

Mohamed Saleh Allae'e

**CHAIRMAN**



## CAC Bank's Board of Directors' Members



**Mohamed Saleh Allae'e**  
Chairman



**Harith Abdul Bari Saleh**  
Agriculture & Fish Production  
Support Fund Representative



**Jamal Ali Al Maliki**  
Ministry of Finance  
Representative



**Hamid Ahmed Faraj**  
Civil Aviation & Meteorology  
Public Authority Representative



**Abdul Malik Qasim Al Thor**  
Ministry of Agriculture & Irrigation  
Representative



**Abbas Issa Al Zabidi**  
Fisheries Ministry Representative



**Mohamed Mohamed Basheer**  
Cooperative & Agricultural  
Federation Representative



**Hamoud Mohamed Al Salahi**  
Independent Member



**Salim Mohamed Salman**  
Independent Member



**Abdulla Hassan Al Shatir**  
Independent Member



**Abdu Mahdi Al Adlah**  
Independent Member



**Saleem Nasir Al Shuhtiri**  
Independent Member

Banking activities are affected by economic, social and political situations directly or indirectly. Nowadays, economic fluctuations and circumstances of economic slump and recession are the major factors which cast their shadows on bank activities in general.

The ability of banks to face and deal with those fluctuations reflects a far sighted vision and the capability of their strategies to absorb in a flexible manner the various circumstances and situations and minimize the negative effects emanating from contingent and unexpected factors. In developing and less developed economies banks face extremely difficult economic conditions in conducting their activities and establishing relations with the sectors of society as if they are carving in solid rock. Nevertheless and despite the difficulties they experience, they gain wide knowledge and special experience in dealing with the economic situation and many of its imbalances and complexities.

CAC Bank's mission has no limit for we spare no effort every day to strengthen it, by means of providing financial solutions which provide new job opportunities and contribute in enhancing development and growth. The performance of institutions is frequently measured by their achievements and their diversity and impact on economic development and economic growth rates either directly or indirectly. We should not forget how these are related and linked to the aspirations of society and the extent of the institution's contribution in realizing those aspirations. CAC Bank has in fact presented live examples of initiatives to overcome obstacles, eliminate restrictions and surpass obsolete hurdles preventing the banking sector from assimilating new technology.

The positive indicators disclosed by the Bank's financial statements and data during 2015 represent a mark of distinction in banking business, despite the circumstances the country has gone through, a fact which enhances the Bank's confidence and reputation with correspondent banks and its contribution in tackling economic problems. In particular, the policy adopted by the Bank in contributing to foreign exchange market stability, which is consistent and compatible with the policy of the Central Bank of Yemen and in the context of the relationship with various financial institutions, is proof of CAC Bank' pioneering status in the Yemeni banking sector.

In conclusion, I hope this Report will contribute in strengthening our knowledge and understanding of many of the issues and areas related to enhancing and improving financial and banking business. We emphasize our confidence and trust that we will overcome all difficulties and challenges, as we have surpassed similar and indeed more difficult obstacles in the past. We also hope the Bank will continue its successes in the following years, God willing.

Salah Sadiq Basha

CEO





## CAC Bank's Executive Management



**Salah Sadiq Basha**  
CEO



**Ibrahim Ahmed Al Hoothi**  
Deputy CEO,  
Business Development



**Abdulla Al Dailami**  
Deputy CEO,  
Support Services



**Ibrahim Najad**  
Deputy CEO,  
Banking Operations



**Abdul Jabbar Ahmed Salama**  
Deputy CEO,  
Investment



**Munir M. Al Hakimi**  
Deputy CEO,  
Corporate Services



**Faris Saleh AlJa'adabi**  
Deputy CEO,  
Agriculture & Fisheries Finance



**Hussein Al Muhdhar**  
Executive Manager  
CAC Islamic



**Yahya Mohamed Al Kibsi**  
Deputy CEO,  
Risk & Compliance



**Nasir Muhsin Al Muraqqab**  
Deputy CEO,  
Retail Banking



**Faris Saleh AlJa'adabi**  
Deputy CEO,  
Agriculture & Fisheries Finance



**Nasir Muhsin Al Muraqqab**  
Deputy CEO,  
Retail Banking

# ORGANIZATIONAL STRUCTURE



## Board of Directors' Chairman

- Chairman's Office
- Secretariate
- Internal Audit Dept.
- Compliance & Anti Money Laundering Committee
- Risk Committee
- Audit Committee
- Nomination & Remuneration Committee
- Assets & Liabilities Committee
- Executive Committee
- Credit Committee

## Chief Executive Officer (CEO)

- Credit Review & Analysis Dept.

## Retail Banking Sector

- Retail & Small Enterprises Department
- Branches & Delivery Channels Dept.
- SMEs Dept.
- Cards Dept.
- Private Banking Services Dept.

## Risk & Compliance Sector

- Risk Dept.
- Compliance & Anti Money Laundering Dept.
- Legal Dept.
- Follow-up & Special Operations Dept.

## Corporate Banking Sector

- Commercial Co. & Institutions Dept.
- Real Estate & Contractors Dept.
- Industrial & Agricultural Companies Dept.

## Business Development Sector

- Strategic Planning & Statistics Dept.
- Marketing Dept.
- Research & Development Dept.
- Quality Verification Dept.

## Investment Sector

- Investment Dept.
- Financial Intermediation & Stock Exchange

## Bank Operations Sector

- Central Operations Dept.
- International Operations Dept.
- IT Dept.
- Sari' Transfer Dept.
- Western Union Transfer Dept.
- International Relations Dept.
- Systems Development Dept.
- Cards Center
- Call Center

## Agriculture & Fisheries Financing Sector

- Farmers & Fishermen Services Dept.
- Agriculture & Fisheries Projects Dept.
- Agriculture & Fisheries Credit & Financing Dept.

## Islamic CacBank

- Support Services Dept.
- Risk & Compliance Dept.
- Retail Services Dept.
- Corporate Services Dept.
- International Relations Dept.
- Investment Dept.

## Support Operations Sector

- Human Resources Dept.
- Finance Dept.
- Training & Performance Development Dept.
- Administrative Services Dept.
- Secretariate Dept.

# Corporate Governance



## I. PREFACE

The Cooperative and Agricultural Credit Bank gives great attention and importance to the implementation of the principles of corporate governance. Furthermore, the Bank's Board of Directors is very keen to apply the highest professional performance standards in all the Bank's activities. In this area the Bank follows the instructions of the Central Bank, which has adopted the Basle Committee recommendations on corporate governance, as well as the OECD's governance principles.

Bank governance may be defined as the method by which a bank's business and affairs are regulated by its board of directors and executive management, in addition to determining the sound systems for setting in place the Bank's objectives and strategies, its day to day business and achieving the principle of transparency before the shareholders. The systems should also take into consideration the rights and interests of other stakeholders and protection of depositors' rights, as well as the rules and instructions issued by the supervisory agencies and all what the foregoing entails and requires by way of developing strong risk management systems.

The Bank has updated its Governance Manual in accordance with the requirements of the Central Bank's governance manual Circular No. 3 for the year 2013, in a manner consistent and compatible with the Bank's needs, policies and nature as a Government Bank, which is traditional as well as Islamic.

The Bank reviews and develops its Governance Manual from time to time, with the aim of keeping abreast of changes in its needs, expectations and banking market. The Manual is approved and ratified by the Board of Directors and sanctioned by the Central Bank.

## II. Board of Directors

### A- Responsibilities:

In addition to the responsibilities imposed by the pertinent laws in force and the laws governing banking activities, the Cooperative and Agricultural Credit Bank's Board of Directors undertakes to perform the following functions:

- 1- Ensuring that the Bank is managed in a prudent manner and within the framework of the pertinent laws in force and instructions issued by the Central Bank and the Bank's internal policies, thus guaranteeing the management of the Bank in a safe and sound way, in addition to safeguarding depositors' rights, shareholders' equity and the rights of creditors, employees and other stakeholders.
- 2- Ensuring the implementation of the Governance System approved in the Bank.
- 3- Approval of the Internal Control Systems, their supervision and reviewing their effectiveness annually or when the need arises.
- 4- Guaranteeing the existence of an internal audit department enjoying full independence to avoid its

coming under the influence of executive management. This is achieved by making this department directly responsible to the Board of Directors, which will be in charge of determining the salaries, rewards and bonuses of its employees in the context of the Bank's cadre of staff. The Board is also responsible for assessing their performance, in addition to ascertaining the availability of a sufficient number of them, as well as the adequacy of their qualifications and professional expertise and skills and their constant development, while providing all necessary resources to achieve this goal.

- 5- Constitution of committees or authorizing executive management or any other entity to carry out some of the Board of Directors' duties, while emphasizing such delegation does not exempt the Board from its responsibilities in accordance with the provisions of the pertinent laws in force.
- 6- Instilling the principle that each Board member is responsible to the Bank, that he represents all its shareholders and undertakes to carry out what is in the interest and of benefit to the Bank, depositors and other stakeholders and not merely the interest of a limited group.
- 7- Protecting the Bank from illegal acts or those which are inappropriate and inconvenient to major shareholders and which impact adversely the interests of the Bank and/or the remaining shareholders.
- 8- Putting in place a policy that regulates and determines operations with stakeholders and connected parties in terms of knowing, compiling and determining all operations and transactions approved and not approved, in order to ensure that any operation for connected parties or stakeholders is implemented in a just and fair manner without preferential treatment and disclosed there and then immediately and properly.
- 9- Setting in place a written policy regarding conflict of interests, ensuring that policies which assist in discovering potential conflict of interests do exist and are implemented.
- 10- Ascertaining the nonparticipation of Board of Directors' members in taking decisions where a conflict of interests exists thus preventing them from performing their role in protecting the interests of the Bank in a sound manner.
- 11- Understanding and appreciating the supervisory and control role of the Board of Directors' members and their commitment of loyalty to the Bank, its shareholders, other stakeholders and the community in general.
- 12- Ensuring the devoting of adequate attention and time by the Board of Directors' members to carry out their duties and shoulder their responsibilities in an effective manner.

### III. Chairman of the Board of Directors

- 1- The Chairman of the Board of Directors, together with the Executive Committee and Strategic Planning Committee, which assist the Board, should be responsible for the implementation of the Bank's strategic plan, as well as supervision of all the Bank's business and activities. The Chairman is responsible to the Board of Directors for following up the implementation of the policy drawn up by the Board to achieve the Bank's objectives and goals, in addition to assessing the Bank's general performance in accordance with the strategies, plans, objectives, policies and budgets approved by the Board of Directors.
- 2- The Chairman of the Board also undertakes to carry out the following functions, in addition to what the law stipulates:
  - i- Establish a constructive relationship between the Board and the Bank's executive management.
  - ii- Create a culture during Board meetings that encourages constructive criticism on issues subject to differences in the points of view of members, as well as promotes debate and reaching consensus on those issues.
  - iii- Ensure adequate information is available to all Board members in a timely manner.
  - iv- Ensure the implementation of the Bank's objectives and performance of business to the fullest extent possible.
  - v- Ensure Board members' points of view are relayed to executive management concerning Bank's strategies and Governance Manual.

### IV. Board Meetings

- A- To ensure the comprehensiveness of the topics presented in Board meeting, the Board of Directors held 21 meetings during the year dealing with the following business:

Bank's strategic plan approval, budgets and capital expenses ratification, updating of policies governing operational processes and annual audit plan sanctioning. All Board members are able to obtain relevant information and data, which are available with the Board Secretary. Moreover, the Board members can obtain the views of outside parties on any special topic, in accordance with the Bank's Governance directives.

- B- Board of Directors' Secretary Provides Board members with adequate information and data on a timely basis before the Board meetings to enable them make appropriate decisions.

Board Secretary also prepares and documents minutes of the meetings and record discussions of the Board, members' proposals, their voting, decisions made by them and the party responsible for implementing them.

### V. Ethics Code of Conduct, Conflict of Interests

The Board should always ensure that the Bank enjoys high integrity

in the conduct of its business and activities. This can be accomplished by adopting an ethics code of conduct and the provision of policies dealing with conflict of interests, which include a definition of the principles of conflict of interests and businesses associated with Board members, necessitating their disclosure and not transgressing the instructions ratified for these purposes. These policies and work ethics code of conduct should be circulated to all Bank employees and Board members to follow and comply with.

### VI. Board of Directors' Committees

#### A- General Provisions

- 1- With the aim of enhancing its effectiveness, the Board has reconstituted the committees emanating from it, in accordance with the latest issue of approved Governance Manual. The Board charged them with functions and mandates for a specific period to carry out the duties assigned to them and submit periodic reports to the full Board.
- 2- The committees are responsible for their functions before the Board, but such delegation does not exempt the Board from its responsibility for the committees' work and functions.
- 3- The committees' members' attendance of their meetings is essential for the continuation of their membership. The quorum must be met for the meetings to be proper. Decisions should be made by a majority of member votes and in the case of a tie the side to which the committee's head has voted shall prevail. The opinion of the other side should be recorded in the minutes of the meeting, in the meanwhile it should be ensured that voting by proxy is not allowed. Furthermore, any committee's head is not allowed to delegate his functions and mandates to any other person.
- 4- Every committee has its own work plan which defines clearly its mandates, duties and responsibilities. The work plan has been approved and sanctioned by the Board.
- 5- The meetings' minutes of the committees must be fundamentally documented and classified.
- 6- A Board member is not permitted to be a member in more than two committees. A person can only be a head of one committee.
- 7- The Board has constituted the Audit Committee, the Credit High Committee and the Risk and Compliance Committee. The Board has the right to merge a number of its committees if such action is convenient or more appropriate from the technical and administrative aspect.

#### B- The Audit Committee

##### 1- Committee Objectives

Reviewing the financial reports, internal control and supervision systems and the scope, conclusions and adequacy of internal and external audits, as well as reviewing important issues which are of fundamental impact on financial statements and data.

##### 2- Formation of the Committee and periodicity of its meetings

- i- The Audit Committee is composed of four non executive members. They are the following:

N	Member	Status
1	Abdulla Hassan Al Shatir	Head
2	Abdul Malik Q. Al Thor	Member
3	Saleem N. Al Shahtari	Member
4	Abbas Issa Al Zabidi	Member

- ii- The Committee's head and its members must be independent.
- iii- The Board's Chairman appoints the Audit Committee's head and members for a period of three years renewable for two terms as a maximum.
- iv- The Committee has the right to seek foreign assistance after approval of the Board.
- v- The Committee has held twelve meetings during the year, with all its minutes fundamentally recorded.

#### 3- Functions and Mandates of the Committee

- i- The Audit Committee shall have
- ii- Mandate to obtain any information by way of practicing its business. It has also the right to call any person with experience or specialization credentials to attend the Committee's meetings to seek his guidance or opinion. Furthermore it has a right to call any Board or executive management member or the internal audit manager to attend its meetings. Finally the Committee is entitled to request a meeting with the External Auditor.
- iii- Reviewing periodic financial statements and data before presenting them to the Board, submitting its recommendations thereof to the Board and following up accounting issues of fundamental impact on financial statements and data, with the aim of guaranteeing the fairness and transparency of financial reports.
- iv- Audit Committee should evaluate effectiveness and adequacy of internal control and supervision systems. The Committee's responsibility shall be the following:
- v- Evaluate effectiveness and adequacy of the internal audit function and ensuring compliance with instructions in force issued by pertinent authorities.
- vi- Evaluate effectiveness and adequacy of scope of programs of internal audit.
- vii- Review conclusions of internal audit reports, making sure necessary measures have been taken in this respect.
- viii- Review and confirm audit plans as proposed by internal audit.
- ix- Recommend to the Board appointment of Internal Audit Department manager and employees and their transfer, dismissal and performance appraisal.

- x- The Committee should have a mandate to communicate directly with the external auditor and meet with him without the presence of management. The Committee's responsibility in this area includes the following:
- xi- Recommend to the Board regarding the appointment and dismissal of the external auditor, determine his remuneration and assess his performance.
- xii- Evaluate the objectivity and independence of the External Auditor.
- xiii- Review the appointment letter and its acceptance.
- xiv- Review conclusions of external audit and Central Bank reports, making sure necessary measures have been taken in this respect.
- xv- The Committee should review operations with connected parties and advise the Board accordingly.
- xvi- The Committee should ascertain extent of the Bank's compliance with pertinent laws in force, those governing banking business and instructions issued by the Central Bank, as well as the level of compliance with the Bank's policies and internal regulations.
- xvii- The Committee must hold periodic meetings with the external auditor at least once a year and at least twice a year with the internal auditor. The internal and external auditors have the right to request a meeting with the Committee, when it is deemed necessary for the sake of business.
- xviii- The Committee should receive all notifications reported by employees relating to any potential violations in financial or legal matters in complete secrecy pursuant to the violation notification procedures, approved by the Board.

#### C- Risk Management and Compliance Committee:

##### 1- Committee Objectives:

Setting in place risk measurement and appraisal policy as appropriate and consistent with Bank's risk appetite and reviewing executive management's performance in managing credit, market, liquidity, operational, noncompliance and reputation risks as well as others.

##### 2- Formation of the Committee and periodicity of its meetings

- i- The Committee is composed of three non executive members, who are the following:

N	Member	Designation
1	Harith Abdul Bari Saleh	Head
2	Mohamed M. Basheer	Member
3	Abdu Mahdi Al Adlah	Member

- ii- The Committee held seven meetings during the year
- iii- The Committee submits its reports to the Board.

iv- The Committee is entitled to seek assistance of foreign expertise, after Board approval.

### 3- Functions and Mandates of the Committee:

- i- The Committee should review risk management strategies and policies before their approval by the Board, in addition to ensuring the implementation of those strategies and policies.
- ii- Ensuring the availability of adequate resources and systems for risk management, as well as ensuring the independence of risk management employees from activities exposing the Bank to risks.
- iii- Recommending to the Board regarding nomination of officer in charge of risk and compliance sector, risk management department manager and compliance department manager, their transfer, dismissal and performance appraisal.
- iv- Reviewing the risk and compliance sector's organizational structure and making recommendations thereof, before being approved by the Board.
- v- Reviewing periodic reports on the nature and size of risks to which the Bank is exposed and the activities of the risk and compliance sector.
- vi- Monitoring extent of compliance of the risk and compliance sector with the criteria and standards issued by the Basle Committee relating to risk management including credit, market, operational and noncompliance risks.
- vii- The Committee submits periodic reports to the Board and presents statistics in respect of risks to which the Bank is exposed, in addition to the changes and developments happening to risk management and instructions issued by the Central Bank.
- viii- Reviewing and expressing its opinion before the Board on risk ceilings and limits and exceptional cases to which they are subjected.
- ix- The Committee holds periodic meetings with the risk sector to discuss and assess risks to which the Bank is exposed and adequacy of methods dealing with them as well as presenting recommendations to the Board accordingly in this respect.

### D- Selection and Remuneration Committee

#### 1- Committee Objectives

Monitoring and ensuring transparency of replacement of Board members and appointment of the Chief Executive Officer (CEO), as well as proposing appraisal standards for effectiveness of the Board as a whole and every Board member individually and independently. The Committee's objectives also include assessing executive management's performance, pursuant to the criteria and standards approved by the Board, in addition to ascertaining the transparency of the policies concerning salaries, remuneration and incentives of Board members and executive management, ensuring that these

policies are consistent and compatible with the Bank's objectives.

### 2- Formation of the Committee and Periodicity of its Meetings

i- The Committee is composed of three non executive members, who are the following:

N	Member	Designation
1	Hamid Ahmed Faraj	Head
2	Jamal Ali Al Maliki	Member
3	Harith Abdul Bari Saleh	Member

- ii- To avoid conflict of interests, a Committee member should not participate in the discussions and decisions affecting him.
- iii- The Committee holds at least six meetings a year as well as when it is deemed necessary to do so.

### 3- Functions and Mandates of the Committee

- i- Setting in place criteria and conditions (minimum requirements) for the experience, qualifications and skills required in a Board member and position of CEO, as well as fixing the amount of time necessary for a Board member to devote for its business. The Board should approve the criteria and conditions set in place.
- ii- Putting in place definitions for executive, non executive and independent Board members, ascertaining the actual independence of the independent members, pursuant to the criteria set out in the Bank's instructions, in addition to ensuring that the composition of the Board of Directors is appropriate and consistent with the Bank's size and complexity of its operations.
- iii- The Committee adopts objective standards to evaluate effectiveness of the Board of Directors collectively as a group, in addition to evaluating the performance of every Board member individually and every Board committee and evaluating the performance of executive managers. On evaluating performance of the Board as a whole and executive management and submitting it to the Board, the performance of other similar institutions must be taken into account. The extent of compliance with supervisory requirements must also be taken into consideration. The Board of Directors approves the evaluation standards and criteria.
- iv- Ensuring that Board members receive continuous training and orientation by means of programs designed for this purpose, in order to keep abreast of modern developments in the financial services industry. The Committee is in charge of making available information on some important issues in the Bank to Board members on request.
- v- Putting in place conditions and criteria for appointing top executive management officials, assess their performance and prepare a plan for their replacement.

- vi- Recommending to the Board to cancel the appointment/dismiss any top executive management official if he is proved to be ineffective and fails in fulfilling his duties and responsibilities, as an example the finance manager.
- vii- The annual review of the conditions required to be a Board member and CEO should be implemented, in order to ensure compliance with the provisions of the laws and regulations in force and the instructions issued by the Central Bank.
- viii- Ensuring existence of clear policies for remunerations and compensations of Board members and executive directors, which are appropriate and commensurate with their experience and qualifications, to be approved by the Board and reviewed annually by the Committee. There must be a balance when putting in place the remunerations, whereby they form an incentive to attract qualified persons but without being excessive. The ladder of these remunerations should be within the ambit of Bank policy without being related to short term performance, in order to avoid encouraging the taking of risk over and above acceptable limits.
- ix- The Bank's annual report must disclose the mechanism whereby executive and nonexecutive members' remunerations are fixed.

### E- High Credit Committee

The High Credit Committee consists of three non executive Board members and a number of executive management members. The following are the Committee members:

N	Name	Designation
1	Jamal Al Maliki	Head
2	Hamid Faraj	Member
3	Harith Abdul Bari Saleh	Member
4	CEO	Member
5	Risk Deputy Chairman	Member
6	Corporate Credit Deputy Chairman	Member
7	Islamic CACBANK Adviser	Member
8	Credit Review Department Manager	Member

The Committee holds twelve meetings a year, in addition to meeting when it is deemed necessary to do so.

#### Responsibilities

- 1- Reviewing Bank's Credit strategy and policy before approval by the Board, in addition to evaluating their effectiveness on a continuous basis.
- 2- Final decision regarding the granting of other credit facilities on the basis of the mandates set out in the credit policy in this respect.

- 3- Following up credit facilities granted, their evaluation and taking appropriate measures to rectify the non performing ones.
- 4- Ascertaining the effectiveness and accuracy of the Bank's credit procedures and mandates and the framework of operations of extending credit, in addition to subjecting them to periodic reviews and amending them if necessary.
- 5- Monitoring and following up credit policy implementation, receiving the periodic reports from the concerned departments and submitting them to the Board with the necessary recommendations.
- 6- Demanding any information or data from executive management or ask for any Board or executive management member to attend the Committee's meetings and reply to any queries raised by the Committee.

### F- Shari'a Supervisory Board (SSB)

The Bank's Governance system includes compliance with the provisions and principles of Islamic Shari'a in the context of offering Islamic financial services within the ambit of the Islamic Sector.

- A- The Board of Directors has appointed the Shari'a Supervisory Board (SSB) consisting at least of three members, who are Islamic Shari'a scholars with experience in the area of financing.

N	Name	Designation
1	Dr. Hassan Mohamed Al Ahdal	Chairman
2	Dr. Lutf Mohamed Al Sarhi,	Member
3	Dr. Saeed Ali Alhimyari	Member
4	Dr. Nasr Mohamed Al Salami	Shari'a Supervisor

The SSB held six meetings during the year.

The SSB does not include members who are Bank managers or shareholders who own part of the Bank's share capital.

#### B- SSB Functions

The SSB is charged and entrusted with the following functions and duties:

- 1- Review and approve the contracts, agreements, transactions, policies, procedures, mechanisms and work programs as well as endorse products and services.
- 2- Review and approve the Manual of Policies and Procedures pertaining to Bank compliance with the provisions and principles of Islamic Shari'a.
- 3- Present an annual report to the Shareholders General Assembly, showing the extent of the Bank's compliance with the provisions of Islamic Shari'a for the period of the report, as well as the SSB comments and recommendations. The SSB report should be included in the Bank's Annual Report.
- 4- Carry out the duties of planning and executing the Shari'a

Audit Procedures and preparing the Annual Report. The remuneration obtained by the SSB should be allocated for the duties of giving opinions and fatwas and the tasks of the audit, which should include all the work related to the Shari'a field on site audits, follow-ups, the SSB meetings with respect to the audit tasks, consideration and finalization of the Shari'a comments, in addition to the preparation of the SSB Annual Report. The SSB has the right if necessary to seek external assistance of an External Auditor (and if available External Shari'a Auditor) in performing the above duties.

- 5- Present advice, on request, to the parties who provide services to the Bank, such as the External Auditors, legal experts and consultants.
- 6- Ascertain the adequacy and effectiveness of the Internal Shari'a Supervision System.
- 7- Give advice and guidance to Internal Shari'a Audit Department (ISAD), concerning the scope of Shari'a audit required. The SSB should also review the summaries of the ISAD reports and management's responses to them, in order to ensure ISAD's adequacy and effectiveness.
- 8- Coordination with Governance and Audit Committees regarding ensuring compliance with the provisions and principles of Islamic Shari'a.
- 9- Inspect all the reports containing the review of compliance with the provisions and principles of Islamic Shari'a as well as the reports of Central Bank and External Auditor and management's responses to them, in order to assess the efforts exerted in ensuring compliance with the provisions and principles of Islamic Shari'a and taking them into consideration when planning the business of external Shari'a audit and the SSB.
- 10- Suggest Shari'a training programs for Bank staff in light of the need which the SSB estimates.
- 11- SSB has the right of full review, without restrictions, of all the records, documents, transactions and information from all sources, as well as referring to the professional consultants and the relevant Bank staff.
- 12- SSB has the right to seek the assistance of external experts for advice and specifically on legal and financial issues, at the expense of the Bank, after the approval of the Board of such action.

## VII. Internal Control and Monitoring Environment

### A- Internal Audit Function

The Bank has a permanent effective internal audit function, which reports to the Board of Directors and enjoys full independence. The Internal Audit Department Manager and staff are appointed by the Board of directors, based on the recommendation of the Audit Committee. Furthermore, the Internal Audit staff should

not be charged and entrusted with any executive business or responsibilities. The following are considered the most important functions and duties of Internal Audit:

- 1- Ensuring extent of compliance with implementation of policies and procedures approved and endorsed by the Board and laws governing banking business and instructions issued by the Central Bank.
- 2- Ensuring the implementation of the Bank's instructions and rules and its internal regulations, as well as proposing tackling and dealing with shortcomings in the financial, administrative and technical systems.
- 3- Submitting internal audit reports to the Board or Audit Committee.
- 4- Documenting internal audit department's duties, mandates and responsibilities within the internal audit charter, which is approved and endorsed by the Board.
- 5- Ensuring adequacy of internal control and monitoring systems and risk management systems and extent of their effectiveness.
- 6- Submitting proposals and recommendations aiming at improving efficiency of Bank's internal control systems to the Board or Audit Committee.
- 7- Assisting the Board in carry out its duties to the fullest extent possible, by means of providing it with analyses, evaluations and recommendations concerning activities reviewed by the audit department.
- 8- Internal Audit Department's basic responsibility, which should be risk based, comprises auditing as a minimum what follows:
  - 8.1- All Bank departments, sections and branches as well as all activities and risks in a periodic and continuous manner during the year as well as auditing the financial data and final accounts.
  - 8.2- Internal audit process should be conducted in accordance with appropriate, professional and comprehensive audit programs, consistent with the latest international internal audit standards and manuals, meanwhile making available the necessary technologies and sparing no effort in assessing and developing these programs to be appropriate and consistent with business development in the Bank.
- 9- Storing and safekeeping of its reports and business documents in a systematic and safe manner making them easy to track and refer to as well as readily available to be reviewed by the external auditor, Audit Committee and Central Bank inspectors.

### B- Compliance Function

The Bank has a permanent and effective compliance function enjoying full independence. The most important responsibilities of the compliance function are the following:

- 1- Permanent monitoring of the extent of Bank's compliance with all pertinent laws in force and laws governing banking business as well as instructions issued by the Central Bank,

which should be followed, by laws and regulations, sound banking conventions and practices and rules and standards issued by local and international supervisory agencies.

- 2- Following up extent of compliance with the Bank's Governance system implementation.
- 3- Receiving Bank employee reports and notifications on illegal or unethical practices and investigating them.
- 4- Measuring potential effects in the event of amendments taking place in the legal framework, by which the Bank is governed.
- 5- Ensuring new products and procedures introduced by the Bank meet and are consistent with pertinent laws in force, laws governing banking business and instructions issued by the Central bank.
- 6- Ensuring that the Bank is adequately well aware of noncompliance risks, represented by legal or regulatory penalties, potential exposure to financial losses or ill reputation risks, as a result of Bank's noncompliance with pertinent laws in force, laws governing banking business and Central Bank instructions, in addition to international laws governing international banking operations and dealings.
- 7- Submitting compliance reports to the Board with a copy thereof to executive management.

### C- Risk Management

The Bank has a permanent and effective risk management function which enjoys full independence. The most important responsibilities of risk management are the following:

- 1- The Bank's risk department submits its reports through the official in charge of the Sector to Risk Management and Compliance Committee. As far as the day to day operations are concerned the department should liaise with the Deputy CEO for Risks and Compliance.
- 2- The Bank's risk department's responsibilities include the following:
  - 2.1- Analyzing all risks including credit, market, liquidity and operational risks.
  - 2.2- Developing and improving measurement and control methodologies for every type of risk.
  - 2.3- Recommending to Risk Management Committee risk exposure ceilings, approvals, report submission as well as recording exceptional cases to risk management policy.
  - 2.4- Providing the Board and executive management with information on risk measurement in the Bank. The Board should review the Bank's risk statistics quality wise and quantity wise in a regular manner in every Board meeting.
  - 2.5- Making available information on the Bank's risk exposure to be used for purposes of disclosure and publication to the public at large.

- 3- The Bank's executive committees, such as credit, assets and liabilities management and Collections committees, should assist the risk department in conducting its functions, in accordance with the mandates vested in those committees.
- 4- The Bank's annual report should include information on risk management department relating to its structure, nature of its operations and developments it has experienced.

### D- External Audit

The Bank must have a governance system which ensures the achievement of the following:

- 1- Appointing an independent external auditor practicing his business in accordance with audit profession international standards, well aware of his obligations towards the Bank relating to exerting necessary professional care which is consistent with international audit standards.
- 2- The Bank adopts regular rotation for external audit among audit offices in accordance with Central Bank instructions.
- 3- Compliance with laws in force and Central Bank instructions relating to regulating the relationship between the external auditor and other relevant parties.
- 4- Organizing regular meetings between the external auditor and Audit Committee, being important and fundamental in enhancing external auditor's independence.
- 5- Guaranteeing external auditor's independence by ensuring he has no interest in the Bank and no Board member is a shareholder or partner of the external auditor.
- 6- The Audit Committee should review the arrangements with the external auditor on a regular basis ensuring their appropriateness and consistency with the size and nature of the Bank's operations.
- 7- The Audit Committee should activate communication channels between the external auditor and Board of Directors and executive management in the Bank and preparing the atmosphere enabling him to obtain all information, data and documents required for the audit process from either executive management or Board of Directors.
- 8- Efficient utilization of the conclusions and results of external audit and at the appropriate time.
- 9- The external audit reports should be submitted to the Board and Audit Committee, after which they should be referred to executive management for preparing a response and finally the Board issues its instructions for dealing with the observations.
- 10- The external auditor is responsible towards shareholders, stakeholders, Board of Directors and the Bank for exerting the necessary professional care and due diligence compatible and consistent with international audit standards, in order to ensure the soundness and appropriateness of audit procedures in the Bank.

## VIII. Social Responsibilities

The Cooperative and Agricultural Credit Bank believes that the Big Bank bears a special responsibility in supporting economic and social development in our beloved homeland and as a consequence, the Bank:

- Assists companies in enhancing and improving their competitive capacities, develop their businesses abroad and strengthen their governance principles.
- Applies the best internationally recognized guidance standards and principles in assessing the social consequences of project financing and in particular agricultural and commercial projects.
- Supports educational and benevolent institutions and others which are worthy of help and assistance.
- Sets in place new mechanisms in the area of agricultural financing to keep abreast of new developments and innovations, thus contributing to the achievement of rural development objectives.

## IX. Conflict of Interests

The Bank has not concluded any contract containing a fundamental interest or benefit to any Board member or any person connected to any of them. In the context of the Bank's ordinary activities, it carries out operations with some Board members, senior managers, their families and companies, in which they own 5% or more of their share capital and those who were Bank customers during the year. The terms of these operations are approved by the Bank's Board of Directors.

The loans and facilities extended to connected persons during the year 2015 amounted to Yemeni Rials 79,015 compared to Yemeni Rials 358,538 in 2014, repayable or have already been settled according to the contracts signed with them. Usually the loans and facilities extended to connected persons are against guarantees and pledges of connected person's salaries and cash deposits as well as commercial fees against fixed assets. The note No. 45 shows all facilities granted to connected persons.

## X. Shareholders' Rights and Relationship with them

- 1- The Bank protects the rights of shareholders as stipulated in the relevant laws in force and the instructions of the Central Bank of Yemen.
- 2- Discussion of the topics included in the agenda of the General Assembly and directing questions to the Board members, Executive Management and External Auditor.
- 3- Shareholders are urged to attend the meetings of the Bank's General Assembly. The meetings should be arranged to be held at a time and on a date and in a place which would facilitate and encourage shareholders to attend.
- 4- The heads of the Audit and Selection and Remuneration Committees and any other Board Committee should and do attend the General Assembly Annual Meeting.

- 5- The External Audit representatives should attend the General Assembly Annual Meeting, in order to respond to any query which may be posed regarding the Audit and the Auditor's report.
- 6- Voting should be made separately on each issue raised during the General Assembly Annual Meeting.
- 7- After the end of any General Assembly meeting a report should be prepared for the shareholders to review the remarks which were made during the meeting and the ensuing results and conclusions thereof, as well as the voting results and the questions raised by the shareholders and executive management's replies to them.

## XI. Relationship with Investment Account Holders

- 1- The Bank confirms and acknowledges the rights of investment account holders to follow up performance of their investments and risks associated with them. Furthermore the Bank puts in place adequate means to safeguard these rights and practicing them.
- 2- The Bank approves a sound strategy which is appropriate and consistent with risks and returns expected for investment account holders, taking into consideration the distinction between restricted and absolute investment accounts, in addition to the adoption of transparency in supporting any returns.

## XII. CAC Bank Shareholders & Board Members Seconded

Seconding Agencies who own Cacbank	Name of Board Member Seconded	Proportional Share in Cacbank's capital	Number of Companies Controlled by Member
Government represented by Ministry of Finance	Jamal Al Maliki	33.82%	None
Government represented by Agriculture & Fisheries Production Support Fund	Harith Abdul Bari	40.50%	None
Government represented by Civil Aviation & Meteorology General Authority	Hamid Ahmed Faraj	25.00%	None
Government represented by Local Government Ministry & General Cooperative Federation National & Agricultural	Mohamed Basheer	0.68%	None



## "Speed" Money Transfer

**Most widely spread and cheapest service.**

This is a service provided by CAC Bank for transferring funds through a modern automated system, by which a transfer is paid to the beneficiary in moments. A transfer may be sent and received from/by "Speed" points which are spread all over the Republic (CAC Bank branches and offices as well as offices of agent money changers)



### Advantages

- You may transfer from your account through (CAC Mobily) to any person with the funds received in cash.
- Competitive commission rates.
- Fast, Easy and Secure.
- Sending and receiving money may be made from any CAC Bank branch or agent, which are spread all over the Republic.
- A wide network of correspondents in the Gulf States, Jordan, Horn of Africa and China.
- Long opening hours.



## Bank Performance Analysis During the period 2011 – 2015

During 2015 our country has witnessed a sharp recession, as a result of the crisis the land has gone through and which is still casting its shadow on the various sectors of the economy. The negative repercussions of the crisis continue to affect acutely the flow of capital and investments and the movement of trade locally and internationally. Banks and financial institutions have suffered considerably, owing to the harm and difficulties emanating from the crisis, in view of the sharp retreat in many of their indicators and the lowering of the quality of investment and credit portfolios and the increase in provisions allocated for the expansion in nonperforming loans, ensuing inevitably from the crises.

It has been proven that the political crisis which is currently being experienced by our country is a difficult and cruel one by all measures and requires extraordinary reforms and at the same time relentless efforts on the part of all politicians, economists and citizens, in order to conquer and surpass this crisis and return the land to what it used to be for the resumption of construction and development.

Despite the acute transformation and changes the domestic banking industry is currently undergoing, the Cooperative Agricultural Credit Bank has been able to avoid many difficulties and negative repercussions created by the crisis, thanks to its conservative credit policies and historical focus on maintaining high liquidity ratios and prudence in employing its funds. Indeed the Bank has been capable to manage the crisis with considerable effectiveness, as a result of the efforts exerted by all its staff and employees.

Owing to the unstable security situation in a number of the Republic's governorates, the Bank has been exposed to losses suffered as a result of the closure of some of its branches for security reasons, while others have been destroyed during the events experienced by the country. As a consequence, Bank activities in a number of unstable governorates have diminished leading to a falling back in some financial indicators.

### Financial Indicators Bank Net Profits

During 2015 the Bank's net profits amounted to YR 2.3 billion compared to YR 2.4 billion in the previous year, representing a retreat of 3.3 %, which is an insignificant fall. In spite of the crisis experienced by the country in the year under study and the closure of a number of Bank's branches and a reduction in its activities, the Bank has been able to achieve good and satisfactory profits.

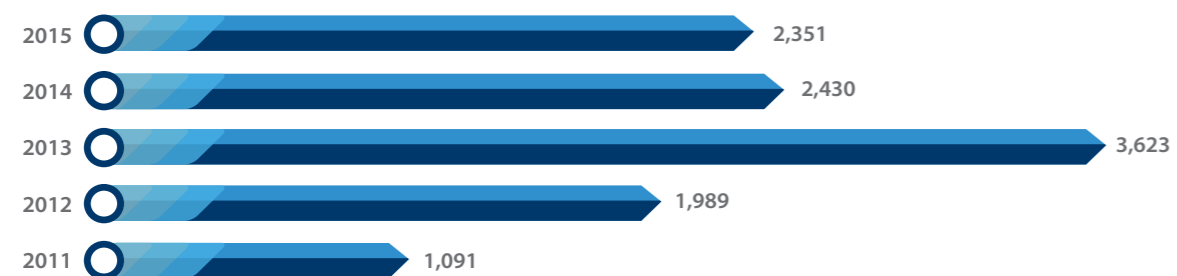
net profits in million Yemeni rials



Year	2015	2014	Change	Percent
net profits	2,351	2,430	-79	-3 %



### net profits during 2011-2015 (million Yemeni rials)



### Total Assets

As at 31 December 2015 total assets amounted to YR 359 billion vis-à-vis YR 482 billion at the end of the previous year, declining by YR 123 billion or 25%. The Bank now ranks third among banks operating in the republic, contributing 13% of Yemeni banking sector's total assets, thus achieving the second rank among conventional banks.

### total assets (million Yemeni rials)

year	2015	2014	change	change
Total assets	359,163	481,659	-122,496	-25 %

### total assets during 2014-2015 (million Yemeni rials)



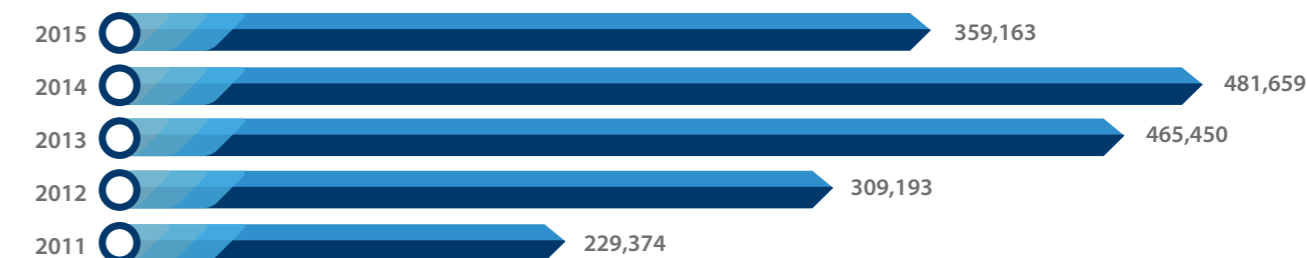
The Bank employs its assets in various investment instruments most of them risk free and profit earning, in addition to realizing complete compatibility between profitability and liquidity, particularly in view of the current circumstances experienced by the country and which do not permit the Bank to hold long term investments. Consequently, the Bank maintains a high liquidity ratio exceeding supervisory authorities' requirements, as it reached 83.73% on 31 December 2015 compared

with 79.11% at the end of the previous year. This is a huge ratio which gives the Bank vast financial adequacy to meet all types of customer withdrawal requirements, including import payments for capital and consumption goods, domestic and foreign trade operations and other withdrawals. On the other hand, our balances with local and foreign banks amounted to YR 12.6 billion as at 31 December 2015, whereas profit making assets represented 87% at the end of 2015 compared to 84% at the end of the previous year.

Million Rials	2015	Ratio
Profit making assets	311,580	87 %
Nonprofit making assets	47,583	13 %
Total assets	359,163	100 %

### total assets during 2011-2015 (million Yemeni rials)

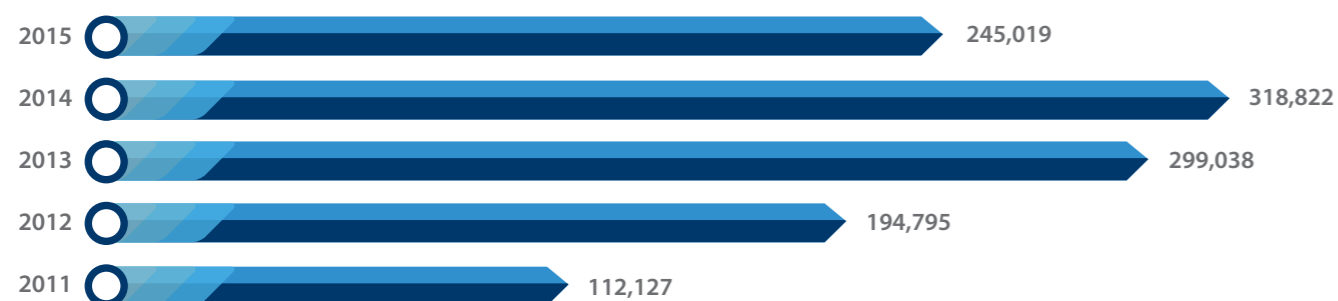
year	2011	2012	2013	2014	2015
total assets	229,374	309,193	465,450	481,659	359,163



## Investment Portfolio

Bank management is always keen to strike a balance of compatibility and consistency between liquidity and profitability on employing depositors' funds. Treasury bills are considered, in the current circumstances experienced by the country, the ideal investment, as they represent a safe and quick source of liquidity and a secondary reserve for facing any contingent obligations. The Bank's net investment in treasury bills amounted to YR 245 billion, occupying the first rank among banks operating in Yemen.

Treasury bill net investment during 2011-2015 (million Yemeni rials)

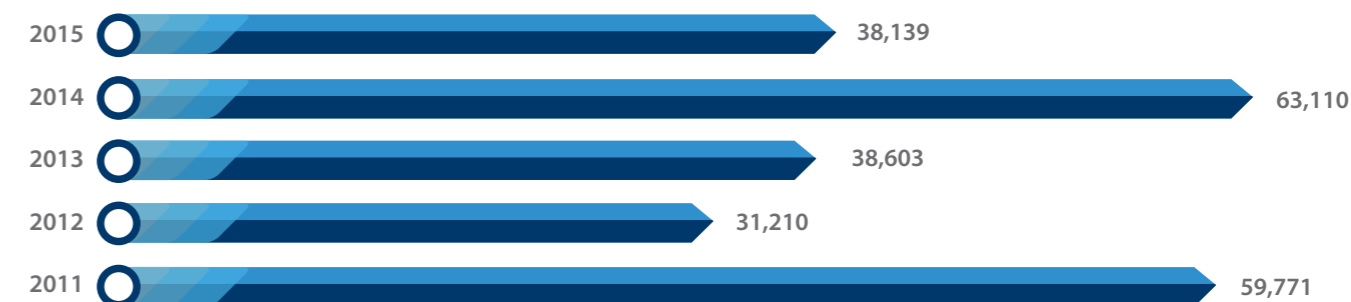


The Bank has also been able during 2015 to collect and retrieve considerable debts and not to grant any new loans or facilities, except after acquiring all necessary guarantees safeguarding the Bank's rights in the first place. Despite the importance of loans and facilities in developing the national economy and relieving unemployment, the year 2015 was a difficult one for the economy, as the banks have been unable to contribute fully in economic development by financing investment projects, in view of the crisis the country has suffered in that year. As a consequence, the Bank's portfolio declined during that year by 39% compared with the previous year as shown in the following table:

Million Yemeni Rials	2015	2014	Change in percent
Total loan & financing portfolio	67,551	86,616	-22 %
Total provisions	17,398	13,900	25 %
Total interest set aside	12,014	9,606	25 %
Net portfolio	38,139	63,110	-39 %

The following graph illustrates net loan and facilities portfolio during the period 2011-2015. The decline in the years 2012, 2013 and 2015 was the result of the large overdue debts collected and retrieved by the Bank, which is a positive indicator.

net loans & facilities portfolio during 2011-2015 (million Yemeni rials)



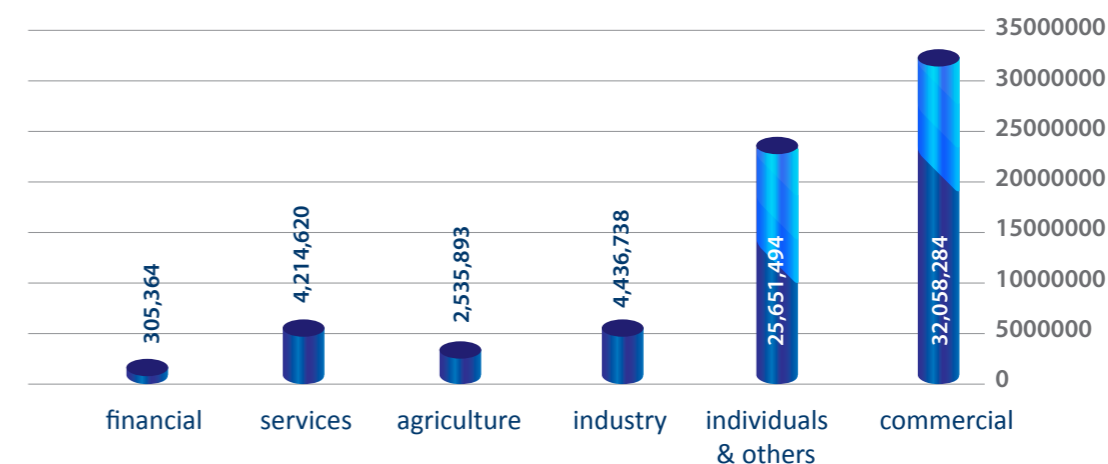
The Bank always pays special attention to acquire adequate guarantees on granting credit to companies and institutions as well as individuals to minimize potential risks to the Bank. Cash collateral balances amounted to YR 26,378 million as at 31 December 2015 as shown below:

Amounts in thousands of Yemeni rials

Year	Total obligations	Cash collateral	Cover in percent
2015	67,551	26,378	39 %
2014	86,616	42,239	49 %

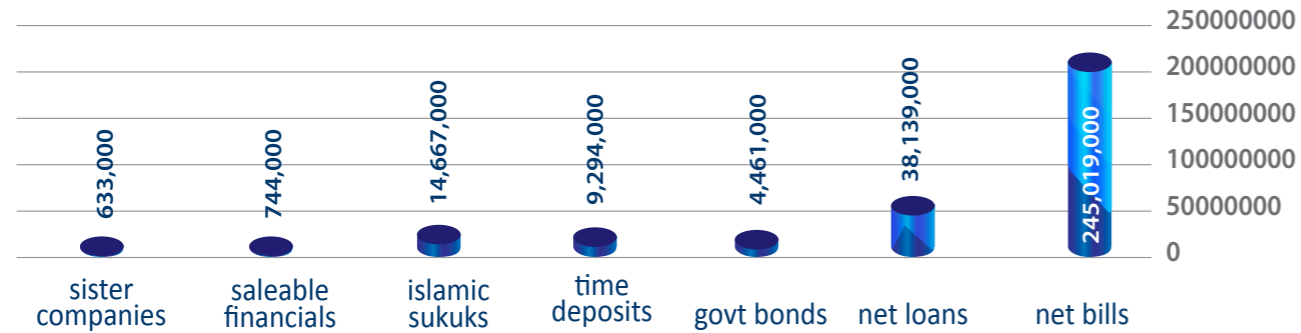
Loans, facilities and financing activities were distributed among the following sectors:

loans & facilities extended to sectors in 2015 (in Thousand Yemeni rials)



The Bank's total investment portfolio amounted as at 31 December 2015 YR 314 billion compared with YR 407 billion at the end of the previous year, declining by 23%. The following graph shows the distribution of investments on the various areas:

**investment portfolio (in Thousand Yemeni rials)**



### Savings Portfolio

We all know that depositors' funds are considered one of the most important financial sources on which bank activities rely. Banks compete fiercely to attract as many customers as possible by offering them a variety of products. But the crisis through which the country has passed prevented an increase in the volume of deposits and on the contrary they declined, which is an inevitable and natural result of the crisis. Total customer deposits amounted to YR 324 billion as at 31 December 2015 compared with YR 446 billion at the end of the previous year, declining by 27% as shown in the following table:

**Total deposits in million Yemeni rials**

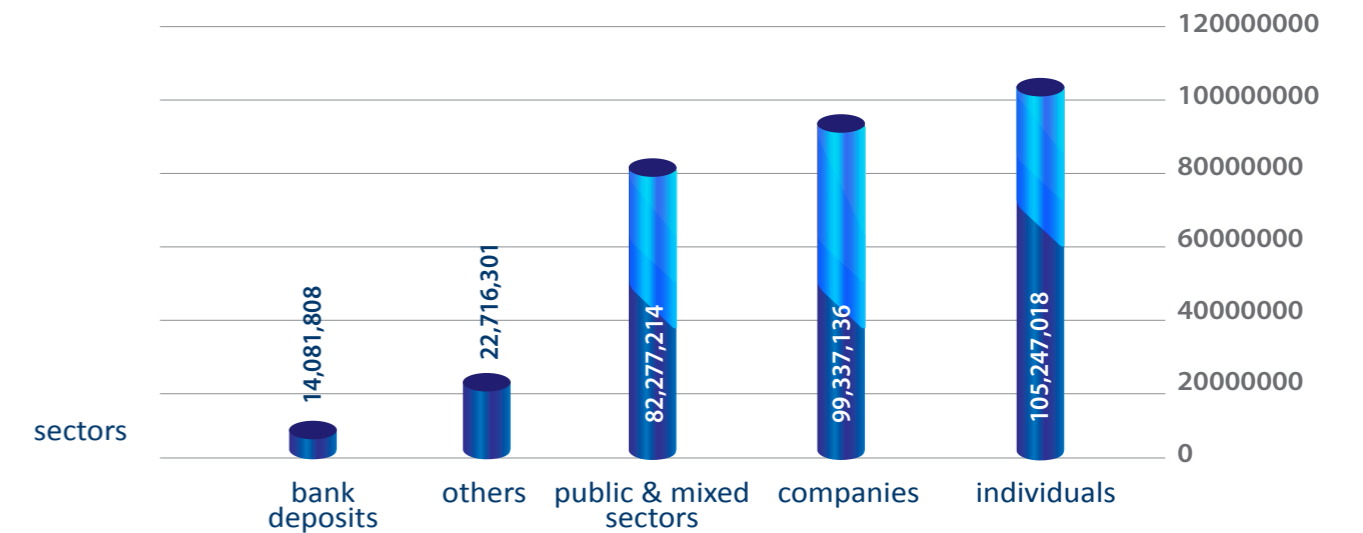
Description	2015	2014	change	percent
Non bank customer deposits	309,578	424,409	-114,831	-27 %
Bank customer deposits	14,082	21,374	-7,293	-34 %
Total	323,660	445,783	-122,123	-27 %

**customer deposits during 2014-2015 (million Yemeni rials)**

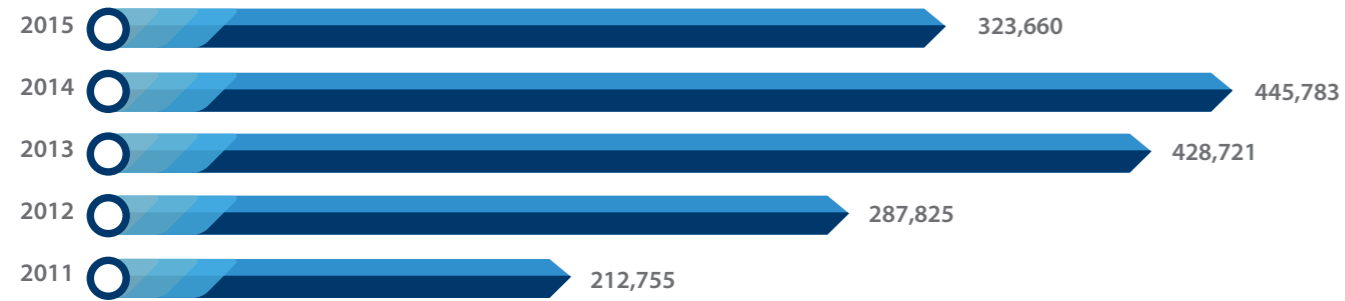


As a result of withdrawals, the Bank's share in the Yemeni banking sector's total deposits declined to 14%, which is the third rank among all banks operating in Yemen after it was the second in 2014. But the Bank achieved the second rank among conventional banks in 2015. The distribution of total deposits among sectors in 2015 was as follows:

**deposits by sector during 2015 (in Thousand Yemeni rials)**



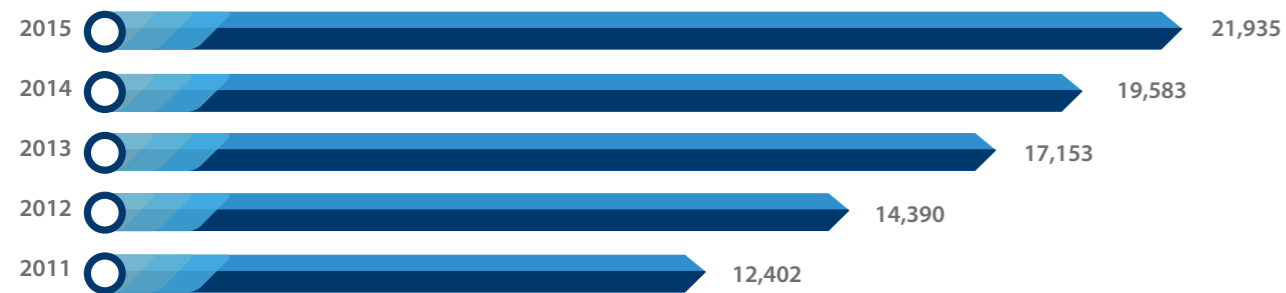
**customer deposits during 2011-2015 (million Yemeni rials)**



**Shareholders' Equity**

The Bank continues to pay special attention to strengthen its capital base in order to enhance depositors' confidence and increase its capacity to face and overcome potential risks. Total shareholders' equity as at 31 December 2015 amounted to YR 21.9 billion vis-à-vis YR 19.5 billion at the end of the previous year. The following graph illustrates the development of shareholders' equity during the last five years:

**shareholders' equity during 2011-2015 (million Yemeni rials)**



**Capital Adequacy**

The Bank always maintains a balanced relationship as regards capital adequacy in compliance with Basle standards. Following is a table showing capital adequacy ratios during the last five years 2011-2015 in accordance with the principles and standards stipulated in the Basle regulations:

Million Rials	2011	2012	2013	2014	2015
Risk weighted assets	14.9%	23.3%	32%	21%	38%
Capital adequacy ratio	15.6%	24.1%	33.1%	22.2%	39.6%



## INVESTMENT SECTOR

### CAC BANK'S ROLE IN FOREIGN CURRENCY MARKET AND ITS CONTRIBUTION TO EXCHANGE RATE STABILITY

With the aim of serving the national economy, Bank management has widened its activities in buying and selling foreign currencies, in order to assist in the realization of stability in the exchange market. The Bank has achieved substantial positive results in this area during the last five years.

The international financial crisis in the period 2008-2009 led to the fall in international oil prices, adversely affecting Republic of Yemen's oil revenues, which decreased by almost two billion US dollars in 2009. This has prompted the Central Bank of Yemen to adopt a new policy of intervention in the exchange market by covering the import of oil products and basic commodities only, instead of replenishing the market through direct auctions for meeting the demand for foreign currency. The new policy was implemented in the framework of transition to the managed flexible exchange rate system.

As it is well known the activity of buying and selling foreign currency has been given little importance and attention by the banks operating in Yemen, something which has assisted in the proliferation of the parallel market during the past decades, giving rise to the dominance of the inflow of foreign currency in the form of expatriate remittances and private sector foreign exchange earnings to be restricted in the hands of some large exchange companies, which exploited the opportunity of 2009 to monopolize foreign exchange and delay its sale to banks to cover imports. This led to an unjustified increase in the exchange rate in the parallel market in June 2009. Despite strong intervention on the part of the Central Bank of Yemen, the US dollar exchange rate rose from Yemeni rials 200.08 to 207.32 during 2009, with the increase continuing during 2010 exceeding YR 240 in the month of July of that year, notwithstanding the Central Bank's decision to raise the benchmark interest rate from 10 to 20%.

During this period, CAC Bank decided to widen its activity of buying and selling foreign currency in the context of effective participation in the achievement of exchange rate stability in the public interest and protection of the national economy, regardless of making profit arising from foreign exchange speculation, as practiced by banks and exchange companies operating in the market.

CAC Bank has taken a strategic decision to achieve the goal of acquiring the largest share of exchange market deals, by means of utilizing the immense capabilities, enjoyed by the Bank compared to its competitors, in the form of a modern operating system, wide branch network, vast liquidity, strong international and local connections and a qualified cadre of staff capable of dealing with the various segments operating in the foreign exchange market.

The Bank began by widening its activities of buying foreign currency and exporting it abroad to cover external payments for imports. The Bank has also strengthened its network of foreign banks and exchange companies to receive Yemeni expatriate remittances through the Bank owned Al Saree' Transfer System, in addition to SWIFT and other international transfer companies such as Western Union.

The growth in Bank's market share of foreign currency transactions accelerated during the period, so that total Bank's sales of foreign currency during 2010 reached US dollars 900 million. The Bank, in coordination with the Central Bank, contributed in that year to the retreat of the dollar exchange rate from YR 240 to 213.80 by the end of 2010.

In 2011 the Bank's total foreign currency sales exceeded US dollar 1.1 billion, despite the crisis our country experienced that year, causing the return of the "black" market, in which the exchange rate surpassed YR 240. By the end of 2011 CAC Bank was the first player in the foreign exchange market to amend the exchange rate to YR 219, exploiting the relief and easing of the political situation, despite the tremendous opposition on the part of most players in the foreign exchange market including banks and exchange

companies, desiring to make quick profits out of the exchange rate increase during the crisis.

In 2012 a large number of import trading companies and customers from various sectors in the market moved to deal with CAC Bank in a wider manner as a result of enhanced trust in the Bank and the competitive exchange rates it offered them, in addition to providing them with the foreign exchange on demand and in the right amount required. By then CAC Bank became the biggest player in the foreign exchange market, its total deals surpassing US dollars 2.2 billion in 2012.

Growth continued in the activity of buying and selling foreign currencies side by side with the Bank's developing its procedures and tools in this area, in order to keep abreast of the latest developments in the international market, as well as to ensure compliance with the instructions of the Central Bank and supervisory agencies regulating this activity.

Furthermore, coordination with the leadership of the monetary authority continued constantly and in particular in some periods when dealers' confidence in the national currency could have been affected negatively. In the context of this coordination CAC Bank continued to play its role in the exchange market by covering the gap in demand or supply, thus contributing to exchange rate stability, which in actual fact was achieved by the grace of God, thereby the national currency maintaining the same exchange rate level for the third consecutive year, taking into account that the volume of Bank transactions reached US dollars 2.5 billion in 2013.

In 2014, those who follow up and are interested in exchange rate developments may have perceived the effective role played by the Bank, which contributed, despite the political crisis suffered by our country, to the continuation of exchange rate stability under the supervision, coordination and support of the Central Bank of Yemen.

The volume of transactions in 2014 reached US dollars 3.2 billion, out of which US dollars 480 were additional amounts sold in the market to cover the gap in demand resulting from the current crisis, for the maintenance of exchange rate stability, which was realized with the help of God to register to date a rate of YR 214.91 to the dollar, which was the same rate prevailing in the banks and exchange companies. It should be taken into consideration that the additional intervention on the part of CAC Bank, which took place with the support of the Central bank of Yemen, curbed the emergence of a parallel (black) market, as was the case in previous crises.

In 2015 the Investment Sector also played an important and focal role by providing liquidity and Bank customers' foreign currency requirements in accordance with priorities, whereby classifications and criteria were made, depending on the relative importance of commodities and the sale of foreign currency according to the activities pursued by customers, in conformity with Central Bank instructions and without causing harm to Bank customers. The Bank has also taken part in providing foreign exchange for patients, who are required to travel abroad for medical treatment, as a matter of principle in support of humanitarian cases.

The Bank management stresses its proceeding on this path in the context of promoting the public interest protecting the national economy, in spite of the immense cost and risks involved in the practice of dealing in foreign exchange, particularly in the difficult circumstances our country is currently experiencing.



Abdulla Basheer  
CEO

## CAC INSURANCE COMPANY

CAC Insurance Company has been established in June 2010 in accordance with Ministerial Resolution No 121 with an authorized capital of one billion Yemeni rials. It was founded by a group of renowned businessmen and pioneering financial institutions under the leadership of CAC Bank. In less than six years, the company has been able to dominate a good share of the Yemeni insurance market, insuring a large group of the most important and largest risks in Yemen, thus becoming one of the most important companies in the Yemeni market.

CAC Insurance Company has a wide insurance capability, entitling it to provide insurance cover for all risks at suitable calculated premiums, in addition to its ability to market and offer new insurance products, with the support of the largest international and regional insurance and reinsurance companies.

### Main Shareholders

- Cooperative & Agricultural Credit Bank (CAC Bank).
- Cooperative & Agricultural Credit Bank Employees Fund.
- Yemeni Economic Institution.
- A group of private institutions, companies and businessmen.



Bank's Shareholding in  
the Company: 21%

### Reinsurance Companies

- |                              |                 |
|------------------------------|-----------------|
| - LLOYDS- LONDON             | - CHTIS TEKAFUL |
| - TRUST RE-Bahrain           | - OMAN RE-Oman  |
| - ARAB RE- Lebanon           | - BARENTS RE    |
| - ARAB RE POOL               | - AFRICA RE     |
| - GIC OF INDIA DUBAI. BRANCH | - TUNIS RE      |
| - MISR INSURANCE             |                 |

### Insurance Brokers

- Robert Fleming (RFIB GROUP)-London  
JB BODA-India  
C & G (Commercial & General) Lebanon  
GRS-Lebanon  
NASCO-France

### - Most Important Results Achieved During Last Five Years in Company's Life

- Widening of activity for all types of insurance and spreading in most areas in the Republic through our branches and those of CAC Bank, providing the Yemeni market with new products and targeting various segments in the market.
- Opening of four principal branches in Aden, Taiz, Hodeida and Mukalla and two offices in Dhamar and Ibb.
- Launching of health insurance sector in 2014 and reaching the target of almost 120,000 insurance subscribers.
- Hitting the 2nd rank in the classification of local companies on the basis of installments collected and 1st rank in health insurance in 2015 by way of subscribers (120,000) and the largest and widest medical network.
- Absorption of more than 120 employees in various sections and branches.



### Insurance Services Provided by the Company

- Fire insurance and additional risks
- Car insurance (comprehensive insurance/third party insurance)
- Life Assurance
- Health Insurance
- Marine, air and land transport insurance
- Vessel structure insurance
- General civil responsibility insurance
- Breach of trust insurance
- Glass panes insurance
- All types of engineering insurance
- Oil, gas and energy insurance
- Professional responsibility Insurance
- Personal accidents insurance
- Work injuries and proprietor's responsibility insurance
- Insurance of currency in transport and while in safe custody in the vaults.



## CAC COMPANY FOR SECURITY AND MAINTENANCE SERVICES

This is a company specializing in providing a number of services, including security and protection of properties and installations, in addition to liquidity transportation (transporting cash by means of specialized modern high security vehicles), as well as escorting and protecting ATM replenishment operations.

The company also offers maintenance services including equipment and transport vehicle maintenance.

The company's sphere of operations is getting wider by including other activities, such as the provision of messengers and cleaners.

The company provides its services to the Bank's headquarters and its various branches.

Through its superb management, the Company strives to attain a distinguished presence in the services market, which is an area serving targeted sectors, in addition to serving society by absorbing and employing large numbers of workers.



**Saleem Huneish**  
Executive Director



Bank's shareholding: 100%



## A Safer, Faster and Easier Service

CAC Online is a service enabling our customers to review their accounts from anywhere at any time through the Bank's Website by clicking on the CAC Online icon.



### Advantages

- The customer could obtain this service by visiting the nearest CAC Bank branch and apply for the service in order to get a username and password.
- You can access your bank account page and review any information you need about your various accounts.
- Making a printout of your account statement in PDF format for the time period you specify.
- Banking data and operations are covered by a high degree of security.



## MARIB POULTRY COMPANY

It is one of the pioneering companies in the area of poultry production both types chickens and eggs. Poultry farms and companies have been adversely affected by the events of 2015. Some of them have stopped production on a permanent basis. Marib Poultry Company has been naturally affected, but its management has hastened to implement accurate plans, resulting in the company's success to continue its activities, something which would not have happened were it not for CAC Bank's coming to its aid by extending to it special care within its pioneering and constructive role in serving the national economy in general. It should be noted that the contributions of the Bank to the company are strong and effective in all banking areas, which is the positive element in the company's uninterrupted growth.



**Mohamed Abdulla Humeid**  
Company's Executive Manager

**27.32%**

Bank's shareholding in the  
Company: 27.32%



This is an easy and simple service through which you can effect a money transfer by means of your mobile to any beneficiary, who receives it in cash at any accredited point (Bank branches or agents).

**Conditions:**

You must have a current account in addition to being a subscriber to CAC Mوبيلي and in possession of a mobile using android or I phone system.





## BANKING CORPORATE SERVICES

CAC Bank offers banking corporate services with high efficiency and distinction in managing relationships with customers calling from various economic sectors, thus leading to a substantial increase in the Bank's market share in this field of business.

In 2015 the credit sector behaved well in view of the circumstances our beloved homeland is experiencing and the cruelest crisis imposed on it, as CAC Bank was keen to stand by the side of its customers and carry out its distinct role as it did in the previous years, in order to preserve their loyalty by means of meeting their requirements and needs by offering them all banking services.

In view of the high confidence customers have in CAC Bank as one of the strongest banks in Yemen and taking into consideration the crisis and circumstances the country is experiencing and their repercussions on the banking system and negative effects on all economic activities in general, the credit sector had to follow a discreet policy, being a successful banking policy to deal with the challenges and threats and to avoid the effects caused by the crisis. Consequently the Bank has managed to surpass a dangerous turning point experienced by the banking system as a result of the current economic circumstances the country is facing.

The credit sector however has not been prevented from playing its pioneering role as the most important sector in the Bank, despite the current circumstances and crisis, which nonetheless has not prohibited the Bank from extending credit and offering banking services. However at the same time consideration has been given to credit worthiness and the good performance of the portfolio, which is managed by a qualified and efficient cadre of staff in representing the Bank and managing the relationship with

customers coming from all walks of life, including oil companies, communications, tourism, agriculture, headed by poultry, foodstuffs, medicines, timber, iron, construction materials and contractors.

As a result of our relentless efforts and keeping in touch with our customers on a continuous basis, we have been able to preserve their satisfaction and stand by their side in these difficult times. As a consequence, we could feel their appreciation and contentment with us while emphasizing their loyalty to our institution. Furthermore we have been not only able to maintain our market share of customers but to increase it by attracting some of the best after finding out that our Bank is the best Bank for all customers in good as well as bad times.

The opportunity has been made available to us to serve our society and our nation (with the help and blessing of God Almighty) by means of our excellent contribution to the stability of the exchange rate and the provision of foreign currencies for the importation of medicines and foodstuffs for our people away from speculation, which has assisted in making basic necessities available in the markets without creating large gaps in their prices.

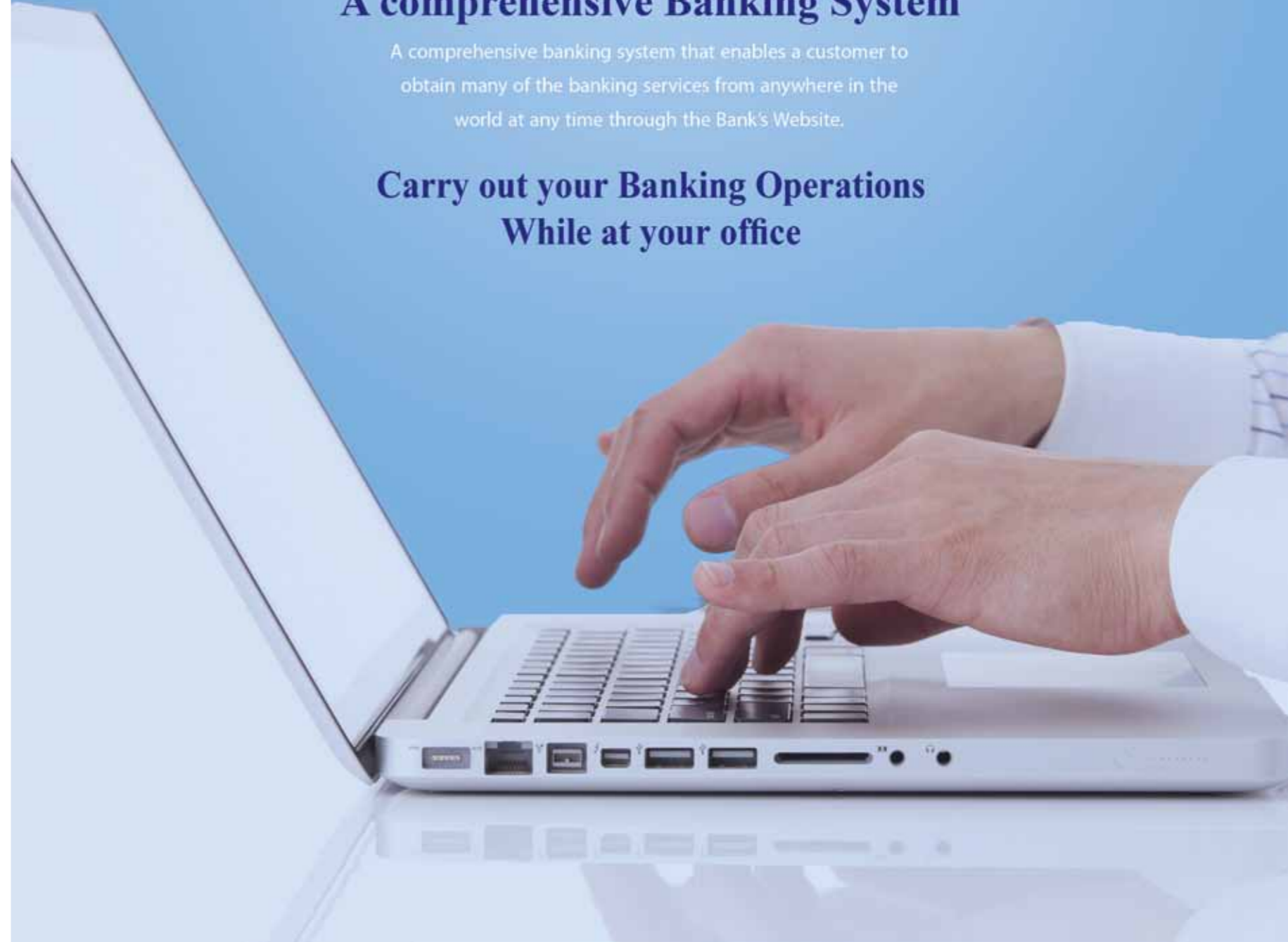
All of these efforts have contributed to the surpassing of the difficult circumstances without failure, despite the immensity of the volume of transactions.



## A comprehensive Banking System

A comprehensive banking system that enables a customer to obtain many of the banking services from anywhere in the world at any time through the Bank's Website.

**Carry out your Banking Operations  
While at your office**





**Saeed No'man Al Mikhlafi**  
Chairman

## Saeed No'man Corporation

In real fact we have been dealing with CAC Bank for quite some time. We have been astonished by the level of development and success achieved by the Bank during the last years in supporting the economy in general and the variety of its activities and services particularly to the segment of traders and businessmen, resulting in the increase of our trust and confidence in the Bank and the widening of our dealings and strengthening our relationship with it. We look forward to the continuation of this relationship on a stronger and more fruitful basis.



بطائق يونيون بي العالمية  
Union Pay Cards

بطائق فيزا العالمية  
VISA Cards

بطائق أميركان اكسپريس العالمية  
American Express Cards

بطائق كاك بنك المصرفية  
CAC Bank Cards

## RETAIL BANKING SECTOR

### WIDER SEGMENT ABSORPTION

Our wide network of branches, the formation of a committee to manage the activities of branches closed as a result of the war and the excellent quality of our electronic services have all helped in the increase of Bank customers and safeguarding them, by means of its distinguished and personalized services. Furthermore, the Bank has been keen to develop and modernize these services.

The events of 2015 have represented an unprecedented challenge for the Bank in general and the retail banking sector in particular, as it was a year in which all the difficulties and crises, resulting from the war afflicting the country, have materialized. But the sector has adopted an ambitious and discreet policy to deal with those difficulties and challenges, tackling of which is difficult on the part of large companies and institutions. But all the staff members of the sector, its departments, sections, units and branches have spared no effort in continuing to offer the Bank's various and distinguished services and providing them to the customers at any time and place, which was a considerable challenge in view of the extraordinary circumstances.

As mentioned above, the sector has continued to offer the various and distinguished bank services, guaranteeing their delivery to customers in all places where they are present through the network of branches, which are spread all over the Republic. An emergency committee has been formed to run the business of the closed branches, ensuring the continuation of services offered to their customers, in addition to liquidity management and transporting it, with the aim of limiting risk and preserving depositors' funds. Indeed, the Bank has surpassed its competitors in this aspect. Three branches in Sana'a have been modernized and developed in accordance with geometric standards and specifications, which take into account comfort, smoothness and ease in providing services to customers. These branches are located at 22 May Branch in Street 50, Baghdad Branch in Street 60 and Hadda branch in Hadda street.

The sector has been keen to deliver services through the Bank's electronic channels, which is considered an ideal solution in these exceptional circumstances, by means of the network of ATMs which are distributed all over the Republic on the basis of a carefully planned study. They work around the clock guaranteeing the delivery of the service to a large segment of customers, as the total number of ATMs has reached 189 in 2015 and total ATM

replenishment surpassed Yemeni Rials 50 Billion reflecting the excellent quality of the service.

As usual, the Bank has been characterized by offering the service of CAC Mobily, which is one of the electronic services offered only and uniquely by CAC Bank. This service enables a customer to manage all his/her accounts and obligations by using his/her personal telephone through which he/she can obtain a statement of account, balance inquiry, replenish mobile phone balances (Yemen Mobile, MTN, Sabafone and Y) as well as settlement of utility bills electronically (water, electricity, fixed phone, internet). Another service has been recently added enabling partial settlement of internet home subscription, playing an important role in burden relief on customers in view of the current situation and their continuing to enjoy bank services in the worst circumstances.

The various types of Bank cards have enabled customers withdraw cash from any place in the world, particularly in view of many of them having been forced to travel abroad as a result of the current crisis. Moreover they have been able to follow up the renewal of their cards, raise their credit ceilings and send their bills through their personal emails. On the other hand, the cards department has managed the credit portfolio with a high degree of professionalism, by minimizing the rate of risk and following up customers continuously, resulting in its realizing a 42% growth in the number of cards.

Despite the prevailing circumstances, the Bank has developed its services to customers, inter alia by offering them more than one alternative. The Bank has also launched a new card "International Union Pay" in cooperation with Bank of China, as CAC Bank is considered the first principal partner in the Chinese network Union Pay in Yemen, since it is renowned for its ability to be used anywhere in the world having 400 million subscribers, one million ATMs and four million POS terminals in 126 countries in the world. Furthermore, they have an easy way of making

purchases through POS terminals and flexibility in using multiple currencies, in addition to offering emergency cash loans with flexibility in repayment through comfortable monthly installments.

The sector represented by the retail banking department has maintained growth in the area of financing extended to individuals, thus placing Cooperative Agricultural Credit Bank (CAC Bank) on top of the pioneering banks. Moreover, focusing attention has continued on sales and the increase in new accounts relating to the agencies contracted for salary disbursement, as the number of employees whose salaries are disbursed through the Bank has reached 180,000 distributed among 580 agencies, thereby assisting in achieving growth in our portfolio as far as all products are concerned. The result was that personal financing reached 32,134 loans during 2015, which was an ambitious target, taking into consideration the significant risks threatening the country.

The sector has also played a significant and pioneering role in preserving the distinction rank in offering bank services to meet the requirements of small and medium enterprises and their financing needs. Consequently the sector represented by the small and medium enterprises department has continued to offer them the miscellaneous packages of bank services and products covering the sectors of trade, industry, services and construction, as well as import and export, transport, tourism, supply and maintenance, wholesale and retail trade in addition to various other sectors. Excellent communication channels are being opened with the agencies supporting this segment of customers and coordinating with them in order to benefit from the services rendered by SMEs. Financing extended to this segment of customers reached almost half a billion Yemeni rials in 2015, despite the circumstances and difficulties confronting the country as a result of the ongoing war.

The sector has also contributed in maintaining the segment of VIP customers, by means of creating a department specializing in offering the various bank services required by this segment of customers, through communicating with customers and branches to facilitate offering the required services taking into account the special needs of these customers. On the other hand the department has spared no effort in view of the current circumstances to overcome difficulties to deliver those services easily and comfortably inventing various methods to communicate with them and extend the services that meet their expectations, desires and satisfaction inside the country or abroad. All these achievements have made the retail banking sector one of the most important, distinguished, vital and active sectors which has helped in enhancing the strategic sustainability and steadfastness of the Bank, despite the security situation and banking market fluctuations afflicting the country.





**Mohamed Abdu Qaid Al Warifi**  
General Manager

## Al Warifi Drug Company

“CAC Bank is considered one of the pioneering banks in Yemen, as it offers excellent banking services to us as companies and businessmen as well as private individuals, by means of facilitating bank operations using the most modern systems, which are most secure and easiest to use. Moreover, CAC Bank’s branches are spread all over the Republic. All the above advantages have given a new concept to modern banking.”



## Manage your accounts and pay your obligations through CAC Mobily.

A mobile application used by means of a mobile phone by which a customer sends SMS directly to his/her telecommunication company in order to manage his/her accounts and pay his/her dues with a touch of a button.



### Advantages

- Paying your and others’ bills (mobile and landline) phones with the advantage of reconnecting severed lines automatically.
- Paying your and others’ ADSL internet.
- Transferring Yemen mobile balance units within the prepaid service for the amount you specify.
- Purchasing MTN prepaid cards.
- Paying water bills.
- Paying electricity bills.
- Transferring funds from your account to other accounts within the

Bank and the ability to convert Yemeni rials into US dollars and vice versa.

- Reporting operations of salary, loan installment deductions, ATM transactions as well as other entries made to your account immediately.
- Requesting a statement of account to be sent by email.
- Inquiring about details of your accounts and their balances or foreign currency exchange rates.
- “Al Sare’e” Electronic Money Transfer.
- Transferring funds from your account to a non customer through “bank transfer to cash” system.



## RAHHAL "TRAVELER" PACKAGE BANK ACROSS THE BORDER

Traveler package of bank services offered to the Yemeni expatriate.....  
"Your Worldwide Bank"

In view of the keenness of the Bank to extend its services from our beloved homeland to the Yemeni immigrant living in outside countries, the Bank has made available its electronic services to the expatriate Yemeni in a number of countries by means of the traveler services package, which is a comprehensive set of services linked to accounts by way of opening and follow-up as well as affairs connected with facilitating the daily activities of customers through their bank accounts with excellent efficiency. These services are run and supervised by specialized departments and an excellent cadre of staff to improve the quality of bank services offered to the targeted segment of customers within the shortest time and least effort possible.



### Al Sarie Transfers

#### Overcoming the barrier of distance

CAC Bank's fast transfer service provides you with many advantages:

- Transfer to your account or the account of the person you love in a few minutes in any area in the Republic of Yemen.
- Delivery of your transfer from any place within our extensive network spread all over the homeland of about 350 points and more than 2000 points on the international level.
- Send your transfer at the time of your choice.
- Save time and cost and seize the opportunity of easy transactions, providing the service to whomever you desire and in any governorate of the homeland.
- A free message will be sent to your mobile phone notifying you of the beneficiary's receipt of the transfer.
- A free message will be sent to the beneficiary's mobile phone notifying him/her of dispatch of the transfer.
- Obtain our services at competitive prices with ease of implementation in a few instants.

### CAC Mobile

#### At a touch of a button manage your accounts and settle your bills.

This service allows you through an SMS from your mobile to manage your funds and savings with modern, safe and easy to use technologies protected by programs designed with high level of secrecy and confidentiality.

#### By means of your personal mobile phone, get the following advantages:

- Transfer money from your account to another at the Bank with the possibility of exchanging Yemeni Rials and US dollars.
- Transfer money from your account to another person in cash through our branches, which are spread all over the Republic.
- Settle your mobile phone or another mobile phone bills by debit to your current account at the Bank.
- Settle all bills in Yemen: landline phone, electricity, water, internet, etc.
- A message is sent for any debit or credit entry to your account.
- Knowing your current account balance at CAC Bank at any time at any place.
- Message of foreign exchange rates is sent to you periodically on a regular basis at a time of your choice.

### VISA card

#### With Visa your boundaries are expanded to the fullest extent possible.

VISA traveler card has been issued in accordance with the latest credit card and EMV smart card technology, which is the most up to date

system supported by the largest credit card networks in the world and characterized by a high level of accuracy and safety.

Visa traveler card provides you with the following advantages:

- A family member or dependant may obtain an additional card linked to your current account.
- You may obtain a traveler debit smart card to withdraw cash from ATMs and pay for purchases through points of sale (POS), which bear the VISA logo in any place in the world, by debit to your current or savings account.
- Easy to issue a replacement card in case of loss.
- Full confidence and security as this card bears your photo and signature, in addition to your secret PIN number.

### CAC Online

#### We are with you wherever you are.

- CAC Online realizes all your banking desires and ambitions and facilitates your transactions by means of the most guaranteed practices inherent in the internet. CAC Online enables you to access your accounts and review them at any time and place. This service has the following advantages:
- Secrecy and confidentiality of data and banking operations with a high level of advanced and safe techniques.
- Ability to inspect the operation you wish to carry out as well as the possibility of reviewing all your accounts.
- CAC Online may be accessed 24 hours a day.
- CAC Online may be accessed at any place, where an internet service is available.
- Easy and simple procedures with high quality and less time for completing banking operations.

### Traveler Savings

#### Your savings are safe and secure

- You may save your funds in your country and obtain secure saving methods offering rewarding investment returns, in support of your noble pursuit to safeguard your future and the future of your children.
- Save starting with US dollars 300 or the equivalent in any Gulf currency or Yemeni rial.
- Transfer to the saving account on a constant basis by means of a standing order from your current account or in cash.
- Your account is easily accessible through Customer Service Centre at any time in any place.
- Calculation of monthly profits (on the minimum balance during the month) deposited in the account semiannually at the end of June and December of every year.
- You will be issued an ATM card to facilitate various cash transactions or a checkbook of your own.

## AGRICULTURE AND FISHERIES FINANCE SECTOR

### THE ECONOMY OF LIFE

CACBANK offers financing products, which are renewable and keep abreast of general circumstances, thus contributing to the development of agricultural activities and business and absorb and employ workers and laborers.

In view of the importance of the agriculture and fisheries sector and its deep impact on the growth and development of the national economy and our belief in the significance of developing this sector at the Bank, we have introduced suitable finance products for this segment of customers. Some of the products approved in the agricultural area are modern agriculture product, wheat and cereals product, protected houses product and honey and accessories product.

The attention and care paid to our customers and the continuation in offering them bank services have represented top priority on our part. Indeed finance has been extended to many farmers in addition to providing support ranging from 11 to 26% to finance solar energy pumps, in cooperation and coordination with the Agriculture and Fisheries Production Promotion Fund, besides financing farmers regarding modern techniques in the production and export of honey, as well as setting up many protected houses and supporting potato fields with improved seeds.

Moreover, the social responsibility borne by us in supporting small farmers by dedicating a special product for them, in addition to supporting and merging young graduates in the process of production, opening wide areas for new workers and contributing to the reduction of the unemployment rate.

The following excellent achievements have been realized in 2015, despite the difficult circumstances which our country has suffered:

- 1- On site implementation according to the agreements and decisions supplied by the executive agencies 174 pumps.
- 2- Area estimated to have benefited from installed solar pumps about 50 thousand hectares.
- 3- Villages and populated sites which have benefited from pumps are estimated to be 300.
- 4- Number of animals which have benefited from the project are estimated to be 1.8 million livestock.
- 5- Total amount disbursed for the project YR 1,416,014,504.83 (grants and loans).
- 6- Total support the 20% granted by the Fund without service fees YR 249,620,391.44.

Actual disbursement as pumps support YR 174,799,896.06, while actual disbursement as commission fees YR 25,134,569.52



#### Production Finance for:



شهد شهد  
Honey



بحار Bihar  
Fish



بن Bun  
Coffee



أنعام Ana'am  
Livestock



ري ري  
Irrigation



غذاء Ghitha  
Fruits & Vegetables

## BANK OPERATIONS

### JEWEL OF PERFORMANCE

It is evident that the general situation in 2015 has caused considerable damage to economic activity in general and to banks in particular. As a consequence, CAC Bank has been keen to concentrate well on available liquidity and foreign currencies, despite their meagerness. But discretion and wisdom in focusing on priorities have assisted in meeting many obligations outstanding since normal circumstances.



During the 2015 crisis CAC Bank has been able to endure and surpass the bottleneck, in view of the fact that the Bank had considerable revenues in foreign currency during the beginning of the year and the previous years emanating from Yemeni expatriate remittances especially from the Kingdom of Saudi Arabia. However these remittances dried up abruptly for reasons known to all followed by the ban on transporting liquidity, which led to a considerable extent to the reduction in balances. As it is well known Yemeni banks usually replenish their balances by way of buying foreign currency from the Yemeni market specially the Saudi Riyal and then transporting this liquidity by air to Bahrain and its banks for transfer to correspondent banks. Another channel for replenishing Yemeni bank balances is through incoming remittances to beneficiary institutions in Yemen and relief organizations, as well as by means of foreign currency purchases from the Central Bank of Yemen.

Despite these challenges, the Bank was able to manage this crisis and adapt to it, by taking several steps for the continuation of serving its customers and executing their commercial transactions abroad. One of these steps was to set up a committee to manage the crisis of foreign balances to coordinate replenishing balances with correspondent banks and carrying out transactions in accordance with customer priorities, in addition to executing the transfers relating to basic foodstuffs, medicines and relief materials to deal with market shortages, followed by complementary foodstuffs.

Use has been made of the incoming liquidity, despite its meagerness, to cover important and earnest obligations, in accordance with the above-mentioned priorities.

During the crisis, the Bank has realized the largest share in the number of remittances effected through Western Union, thus benefiting from a considerable portion of the commissions. As from mid 2015, remittances were paid in Yemeni Rials, thus making available foreign currency to the Bank for covering foreign obligations.

The largest segment of society was served by way of foreign transfers sent for medical purposes and tuition fees at the official rate, as the increase realized in 2015 amounted to about 89%.

In view of the circumstances experienced by the country, CAC Bank has been successful in establishing strategic relationships with a number of entities, companies, electronic service providers and money transfer companies, the most important of which are Union Pay, Ria, Express Money and Money Gram. A move has also been made to widen and develop relations with banks in new regions and countries such as Bank of China, China and Bank of Muscat, Oman and it is expected the results of the cooperation to be positive.

Furthermore, new bank products have been launched, the most important of which is "Visa Net".

On the other hand, the "Cloud" services have been established to save Bank data in different sites to guarantee the safety of Bank data in more than three different places.



## International Marketing of the Bank to Build Banking Relationships

The Bank continues to make efforts to widen its customer network abroad by providing a number of offices to serve expatriates round the clock in accordance with the latest communications techniques available, in addition to carrying out campaigns to make customers aware of the services they can acquire through maintaining accounts at the Bank.

In view of the firm strides taken by CAC Bank's top management to open up to the international banks and raise the level of cooperation with them, which no doubt will yield benefit to the Bank and the homeland in general, the Bank is embarking on studies and visits to international banks in a number of countries under the umbrella of the Bank's international marketing strategy. These efforts will provide communications channels in foreign countries, enabling the Yemeni expatriate to obtain the banking and financial services through the best and strongest financial networks in the world. In this context, the Bank has been obliged to take steps to communicate with these banks and institutions by means of fruitful visits made by the Bank's leadership during 2015.

### Commerzbank's Visit in Europe

Commerzbank is one of the largest European banks and most widespread in the countries of the world. It is also one of the most important correspondents of CAC Bank and in fact it can be said that it is almost the strongest correspondent nowadays. The Bank has sent a delegation to Commerzbank. The delegation was keen to disprove all rumors spread by the mass media with negative repercussions on confidence and cooperation. The visit had a positive impact in enhancing the level of cooperation between CAC Bank and Commerzbank with positive repercussions on the national economy.

Several questions were posed during the visit on the effects of the conflict on daily life and the banking and financial sector in particular, in addition to the systems applied in the Bank relating to Compliance and follow up of the international Compliance Lists such as MENAFATF and OFAC FATF as well as others.

The experts and officers in charge of Compliance in the Bank were also discussed relating to their training as far as the mechanism and scope were concerned. The atmosphere of the meetings was positive and transparent. At the end of the meetings, Commerzbank's representatives expressed their readiness to develop business and cooperation with CAC Bank and preserve the long relationship with it, in addition to covering any liabilities in any currency except the dollar.

### BMC Bank Visit in Spain

BMC Bank was visited. Its main headquarters is in Morocco but it has several branches around the world, one of which is in Spain. During the visit the general situation in Yemen was explained in addition to the economic conditions in the country. The bank was reassured that life continues in a natural way, people are proceeding with their daily lives normally, Government institutions are working and schools and universities are open, guaranteeing the continuity of the banking and financial market.

The effect of the visit was a strong response on the part of BMC Bank to continue and widen the relationship with CAC Bank in particular and Yemeni banks in general.

### Ria Financial Services Visit in Spain

CAC Bank visited Ria Money Transfer's EMEA&South Asia Headquarters in Madrid, Spain, to sign an agreement which detailed their new remittance services agreement. Ria is considered one of the giants in the field of money transfer and the company is currently the third largest in the world with a global presence in more than 147 countries and over 292,000 locations



Receive your transfer from America and the rest of the world

From any CACBank branch, using **Ria** network.





## THE RISK SECTOR

# OVERCOMING DIFFICULT TURNING POINTS

CACBANK is characterized by high flexibility in risk management in its various activities, so much so it prevents the faltering of any activity as a result of any contingency, by means of constant activation and redrawing of expectations and forecasts, dealing accurately with new events and arriving at solutions in an innovative way.

The risk department assists in projecting in a preemptive manner and perceives the probable negative events and put in place a plan of suitable actions against risks, in order to minimize costs and losses connected with the unexpected closure of business. A department team works to specify, analyze, confine, measure, deal with, supervise and report the probability of exposure to risks within boundaries and levels defined in advance. The team also submits reports to top management and board of directors. In view of the importance of the risk department it has been staffed with top notch professionals, in addition to CAC Bank's setting in place a business continuity program to ensure the continuity of services and products, even in the context of the most difficult circumstances and crises for the comfort of customers and in order to excel in rendering services.

## Business Continuity Program

The business continuity program is a process aiming at raising an institution's efficiency to manage its business and services on being exposed to the risk of becoming inoperative, by means of setting in place a plan to raise the institution's ability to respond and protect its customers' benefits and continue to serve them. The business continuity program comprises the Bank's general policy and structure of running services, systems and tools, in addition to the institutional business continuity plan in the Bank, as well as the specification of the important operations and those in charge of performing them. In order to ensure their effectiveness and ability to rely on them, all business continuity plans in the Bank are reviewed and put to the test on a periodic basis, to make sure of their compatibility with technical and organizational changes as well as those relating to the nature or place of employees.

## Risk Department Policy for Business Continuity

CAC Bank's policy requires putting in place business continuity plans in case of emergencies. In fact business continuity plans have been set in place to ensure the running of business and meeting customers' needs, even in the event of more than a site or branch being closed. In such case the operations of the branch or office are transferred to alternative sites, enabling us to offer effectively the basic services to our customers. They are of course advised of the alternative sites to those that have become inoperative, in order to continue serving them. Anyway the Bank will be in constant touch with its customers regardless of the seriousness of the problem or event.

This model includes the framework of protection, preparation, response and recovery, which represent the four main elements in the business continuity planning process as follows:

- 1) Protection – risk management planning.

Comprises the protection element that specifies and manages probabilities and/or effects of risks related to an event.

- 2) Preparation – analysis of effects on business.

Comprises the preparation elements that specifies and give priority to the main business activities that may be affected negatively as a result of any disturbances.

- 3) Response – planning of response to events.

Comprises the response element that specifies the immediate measures to be taken in response to the event by way of containment, control and minimizing of effects.

- 4) Recovery – planning of recovery from catastrophes.

Comprises the element of retrieval specifying the measures taken for recovery from an event in order to minimize derailment and period of retrieval.

## Achievements

- 1- Increasing awareness of the Bank's risk policy and enhancing transparency in respect of risks.
- 2- Participating in creating the Bank's risk culture in general and encouraging awareness of the Bank's management and other staff of potential operational risks in particular.
- 3- Evaluating and ascertaining the soundness of procedures and efficiency of controls in Bank operations.
- 4- Evaluating and ascertaining the soundness of procedures and efficiency of controls in Bank operations used in existing Bank products (VISA cards, Bank's electronic service, CAC Mobily, Eid loans etc.)
- 5- Participating in studying and analyzing risks of new products in the Bank (VISA net cards, heated tents, lighting loans) and suggesting the required controls and supervisory measures.
- 6- Reviewing and updating the Business Continuity Program (BCP) and Emergency Response Plan (ERP), ascertaining the sustainability and development of contingency plans, in cooperation with other concerned departments in order to ensure the effectiveness and preparedness of the Bank as a whole.
- 7- Developing and putting in place a set of guidelines: Office Health and Safety (OH&S), Business Continuity, Clean Desk Policy (CDP).
- 8- Developing and improving policies and procedures of extending and monitoring credit, as well as credit sound documentation methods.
- 9- Credit adequacy ratio was 89%, despite the prevailing difficult circumstances.
- 10- Encouraging constant learning of risk department staff by means of training programs and conferences.

## CAC Bank is the First Principal Partner of International Union Pay Network in Yemen

### Launch of Project to Issue International Union Pay Cards

In the context of the Bank's continuous innovation of electronic and other banking services, with the aim of meeting the needs of commercial firms and individual customers, CAC Bank has launched the project of issuing International Union Pay cards both debit and credit.

Union Pay International is considered the largest and most modern company in bank cards in the world. A strategic partnership agreement was concluded in 2014 with CAC Bank which has come into force during 2015, with the aim of providing more comfort to Union Pay card holders, by means of making available the use of CAC Bank's network of ATM and POS terminals, as well as the use of this type of cards by CAC Bank's customers through Union Pay network all over the world. CAC Bank has accordingly acquired principal membership in Union Pay Company and as such has become the first principal partner of Union Pay network in Yemen.

#### Union Pay Cards from CAC Bank

CAC Bank is now a principal partner of Union Pay Company having obtained a license to print the following types of Union Pay cards:

- Union Pay debit cards
- Union Pay credit cards
- **Union Pay debit cards**
  - This is a debit card tied to the customer's current account at the branch.

- Used to withdraw cash all over the world and pay for POS purchases through Union Pay International network.
- Ability to withdraw cash in any currency regardless of the currency type of the account to which the card is tied.
- The card may be applied for through a Bank branch or office.
- There is a special design for men by placing photo on the card and a special design for ladies by placing photo on the card.
- **Union Pay credit cards**
  - This is a credit card that gives a credit facility to the customer.
  - The credit ceiling of the card starts at 5,000 dollars.
  - Used to withdraw cash and pay for POS purchases in Yemen and abroad through Union Pay International network.
  - Due amounts are settled monthly either partially or totally.

#### Advantages of Union Pay Cards from CAC Bank

- Internationally accepted for cash withdrawals all over the world through Union Pay network.
- A safe way to pay for POS purchases through Union Pay network.
- Risks are minimized compared with the carrying of cash or cheques.
- Flexibility in using a variety of currencies.
- Contingent credit facilities of credit cards.
- Flexibility in settlement by monthly comfortable installments in the case of credit cards.
- Withdrawal commission lower than what is applied by other international companies.
- Complete secrecy in view of the presence of photo, signature and PIN on the card.
- Ability to cancel the card in case of loss or being stolen by merely calling the Bank's call centre.
- Our customers have a right to obtain a replacement card in case of loss inside our outside the country.
- Customers have a right to obtain an additional card for family members on the same account.
- Suitable for all segments of society with symbolic fees and better advantages.
- Card holder is considered a member of Union Pay International Company.

#### Information on the Chinese Union Pay Company



UnionPay Your Way

Where Yemeni and Chinese civilizations meet

Increase your Prestige  
By acquiring Union Pay Cards





## BUSINESS DEVELOPMENT

### PRODUCTS AND SERVICES CONSTANT RENEWAL

CACBANK focuses on studying without interruption the products and services and analyzes their performance, in order to introduce ways and means to improve them and raise their quality and efficiency, so as to meet the renewable wishes of the customers and keep abreast of their ambitions in acquiring new services or the renewal of the existing services and products. Furthermore, products are introduced to keep in line with the accelerating developments in the financial market.

Moreover, the Business Development Sector has played a vital role in confronting the challenges that have accompanied the crisis, by way of conducting important studies of the emergency situation with a view to assess:

- a- Opportunities and how to exploit them.
- b- Threats and the possibility of avoiding them.

All of this has assisted in protecting the Bank from

suffering catastrophic consequences which could have happened. Moreover, the Sector came up with opportunities available for improvement.

The Sector has benefited in its plans to confront the emergency situation from the latest methods of crisis management. The Bank has given the highest priority on how to preserve its customers, in view of their being the real wealth and safeguarding them is the Bank's most distinguished success. The great care and attention given to customers have become clear through the Bank's giving priority to customer profitability instead of its own, by way of shouldering the burdens resulting from the crisis, instead of passing them over to its customers. This measure has emanated from the deep conviction of the importance of customer satisfaction. In actual fact, the Business Development Sector continues to introduce services and develop products in order to attain customer satisfaction.

# حساب توفير البراعم

## Children's Savings Accounts

This is a new service aiming at developing the saving habit in future generations, thereby assisting parents to ensure providing for their children's future requirements. The service has been particularly designed to meet minors' needs.



### Advantages:

- High interest rates.
- Ability to have standing orders to transfer from your account to a savings account.
- Allows guardians, trustees and charities open children accounts.

Savings Account with monthly return.	Savings Account (Ridha).	Savings Account (Aman).	Salary Savings Account.
--------------------------------------	--------------------------	-------------------------	-------------------------



System

## “IDEAS”

The “Ideas” System is a system designed to receive the ideas and thoughts of the Bank’s employees relating to the improvement of bank services and products or the introduction of new services and products contributing to the improvement of the Bank’s performance. The “Ideas System” is considered as a mechanism of interaction between the Bank as an institution and its employees as subscribers with innovative thoughts and solutions.

The System aims at participating in the development and amelioration of the institution, as reflected by a feeling of responsibility to take part and participate in development as well as to stimulate innovative thinking, in order to understand participating employees’ ideas and their expectations for the improvement of the Bank’s performance, by means of the suggestion of new ideas concerning the modernization or innovation of bank products and services. The suggestions may point out to the need for development of systems or procedures or marketing methods, guaranteeing the achievement of the Bank’s strategic or operational goals, particularly those concerning an increase in profitability or reduction in cost, raising market quota and intensification of customer satisfaction. After that the “ideas” are evaluated and assessed to verify their feasibility and capability to be applied.

On the basis of appraisal results of those “ideas”, innovation and initiative prizes and rewards are distributed to employees in two classes first and second in addition to a financial bonus for the successful “ideas”.

The “ideas” system is considered a new mechanism for directing efforts towards development and helping in providing an environment conducive to innovative thinking, leading to good results in employee’s participation in developing and improving the Bank’s performance and its level of providing the various bank products and services.

### Employees Participating in the “Ideas” System

196 “ideas” have been received through the System in the period 2010-2015, out of which 30 “ideas” have been received in 2015. 16 employees have been successful and awarded the Innovation and Initiative Prize.

# Lady سيدتي

This is a product designed in various colors targeting women and their characteristics and echoing their unique personalities.

The product is created to present to ladies all different types of services (deposits, savings, shopping, credit cards, loans, facilities).



## SUPPORT OPERATIONS

### Assisting in Achieving Distinction and Motivating to Reach Excellence

The Support Sector is of vital importance in view of the role it plays in the various other sectors of the Bank. It enhances performance quality through its support to these sectors and helping them carry out their duties in a better manner. By doing this it assists in the stability of the Bank and its taking wide strides forward on the way of improving its services and continuing on the path of distinction and excellence.

In view of the exceptional circumstances experienced by the country in 2015, the Support Sector's role has become more evident by surpassing many of the problems emanating from the closure of some Bank branches and the displacement of many employees to other areas. This has required support to absorb the displaced staff and rationalize maintenance expenditure for the damaged branches, as well as assisting in the continuation of activities and services, which would have not occurred in various areas were it not for the intervention of this Sector.

The preoccupation of this Sector with assisting in overcoming these circumstances has not prevented it from carrying on the activities it pursues in normal times, for example its support of human resources in enhancing their efficiency and continuing to care and look after them.



### Do you receive your salary through CAC Bank?

If so, then you are entitled to obtain the Eid Loan from CAC Bank without guarantees on the same day you apply for it with reduced fees.





## TRAINING AND PERFORMANCE DEVELOPMENT...

# PARALLEL LINE OF ACHIEVEMENTS

Training activities are continuously developed to raise the efficiency of human cadres working at the Bank, by means of internal and external training programs. Furthermore, the training and performance development department offers training opportunities for graduates, as a contribution in helping them find job opportunities. The department has in 2015 carried out 75 programs distributed among 114 groups benefiting 1,212 trainees inside and outside the Bank as detailed below:

	Programs	Groups	Trainees
Internal Training Centre Bti	8	25	666
Other Centres	57	71	430
External	4	3	9
Higher Studies	3	12	42
Social Responsibility	3	3	65
<b>Total</b>	<b>75</b>	<b>114</b>	<b>1212</b>

### 1. Internal Training:

Internal training aims at enhancing and providing employees with the information and skills necessary for performing their work, in accordance with the most modern programs and training activities in Yemen. It serves a wide segment of employees covering all administrative levels. It focuses on training inside the Bank dealing with programs which are commonly required and characterized by the large number of targeted trainees, in comparison with the programs offered outside the Bank by means of various institutes and training centers.

#### a. Programs implemented at Internal Training Center BTI:

The training and performance development department has through the Bank's Internal Training Center BTI implemented 8 specialized training programs distributed among 25 groups benefiting 666 employees covering various levels of Bank sectors as illustrated in the above table:

#### b. Programs implemented through other training centers and institutes:

The training and performance development department has in association with other training centers and institutes implemented 57 specialized training programs distributed among 71 groups benefiting 430 employees covering various levels of Bank sectors.

### 2. Higher Studies Programs

The training and performance development department has continued to support the Bank staff who attend higher studies programs in all regions of the homeland, offering financial assistance to 42 employees distributed among the following programs:

Program	Number
Doctorate (Ph d)	1
Master's degree	38
Higher Studies diploma	3

### 3. Training Abroad

Only 9 employees were sent for training abroad owing to the unstable situation in the country.

### 4. Social Responsibility

CAC Bank in general bears great responsibility towards society in all aspects as it is one of the most important banking and financial institutions in the country. Here comes the role of the training and performance development department by offering help to researchers and graduates in their research subjects and studies. Furthermore, it cooperates through the Bank's Internal Training Center BTI with institutions and organizations by way of inviting and organizing various activities, in addition to coordinating with them the training of graduates of various Yemeni universities, colleges and academies with the aim of qualifying and providing them with the

knowledge and experience necessary for their entering the labor market and obtain employment and jobs.

As 2015 was an exceptional year in view of the turmoil that afflicted the country, nevertheless the training and performance development department cooperated through the Bank's Internal Training Center BTI with Yemen Training Institution, with the aim of finding jobs, in training 65 male and female graduates distributed among three groups, with the assistance of trainers from inside the Bank for training the graduates in accordance with the programs outlined below:

### Performance Appraisal Report

In 2015 the performance appraisal results conducted in the Bank branches for the last quarter of 2014 were analyzed, in addition to preparations made for carrying out the headquarters' staff appraisal by means of onsite surveys. The main aim was to conduct the performance appraisal of the Bank's headquarters in the last quarter of the year, but the exceptional events have cast their shadow impeding the implementation of this aim. The following are the most important results achieved:

1. Review and analysis of performance appraisal results for the Bank branches on the basis of the documents delivered by the onsite appraisal committees.
2. Preparation of a detailed report of the final appraisal results for the performance appraisal project manager, specifying the training requirements for the branches assessed based on the factors, in addition to another report for top management on the performance appraisal analysis results including the obstacles and recommendations.
3. Preparation of the appraisal procedures manual explaining the roles vested in the concerned parties then to be redrafted according to the specimen sent by the quality department.
4. Follow up of the Bank branches which have already conducted the performance appraisal for recording in the work and results register. But the obstacle was the frequent inability to access the automatic system and they have therefore been guided to use the register manually.
5. Preparation to conduct headquarters' staff appraisal through onsite surveys in order to define who is the boss and who is the employee for specifying the appraisal committees. It has been found out there are employees under the supervision of direct senior staff outside the area of human resources database.
6. A guiding educational brochure has been designed relating to performance appraisal and the method of appraisal followed in the Bank and how to manage sessions.
7. Archiving and safe keeping have been made for all appraisal results of Bank branch employees and files have been opened, classified according to the branch on the basis of all employees.



## HUMAN RESOURCES

### TALENT AND CAPABILITIES MANAGEMENT

The war has caused the closure of some branches, creating a problem relating to the fate of the labor force in these branches. But the Human Resources Department has found suitable solutions for this problem. Dealing with emergencies has not diverted the Department from continuing to offer the care required for its cadres, the improvement of the services offered to them and developing the mechanisms of appraisal and rewards in order to safeguard talent.

The Human Resources Department has played a pivotal and distinguished role in the area of safeguarding the human element, in view of its being the principal factor in achieving success. Consequently, the Department has strengthened the productive capabilities of employees utilizing and developing them according to the duties, responsibilities and administrative activities it adopts as one of its strategic aims required for participating and complementing with the other department's aims as well as the Bank's overall strategy.

In view of the difficult circumstances the country has been experiencing since March 2015, the effects of which cannot be ignored specially in the field of social and economic business activities and the kind and extent of negative repercussions covering both private as well as public sector institutions, the rights of employees in particular have been adversely affected resulting in most institutions to lay off their employees and deprive them from the wages and privileges they used to enjoy. As a consequence, the Bank management has adopted the idea of keeping its human cadres and put in place alternative strategic plans leading to maintaining stability and strengthening the loyalty of employees to their employer and dealing with their issues in the context of the prevailing variables, which require the setting in place of the required projections and effective strategic planning for the management of human resources in the Bank.

#### Role of Human Resources Department during the Current crisis

The Human Resources Department in the Bank has been obliged to carry out its duties and responsibilities by setting in place the necessary plans to manage the problems and crises emanating from these circumstances and envisage suitable solutions and mechanisms, which will assist Bank management to overcome them in order to achieve employee stability. Some of these duties are the following:

- 1- Completing the implementation of the Bank's wage structure and making relentless efforts to obtain its approval by the concerned parties at the Pensions and Assurance Public Authority, by means of implementing the previous stages with the Authority's Committee as agreed in the final minutes signed between the Bank's leadership and the Authority in July 2015. This is considered one of the most important priorities which the Human Resources Department has tried to achieve by beginning to send into retirement employees who have either reached retirement age or served the maximum period in the Bank as stipulated by the law. The pensioners' files should be delivered to the Authority in order to fix their pensions, thereby relieving the financial burden borne by the Bank during the

previous years, particularly in view of the current circumstances through which the country is passing. All these steps have been implemented according to sound and legal procedures, which the bank's management was keen to carry out, instead of the other wrong procedures adopted by some companies and institutions such as the arbitrary retirement of some of their employees.

- 2- As a result of the closure of some Bank branches owing to the strife and wars to which some Yemeni cities and towns have been exposed, the Human Resources Department has redistributed some of the labor force in these branches on a temporary basis, in order to benefit from the employees' skills and the Bank's desire to continue to offer the necessary bank services to customers in all governorates and relieve pressure on the other open branches. The Department is also communicating effectively with employees supervising their compliance with attendance during office hours by means of temporary transfer to the check-in check-out system with the aim of continuous follow-up, the development of staff capabilities and maintaining their enthusiasm to work and produce.
- 3- In the context of the Bank's care for its human cadres and meeting their needs for the achievement of employee contentment and in view of the circumstances experienced by the country specially in the governorates subjected to strife and wars resulting in the closure of most official agencies' offices, the Bank is continuing paying its staff wages, privileges and incentives, so as to maintain their loyalty and preserve their insurance rights. The Human Resources Department has adopted a plan to settle insurance subscriptions at headquarters particularly those insured at the General Authority for Assurance and Pensions and the Public Social Insurance Agency as from May 2015, according to minutes agreed upon between the Bank and the headquarters of those agencies for safeguarding the rights of employees and the Bank alike and at the same time.
- 4- The new privileges for this year include the improvement of health insurance services and their benefits as well as life assurance for all staff members by way of adding political, war and terrorist risks to the policy's benefits.
- 5- In order to enhance employee loyalty, the best practices followed at the Human Resources Department have been applied, in order to preserve talent in addition to the application of standards to assess and set in place a bonuses' program, according to which a resolution has been made to form a bonuses' committee.

## SOCIAL RESPONSIBILITY

### CONSTRUCTIVE ACTIVITIES

#### PATRONAGE

CAC Bank cooperates with society in creating distinction. There are many innovations in need of implementation. The same goes for human activities lacking finance and cultural events looking for patronage. CAC Bank has patronized a large number of social programs and helped many citizens transform their thoughts into achievements.

The Bank has extended assistance to Hamsat Kheir Baenevolent Society, which cares and looks after many orphans, by distributing Eid Al Adhha clothing and foodstuffs to almost 300 orphans.



The Bank supports Alliwa Home for Female Orphan Care by distributing blankets and winter clothing for the orphanage residents, thus contributing in the relief of some of the burdens borne by it in carrying out its humanitarian and social work.



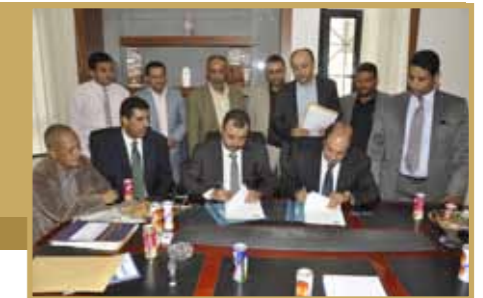
CAC Bank has in cooperation with the National (Aden) Society set up the free Rosy Clinic for early diagnosis of breast cancer. The clinic offers its services free of charge and raises visitors' awareness of the risks of breast cancer and benefits of early diagnosis.



The Bank has participated in supporting children suffering from blood cancer (leukemia) by presenting a cabin for preparation of chemical drugs for the Children Cancer Centre at Kuwait University Hospital as a free of charge grant to the Centre in cooperation with Yemen Peace and Donation Traveler Team.



The Bank has participated in launching the international financial week, arranged by the International Organization for Children and Youth Finance, in coordination with Ministry of Education and Maternity and Children High Council.



CAC Bank has signed a joint cooperation agreement with Ministry of Electricity in the area of solar energy as a suitable source of lighting. The Bank has undertaken to facilitate the procedures for state employees and those with limited income to acquire the home sets at suitable prices, good specifications and strong guarantees.

#### N Bank's patronage in social activities in 2015:

- 1 Advertising in Taiz Tourist Manual
- 2 Participation in support of Digital Electronic Library at the National Information Center
- 3 Book Fair Patronage
- 4 Participation in Agriculture Committee Workshop, House of Representatives
- 5 Ceremony of Launching Rose Clinic for Cancer Early Diagnosis, Aden
- 6 Support of Orphans Home Center
- 7 Hope Third Carnival
- 8 International Financial Week
- 9 Support for several benevolent societies during the month of Ramadan
- 10 Support for flying torches campaign at the end of Ramadan
- 11 Support for research on social awareness development
- 12 Support & participation in radio program "Birds' dreams" during Idd ul Fitr & Al Adhha holidays
- 13 Support of cultural campaign against aggression
- 14 Implementation of 22 water tanks For Madhbah area
- 15 Entertainment Program for Displaced Children

#### N Bank's patronage in social activities in 2015:

- 16 Provision of 4 water tanks for Better Life Organization
- 17 Patronage of Agriculture College Ceremony, Sana'a University
- 18 Support of Children's Blood Cancer Center, Kuwait Hospital
- 19 Support of winter clothing for Liwa Female Orphanage House
- 20 Graduation ceremony, Technology College, Orphanage Institution
- 21 Participation in Cleanliness Campaign 12/12
- 22 Wayil Exhibition for Agricultural Inputs
- 23 Patronage of Development & Rights Commission "I have a right to live"
- 24 Patronage of Holy Prophet Birthday Anniversary Ceremony
- 25 Patronage of Prophet Birthday Anniversary Ceremony Opera 1437 H
- 26 Support of schools, benevolent societies & displaced children with school bags
- 27 39 Group Graduation Ceremony, College of Commerce, Sana'a University
- 28 Launching Ceremony of Yemeni Health Organization
- 29 Intellect Pioneers Group Graduation Ceremony, College of Commerce, Sana'a University



## CAC BANK ISLAMIC FINANCE

Islamic CAC continues to offer banking solutions and products compatible with Islamic Shari'a provisions under the surveillance of the Shari'a Supervisory Board. Furthermore, it continues to develop business on a constant basis. It also gives special care and attention in support of society and serving it.

### VISION

Your first destination to a banking partner with innovative Islamic solutions.

### MESSAGE

Offering various high quality bank services to our partners comprising all financial solutions in compliance with Shari'a rules and controls, by using the best administrative and technical systems with high professionalism in the context of the best business environment, achieving continuous growth and taking part in serving society and the community.

### FUNDAMENTAL VALUES

1. Compliance with the principles and rules of Islamic Shari'a in the various activities offered by Islamic CAC.
2. Working with one team spirit
3. Work implementation with efficiency and effectiveness winning customers' trust and loyalty.
4. Customer satisfaction is the measure of our success.
5. Implanting the spirit of belonging.
6. Participation in the social and economic development of the country.

### Islamic CAC establishment

Islamic CAC has been established as an independent activity financially and administratively from CAC Bank. A Shari'a Supervisory Board has been appointed to ensure the sound implementation of business and that funds are not mixed, in addition to taking care of employees and developing their skills, in order to create an efficient and distinguished cadre, who understand a customer's various needs and strive to attain his satisfaction.

In view of the current situation, attention has been given this year to the subject of risk management and taking precautionary measures to deal with it, in addition to making a number of necessary arrangements, including the issue of an insurance policy against political risks and terrorism, in addition to the preparation of an emergency and business continuity

plan, dealing with potential catastrophes and the formation of a committee to organize and facilitate the business of foreign exchange.

Islamic CAC is in constant contact with VIP customers in order to explain the external situation with correspondent banks and make necessary arrangements to enhance customer loyalty and achieve mutual benefit to both parties. Furthermore, the Hadda branch has been opened catering for VIP customers, with the aim of meeting their demands and requirements.

### Profit Distribution

Despite the circumstances faced by Islamic CAC in 2015, it has weathered the storm maintaining a distinguished level in this area, as the following table of profit distribution shows:

#### Percent of Customer Deposit Profit Distribution in 2015

Currency	Profit Distribution %
Yemeni rial	7.47
US dollar	3.05

### Safeguarding Customers

Islamic CAC has maintained its customers in the context of the prevailing situation, which our country is experiencing, by meeting their needs of foreign currencies, particularly the US dollar, to cover their obligations abroad (remittances, letters of credit, collections).

### Exchange Rate Maintenance

Islamic CAC has been on top of competitor banks by way of complying to sell and buy foreign currencies at the Central Bank rate, playing an important role in the stability of the exchange rate in the local market. This has been bolstered by the formation of a committee specializing in organizing and facilitating foreign exchange operations.

### Continuation of Bank Operations

The continuation and sustainability of bank operations have been given top priority at Islamic CAC, as evidenced by the Bank's perseverance to finance agricultural projects pursuant to Shari'a compliant methods to young university and agriculture and fisheries college graduates and extending finance to Government employees.

On the other hand, attention has been paid to export companies and traders, by means of processing export letters of credit and collections free without commission charges, in addition to the continuation of offering support to importers of foodstuffs and solar energy equipments as well as real estate and Islamic sukuk bond investments.

The nature of business at the prevailing situation requires the intensification of efforts to strengthen the relationships with our overseas correspondents



## Technology Banking

SMS Service by means of Pigeon Mobily Application is one of the most important modern electronic banking channels facilitating management of your accounts and funds through your mobile phone.



### Advantages:

- SMS advice informing you of your account balance.
- Advice to follow up installments and dues.
- Advice of any debit/credit to your current account.
- Advice of any ATM withdrawal.
- Executing outward and incoming transfers and sending you advice thereof.
- Advice of salary credit to your account.
- Ability to settle your bills (Electricity, Water, Landline and Mobile Phones and Internet).

and choosing suitable solutions to implement customer transactions efficiently and effectively, in addition to establishing new relationships with other banks, which will assist and support the achievement of this goal.

For the achievement of business continuity and sustainability, attention has been focused on the issue of various circulars regulating conduct of work, in addition to intensifying awareness of operational risks and creation of a compliance culture.

#### Business Uninterrupted Development

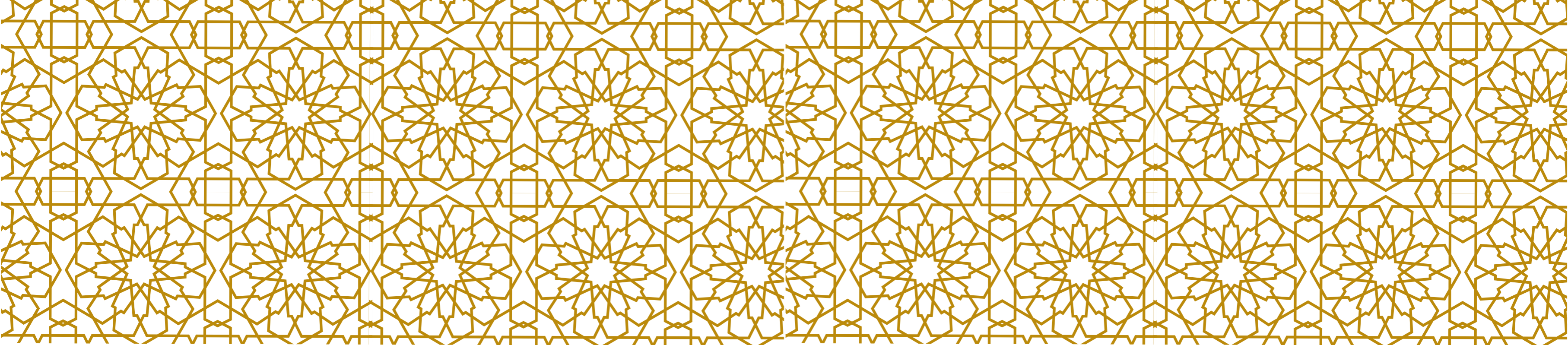
Despite the prevailing circumstances, the year 2015 has witnessed the innovation and updating of a number of products that are compliant with Islamic Shari'a rules, such as solar energy financing and the Islamic credit card product, in addition to developing some electronic services such as the issue of Mobily Pigeon Application, enabling customers perform a number of bank operations.

#### Social Responsibility

Islamic CAC gives special attention in supporting and serving society as represented by the following:

- Making available US dollars at the official rate to patients in need of travelling abroad for medical treatment as well as students sent overseas to resume their studies.
- Making available suitable finance products required by society, as Islamic CAC has given attention to the subject of solar energy giving it special care by financing customers requiring this product by simplifying procedures to acquire it resulting in considerable impact on customer satisfaction and an increase in their loyalty to the Bank.





Your Current Account



My Wish



Generations Savings



Pilgrimage Savings



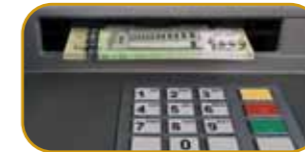
Investment Deposit



Ladies' Current Account



Your Salary becomes bigger



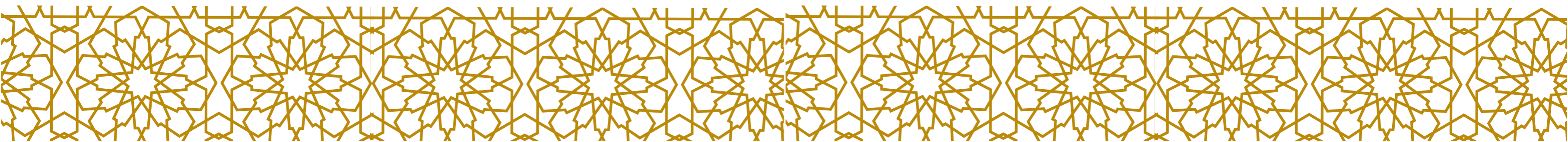
Salary Payment



My House



My Car



# Financial statements and independent auditor's report

## Cooperative and Agricultural Credit Bank

(Yemeni Joint Stock Company)

December 31, 2015

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## Independent Auditor's Report

To: **The Shareholders' of  
Cooperative and Agricultural Credit Bank  
(Yemeni Joint Stock Company)  
Sana'a - Republic of Yemen**

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Fax. + 967 1 465 026  
www.gtyemen.com

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Cooperative and Agricultural Credit Bank** (Yemeni Joint Stock Company) and its subsidiary unit (together referred to as the "Group") which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (1-52).

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, the instructions issued by Central Bank of Yemen, compliance with Yemeni laws and regulations, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 consolidated financial statements

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, instructions issued by Central Bank of Yemen and Yemeni laws and regulations.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note (51) in the consolidated financial statements related to the political crisis, economic situation and security events in the Republic of Yemen during the year 2015 and its continuation in the year 2016.

### Other Matters

The consolidated financial statements of **Cooperative and Agricultural Credit Bank** for the year ended December 31, 2014, were audited by another auditor who expressed an unqualified opinion on those statements on April 30, 2015.

### Report on Other Legal and Regulatory Requirements

We have obtained from management the information and clarifications that we deemed necessary for our audit. The Group keeps proper books of account, and the accompanying consolidated financial statements are in agreement with these books. We are not aware of any violations of Yemen Commercial Companies Law No. (22) of 1997 and its amendments, Banking Law No. 38 of 1998 and Law No. (39) of 1982 concerning the establishment of Cooperative and Agricultural Credit Bank having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position, except for the violation of **CBY circular** No. (6) of 1998 related to the major **foreign currencies position** which described in Note No. (44) of the accompanying notes to the consolidated financial statements.

Sana'a - Republic of Yemen  
June 5, 2016



**Consolidated Statement of Financial Position**

	Notes	Dec, 31, 2015 YR 000s	Dec, 31, 2014 YR 000s
<b>Assets</b>			
Cash on hand and reserve balances with Central Bank of Yemen	7	29,999,735	43,334,926
Due from banks	8	17,945,773	28,556,334
Loans, advances and financing activities, net	9	38,138,851	63,109,804
Investments securities	12	250,224,334	325,205,107
Investments in Islamic Sukuk	16	14,667,000	12,000,000
Investments in associates	17	632,988	618,949
Debit balances and other assets, net	18	4,353,952	5,763,591
Property and equipment, net	20	3,200,865	3,070,301
<b>Total assets</b>		<b>359,163,498</b>	<b>481,659,012</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks and financial institutions	21	14,081,808	21,374,311
Customers' deposits	22	309,577,769	424,409,039
Long-term loans	23	2,756,188	2,789,782
Credit balances and other liabilities	24	8,844,736	9,303,047
Other provisions	25	1,968,168	4,199,423
<b>Total liabilities</b>		<b>337,228,669</b>	<b>462,075,602</b>
<b>Equity</b>			
Share capital	26	17,000,000	14,900,000
Statutory reserve	26.1	2,887,060	2,534,347
General reserve	26.2	47,151	82,823
Retained earnings		2,000,618	2,066,240
<b>Total equity attributable to equity holders of the bank</b>		<b>21,934,829</b>	<b>19,583,410</b>
Non-controlling interests		-	-
<b>Total equity</b>		<b>21,934,829</b>	<b>19,583,410</b>
<b>Total liabilities and equity</b>		<b>359,163,498</b>	<b>481,659,012</b>
<b>Contingent liabilities and commitments, net</b>	27	<b>36,061,444</b>	<b>63,540,236</b>

Finance Manager: Mr. Mohammed Kassem Al-Maqtari  
 Deputy of Chief Executive Officer: Mr. Abdullah Ali Al-Daylami  
 Chief Executive Officer: Mr. Salah Sadek Basha  
 Chairman: Mr. Mohammed Saleh Alfai

See accompanying notes to the consolidated financial statements

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

For the years ended December 31,

	Notes	2015 YR 000s	2014 YR 000s
Interests income	28	48,554,863	53,753,448
<b>Less: interests expense</b>	29	<b>(25,994,837)</b>	<b>(33,419,964)</b>
<b>Net interests income</b>		<b>22,560,026</b>	<b>20,333,484</b>
Islamic financing and investments activities income	30	1,301,152	1,425,684
<b>Less: Return of unrestricted investment and saving accounts holders</b>	31	<b>(317,125)</b>	<b>(555,026)</b>
<b>Net income from Islamic financing and investment activities</b>		<b>984,027</b>	<b>870,658</b>
<b>Net income from interests and Islamic financing and investment activities</b>		<b>23,544,053</b>	<b>21,204,142</b>
Fee and commissions income	32	1,872,153	2,260,794
Loss from foreign currency transactions	33	(102,921)	(28,360)
Income from investments securities	34	17,094	158,228
Other operating income	35	384,002	9,471
<b>Net operating income</b>		<b>25,714,381</b>	<b>23,604,275</b>
<b>Less: Impairment loss on investments securities</b>	1.15	<b>(1,177,802)</b>	-
<b>Less: Provisions</b>	36	<b>(6,170,978)</b>	<b>(4,634,229)</b>
<b>Less: Staff cost</b>	37	<b>(9,348,388)</b>	<b>(8,581,034)</b>
<b>Less: Depreciation of property and equipment</b>	20	<b>(724,972)</b>	<b>(739,930)</b>
<b>Less: Other expenses</b>	38	<b>(4,768,705)</b>	<b>(5,906,787)</b>
<b>Net profit for the year before taxes</b>		<b>3,523,536</b>	<b>3,742,295</b>
<b>Less: Income tax for the year</b>	1.24	<b>(1,172,117)</b>	<b>(1,311,893)</b>
<b>Net profit for the year after taxes</b>		<b>2,351,419</b>	<b>2,430,402</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>2,351,419</b>	<b>2,430,402</b>
<b>Attributable to:</b>			
Equity holders of the bank		2,351,419	2,430,402
Non-controlling interest		-	-
		<b>2,351,419</b>	<b>2,430,402</b>
<b>Earnings per share</b>	39	<b>138 YR</b>	<b>163 YR</b>

Finance Manager: Mr. Mohammed Kassem Al-Maqtari  
 Deputy of Chief Executive Officer: Mr. Abdullah Ali Al-Daylami  
 Chief Executive Officer: Mr. Salah Sadek Basha  
 Chairman: Mr. Mohammed Saleh Alfai

See accompanying notes to the consolidated financial statements

**Consolidated Statement of Changes in Equity**

For the years ended December 31,

2015	Share Capital YR 000s	Statutory reserve YR 000s	General reserve YR 000s	Retained earning YR 000s	Total Equity Attributable to equity holders of the Bank YR 000s	Non-controlling Interests YR 000s	Total YR 000s
<b>Balance at January 1, 2015</b>	<b>14,900,000</b>	<b>2,534,347</b>	<b>82,823</b>	<b>2,066,240</b>	<b>19,583,410</b>	-	<b>19,583,410</b>
Net profit for the year	-	-	-	2,351,419	2,351,419	-	2,351,419
Other comprehensive income	-	-	-	-	-	-	-
	<b>14,900,000</b>	<b>2,534,347</b>	<b>82,823</b>	<b>4,417,659</b>	<b>21,934,829</b>	-	<b>21,934,829</b>
<b>Changes in equity holders, recorded directly in equity</b>							
Transfer to capital	2,100,000	-	(35,672)	(2,064,328)	-	-	-
Dividends paid	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-
Transfer to statutory reserve	-	352,713	-	(352,713)	-	-	-
	<b>2,100,000</b>	<b>352,713</b>	<b>(35,672)</b>	<b>(2,417,041)</b>	-	-	-
<b>Balance at December 31, 2015</b>	<b>17,000,000</b>	<b>2,887,060</b>	<b>47,151</b>	<b>2,000,618</b>	<b>21,934,829</b>	-	<b>21,934,829</b>

See accompanying notes to the consolidated financial statements

**Consolidated Statement of Changes in Equity (Continued)**

For the years ended December 31,

2014	Share Capital YR 000s	Statutory reserve YR 000s	General reserve YR 000s	Retained earning YR 000s	Total Equity Attributable to equity holders of the Bank YR 000s	Non-controlling Interests YR 000s	Total YR 000s
<b>Balance at January 1, 2014</b>	<b>11,900,000</b>	<b>2,169,787</b>	<b>3,823</b>	<b>3,079,398</b>	<b>17,153,008</b>	-	<b>17,153,008</b>
Net profit for the year	-	-	-	2,430,402	2,430,402	-	2,430,402
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>11,900,000</b>	<b>2,169,787</b>	<b>3,823</b>	<b>5,509,800</b>	<b>19,583,410</b>	-	<b>19,583,410</b>
<b>Changes in equity holders, recorded directly in equity</b>							
Transfer to capital increase	3,000,000	-	-	(3,000,000)	-	-	-
Dividends paid	-	-	-	-	-	-	-
Transfer to general reserve	-	-	79,000	(79,000)	-	-	-
Transfer to statutory reserve	-	364,560	-	(364,560)	-	-	-
	<b>3,000,000</b>	<b>364,560</b>	<b>79,000</b>	<b>(3,443,560)</b>	-	-	-
<b>Balance at December 31, 2014</b>	<b>14,900,000</b>	<b>2,534,347</b>	<b>82,823</b>	<b>2,066,240</b>	<b>19,583,410</b>	-	<b>19,583,410</b>

Finance Manager  
 Mr. Mohammed Kasseem Al-Maqtari

Deputy of Chief Executive Officer  
 Mr. Abdullah Ali Al-Daylami

Chief Executive Officer  
 Mr. Salah Sadek Basha

Chairman  
 Mr. Mohammed Saleh Alfai



See accompanying notes to the consolidated financial statements

**Consolidated Statement of Cash Flows**

For the years ended December 31,

	Notes	2015 YR 000s	2014 YR 000s
<b>Cash flows from operating activities</b>			
Net profit for the year before taxes		<b>3,523,536</b>	3,742,295
<b>Adjustments for:</b>			
Depreciation of property and equipment	20	<b>724,972</b>	739,930
Provisions provided during the year	36	<b>6,170,978</b>	4,634,229
Provisions used during the year		<b>(2,317,816)</b>	(507,762)
Retranslation differences of provisions in foreign currencies		<b>(3,222)</b>	(3,409)
Gain on foreign currency translation (unrealized)		-	(2,982)
Decrease in available for sale investment		<b>1,177,802</b>	-
Provisions reversed	35	<b>(354,512)</b>	-
Net share in profit of investments in associates		<b>(14,039)</b>	(146,662)
Loss on sale of property and equipment		<b>8,299</b>	7,837
<b>Operating profit before changes in assets and liabilities used in operating activities</b>		<b>8,915,998</b>	<b>8,463,476</b>
<b>Changes in:</b>			
Reserve balances with Central Bank of Yemen		<b>7,292,743</b>	450,091
Treasury bills due after 3 months		<b>61,599,834</b>	34,316,024
Decrease (increase) in loans, advances and financing activities		<b>21,472,913</b>	(25,578,206)
Increase in debit balances and other assets		<b>(819,004)</b>	(1,511,349)
(Decrease) increase in due to banks and financial institutions		<b>(7,292,503)</b>	6,509,513
(Decrease) increase in customers' deposits		<b>(114,831,270)</b>	11,175,559
(Decrease) increase in credit balances and other liabilities		<b>(319,484)</b>	1,647,245
Income tax paid		<b>(1,310,944)</b>	(1,604,852)
<b>Net cash (used in) from operating activities</b>		<b>(25,291,717)</b>	<b>33,867,501</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		<b>(876,893)</b>	(985,894)
Proceeds from sale of property and equipment		<b>13,058</b>	-
Increase in investments securities		-	(48,552)
Increase in investments in Islamic Sukuk		<b>(2,667,000)</b>	(4,000,000)
Cash dividends received from associates		-	760
Proceeds from sale of investments in associates		-	1,500
<b>Net cash used in investing activities</b>		<b>(3,530,835)</b>	<b>(5,032,186)</b>
<b>Cash flows from financing activities</b>			
(Decrease) increase in long term loans		<b>(33,594)</b>	2,652,531
<b>Net cash (used in) from financing activities</b>		<b>(33,594)</b>	<b>2,652,531</b>
Net change in cash and cash equivalents during the year		<b>(28,856,146)</b>	31,487,846
Cash and cash equivalents at the beginning of the year		<b>226,436,931</b>	195,557,280
Effect on exchange rate fluctuations on cash held		-	(608,195)
<b>Cash and cash equivalents at the end of the year</b>		<b>197,580,785</b>	<b>226,436,931</b>

See accompanying notes to the consolidated financial statements

**Consolidated Statement of Cash Flows (Continued)**

For the years ended December 31,

	Notes	2015 YR 000s	2014 YR 000s
<b>Cash and cash equivalents at the end of the year consist of:</b>			
Cash on hand and reserve balances with Central Bank of Yemen	7	<b>29,999,735</b>	43,334,926
Due from banks	8	<b>17,945,773</b>	28,556,334
Treasury bills, net	13	<b>245,019,097</b>	318,822,068
		<b>292,964,605</b>	<b>390,713,328</b>
<b>Less: Reserve balances with Central Bank of Yemen</b>		<b>(23,188,908)</b>	(30,481,651)
<b>Less: Treasury bills due after 3 months, net</b>		<b>(72,194,912)</b>	(133,794,746)
		<b>197,580,785</b>	<b>226,436,931</b>



Finance Manager: Mr. Mohammed Kassem Al-Maqtari  
 Deputy of Chief Executive Officer: Mr. Abdullah Ali Al-Daylami  
 Chief Executive Officer: Mr. Salah Sadek Basha  
 Chairman: Mr. Mohammed Saleh Alfai

The image shows four signatures in blue ink, each corresponding to a title above it. To the right of the signatures is a circular blue stamp of the bank, containing the text 'بنك الائحة التعاونية والادارة العامة' (Cooperative and Agricultural Credit Bank - General Administration) and 'الادارة العامة' (General Administration).

See accompanying notes to the consolidated financial statements



## Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

### 1. Background Information

The Cooperative and Agricultural Credit Bank (the Bank) was established in Sana'a in accordance with law no. 39 of 1982, as a result of merging the Agricultural Credit Bank (ACB) (which was established in 1975) and the National Co-operation Development Bank (NCDB), (which was established in 1979). The Bank is registered with the Ministry of Industry and Trade under commercial registration no. 5391.

The Bank provides Islamic banking services through its Islamic branch in conformity with the Islamic Sharia' and under the supervision of Sharia' Board. On March 29, 2010, the Bank obtained the initial approval from Central Bank of Yemen (CBY) and obtained the final approval on April 16, 2011.

The Bank operates through its head office in Sana'a and 49 branches (53 branches in 2014) spread all over the governorates of the Republic of Yemen, in addition to its subsidiary unit in the Republic of Yemen (together referred as the "Group") as follows:

Subsidiary Unit Name	Main Operating	Share Capital	Year of	Ownership %	
	Activity	YR 000's	Incorporation	2015	2014
CAC Services for Security and Maintenance (Sana'a, Republic of Yemen)	Security and cleaning	10,000	2011	100%	100%

### 2. Preparation Basis of the Consolidated Financial Statements

#### 2.1 Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and instructions issued by the Central Bank of Yemen (CBY).

In deviation from International Financial Reporting Standards, and to apply the provisions of local laws and regulations, the followings are treated as follows:

- The adoption of minimum fixed percentages for loan provisions in accordance with Central Bank of Yemen circular No. 6 of 1996, No. 5 of 1998 and No. 8 of 2015.
- The recording of provision for general risks calculated on performing loans under "loans provision" and not under equity,
- The recording of provision for contingent liabilities under "other provisions" and not under equity.

The effect of these deviations is immaterial on the consolidated financial statements of the Group as at December 31, 2015.

- The subsidiary financial statements are prepared and presented in accordance with International Financial Reporting Standards (IFRS).
- The consolidated financial statements were approved by the Board of Directors on June 1, 2016.

#### 2.2 Basis of measurements

The consolidated financial statements have been prepared on the historical cost basis except for non-trading investments classified as available - for - sale investments are measured at fair value.

#### 2.3 Functional and presentation currency

The consolidated financial statements are presented in Yemeni Rials, which is the functional currency of the Group, and all values are rounded to the nearest one thousand Yemeni Rial except when otherwise indicated.

#### 2.4 Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in notes 3.5, 3.9, 3.10, 3.11, 5, 10, 12, 19, 20, 24 and 25.

The judgments, estimates and assumptions applied by the Group presented in these consolidated financial statements as follows:

#### a. Critical accounting judgments in applying the Group's accounting policies include:

##### • Financial asset and liability classification

The Group's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In classifying financial assets, "held-to-maturity" or "available-for-sale", the Group has determined it meets the description as set out in accounting policy No (3.3).

##### • Determination of fair value hierarchy of financial instruments

The Group's determination of fair value hierarchy of financial instruments is discussed in note 5.

#### b. Key sources of estimation uncertainty

##### • Provision for impairment of assets

The Group exercises judgment in the estimation of provision for impairment of assets. The methodology for the estimation of the provision is provided in the impairment of financial assets and non-financial assets which is shown in the significant accounting policies below.

- **Provision for impairment of investments available-for-sale**

The Group exercises judgment to consider impairment on the investments available-for-sale. This includes determination of significant or prolonged decline in the fair value below its cost. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, the Group considers the impairment were appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operating and financing cash flows.

- **Useful lives of property and equipment**

The Group uses estimates of useful lives of property and equipment for depreciating these assets.

- **Contingent liability arising from litigations**

Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

### 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### 3.1 Basis of consolidation

3.1.1 IFRS 10 establishes a single control of model that applies to all entities including special purpose entities or structured entities. The definition of control is such that an investor controls an investee when it is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

- The investor has power over an investee.
- the investor has exposure to, or rights, to variable returns from its involvement with the investee; and
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

3.1.2 The consolidated financial statements include both the separate financial statements of Cooperative and Agricultural Bank comprising all balances of assets, liabilities and results of operations of Cooperative and Agricultural Credit Bank – Islamic Branch and its subsidiary unit after eliminating all balances and transactions and the statement of profit or loss and other comprehensive income items resulting from intra - transactions.

#### a. Subsidiary Company

Subsidiary company is investee that controlled by the Group. The Group control the investee if it meet the control criteria discussed in note (3.1). The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

#### b. Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the statement of profit or loss and other comprehensive income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

#### c. Non-controlling interest and transactions therewith

Non-controlling interests represent the portion of profit and loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and under equity in the consolidated statement of financial position, separately from the Bank shareholders' equity.

#### d. Transactions eliminated on consolidated financial statements

The carrying amounts of the Bank's investment in subsidiary and the equity of subsidiary is eliminated on consolidation. The intra-group balances, also income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

### 3.2 Foreign currency transactions

The Group (the Bank and its subsidiary unit) maintains its book of account in Yemeni Rial, which the Group's functional currency. Transactions in other currencies are translated to the respective functional currency during the financial year at the prevailing exchange rates at the date of transaction. Balances of monetary assets and liabilities in other currencies at the end of the financial year are translated at the prevailing exchange rates on that date. Gains or losses resulting from translation are taken to the statement of profit or loss and other comprehensive income.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the year. Foreign currency differences arising on retranslation are recognized in the statement of profit or loss and other comprehensive income.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

The Group does not deal in forward or options contracts, except to the extent to cover the Group needs or the customers' transactions with the Group in foreign currencies, which are settled in short term periods.

### 3.3 Financial assets and financial liabilities

#### a. Recognition and Initial Measurement

The Group initially recognizes loan and advances to customers, due from or to banks, customers' deposits and other borrowings on the date at which they are originated. Also other financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument with other party.

b. **Classification**• **Financial assets**

At inception financial assets are classified in one of the following categories:

1. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell it immediately or in the near future. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

2. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Treasury bills held to maturity are considered part of these investments and are recorded at face value and the balance of unearned discount is recorded under credit balances and other liabilities. Treasury bills are presented in the statement of financial position net of the balance of unearned discount outstanding at the consolidated financial statements date according to the instructions of the Central Bank of Yemen.

Held-to-maturity investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

3. Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities are carried at cost less impairment, and all other available-for-sale investments are carried at fair value.

Interest income is recognized in statement of profit or loss and other comprehensive income using the effective interest method. Dividend income is recognized in profit or loss and other comprehensive income statement when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in the statement of profit or loss and other comprehensive income.

Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to the statement of profit or loss and other comprehensive income as a reclassification adjustment.

A non-derivative financial asset is reclassified from the available-for sale category to the loans and receivables category if it otherwise would have met the definition of loan and receivables and if the Group had the intention and ability to hold that financial asset for the foreseeable future or until maturity.

• **Financial liabilities**

The Group has classified and measured its financial liabilities at amortized cost.

c. **Derecognition**

- Financial assets are derecognized when the contractual rights related to the financial instruments have expired which ordinarily coincide with the sale or transfer of the contractual right to receive cash flows related to the asset to an independent party.
- Financial liabilities are derecognized when they extinguished, that is when the contractual obligation is discharged, canceled or expired.

d. **Offsetting financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the profit or loss and other comprehensive income statement unless required or permitted by any accounting standard or interpretation.

e. **Measurement principles**

Financial assets are measured by amortized cost or fair value.

- **Amortized cost measurement:** the amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment loss. The calculation of effective interest rate includes all fees paid or received that are an integral part of the effective interest rate.

- **Fair value measurement:** fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of listed investments at the market closing price for the investment. For unlisted investments, the Group recognizes any increase in the fair value, when they have reliable indicators to support such an increase. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between desirous and informed parties who do not have any reactions which might affect the price. In the absence of a reliable measure of fair value, the investment is carried at cost.

f. **Identification and measurement of impairment**

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

The Group consider evidence of impairment loss for loans and advances to customers and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances to customers and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances to customers and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investment securities with similar risk characteristics.

Impairment losses on assets carried at amortized costs are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and other comprehensive income statement and reflected in an allowance account against loans and advances to customers.

For listed investments, a decline in the market value by 20% from cost or more, or for a continuous period of 9 months or more, are considered to be indicators of impairment.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income as a reclassification adjustment in the statement of profit or loss and other comprehensive income. The cumulative loss that is reclassified from other comprehensive income is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in the statement of profit or loss and other comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

In subsequent periods, the appreciation of fair value of an impaired available-for-sale investment securities is recorded in fair value reserves.

### 3.4 Revenue recognition

Interest income and expenses for all interest bearing financial instruments are recognized in the statement of profit or loss and other comprehensive income using the effective interest rate method except for interest on non-performing credit facilities, in order to comply with the requirements of CBY circular No. 6 of 1996, the Group does not accrue interest on non-performing loans and advances. When an account is treated as non-performing loan, all uncollected interest relating to the three months prior to categorizing the loan as non-performing is reversed from income and transferred to other credit balances as suspense interest.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

The effective interest rate is a method of calculating the amortized costs of financial assets and financial liabilities and of allocating the interest income and expenses over the relevant period.

- Profits on Murabaha and Istisna'a contracts are recorded on the accrual basis as all profits at the completion of Murabaha contracts are recorded as deferred revenues and taken to the statement of comprehensive income depending on the finance percentage, using the straight line method over the term of the contract. In accordance with CBY instructions the Group does not accrue the profit on non-performing Murabaha and Istisna'a contracts in the statement of profit or loss and other comprehensive income.
- Profit on Mudaraba contracts, which are initiated and terminated during the financial year, are recorded in the profit or loss and other comprehensive income statement at the disposing date of Mudaraba contracts. Profit on Mudaraba contracts which last for more than one financial year, are recognized, based on the cash dividends received on these transactions during the year.
- Ijarah Muntahia Bittamleek revenues are recorded over the term of the lease contract.

- Revenue from investments in Islamic Sukuk is recognized in profit or loss and other comprehensive income statement on a time proportionate basis using the rate of return declared by the issuing institutions.
- Revenue from investments in associates is recorded based on the Group's share in the equity of these companies in accordance with the approved financial statements of these companies.
- Income from held to maturity investment securities is recognized based on the effective interest rate method.
- Dividends income is recognized when the right to receive income is established.
- In accordance with CBY instructions, the reversed provisions, no longer required provisions, are recorded in the statement of profit or loss and other comprehensive income under "other operating income".
- Fee and commissions income are recognized when the related services are performed.

### 3.5 Provision of loans, advances, Islamic financings, and contingent liabilities

In order to comply with CBY circular No. 6 of 1996, No. 5 of 1998 and No. 8 of 2015 relating to classification of assets and liabilities, provision is provided for specific loans, advances, financing activities and contingent liabilities, in addition to a percentage for general risks calculated on the total of other loans, advances, financing activities and contingent liabilities after deducting balances secured by deposits and banks' guarantees issued by foreign credit worthy banks. The provision is determined based on periodical comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, the provision is provided in accordance with the following minimum rates:

details	Average
Performing loans and advances, financing activities and contingent liabilities, including watch list accounts	1-2%
Non-performing loans and advances, financing activities and contingent liabilities:	
Substandard debts	15%
Doubtful debts	45%
Bad debts	100%

Loans, advances and financing activities are written off if procedures taken towards their collection prove useless, or if directed by CBY examiners upon review of the portfolio by debiting the provision. Proceeds from loans previously written off in prior years are credited to the provision.

Loans, advances and financing activities to customers and banks are presented on the statement of financial position net of provision and suspense interest.

### 3.6 Contingent liabilities and commitments

Contingent liabilities and commitments, in which the Group is a party, are presented off financial position, net of any margins held from customers, under "contingent liabilities and commitments" as they do not represent actual assets or liabilities at financial statements date.

### 3.7 Statement of cash flows

The Group uses the indirect method to present cash flows, whereby net profit or loss is adjusted with net cash flows from (used in) operating, investing and financing activities.

### 3.8 Cash and cash equivalent

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalent consist of cash on hand, due from banks other than reserve balances and treasury bills - held to maturity which are due within three months from the issuance date. Cash and cash equivalents are non-derivative financial assets stated at mortised cost in the consolidated statements of financial position.

### 3. 9 Property, equipment and depreciation

#### a. Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items, (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognized net within "other income/expenses" in the statement of profit or loss and other comprehensive income. When revalued assets are sold, any related amount included in the revaluation surplus reserve is transferred to retained earnings.

#### b. Subsequent costs

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

#### c. Depreciation

Depreciation is based on the cost of an asset less its residual value, if any. Significant components of individual assets are assessed and if a component has useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation for property and equipment except land, is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives are as follows:

Details	Estimated Useful Lives
Buildings and constructions	50 years
Furniture and equipment	5 – 10 years
Points of sale and ATM	5 years
Motor vehicles	5 years
Leasehold improvements	10 years or the lease term, whichever is less

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

### 3. 10 Impairment of non-financial assets

The carrying amounts are reviewed at each reporting date for indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income to the extent that carrying values do not exceed the recoverable amounts.

#### 3. 11 Other provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### 3. 12 Valuation of assets whose titles have been transferred to the Group as a repayment of loans

According to CBY instructions, assets whose titles have been transferred to the Group are presented in the statement of financial position under debit balances and other assets at the acquired values, less any impairment in their values, if any, at the financial statements date. Impairment losses are charged to the statement of profit or loss and other comprehensive income.

#### 3. 13 Lease 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. Rentals payable under these leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease.

#### 3. 14 Valuation of investments in associates

- An associate is an entity over which the Group exerts significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Bank holds between 20 to 50 percent of the voting power of the associate.
- Investments in associates are recorded at the acquisition cost. At the financial statements date, the values of these investments are adjusted according to the Group's share in the equity in the associate based on the approved financial statements of these companies. Such changes are reflected in the consolidated statement of profit or loss and other comprehensive income.

#### 3. 15 Islamic financing and investing contracts

The Group engages in Shari'ah compliant Islamic banking activities through various Islamic instruments such as, Murabaha, Istisna'a, Mudaraba and Ijara. The note no (3.4) presented the revenue recognition related to these instruments.

#### a. Murabaha and Istisna'a Financing

Murabaha is an agreement whereby the Group sells to a customer a commodity or an asset, which the Group has previously purchased and acquired based on a promise to buy from the customer. The selling price comprises the cost plus an agreed profit margin.

Istisnaa's is an agreement between the Group and a customer whereby the Group sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.

Debts related to Murabaha financing and Istisna'a transactions, whether short or long-term, are recorded at cost plus agreed-upon profits.

**b. Mudaraba**

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible for all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.

**c. Ijarah Muntahia Bittamleek**

Ijarah Muntahia Bittamleek is an agreement whereby the Group (as lessor) leases an asset to the customer (as lessee) after purchasing/acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and promise to lease against certain rental payments for a specific lease term/periods, payable on fixed or variable rental basis.

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation, the timing of rental payment and responsibilities of both parties during the lease term. The customer (lessee) provides the Bank (lessor) with an undertaking to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

At the end of the lease term, title of leased assets passes to the lessee, provided that all Ijarah installments are settled by the lessee.

Assets acquired for Ijarah Muntahia Bittamleek are recorded at historical cost less accumulated depreciation and impairment losses. They are depreciated, except for land, over the term of the Ijarah contract.

**3. 16 Return to unrestricted investments and saving accounts holders**

Return due on unrestricted investments and saving accounts is determined on the basis of Mudarba contract, which determines profit (loss) sharing basis during the period.

**3. 17 Taxation**

- Corporate tax is calculated in accordance with the prevailing laws and regulations in the Republic of Yemen.
- Up to December 31, 2009, the Group was not subject to commercial and industrial profits tax and Income Tax, in accordance with Article (21) of Law No. (39) of 1982, concerning the establishment of the Bank, Income Tax Law No. (31) of 1991 and its subsequent amendments by Republican Decree No. (12) of 1999 and the provisions of Article No. (85) of Law No. (38) of 1998 related to banks.
- Starting from the year 2010, in accordance with Article (160) of Income Tax Law No. (17) of 2010, the net income for the Bank for the year 2010 is subject to income tax at the rate of 20%.
- Due to the characteristics of the tax accounting in Yemen, application of International Accounting Standard on Income Taxes does not usually result in deferred tax liabilities. In the case that deferred tax assets have resulted from the application of this standard, these assets are not booked unless there is assurance that these assets will be realized in the near future.

**3. 18 Social security provision**

- a All employees of the Group are contributing to the social security scheme in accordance with the Republic of Yemen's Social Insurance Law No. (26) of 1991, and Law No. (25) of 1991. Payments are made to the Social Security General Corporation before the 10th day of next month. The Group's contribution is charged to the statement of profit or loss and other comprehensive income .
- b The provisions of Social Insurance Law are applied to all employees of the Group concerning the end of service benefits.

**3. 19 Dividends on ordinary shares**

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the date of consolidated statement of financial position are dealt as a separate disclosure.

**3. 20 Earnings per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

**3. 21 Comparatives**

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

**3. 22 Zakat due on shareholders**

The Group remits the Zakat due on the shareholders to the relevant governmental authority which decides on the allocation of Zakat.

**3. 23 Shari'aboard**

The Islamic branch activities are subject to the supervision of the Shari'a board. The Shari'a board's responsibility is the supervision and monitoring of the Shari'a aspects for the Islamic activities according to Islamic Shari'a principles.

**3. 24 Parent bank financial information**

Statement of financial position and statement of profit or loss and other comprehensive income of the bank (Parent) as disclosed in the supplementary information to the financial statements are prepared by using the same accounting policies as mentioned above except for the investment in subsidiaries which are recorded at cost.

## 4. New Changes in Accounting Policies

### 4.1 New and revised standards that are effective for annual periods beginning on or after January 1, 2015

Amendments to IFRSs that became mandatorily effective in 2015 have no material impact on the Group's financial results or position. Accordingly, the Group has made no changes to its accounting policies in 2015.

### 4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Group

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

- **IFRS 9 'Financial Instruments' (2014)**

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Group's management have yet to assess the impact of IFRS 9 on these financial statements. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018.

- **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. The Group's management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

- **Amendments to IFRS 11 Joint Arrangements**

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The amendments are effective for reporting periods beginning on or after January 1, 2016.

## 5. Financial Instruments and Their Related Risks Management

### 5.1 Financial instruments

- a. **a. The Group's financial instruments are represented in financial assets and liabilities. Financial assets include cash balances, due from banks, investment securities, loans, advances and financing activities to customers and other financial assets. Financial liabilities include customers' deposits, due to banks and financial institutions, long-term loans and other financial liabilities. Also, financial instruments include rights and obligations stated in contingent liabilities and commitments.**

Note (3) to the consolidated financial statements includes significant accounting policies applied for recording and measuring significant financial instruments and their related revenues and expenses.

b. **Fair value hierarchy**

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair values are based on quoted prices (unadjusted) in active markets for identical assets.
- Level 2: Fair values are based on inputs other than quoted prices included within level 1 that are observable for the assets either directly (i.e. as price) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Fair values are based on valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable input have a significant impact on the instrument's valuation.

The fair values for available-for-sale investments comprise YR 744,371 thousand as at December 31, 2015 (YR 1,922,173 thousand as at December 31, 2014) under the level 3 category. There are no investments qualifying for levels 1 and 2 fair value disclosures.

c. **Financial instruments for which fair value approximates carrying value.**

For financial assets and financial liabilities that are liquid or having a term maturity of less than three months, the carrying amounts approximate to their fair value.

d. **Fair value of financial instruments**

The fair value of financial assets traded in organized financial markets is determined by reference to quoted market bid prices on a regulated exchange at the close of business on the year-end date. For financial assets where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same. Where it is not possible to arrive at a reliable estimate of the fair value, the financial assets are carried at cost until sometime reliable measure of the fair value is available.

Based on valuation bases of the Group's assets and liabilities stated in the notes to the consolidated financial statements, the fair value of financial instruments does not differ fundamentally from their book value at the consolidated financial statements date.

The following table provides a comparison by class of the carrying amount and fair values of the Group's financial instruments that are carried in the consolidated financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2015					
	Held to Maturity YR 000s	Loans and Advances YR 000s	Available-for Sale YR 000s	Other Amortized Cost YR 000s	Total Carrying Amount YR 000s	Fair Value YR 000s
<b>Financial Assets</b>						
Cash on hand and reserve balances with CBY	-	29,999,735	-	-	29,999,735	29,999,735
Due from banks	-	17,945,773	-	-	17,945,773	17,945,773
Loans, advances and financing activities, net	-	38,138,851	-	-	38,138,851	38,138,851
<b>Investments securities:</b>						
Measured at fair value	-	-	744,371	-	744,371	744,371
Measured at amortized cost	249,479,963	-	-	-	249,479,963	249,479,963
Investments in Islamic Sukuk	14,667,000	-	-	-	14,667,000	14,667,000
	<b>264,146,963</b>	<b>86,084,359</b>	<b>744,371</b>	-	<b>350,975,693</b>	<b>350,975,693</b>
<b>Financial Liabilities</b>						
Due to banks and financial institutions	-	-	-	14,081,808	14,081,808	14,081,808
Customers' deposits	-	-	-	309,577,769	309,577,769	309,577,769
Long-term loans	-	-	-	2,756,188	2,756,188	2,756,188
	-	-	-	<b>326,415,765</b>	<b>326,415,765</b>	<b>326,415,765</b>

	2014					
	Held to Maturity YR 000s	Loans and Advances YR 000s	Available-for Sale YR 000s	Other Amortized Cost YR 000s	Total Carrying Amount YR 000s	Fair Value YR 000s
<b>Financial Assets</b>						
Cash on hand and reserve balances with CBY	-	43,334,926	-	-	43,334,926	43,334,926
Due from banks	-	28,556,334	-	-	28,556,334	28,556,334
Loans, advances and financing activities, net	-	63,109,804	-	-	63,109,804	63,109,804
<b>Investments securities:</b>						
Measured at fair value	-	-	1,922,173	-	1,922,173	1,922,173
Measured at amortized cost	323,282,934	-	-	-	323,282,934	323,282,934
Investments in Islamic Sukuk	12,000,000	-	-	-	12,000,000	12,000,000
	<b>335,282,934</b>	<b>135,001,064</b>	<b>1,922,173</b>	-	<b>472,206,171</b>	<b>472,206,171</b>
<b>Financial Liabilities</b>						
Due to banks and financial institutions	-	-	-	21,374,311	21,374,311	21,374,311
Customers' deposits	-	-	-	424,409,039	424,409,039	424,409,039
Long-term loans	-	-	-	2,789,782	2,789,782	2,789,782
	-	-	-	<b>448,573,132</b>	<b>448,573,132</b>	<b>448,573,132</b>

## 5.2 Risk management of financial instruments

### a. Risk management frame work

Risk is inherent in the Group'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 Group's continuing profitability and each individual within the Groups accountable for the risk exposures relating to his or her responsibilities.

### b. Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks, however, there are separate independent bodies responsible for managing and monitoring risks including the following:

- **Assets and Liabilities Committee:** The Asset and Liability Committee establishes policy and objectives for the asset and liability management of the Group's financial position in terms of structure, distribution, risk and return for its impact on profitability.
- **Audit Committee:** the Audit Committee is appointed by the Board of Directors who are non- executive directors of the Group. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, the soundness of the internal controls of the Bank, the measurement system of risk assessment and relating these to the Group's capital, and the methods for monitoring compliance with laws, regulations and supervisory and internal policies.

### c. Risk measurement

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group willing to accept, with additional emphasis on selected industries. The Group exposed to credit risk, liquidity risk, market risk (which include interest rate risk and currency risk), operating risk and other risk.

### d. 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 these parties to meet their obligations when they fall due.

#### • Management of credit risk

The Group uses an internal risk rating system to assess the credit quality of borrowers and counterparties. The risk rating system has 5 grades. Grades 1 and 2 are performing loans, advances and Islamic financing activities and Grades 3-5 are non- performing. Non-performing grades are classified based on the below criteria which agree with CBY instructions:

Grade	Classification	Criteria
3	Sub-standard loans, advances and Islamic financing activities.	Overdue greater than 90 days, and shows some loss due to adverse factors that hinder repayment.
4	Doubtful loans, advances and Islamic financing activities.	Overdue greater than 180 days, and based on available information, full recovery seems doubtful, leading to loss on portion of these loans.
5	Bad loans, advances and Islamic financing activities.	Overdue greater than 360 days, and probability of no recovery.

The performing loans and advances portfolio and Islamic financing activities of the Group based on the internal credit ratings is as follows (excluding cash secured loans and advances):

Grade	Classification	2015 YR 000s	2014 YR 000s
1-2	Performing and watch-list	39,358,563	61,768,438

In order to comply with CBY circular No. (10) of 1997 regarding to the credit risk exposure, the Group applies some procedures in order to properly manage its credit risk. The following are examples of the procedures applied by the Group:

- Preparing credit studies on customers and banks before dealing with them and determining their related credit risk rates.
- Obtaining sufficient collaterals to minimize the credit risk exposure which may result from financial problems facing customers or banks.
- Following up and periodical 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:

	2015 YR 000s	2014 YR 000s
Cash on hand and reserve balances with CBY (excluding cash on hand and ATM)	23,188,908	30,481,651
Due from banks	17,945,773	28,556,334
Loans, advances and financing activities, net	38,138,851	63,109,804
Investments securities	250,224,334	325,205,107
Investments in Islamic Sukuk	14,667,000	12,000,000
Investments in associates	632,988	618,949
Debit balances and other assets after deducting the advance payment, net	3,553,618	4,823,521
	<b>348,351,472</b>	<b>464,795,366</b>
Contingent liabilities and commitments	44,838,045	77,405,590
<b>Total credit risk exposure</b>	<b>393,189,517</b>	<b>542,200,956</b>

The following analysis of the Group's financial assets and contingent liabilities by industry sector, before and after taking into account collateral held of other credit enhancements (risk concentration for maximum exposure to credit risk by industry sector) is as follows:

	2015		2014	
	Gross Maximum Exposure YR 000s	Net Maximum Exposure YR 000s	Gross Maximum Exposure YR 000s	Net Maximum Exposure YR 000s
Government	293,420,417	-	362,830,799	-
Finance	13,238,586	2,551,387	46,884,117	8,824,291
General trade	23,759,789	1,443,776	37,219,123	3,802,529
Industry	443,709	138,210	6,982,085	950,326
Service	2,686,108	219,319	1,492,897	131,442
Individuals	9,929,794	8,015,005	6,510,903	5,933,762
Contractors	585,760	81,256	1,397,585	914,221
Others	4,287,309	120,883	1,477,857	833,745
	<b>348,351,472</b>	<b>12,569,836</b>	<b>464,795,366</b>	<b>21,390,316</b>
Contingent liabilities and commitments	44,838,045	36,061,444	77,405,590	63,540,236
	<b>393,189,517</b>	<b>48,631,280</b>	<b>542,200,956</b>	<b>84,930,552</b>

The Group manages concentration of risk by distributing the portfolio over diversified economic sectors and geographical locations. Note no. 42 to the consolidated financial statements shows the distribution of assets, liabilities, contingent liabilities and commitments based on economic sectors and Note no. 43 to the consolidated financial statements shows the distribution of financial instruments based on geographical locations at the consolidated financial statements date.

#### e. Liquidity risk

Liquidity risk arises from cash flows generated by assets and liabilities, not being matched in currency, size and term, thereby creating financing needs which potentially cannot be met without incurring substantially higher costs or at any cost at all.

Liquidity risk is the risk that the Group will be unable to meet its obligations when they fall due and other risks related to sufficient liquidity without incurring losses on timely basis.

#### • Management liquidity risk

The Group'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 Central Bank of Yemen circular No. 3 of 1997 requires that the liquidity ratio be 25% as a minimum. The liquidity ratio at December 31, 2015 was 83.73% (at December 31, 2014 was 79.11%).

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

	2015					Total YR 000s
	Due within 3 months YR 000s	Due within 3 to 6 months YR 000s	Due within 6 months to 1 year YR 000s	Due over 1 year YR 000s		
<b>Liabilities</b>						
Due to banks and financial institutions	14,081,808	-	-	-		14,081,808
Customers' deposits	297,902,578	247,206	8,388	11,419,597		309,577,769
Long-term loans	-	-	-	2,756,188		2,756,188
Credit balances and other liabilities	5,129,326	-	-	3,715,410		8,844,736
<b>Total liabilities</b>	<b>317,113,712</b>	<b>247,206</b>	<b>8,388</b>	<b>17,891,195</b>		<b>335,260,501</b>

	2014					Total YR 000s
	Due within 3 months YR 000s	Due within 3 to 6 months YR 000s	Due within 6 months to 1 year YR 000s	Due over 1 year YR 000s		
<b>Liabilities</b>						
Due to banks and financial institutions	21,374,311	-	-	-		21,374,311
Customers' deposits	417,440,965	2,014,978	1,953,096	3,000,000		424,409,039
Long-term loans	-	-	-	2,789,782		2,789,782
Credit balances and other liabilities	-	-	-	9,303,047		9,303,047
<b>Total liabilities</b>	<b>438,815,276</b>	<b>2,014,978</b>	<b>1,953,096</b>	<b>15,092,829</b>		<b>457,876,179</b>

Note No. 40 to the financial statements shows the maturity analysis of financial assets and liabilities and the net gap between them at the consolidated financial statements date compared with last year.

#### f. Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income, future cash flows or the value of its holdings of financial instruments. Market risk consists of exchange rate risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### • Management of market risk

The Group separate exposure market risk between two portfolios, one for trading portfolios and non-trading portfolios. The Group does not have a trading positions in equity and the main source for risk for the Group is the fluctuations in foreign exchange rates and interest rate.

The Group does not deal in forward or options contracts, except to the extent to cover the Group needs or the customers' transactions with the Group in foreign currencies, which are settled in short term periods.

All foreign exchange income/losses arising out of customer transactions and revaluation of statement of financial position assets and liabilities are booked by the treasury department. The responsibility for monitoring and managing the related risks also rests with the Treasury department.

Overall authority for market risk management is vested with the Asset and Liability Management Committee. The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by appropriate approving authorities) and the Financial Control Department is responsible for the day-to-day review of their implementation.

**g. Exposure to interest rate risk - non-trading portfolios**

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The Asset and Liability Committee (ALCO) is the monitoring body for compliance with these limits and is assisted by Risk Management Department in its day-to-day monitoring activities.

Interest rate risk arises from the possibility that changes in interest rates will affect the value of some of the financial instruments. The Group performs a number of procedures to limit the effect of such risk to the minimal level as follows:

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

The table below shows interest rate gap position on non-trading portfolios:

	2015					Average interest rates		
	Less than 3 months	From 3 months to 6 months	From 6 months to 1 year	Over 1 year	Non-interest sensitive	Total	Local Currency %	Foreign Currency %
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	%	%
<b>Assets</b>								
Cash on hand and reserve balances with CBY	-	-	-	-	29,999,735	29,999,735	-	-
Due from banks	6,722,019	71,979	2,500,000	-	8,651,775	17,945,773	15.37%	0.25%
Loans and advances and financing activities, net	29,163,898	3,445,778	3,001,235	2,527,940	-	38,138,851	22.00%	10.00%
Investments securities	190,369,021	37,292,742	21,818,200	-	744,371	250,224,334	16.04%	-
Investments in Islamic Sukuk	-	-	-	14,667,000	-	14,667,000	12.00%	-
Investments in associates	-	-	-	-	632,988	632,988	-	-
Debit balances and other assets, net	-	-	-	-	4,353,952	4,353,952	-	-
Property and equipment, net	-	-	-	-	3,200,865	3,200,865	-	-
<b>Total assets</b>	<b>226,254,938</b>	<b>40,810,499</b>	<b>27,319,435</b>	<b>17,194,940</b>	<b>47,583,686</b>	<b>359,163,498</b>	-	-
<b>Liabilities and equity</b>								
Due to banks and financial institutions	12,821,426	-	-	-	1,260,382	14,081,808	15.00%	4.50%
Customers' deposits	150,564,080	247,206	8,388	11,419,597	147,338,498	309,577,769	15.00%	3.77%
Long-term loans	-	-	-	2,756,188	-	2,756,188	2.60%	2.00%
Credit balances and other liabilities	-	-	-	-	8,844,736	8,844,736	-	-
Other provisions	-	-	-	-	1,968,168	1,968,168	-	-
Shareholders' equity	-	-	-	-	21,934,829	21,934,829	-	-
<b>Total liabilities and equity</b>	<b>163,385,506</b>	<b>247,206</b>	<b>8,388</b>	<b>14,175,785</b>	<b>181,346,613</b>	<b>359,163,498</b>	-	-
<b>Interest rate sensitivity gap</b>	<b>62,869,432</b>	<b>40,563,293</b>	<b>27,311,047</b>	<b>3,019,155</b>	<b>(133,762,927)</b>	-	-	-
<b>Cumulative interest rate sensitivity gap</b>	<b>62,869,432</b>	<b>103,432,725</b>	<b>130,743,772</b>	<b>133,762,927</b>	-	-	-	-

	2014						Average interest rates	
	Less than 3 months	From 3 months to 6 months	From 6 months to 1 year	Over 1 year	Non-interest sensitive	Total	Local Currency %	Foreign Currency %
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s		
<b>Assets</b>								
Cash on hand and reserve balances with CBY	-	-	-	-	43,334,926	43,334,926	-	-
Due from banks	5,436,710	-	285,750	-	22,833,874	28,556,334	-	-
Loans and advances and financing activities, net	40,360,935	5,532,900	10,333,230	6,781,701	101,038	63,109,804	25%	5%
Investments securities	230,282,539	55,461,009	33,078,519	4,460,867	1,922,173	325,205,107	16%	-
Investments in Islamic Sukuk	-	-	-	12,000,000	-	12,000,000	12%	-
Investments in associates	-	-	-	-	618,949	618,949	-	-
Debit balances and other assets, net	-	-	-	-	5,763,591	5,763,591	-	-
Property and equipment, net	-	-	-	-	3,070,301	3,070,301	-	-
<b>Total assets</b>	<b>276,080,184</b>	<b>60,993,909</b>	<b>43,697,499</b>	<b>23,242,568</b>	<b>77,644,852</b>	<b>481,659,012</b>	-	-
<b>Liabilities and equity</b>								
Due to banks and financial institutions	21,128,812	-	-	-	245,499	21,374,311	15.1%	4.48%
Customers' deposits	240,483,391	2,014,978	1,953,096	3,000,000	176,957,574	424,409,039	15%	4.08%
Long-term loans	-	-	-	2,789,782	-	2,789,782	2.60%	2%
Credit balances and other liabilities	-	-	-	-	9,303,047	9,303,047	-	-
Other provisions	-	-	-	-	4,199,423	4,199,423	-	-
Shareholders' equity	-	-	-	-	19,583,410	19,583,410	-	-
<b>Total liabilities and equity</b>	<b>261,612,203</b>	<b>2,014,978</b>	<b>1,953,096</b>	<b>5,789,782</b>	<b>210,288,953</b>	<b>481,659,012</b>	-	-
<b>Interest rate sensitivity gap</b>	<b>14,467,981</b>	<b>58,978,931</b>	<b>41,744,403</b>	<b>17,452,786</b>	<b>(132,644,101)</b>	-	-	-
<b>Cumulative interest rate sensitivity gap</b>	<b>14,467,981</b>	<b>73,446,912</b>	<b>115,191,315</b>	<b>132,644,101</b>	-	-	-	-

- Interest rate sensitivity**

The following table demonstrates the sensitivity to a possible and reasonable change in interest rates, with all other variables held constant. The sensitivity of the statement of profit or loss and other comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of the equity is the net change in interest income after deducting the income tax effect:

	2015		
	The effect of increase in interest rate 2%		
	Cumulative Interest Rate Sensitivity Gap	Sensitivity of Net Interest Income (Statement of Profit or Loss and Other Comprehensive Income)	Sensitivity of Equity
	YR 000s	YR 000s	YR 000s
<b>Currency</b>			
Yemeni Rials	150,740,446	3,014,809	2,411,847
US Dollars	(17,412,816)	(348,256)	(278,605)
Saudi Rials	184,890	3,698	2,958
Euro	(12,620)	(252)	(202)
Other	3,329	67	53

	2015		
	The effect of decrease in interest rate 2%		
	Cumulative Interest Rate Sensitivity Gap	Sensitivity of Net Interest Income (Statement of Profit or Loss and Other Comprehensive Income)	Sensitivity of Equity
	YR 000s	YR 000s	YR 000s
<b>Currency</b>			
Yemeni Rials	150,740,446	(3,014,809)	(2,411,847)
US Dollars	(17,412,816)	348,256	278,605
Saudi Rials	184,890	(3,698)	(2,958)
Euro	(12,620)	252	202
Other	3,329	(67)	(53)

	2014		
	The effect of increase in		
	interest rate 2%		
	Cumulative Interest Rate Sensitivity Gap	Sensitivity of Net Interest Income (Statement of Profit or Loss and Other Comprehensive Income)	Sensitivity of Equity
YR 000s	YR 000s	YR 000s	
<b>Currency</b>			
Yemeni Rials	139,672,500	2,793,450	2,234,760
US Dollars	(26,248,584)	(524,972)	(419,977)
Saudi Rials	199,391	3,988	3,190
Euro	1,583,819	31,676	25,341
Other	(15,811)	(316)	(253)

	2014		
	The effect of decrease in		
	interest rate 2%		
	Cumulative Interest Rate Sensitivity Gap	Sensitivity of Net Interest Income (Statement of Profit or Loss and Other Comprehensive Income)	Sensitivity of Equity
YR 000s	YR 000s	YR 000s	
<b>Currency</b>			
Yemeni Rials	139,672,500	(2,793,450)	(2,234,760)
US Dollars	(26,248,584)	524,972	419,977
Saudi Rials	199,391	(3,988)	(3,190)
Euro	1,583,819	(31,676)	(25,341)
Other	(15,811)	316	253

**h. Exposure to exchange rate risk for foreign currency**

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the Yemeni Rial.

Due to the nature of the Group's activity, the Group deals in different foreign currencies, hence it is exposed to exchange rate risk. In order to minimize the exposure to exchange rate risk, the Group is trying to maintain a balanced foreign currencies position in compliance with CBY instructions and the requirements of CBY circular No. 6 of 1998 which specifies that individual foreign currency positions should not exceed 15% of the Group's capital and reserves, and that the aggregate open position for all foreign currencies should not exceed 25% of the Group's capital and reserves.

In order to comply with CBY circular No. 6 of 1998, the Group regularly monitors its foreign currency positions and sells the excess funds in foreign currencies at the prevailing rates on the dates of sale.

The table below shows the Group's significant net exposures to foreign currencies:

	2015					
	US Dollars	Euro	Saudi Rial	Sterling Pound	Others	Total
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
Assets	45,510,924	1,075,540	2,222,032	98,770	28,564	48,935,830
Liabilities	(110,111,719)	(3,124,522)	(5,524,464)	(241,888)	(644,908)	(119,647,501)
<b>Net currency position</b>	<b>(64,600,795)</b>	<b>(2,048,982)</b>	<b>(3,302,432)</b>	<b>(143,118)</b>	<b>(616,344)</b>	<b>(70,711,671)</b>

	2014					
	US Dollars	Euro	Saudi Rial	Sterling Pound	Others	Total
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
Assets	76,450,565	4,886,511	4,884,677	148,656	310,958	86,681,367
Liabilities	(141,207,230)	(4,842,154)	(6,332,430)	(229,964)	(115,345)	(152,727,123)
<b>Net currency position</b>	<b>(64,756,665)</b>	<b>44,357</b>	<b>(1,447,753)</b>	<b>(81,308)</b>	<b>195,613</b>	<b>(66,045,756)</b>

- Effect of change in fair value of currency**

The table below indicates the effect of a reasonably possible movement of the currency rate against the Yemeni Riyal on the statement of profit or loss and other comprehensive income, with all other variables held constant:

Change in currency rate (1%) Currency	Effect on statement of profit or loss and other Comprehensive Income (increase/ decrease)	
	2015 YR 000s	2014 YR 000s
US\$	(646,008)	(647,567)
Saudi Rial	(33,024)	(14,478)
Euro	(20,490)	444
Sterling Pound	(1,431)	(813)
Other Currencies	(6,163)	1,956

Note 44 to the consolidated financial statements indicates the significant foreign currencies' positions at the consolidated financial statements date compared with the last year.

**i. Operational risk**

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process, infrastructure, personnel and other risks having an operational risk impact. The Group seeks to minimize actual or potential losses from operational risks failure through a framework of policies and procedures that identify, assess, control, manage and report those risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

**j. Other risks**

Other risks to which the Group is exposed are regulatory risk, legal risk, and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisers. Reputational risk is controlled through the regular examination of issues that are considered to have reputational repercussions for the Group, with guidelines and policies being issued as appropriate.

**6. Capital Management**

The primary objectives of the Group's capital management are to ensure that the Group complies with the capital requirements issued by CBY and that the Group maintains strong credit ratings and excellently capital ratios. The capital adequacy is monitored on a quarterly basis by the management of the Group employing techniques based on the guidelines as implemented by the CBY for supervisory purposes. The required information is filed with CBY on a quarterly basis, in order to comply with the requirement of CBY circular no. (2) of 1997.

The CBY requires each bank in Yemen to maintain a minimum 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 minimum ratio of total capital to the customer deposits at or above 5%.

The capital adequacy ratio calculated in accordance the guidelines of CBY compares the Bank core and supplementary capital with the risk weighted total assets and liabilities at the financial statements date, as follows:

	2015	2014
	YR Million	YR Million
Core capital	21,716	19,428
Supplementary capital	663	778
<b>Total capital</b>	<b>22,379</b>	<b>20,206</b>
<b>Risk-weighted assets and contingent liabilities and commitments:</b>		
Total assets	27,318	57,608
Contingent liabilities and commitments	29,241	33,535
<b>Total risk-weighted assets and contingent liabilities and commitments</b>	<b>56,559</b>	<b>91,143</b>
<b>Capital adequacy ratio</b>	<b>39.6%</b>	<b>22.2%</b>

The core capital consists of paid-up capital, reserves and retained earnings (after deducting investment in any local bank or financial company) while supplementary capital consists of general provisions on performing debts with the percentage of 1% which should not exceed 2% of the risk weighted assets.

**7. Cash on Hand and Reserve Balances with Central Bank of Yemen**

This item consists of the following as of December 31:

	2015	2014
	YR 000s	YR 000s
Cash on hand and at ATM - local currency	3,665,840	8,508,014
Cash on hand and at ATM - foreign currency	3,144,987	4,345,261
	<b>6,810,827</b>	<b>12,853,275</b>
Mandatory reserve with CBY - local currency	14,691,083	19,694,173
Mandatory reserve with CBY - foreign currency	8,497,825	10,787,478
	<b>23,188,908</b>	<b>30,481,651</b>
	<b>29,999,735</b>	<b>43,334,926</b>

The mandatory reserve balances with CBY represent the minimum reserve requirements against customers' accounts in Yemeni Rial and foreign currencies (without interest). These funds are not available for the Group's daily business.

**8. Due from Banks**

This item consists of the following as of December 31:

	2015	2014
	YR 000s	YR 000s
<b>Central Bank of Yemen</b>		
Current accounts - local currency	5,204,132	4,989,440
Current accounts - foreign currency	136,043	1,077,174
	<b>5,340,175</b>	<b>6,066,614</b>
<b>Local banks</b>		
Current accounts - local currency	158	2,453
Current accounts - foreign currency	36	6,053
Short-term deposits - local currency	9,222,019	4,000,000
	<b>9,222,213</b>	<b>4,008,506</b>
<b>Foreign banks</b>		
Current accounts - local currency	832,034	784,304
Current accounts - foreign currency	2,479,372	15,974,450
Short-term deposits - foreign currency	71,979	1,722,460
	<b>3,383,385</b>	<b>18,481,214</b>
	<b>17,945,773</b>	<b>28,556,334</b>

Short-term deposits with foreign banks carry variable interest rates while current accounts with CBY, local and foreign banks do not carry any interest.

## 9. Loans, Advances and Islamic Financing Activities (Net)

### 9.1 Loans, advances and Islamic financing activities by type

This item consists of the following as of December 31:

	Note	2015 YR 000s	2014 YR 000s
<b>Trading &amp; Agricultural Loans and Advances</b>			
Overdraft		32,838,126	43,834,369
L/Cs financing		517,476	7,894,606
Loans to customers		28,202,459	26,305,588
Agricultural loans		472,065	306,466
		<b>62,030,126</b>	<b>78,341,029</b>
<b>Less:</b> Provision for loans and advances (trading & agricultural)	<b>(10.1-a)</b>	(16,552,561)	(13,807,501)
<b>Less:</b> Uncollected interest	<b>(11)</b>	(11,890,022)	(9,603,755)
		<b>33,587,543</b>	<b>54,929,773</b>
<b>Islamic financing activities balances</b>			
Murabaha transactions financing		1,738,377	5,103,058
Istisna'a transactions financing		2,660,299	574,653
Mudaraba investment contracts		-	745,635
Ijarah Muntahia Bittamleek		2,773,591	2,978,983
		<b>7,172,267</b>	<b>9,402,329</b>
<b>Less:</b> Provision for financing activities	<b>(10.1-b)</b>	(845,674)	(92,694)
<b>Less:</b> Uncollected revenue		(123,734)	(2,554)
<b>Less:</b> Deferred revenue		(248,102)	(160,002)
<b>Less:</b> Accumulated depreciation for Ijarah Muntahia Bittamleek		(1,403,449)	(967,048)
		<b>4,551,308</b>	<b>8,180,031</b>
		<b>38,138,851</b>	<b>63,109,804</b>

According to the Banks Law No. 38, of 1998, Article No. 85, and Income Tax Law No. 17, of 2010, Article No. 14, all provisions made in compliance with the Central Bank of Yemen instructions on loans, advances, and contingent liabilities are exempt from income tax.

Non-performing loans, advances and financing activities amounted to YR 17,674,111 thousand as at December 31, 2015 after deducting uncollected interest and revenue by amount of YR 12,013,756 thousand and balances secured by cash deposits by amount of YR 1,195,821 thousand. As at December 31, 2014, the non-performing loans, advances and financing activities amounted to YR 15,203,354 thousand after deducting uncollected interest and revenue by amount of YR 9,606,309 thousand and balances secured by cash deposits by amount of YR 1,165,257 thousand. The break-up of the above amount is as follows:

	2015 YR 000s	2014 YR 000s
Substandard loans, advances and financing activities	880,045	490,142
Doubtful loans, advances and financing activities	759,092	1,895,997
Bad loans, advances and financing activities	16,034,974	12,817,215
	<b>17,674,111</b>	<b>15,203,354</b>

### 9.2 Loans, advances and financing activities by sector

	2015					
	Overdraft YR 000s	L/C finance YR 000s	Loans to customers YR 000s	Agricultural loans YR 000s	Financing activities YR 000s	Total YR 000s
Agricultural	1,683,920	-	379,908	472,065	-	2,535,893
Trading	17,341,759	517,476	11,538,295	-	2,660,754	32,058,284
Industry	2,349,415	-	2,087,323	-	-	4,436,738
Service	3,412,198	-	802,422	-	-	4,214,620
Finance	305,364	-	-	-	-	305,364
Individuals and others	7,745,470	-	13,394,511	-	4,511,513	25,651,494
	<b>32,838,126</b>	<b>517,476</b>	<b>28,202,459</b>	<b>472,065</b>	<b>7,172,267</b>	<b>69,202,393</b>

	2014					
	Overdraft YR 000s	L/C finance YR 000s	Loans to customers YR 000s	Agricultural loans YR 000s	Financing activities YR 000s	Total YR 000s
Agricultural	1,643,111	-	898,490	306,466	-	2,848,067
Trading	26,254,313	6,445,427	11,329,226	-	5,318,834	49,347,800
Industry	6,459,369	762,954	1,883,632	-	-	9,105,955
Service	1,907,479	-	439,628	-	-	2,347,107
Finance	58,580	-	-	-	-	58,580
Individuals and others	7,511,517	686,225	11,754,612	-	4,083,495	24,035,849
	<b>43,834,369</b>	<b>7,894,606</b>	<b>26,305,588</b>	<b>306,466</b>	<b>9,402,329</b>	<b>87,743,358</b>

The amounts above are shown gross figures before subtracting the provision for loans, advances, financing activities, uncollected interest and revenue and deferred revenue.

**10. Provision for Loans, Advances and Financing Activities (Performing and Non-Performing)****10.1 Provision for loans, advances and financing activities by type****a Provision for trading and agricultural loans and advances**

	2015			2014		
	Specific YR 000s	General YR 000s	Total YR 000s	Specific YR 000s	General YR 000s	Total YR 000s
Balance at beginning of the year	13,694,685	112,816	13,807,501	12,740,853	71,613	12,812,466
Retranslation differences of provision in foreign currencies	(985)	-	(985)	(1,316)	-	(1,316)
<b>Add:</b> Provided during the year (Note 36)	2,994,156	-	2,994,156	1,293,616	41,203	1,334,819
<b>Less:</b> Used during the year	(153,203)	-	(153,203)	(338,468)	-	(338,468)
<b>Less:</b> Provision reversed	-	(94,908)	(94,908)	-	-	-
Transferred from general to specific Provision	(91,394)	91,394	-	-	-	-
<b>Balance at end of the year</b>	<b>16,443,259</b>	<b>109,302</b>	<b>16,552,561</b>	<b>13,694,685</b>	<b>112,816</b>	<b>13,807,501</b>

**b Provision for financing activities**

	2015			2014		
	Specific YR 000s	General YR 000s	Total YR 000s	Specific YR 000s	General YR 000s	Total YR 000s
Balance at beginning of the year	49,251	43,443	92,694	10,540	17,683	28,223
<b>Add:</b> provided during the year (Note 36)	603,589	149,391	752,980	38,711	25,760	64,471
	<b>652,840</b>	<b>192,834</b>	<b>845,674</b>	<b>49,251</b>	<b>43,443</b>	<b>92,694</b>

**10.2 Provision for loans, advances and financing activities by sector****a Provision for trading and agricultural loans and advances**

	2015			
	Corporate Lending YR 000s	Small Business Lending YR 000s	Residential Mortgage YR 000s	Total YR 000s
Balance at beginning of the year	10,699,596	3,106,824	1,081	13,807,501
Retranslation differences of provision in foreign currencies	(985)	-	-	(985)
<b>Add:</b> Provided during the year	2,871,640	122,516	-	2,994,156
<b>Less:</b> Used during the year	(150,188)	(3,015)	-	(153,203)
<b>Less:</b> Provision reversed	(94,908)	-	-	(94,908)
<b>Balance at end of the year</b>	<b>13,325,155</b>	<b>3,226,325</b>	<b>1,081</b>	<b>16,552,561</b>

	2014			
	Corporate Lending YR 000s	Small Business Lending YR 000s	Residential Mortgage YR 000s	Total YR 000s
Balance at beginning of the year	9,795,347	3,016,038	1,081	12,812,466
Retranslation differences of provision in foreign currencies	(1,316)	-	-	(1,316)
<b>Add:</b> Provided during the year	1,228,033	106,786	-	1,334,819
<b>Less:</b> Used during the year	(322,468)	(16,000)	-	(338,468)
<b>Balance at end of the year</b>	<b>10,699,596</b>	<b>3,106,824</b>	<b>1,081</b>	<b>13,807,501</b>

**b Provision for financing activities**

	2015			
	Corporate Lending YR 000s	Small Business Lending YR 000s	Residential Mortgage YR 000s	Total YR 000s
Balance at beginning of the year	59,676	33,018	-	92,694
<b>Add:</b> Provided during the year	518,915	234,065	-	752,980
<b>Balance at end of the year</b>	<b>578,591</b>	<b>267,083</b>	<b>-</b>	<b>845,674</b>

	2014			
	Corporate Lending YR 000s	Small Business Lending YR 000s	Residential Mortgage YR 000s	Total YR 000s
Balance at beginning of the year	17,414	10,809	-	28,223
<b>Add:</b> Provided during the year	42,262	22,209	-	64,471
<b>Balance at end of the year</b>	<b>59,676</b>	<b>33,018</b>	<b>-</b>	<b>92,694</b>

**11. Uncollected Interest**

This item consists of the following as of December 31:

	2015 YR 000s	2014 YR 000s
Balance at beginning of the year	9,603,755	8,936,975
Uncollected interest written off or collected during the year	(2,410,193)	(1,984,964)
Increase during the year	4,696,460	2,651,744
<b>Balance at end of the year</b>	<b>11,890,022</b>	<b>9,603,755</b>

Uncollected interest is interest on non-performing loans and advances, which is recognized as revenue only when collected in accordance with CBY regulations.

**12. Investment Securities**

This item consists of the following as of December 31:

	Note	2015 YR 000s	2014 YR 000s
<b>Held to maturity investments</b>			
Treasury bills (net)	<b>13</b>	245,019,097	318,822,068
Government bonds	<b>14</b>	4,460,866	4,460,866
		<b>249,479,963</b>	<b>323,282,934</b>
Available for sale investments	<b>15</b>	744,371	1,922,173
		<b>250,224,334</b>	<b>325,205,107</b>

**13. Treasury Bills (Net)**

This item consists of the following as of December 31:

	2015 YR 000s	2014 YR 000s
Treasury bills maturing within 90 days	178,494,580	190,237,160
Treasury bills maturing within 180 days	44,000,000	66,300,000
Treasury bills maturing within 360 days	33,700,000	76,000,000
	<b>256,194,580</b>	<b>332,537,160</b>
<b>Less: Unearned discount balance</b>	<b>(11,175,483)</b>	<b>(13,715,092)</b>
	<b>245,019,097</b>	<b>318,822,068</b>

The treasury bills carry an interest rate between 15.8% and 16.1% during the year 2015 (between 15.8% up to 16.1% during the year 2014). In accordance with the Central Bank of Yemen instructions, treasury bills which mature within a period not exceeding three months are considered as a part of cash and cash equivalents.

**14. Government Bonds**

	2015 YR 000s	2014 YR 000s
Government bonds (non-registered)	4,460,866	4,460,866
	<b>4,460,866</b>	<b>4,460,866</b>

In accordance with the Council of Ministers' Resolution No. (145) of 2006 dated April 11, 2006, Ministry of Finance should purchase the agricultural credit portfolio due to the Bank as at December 31, 2005 and according to the agreement reached between Ministry of Finance and the Bank, the Central Bank of Yemen, on behalf of the Ministry of Finance, issued government bonds maturing on April 11, 2016. According to the letter No. (180-130) dated May 10, 2016 sent by the Ministry of Finance to the Governor of the Central Bank of Yemen, these bonds have been extended for one year starting from April 11, 2016, These bonds earn interest at the average rate of three months of treasury bills and the CBY adjusts the interest to the group account every three months.

**15. Available for Sale Investments**

This item consists of the following as of December 31:

	2015 YR 000s	2014 YR 000s
<b>Financing investments – local</b>		
Asas Real Estate Company Limited	1,049,802	1,049,802
President Saleh Housing Project	852,401	852,401
Y-Telecom	430,043	430,043
Yemeni Financial Services	59,131	59,131
Yemen Company for Manufacturing Pumps	15,750	15,750
Dates Factory in Al Tahiti	11,834	11,834
Yemen Hotels Company	2,500	2,500
Yemen Company for Marketing Agricultural Products	1,350	1,350
Yemen British Investment Company	125	125
	<b>2,422,936</b>	<b>2,422,936</b>
<b>Financing investments - foreign</b>		
CAC International Bank - Djibouti	19,970	19,970
	<b>2,442,906</b>	<b>2,442,906</b>
<b>Less: Impairment for available for sale investments</b>	<b>15.1</b>	<b>(520,733)</b>
	<b>744,371</b>	<b>1,922,173</b>

**15.1 Impairment for available-for-sale investments**

	2015 YR 000s	2014 YR 000s
Balance at beginning of the year	520,733	520,733
<b>Add: impairment during the year</b>	<b>1,177,802</b>	<b>-</b>
<b>Balance at end of the year</b>	<b>1,698,535</b>	<b>520,733</b>

- All available for sale investments are unquoted financial investments. Due to the difficulty of obtaining a reliable estimate of fair value for these investments as there are no quoted market prices and future cash flows are not determinable, these investments are carried at cost.
- The Group recognized impairment for some available for sale investments because the Group did not receive any dividends from these investments during prior years and furthermore, no dividends are expected to be received in the coming years.
- All available for sale investments are non-classified by any international classification companies.



**16. Investment in Islamic Sukuk**

This item consists of the following as of December 31:

	2015			2014		
	Maturity Date	Number of Sukuk	Value of Sukuk YR 000s	Maturity Date	Number of Sukuk	Value of Sukuk YR 000s
Investment in Governmental Islamic Sukuk	March 27, 2017	1,000	667,000	March 31, 2017	1,000	1,000,000
Investment in Governmental Islamic Sukuk	Nov. 21, 2018	8,000	8,000,000	Nov, 21, 2018	8,000	8,000,000
Investment in Governmental Islamic Sukuk	August 19, 2017	1,000	1,000,000	-	-	-
Investment in Governmental Islamic Sukuk – restricted	Dec. 19, 2018	3,000	3,000,000	Dec, 19, 2018	3,000	3,000,000
Investment in Governmental Islamic Sukuk – restricted	August 19, 2017	2,000	2,000,000	-	-	-
		<b>15,000</b>	<b>14,667,000</b>		<b>12,000</b>	<b>12,000,000</b>

- The nominal value of Sukuk YR 1,000,000.
- Islamic governmental Sukuks are issued by Unit of the Islamic Sukuk at CBY.
- The Yemeni Government represented by the Ministry of Finance guarantees the Sukuk at the maturity dates and authorizes the Central Bank of Yemen to deduct such dues from the Ministry of Finance account with the Central Bank of Yemen at the maturity dates.
- The investment in the Islamic Sukuk - Restricted in investments of the Islamic Sukuk in favor of the Bank's customers.

**17. Investments in Associates**

	2015		2014	
	YR 000s	Share %	YR 000s	Share %
Mareb Poultry Company	472,363	27.32	464,404	27.32
CAC Insurance Company	160,625	21.00	154,545	21.00
	<b>632,988</b>		<b>618,949</b>	

The breakup of the above amount is as follows:

	2015	2014
	YR 000s	YR 000s
Balance at beginning of January1,	618,949	474,547
Net share in profit	14,039	146,662
Cash distributions received during the year	-	(760)
Derecognized Investments during the year	-	(1,500)
<b>Balance at December 31,</b>	<b>632,988</b>	<b>618,949</b>

The total of assets of Mareb Poultry Company and CAC Insurance Company amounted to YR 4,394,249 thousand and YR 2,295,951 thousand for the year 2014 respectively (Compared with YR 3,129,600 thousand and YR 1,561,844 thousand for the year 2013 respectively). Moreover, the total liabilities amounted to YR 2,665,249 thousand and YR 1,531,069 for the year 2014 thousand respectively (Compared with YR 1,429,736 thousand and YR 821,432 thousand for the year 2013 respectively). Each of Mareb Poultry Company and CAC Insurance Company has realized a net profit to amount to YR 39,287 thousand and YR 38,650 thousand for the year 2014 respectively (Compared with YR 505,640 thousand and YR 77,353 thousand for the year 2013 respectively) according to the last audited financial statements.

**18. Debit Balances and Other Assets, Net**

This item consists of the following as of December 31:

	Note	2015	2014
		YR 000s	YR 000s
Assets transferred to the Group's ownership		3,821,262	3,817,512
Accrued income and interest		582,361	202,099
Projects in process (advances)		410,776	503,566
Prepaid expenses		389,558	436,504
Advances to employees		184,373	184,444
Other debit balances		3,847,617	3,272,818
		<b>9,235,947</b>	<b>8,416,943</b>
<b>Less: Provision for doubtful debts</b>	<b>19</b>	(4,881,995)	(2,653,352)
		<b>4,353,952</b>	<b>5,763,591</b>

**19. Provision for Doubtful Debts**

This item consists of the following as of December 31:

	Note	2015	2014
		YR 000s	YR 000s
Balance at beginning of the year		2,653,352	1,299,223
<b>Add: Provision provided during the year</b>	<b>36</b>	2,253,883	1,357,612
<b>Less: Provision used during the year</b>		(24,905)	(3,033)
Retranslation differences of provision in foreign currencies		(335)	(450)
<b>Balance at end of the year</b>		<b>4,881,995</b>	<b>2,653,352</b>

## 20. Property and Equipment, Net

This item consists of the following as of December 31:

	2015									
	Balance at January 1, 2015	Addition during the year	Disposals during the year	Balance at December 31, 2015	Accumulated depreciation at January 1, 2015	Reclassification	Depreciation during the year	Disposals during the year	Accumulated depreciation at December 31, 2015	Net book value as at December 31, 2015
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
Land, Buildings and Constructions	1.056.570	-	-	1.056.570	244.784	(720)	22.389	-	266.453	790.117
Furniture and Equipment	5.165.532	446.912	(107.333)	5.505.111	3.485.022	2.413	467.624	(89.479)	3.865.580	1.639.531
Point of Sale and ATMs	1.485.685	47.083	-	1.532.768	1.277.464	170	86.754	-	1.364.388	168.380
Motor Vehicles	803.830	21.691	(6.233)	819.288	562.531	388	84.169	(2.732)	644.356	174.932
Leasehold Improvements	1.108.222	361.207	(10.608)	1.458.821	979.737	(2.251)	64.036	(10.606)	1.030.916	427.905
<b>Total</b>	<b>9.619.839</b>	<b>876.893</b>	<b>(124.174)</b>	<b>10.372.558</b>	<b>6.549.538</b>	<b>-</b>	<b>724.972</b>	<b>(102.817)</b>	<b>7.171.693</b>	<b>3.200.865</b>

	2014									
	Balance at January 1,	Addition during the year	Disposals during the year	Balance at December	Accumulated depreciation at January 1,	Depreciation during the year	Disposals during the year	Accumulated depreciation at December	Net book value as at December	
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	
Land, Buildings and Constructions	1,013,564	43,676	(670)	1,056,570	221,440	23,508	(164)	244,784	811,786	
Furniture and Equipment	4,395,858	814,763	(45,089)	5,165,532	3,086,861	438,007	(39,846)	3,485,022	1,680,510	
Point of Sale and ATMs	1,409,046	76,639	-	1,485,685	1,191,073	86,391	-	1,277,464	208,221	
Motor Vehicles	760,638	43,316	(124)	803,830	471,682	90,973	(124)	562,531	241,299	
Leasehold Improvements	1,119,119	7,500	(18,397)	1,108,222	894,995	101,051	(16,309)	979,737	128,485	
<b>Total</b>	<b>8,698,225</b>	<b>985,894</b>	<b>(64,280)</b>	<b>9,619,839</b>	<b>5,866,051</b>	<b>739,930</b>	<b>(56,443)</b>	<b>6,549,538</b>	<b>3,070,301</b>	

## 21. Due to Banks and Financial Institutions

This item consists of the following as of December 31:

	2015 YR 000s	2014 YR 000s
<b>Local banks</b>		
Current accounts - foreign currency	82,971	198
Current accounts - local currency	20,388	47,055
Time deposits - foreign currency	8,992,244	10,358,213
	<b>9,095,603</b>	<b>10,405,466</b>
<b>Foreign banks</b>		
Current accounts - foreign currency	835,491	30,679
Current accounts - local currency	896	117,961
Time deposits - local currency	3,829,182	10,770,599
	<b>4,665,569</b>	<b>10,919,239</b>
<b>Foreign financial institutions</b>		
Current accounts - foreign currency	318,729	46,243
Current accounts - local currency	1,907	3,363
	<b>320,636</b>	<b>49,606</b>
	<b>14,081,808</b>	<b>21,374,311</b>

Current accounts and time deposits, which are due to banks carry variable interest rates.

## 22. Customers' Deposits

### a Customers' deposits by type

This item consists of the following as of December 31:

	2015 YR 000s	2014 YR 000s
Time deposits	150,198,088	236,288,410
Current and demand accounts	121,627,791	146,909,707
Margins of LCs and LGs	20,768,673	13,865,354
Saving accounts	10,035,489	11,463,092
Time deposits - restricted	5,000,000	3,000,000
Other deposits	1,947,728	12,882,476
	<b>309,577,769</b>	<b>424,409,039</b>

As at December 31, 2015 customer deposits include YR 26,378 million of margins held for direct and indirect facilities (YR 42,239 million as at December 31, 2014).

### b Customers' deposits by sector

This item consists of the following as of December 31:

	2015 YR 000s	2014 YR 000s
Corporations	99,337,136	154,822,865
Individuals	105,247,018	111,841,249
Public and mixed sectors	82,277,214	134,947,071
Others	22,716,401	22,797,854
	<b>309,577,769</b>	<b>424,409,039</b>

## 23. Long Term Loans

This item consists of the following as of December 31:

	Notes	2015 YR 000s	2014 YR 000s
Tehama Development Project - III	23.1	5,271	5,271
Raimah Development Project	23.2	5,094	6,793
Mahra Rural Development Project	23.3	59,699	61,594
Agricultural and Fisheries Production Promotion Fund	23.4	-	30,000
Arab Fund for Economic and Social Development	23.5	2,686,124	2,686,124
		<b>2,756,188</b>	<b>2,789,782</b>

### 23.1 Tehama Development Project - III

On April 16, 1980, the government received a loan from Reconstruction Credit Institution of Germany to activate the agricultural loans activities in the Tehama Development Project matures on April 16, 2009. The Group is executing the project through an agreement with the Ministry of Agriculture.

### 23.2 Raimah Development Project

On December 15, 1997, the government received a loan from International Fund for Agricultural Development (IFAD) to activate the agricultural loans activities in the Raimah Development Project matures on July 1, 2027. The Group is executing the project through an agreement with the Ministry of Finance.

### 23.3 Mahra Rural Development Project

On November 11, 1999, the government received a loan from International Fund for Agricultural Development (IFAD) to activate the agricultural loans activities in the Mahra Development Project matures on June 1, 2034. The Group is executing the project through an agreement with the Ministry of Finance.

### 23.4 Agricultural and Fishery Production Promotion Fund

On November 11, 1999, the government received a loan from International Fund for Agricultural Development (IFAD) to activate the agricultural loans activities of Agricultural and Fishery Production Promotion Fund in the rural areas of Al – Mahra matures on June 3, 2015. The Group is executing the project through an agreement with the Ministry of Finance.

### 23.5 Arab Fund for Economic and Social Development

On October 22, 2014, the government received the first installment of the loan from the Arab Fund for Economic and Social Development in Kuwait in the amount of USD 12.5 million from a total loan of USD 50 million to finance the small and medium enterprises in the agricultural and fisheries field mature in January 28, 2026. The Group is executing the project through an agreement with the Ministry of Planning and International Cooperation.

## 24. Credit Balances and Other Liabilities

This item consists of the following as of December 31:

	Note	2015 YR 000s	2014 YR 000s
Accrued interest payable		1,654,868	2,542,617
Income taxes for the year	24.1	1,173,066	1,311,893
Accrued expenses		538,780	907,519
Salary tax payable		96,075	20,569
Unearned income		48,907	68,320
Income tax for previous year		21,622	20,383
Other credit balances		5,311,418	4,431,746
		<b>8,844,736</b>	<b>9,303,047</b>

### 24.1 Income taxes for the year

This item consists of the following as of December 31:

	Note	2015 YR 000s	2014 YR 000s
Income taxes for the year		1,311,893	1,597,825
Less: Paid during the year		(1,310,944)	(1,597,825)
Add: Provided during the year		1,172,117	1,311,893
Balance at end of the year	46	<b>1,173,066</b>	<b>1,311,893</b>

## 25. Other Provisions

This item consists of the following as of December 31:

	Balance at Jan. 1, 2015 YR 000s	Retranslation Differences of provision in foreign currencies YR 000s	2015 Provided during the year YR 000s	Used during year YR 000s	Reversed provision YR 000s	Balance at Dec. 31, 2015 YR 000s
Provisions for contingent liabilities	622,120	(1,902)	-	-	(259,604)	360,614
Provisions for contingent claims	3,577,303	-	169,959	(2,139,708)	-	1,607,554
	<b>4,199,423</b>	<b>(1,902)</b>	<b>169,959</b>	<b>(2,139,708)</b>	<b>(259,604)</b>	<b>1,968,168</b>

	Balance at Jan. 1, 2014 YR 000s	Retranslation Differences of provision in foreign currencies YR 000s	2014 Provided during the year YR 000s	Used during year YR 000s	Reversed provision YR 000s	Balance at Dec. 31, 2014 YR 000s
Provisions for contingent liabilities	385,000	(1,643)	238,763	-	-	622,120
Provisions for contingent claims	2,105,000	-	1,638,564	(166,261)	-	3,577,303
	<b>2,490,000</b>	<b>(1,643)</b>	<b>1,877,327</b>	<b>(166,261)</b>	<b>-</b>	<b>4,199,423</b>

Provision for contingent liabilities is calculated at 1% on the total contingent liabilities after deducting balances secured by deposits and guarantees issued by high credit rated banks.

## 26. Shareholders' Equity

### 26.1 Share capital

As at December 31, 2015, the share capital represents amounts of YR 17 billion (December 31, 2014: YR 14.9 billion) divided into 17 million shares of YR 1,000 par value according to the Board of Directors meeting held on August 4, 2015 regarding to increase the capital by amount of YR 2,100,000 thousand (bonus shares).

The break-up of the above amount is as follows:

	2015		
	Number of Shares	Percentage of holding %	Value of Shares YR 000s
Agricultural Promotion Fund	6,885,000	40.50	6,885,000
Government represented by the Ministry of Finance	5,749,400	33.82	5,749,400
Civil Aviation and Metrology Authority	4,250,000	25.00	4,250,000
General Confederation of Agriculture	115,600	0.68	115,600
	<b>17,000,000</b>	<b>100</b>	<b>17,000,000</b>

	2014		
	Number of Shares	Percentage of holding %	Value of Shares YR 000s
Agricultural Promotion Fund	6,034,500	40.50	6,034,500
Government represented by the Ministry of Finance	5,039,180	33.82	5,039,180
Civil Aviation and Metrology Authority	3,725,000	25.00	3,725,000
General Confederation of Agriculture	101,320	0.68	101,320
	<b>14,900,000</b>	<b>100</b>	<b>14,900,000</b>

### 26.2 Statutory Reserve

- In accordance with the provisions of the Banks Law No. (38) of 1998, 15% of the net profit for the year is transferred to statutory reserve until the balance of this reserve reaches twice the capital. The Group cannot use this reserve without the prior approval of the Central Bank of Yemen.
- Capital will be increased by the proceeds from the par value of the issued shares, and in case the shares were issued with a premium amount over the par value, the net increase will be included in statutory reserve, in accordance with Law No. (22) of 1997 regarding the commercial companies in the Republic of Yemen.
- Statutory reserve comprises an amount of YR 500 Million thousand in the form of premium in excess of par value during the year 2008.

## 27. Contingent Liabilities and Commitments, Net

	2015		
	Gross Commitments YR 000s	Margin Held YR 000s	Net Commitments YR 000s
Letters of credit	10,887,186	(2,361,999)	8,525,187
Letters of guarantee - customers	33,950,859	(6,414,602)	27,536,257
	<b>44,838,045</b>	<b>(8,776,601)</b>	<b>36,061,444</b>

	2014		
	Gross Commitments YR 000s	Margin Held YR 000s	Net Commitments YR 000s
Letters of credit	29,051,078	(3,748,984)	25,302,094
Letters of guarantee - customers	48,354,512	(10,116,370)	38,238,142
	<b>77,405,590</b>	<b>(13,865,354)</b>	<b>63,540,236</b>

## 28. Interest Income

This item consists of the following for the year ended December 31:

	2015	2014
	YR 000s	YR 000s
Interest on treasury bills	41,288,732	47,552,834
Interest on loans and advances to customers	5,353,136	5,330,604
Interest on due from banks	1,194,906	153,921
Interest on Government Bonds	718,089	716,089
	<b>48,554,863</b>	<b>53,753,448</b>

## 29. Interest Expense

This item consists of the following for the year ended December 31:

	2015	2014
	YR 000s	YR 000s
<b>Interest on customers' deposits:</b>		
Interest on time deposits	22,532,072	29,605,559
Interest on saving accounts and current accounts	1,328,573	1,651,531
	<b>23,860,645</b>	<b>31,257,090</b>
<b>Interest on balances due to banks:</b>		
Interest paid to banks	2,080,171	2,152,428
Interest paid to long term loans	54,021	10,446
	<b>2,134,192</b>	<b>2,162,874</b>
	<b>25,994,837</b>	<b>33,419,964</b>

**30. Islamic Financing and Investment Activities Income**

This item consists of the following for the year ended December 31:

	2015 YR 000s	2014 YR 000s
Income from Islamic Sukuk	870,868	843,880
Income from financing Murabaha transactions	247,047	352,547
Income from Ijarah Muntahia Bittamleek	118,543	154,629
Income from Istisna'a transaction	64,694	45,764
Income from Mudaraba investment contracts	-	28,864
	<b>1,301,152</b>	<b>1,425,684</b>

**32. Return of Unrestricted Investments and Saving Accounts Holders**

The investment return allocated between shareholders and customers is based on the percentage of their contribution weighted by numbers. This allocation is proposed by the budget committee which calculates investments in local and foreign currencies and their related numbers and contribution and approved by the Board of Directors. The return ratios are as follows:

	2015		2014	
	Local Currency %	Foreign Currencies %	Local Currency %	Foreign Currencies %
Investment deposits	7.74 %	3.05 %	10.07 %	5.12 %
Saving accounts	4.40 %	1.73 %	5.00 %	2.7 %

**32. Fee and Commission Income**

This item consists of the following for the year ended December 31:

	2015 YR 000s	2014 YR 000s
Commissions on letters of credit	762,788	368,605
Commissions on letters of guarantee	276,365	715,173
Commissions on transfer of funds	166,686	245,692
Other banking service charges	666,314	931,324
	<b>1,872,153</b>	<b>2,260,794</b>

**33. Loss from Foreign Currency Transactions**

This item consists of the following for the year ended December 31:

	2015 YR 000s	2014 YR 000s
Gain (loss) from foreign currencies transactions	412,334	(137,108)
(Loss) Gain from retranslation of foreign currencies	(515,255)	108,748
	<b>(102,921)</b>	<b>(28,360)</b>

**34. Income From Investment Securities**

This item consists of the following for the year ended December 31:

	2015 YR 000s	2014 YR 000s
Income from available for sale investments	3,055	11,566
Income from investments in associates	14,039	146,662
	<b>17,094</b>	<b>158,228</b>

**35. Other Operating Income**

This item consists of the following for the year ended December 31:

	2015 YR 000s	2014 YR 000s
Provision reversed	354,512	-
Income from owned properties rental	2,408	3,876
Others	27,082	5,595
	<b>384,002</b>	<b>9,471</b>

**36. Provisions**

This item consists of the following for the year ended December 31:

	Note	2015 YR 000s	2014 YR 000s
Provision for loans and advances	(10.1-a)	2,994,156	1,334,819
Provision for financing activities	(10.1-b)	752,980	64,471
Provision for doubtful debts	19	2,253,883	1,357,612
Other provisions	25	169,959	1,877,327
		<b>6,170,978</b>	<b>4,634,229</b>

**37. Staff Cost**

This item consists of the following for the year ended December 31:

	2015 YR 000s	2014 YR 000s
Salaries, allowances and incentives	8,600,233	8,055,031
Medical insurance	490,316	274,917
Social security	253,525	231,455
Others	4,314	19,631
	<b>9,348,388</b>	<b>8,581,034</b>

**38. Other Expenses**

This item consists of the following for the year ended December 31:

	2015 YR 000s	2014 YR 000s
Travelling and transportation	563,004	816,962
Operating leases	556,439	529,994
Advertisement and publicity	479,062	841,998
Zakat expenses	421,108	366,248
Maintenance and repairs	420,990	420,090
Security and guarding	376,271	335,156
Transportation and post office	353,397	488,151
Fees and licenses	253,183	197,117
Communications	227,634	401,944
Insurance expenses	167,427	365,416
Utilities	141,853	173,831
Stationery and printing supplies	121,555	138,880
Training expenses	65,244	134,341
Consultancy and professional fees	48,190	209,488
Other expenses	573,348	487,171
	<b>4,768,705</b>	<b>5,906,787</b>

**39. Earnings Per Share**

This item consists of the following as of December 31:

	2015	2014
Net profit for the year (YR thousand)	2,351,419	2,430,402
Weighted average number of shares (Thousand shares)	17,000	14,900
<b>Earnings Per Share (YR)</b>	<b>138</b>	<b>163</b>
<b>The weighted average number of shares have been calculated as follows:</b>		
	<b>Thousand Shares</b>	<b>Thousand Shares</b>
Number of shares at the beginning of the year	14,900	11,900
Effect of bonus shares during the year	2,100	3,000
	<b>17,000</b>	<b>14,900</b>

**40. Maturities of Assets and Liabilities**

The following table shows the maturity of assets and liabilities as at December 31, 2015:

	2015				Total YR 000s
	Due within 3 months YR 000s	Due within 3 to 6 months YR 000s	Due within 6 months to 1 year YR 000s	Due over 1 year YR 000s	
<b>Assets</b>					
Cash on hand & reserve balances with CBY	29,999,735	-	-	-	29,999,735
Due from banks	15,373,794	71,979	2,500,000	-	17,945,773
Loans, advances and financing activities, net	29,163,898	3,445,778	3,001,235	2,527,940	38,138,851
Investments securities	190,369,021	37,292,742	21,818,200	744,371	250,224,334
Investment in Islamic Sukuk	-	-	-	14,667,000	14,667,000
Investments in associates	-	-	-	632,988	632,988
Debit balances and other assets	2,721,846	-	-	4,832,971	7,554,817
	<b>267,628,294</b>	<b>40,810,499</b>	<b>27,319,435</b>	<b>23,405,270</b>	<b>359,163,498</b>
<b>Liabilities</b>					
Due to banks and financial institutions	14,081,808	-	-	-	14,081,808
Customers' deposits	297,902,578	247,206	8,388	11,419,597	309,577,769
Long-term loans	-	-	-	2,756,188	2,756,188
Other liabilities and equity	5,129,326	-	-	27,618,407	32,747,733
	<b>317,113,712</b>	<b>247,206</b>	<b>8,388</b>	<b>41,794,192</b>	<b>359,163,498</b>
<b>Net</b>	<b>(49,485,418)</b>	<b>40,563,293</b>	<b>27,311,047</b>	<b>(18,388,922)</b>	<b>-</b>

The following table shows the maturity of assets and liabilities as at December 31, 2014:

	2014				Total YR 000s
	Due within 3 months YR 000s	Due within 3 to 6 months YR 000s	Due within 6 months to 1 year YR 000s	Due over 1 year YR 000s	
<b>Assets</b>					
Cash on hand & reserve balances with CBY	43,334,926	-	-	-	43,334,926
Due from banks	28,270,584	-	285,750	-	28,556,334
Loans, advances and financing activities, net	40,461,973	5,532,900	10,333,230	6,781,701	63,109,804
Investments securities	230,282,539	55,461,009	33,078,520	6,383,039	325,205,107
Investment in Islamic Sukuk	-	-	-	12,000,000	12,000,000
Investments in associates	-	-	-	618,949	618,949
Debit balances and other assets	-	-	-	8,833,892	8,833,892
	<b>342,350,022</b>	<b>60,993,909</b>	<b>43,697,500</b>	<b>34,617,581</b>	<b>481,659,012</b>
<b>Liabilities</b>					
Due to banks and financial institutions	21,374,311	-	-	-	21,374,311
Customers' deposits	417,440,965	2,014,978	1,953,096	3,000,000	424,409,039
Long-term loans	-	-	-	2,789,782	2,789,782
Other liabilities and equity	-	-	-	33,085,880	33,085,880
	<b>438,815,276</b>	<b>2,014,978</b>	<b>1,953,096</b>	<b>38,875,662</b>	<b>481,659,012</b>
<b>Net</b>	<b>(96,465,254)</b>	<b>58,978,931</b>	<b>41,744,404</b>	<b>(4,258,081)</b>	<b>-</b>

**41. Average Interest Rates Applied During the Year**

Average interest rates on assets and liabilities during the year compared with the last year are as follows

	2015			
	Saudi Rial %	Yemeni Rial %	US Dollar %	Euro %
<b>Assets</b>				
Due from banks - time deposits	0.25	15.37	-	-
Treasury bills - held to maturity	-	16.04	-	-
Government bonds	-	16.10	-	-
Loans to customers	7.94	22	10	12
Agricultural loans	-	6	-	-
Overdrafts	-	25	12	12
<b>Liabilities</b>				
Customers - time deposits	-	15	3.77	-
Saving accounts	2	15	2	2
Banks - time deposits	-	15.37	4.5	-
Long term loans	-	2.6	2	-

	2014			
	Saudi Rial %	Yemeni Rial %	US Dollar %	Euro %
<b>Assets</b>				
Due from banks - time deposits	0.25	-	-	0.55
Treasury bills - held to maturity	-	15.98	-	-
Government bonds	-	16.05	-	-
Loans to customers	0.10	22	8.5	-
Agricultural loans	-	11	-	-
Overdrafts	-	25	12	12
<b>Liabilities</b>				
Customers - time deposits	-	15	4.08	-
Saving accounts	0.2	15	2	2
Banks - time deposits	-	15.1	4.49	-
Long term loans	-	-	2	-

**42. Distribution of Assets, Liabilities, Contingent Liabilities and Commitments based on Economic Sectors**

	2015							
	Manufacturing YR 000s	Agriculture YR 000s	Trade YR 000s	Building and Construction YR 000s	Finance YR 000s	Tourism YR 000s	Others YR 000s	Total YR 000s
<b>Assets</b>								
Cash on hand and reserve balances with Central Bank of Yemen	-	-	-	-	29,999,735	-	-	29,999,735
Due from banks	-	-	-	-	17,945,773	-	-	17,945,773
Loans, advances and financing activities (net)	443,709	1,373,519	23,512,615	585,760	277,905	44,476	11,900,867	38,138,851
Investments securities	-	-	-	744,371	245,019,097	-	4,460,866	250,224,334
Investments in Islamic Sukuk	-	-	-	-	14,667,000	-	-	14,667,000
Investments in associates	-	472,363	-	-	160,625	-	-	632,988
<b>Liabilities</b>								
Due to banks and financial institutions	-	-	-	-	14,081,808	-	-	14,081,808
Customers' deposits	15,615,902	7,882,396	125,237,962	17,220,188	6,797,159	705,814	136,118,348	309,577,769
Long-term loans	-	-	-	-	2,756,188	-	-	2,756,188
Contingent liabilities and commitments, net	4,050,089	711,594	15,931,630	8,673,968	5,000,604	765,770	927,789	36,061,444

	2014							
	Manufacturing	Agriculture	Trade	Building and Construction	Finance	Tourism	Others	Total
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
<b>Assets</b>								
Cash on hand and reserve balances with Central Bank of Yemen	-	-	-	-	43,334,926	-	-	43,334,926
Due from banks	-	-	-	-	28,556,334	-	-	28,556,334
Loans, advances and financing activities, net	6,982,085	2,276,780	39,940,903	2,800,692	64,676	260,321	10,784,347	63,109,804
Investments securities	-	-	-	1,902,202	318,842,039	-	4,460,866	325,205,107
Investments in Islamic Sukuk	-	-	-	-	12,000,000	-	-	12,000,000
Investments in associates	-	464,404	-	-	154,545	-	-	618,949
<b>Liabilities</b>								
Due to banks and financial institutions	-	-	-	-	21,374,311	-	-	21,374,311
Customers' deposits	57,815,561	10,506,357	198,194,366	22,719,834	8,678,031	1,449,925	125,044,965	424,409,039
Long-term loans	-	-	-	-	2,789,782	-	-	2,789,782
Contingent liabilities and commitments, net	9,500,020	4,290,556	32,114,444	13,507,734	322,405	781,499	3,023,578	63,540,236

## 43. Distribution of Assets, Liabilities, Contingent Liabilities and Commitments based on Geographical Locations

	2015					
	Republic of Yemen	America	Europe	Asia	Africa	Total
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
<b>Assets</b>						
Cash on hand and reserve balances with CBY	29,999,735	-	-	-	-	29,999,735
Due from banks	14,815,096	21,605	247,910	2,847,630	13,532	17,945,773
Loans, advances and financing activities, net	38,138,851	-	-	-	-	38,138,851
Investments securities	250,224,334	-	-	-	-	250,224,334
Investments in Islamic Sukuk	14,667,000	-	-	-	-	14,667,000
Investments in associates	613,018	-	-	-	19,970	632,988
<b>Liabilities</b>						
Due to banks and financial institutions	9,414,114	-	349,946	247,029	4,070,719	14,081,808
Customers' deposits	309,577,769	-	-	-	-	309,577,769
Long-term loans	2,756,188	-	-	-	-	2,756,188
Contingent liabilities and commitments, net	28,412,343	-	320,270	7,328,831	-	36,061,444

	2014					
	Republic of Yemen	America	Europe	Asia	Africa	Total
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
<b>Assets</b>						
Cash on hand and reserve balances with CBY	43,334,926	-	-	-	-	43,334,926
Due from banks	10,072,000	7,744,167	3,726,219	3,084,212	3,929,736	28,556,334
Loans, advances and financing activities, net	63,109,804	-	-	-	-	63,109,804
Investments securities	325,205,107	-	-	-	-	325,205,107
Investments in Islamic Sukuk	12,000,000	-	-	-	-	12,000,000
Investments in associates	598,979	-	-	-	19,970	618,949
<b>Liabilities</b>						
Due to banks and financial institutions	10,460,787	-	-	130,333	10,783,191	21,374,311
Customers' deposits	424,409,039	-	-	-	-	424,409,039
Long-term loans	103,657	-	-	-	2,686,125	2,789,782
Contingent liabilities and commitments, net	38,834,966	320,490	3,106,408	21,066,340	212,032	63,540,236



#### 44. Significant Foreign Currencies' Positions

To comply with CBY circular No. 6 of 1998, the Group establishes limits for positions in individual foreign currencies as well as an aggregate limit for all currencies. These limits are 15% and 25% of total capital and reserves respectively. The following schedule shows the Group's significant foreign currency positions at the financial statements date:

	2015		2014	
	Surplus (deficit) YR 000s	% of capital & reserves	Surplus (deficit) YR 000s	% of capital & reserves
Sterling Pound	(143,118)	%(1)	(81,308)	-
Others	(616,344)	%(3)	195,613	%1
Euro	(2,048,982)	%(9)	44,357	-
Saudi Rial	(3,302,432)	%(15)	(1,447,753)	%(8)
US Dollar	(64,600,795)	%(295)	(64,756,665)	%(370)
<b>Net (deficit)</b>	<b>(70,711,671)</b>	<b>%(323)</b>	<b>(66,045,756)</b>	<b>%(377)</b>

The US Dollar exchange rate as at December 31, 2015 was YR 214.89 (as at December 31, 2014: US Dollar exchange rate was YR 214.89).

#### 45. Transactions with Related Parties

Parties are considered to be related if the party has the ability to control or exercise significant influence over the Group's operating and financial decisions.

The Group deals with related parties on the same basis applied to third parties in accordance with the Banks Law as implemented by CBY circular No. 4 of 1999, which limits credit transactions with related parties and requires that the Group applies the same terms and conditions that are applied with non-related parties.

The nature of the Group's activities requires dealing with certain shareholders, members of the Board of Directors and companies owned by them. These transactions consist of obtaining loans and advances, issuing letters of credit and letters of guarantee and other various transactions conducted as part of the Group's normal activities.

	2015 YR 000s	2014 YR 000s
Loans, advances and Islamic financing activities (net)	79,015	358,538
Current accounts and time deposits	1,176,403	766,803
Long term loans	-	-
Commissions and interest received	225	2,661
Interest paid	10,293	4,669
Salaries and benefits	233,814	240,801

#### 46. Tax Status

- Up to December 31, 2009, the Bank is not subject to commercial and industrial profit tax and income tax, in accordance with Article (21) of Law no. (39) of 1982 concerning the establishment of the Bank, Income Tax Law No. (31) of 1991 and its subsequent amendments by Republican Decree No. (12) of 1999 and the provisions of Article No. (85) of Law No. (38) of 1998 concerning banks.
- Corporate and salary tax have been cleared up to the year 2010.
- The Group has submitted the tax declaration for the year 2011 within the deadline and paid the tax amount due. The Group was notified of differences in the corporate tax amounting to YR 375,613 thousand (after deducting the taxes paid) and YR 247,649 thousand for salary tax, according to the form No (3). The Group present an appeal on this assessment to the Tax Appeal Committee (TAC), which has issued its decision to amend the difference of corporate tax to YR 64,880 thousand and the difference of salary tax to YR 74,829 thousand. However the Tax Authority has objected to the decision issued by the TAC and accordingly resorted to the Primary Tax Court. During the consideration of the case in front of the Primary Tax Court, both parties agreed to solve the issue and a conciliation award was signed on November 16, 2015, in which the due commercial and industrial profit tax has been determined with an amount of 389,371 thousand, differences in commercial and industrial profit tax amounting of 80,718 thousand, salary tax amounting of 540,518 thousand and differences in salary tax amounting to 74,829 thousand and these amounts have been paid during the year.
- The Group has submitted the tax declaration for the year 2012 and paid the amount due within the legal deadline. The Group was notified of differences in the commercial and industrial profit tax amounting to YR 1,535,315 thousand (after deducting the taxes paid) and YR 262,778 thousand for salary tax, according to the form No (3). The Group present an appeal on this assessment to the Major Taxpayers Committee but no decision has been taken by the committee up to date. The Group does not expect the presence of any potential liabilities against this additional assessment.
- The Group has submitted the tax declaration for the year 2013 and paid the amount due within the legal deadline. The Tax Authority has not performed any review for the year 2013 nor has the Group received any additional tax notifications till now.
- The Group has submitted the tax declaration for the year 2014 and paid the amount due within the legal deadline. The Tax Authority has not performed any review for the year 2013 nor has the Group received any additional tax notifications till now.
- Salary tax has been finalized up to the year 2008, 2010 and 2011.
- The Group has paid the salary tax for the years 2009, 2012, 2013 and 2014 based on the monthly declarations. The Group was notified of an additional tax assessment for the year 2012 with an amount of YR 262,778 thousand and the Group present an appeal on this assessment to the Major Taxpayers Committee but no decision has been taken by the committee up to date. Regarding the Salary tax for the year 2013 and 2014, the Tax Authority has not performed any review nor has the Group received any additional tax notifications till now.

#### 47. Zakat

- The Group submits its Zakat declaration annually and remits the amount due based on the declaration.
- The Group has paid the Zakat up to the end of 2013 according to the Zakat declaration. No additional assessment notifications has been issued by the Zakat Department.
- The Group has paid the Zakat up to the end of 2014 according to the Zakat declaration. No additional assessment notifications has been issued by the Zakat Department.

## 48. Contingent Liabilities

The Group has filed a number of legal cases before the Public Fund Court and the Commercial Court against third parties, and management has provided for the necessary provisions for these cases. Also, there are legal cases filed against the Group at the respective courts, and the Group's management believes that there are no obligations on those cases.

## 49. Operating Lease

The total amount of future minimum lease payment under non-cancellable operating lease is as follows:

	2015 YR 000s	2014 YR 000s
Not later than one year	125,757	38,388
Later than one year and not later than five years	22,544	63,047
Later than five years	2,915	1,000
<b>Total</b>	<b>151,216</b>	<b>102,435</b>

## 50. Comparative Figures

Some comparative figures were reclassified to conform with this financial statements classification for more appropriate presentation. The reclassifications do not impact the previously reported net profit or equity.

## 51. Subsequent Events

Due to the political crisis, economic situation and security events in the Republic of Yemen during the year 2015 and its continuation in the year 2016, it is difficult for management to predict the effects of these events until the issuance date of the consolidated financial statements for the 2015 except the mentioned in the following paragraph. The management confirms that it will study the bank effects of this crisis in the short term and make the necessary precautions to ensure continuity.

On April 3, 2016, the Central Bank of Yemen has amended the Foreign Exchange rate of the Yemeni Riyal; accordingly, The Bank's Management has studied the impact of this amendment on the balances in foreign currencies as at April 30, 2016, the following are the realized impacts (profit or loss) by each type of currency:

	Exchange rate			Impact profit (loss) YR 000s
	December 31, 2015	April 30, 2016	Change	
Emirates Dirham	58.52	68.14	9.62	(87,998.90)
Chinese Yuan Renminbi	33.10	38.59	5.49	698.00
Euro	234.91	283.69	48.78	115,920.24
Pound Sterling	318.61	364.12	45.51	517.27
Japanese Yen	1.79	2.30	0.51	19.15
Saudi Rial	57.15	66.73	9.58	(445,836.96)
US Dollar	214.89	250.25	35.36	(9,811,916.85)
<b>Total</b>				<b>(10,228,598.05)</b>

However, the Bank's Management assumes that will take the appropriate actions to minimize any negative impact of these changes.

## 52. The Separate Financial Statements for CAC Bank - Parent company

### 1 Statement of Financial Position

	Dec. 31, 2015 YR 000s	Dec. 31, 2014 YR 000s
<b>Assets</b>		
Cash on hand and reserve balances with Central Bank of Yemen	29,999,735	43,334,926
Due from banks	17,945,773	28,556,335
Loans, advances and financing activities, net	38,138,851	63,109,804
Investments securities	250,224,334	325,205,107
Investments in Islamic Sukuk	14,667,000	12,000,000
Investments in associates	632,988	618,949
Investments in subsidiaries	10,000	10,000
Debit balances and other assets, net	4,386,103	5,802,076
Property and equipment, net	3,178,327	3,035,888
<b>Total assets</b>	<b>359,183,111</b>	<b>481,673,085</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Due to banks and financial institutions	14,081,808	21,374,311
Customers' deposits	309,661,436	424,530,458
Long-term loans	2,756,188	2,789,782
Credit balances and other liabilities	7,457,415	9,210,088
Other provisions	3,085,632	4,194,423
<b>Total Liabilities</b>	<b>337,042,479</b>	<b>462,099,062</b>
<b>Equity</b>		
Share capital	17,000,000	14,900,000
Statutory reserve	2,887,060	2,532,615
General reserve	47,151	77,080
Retained earnings	2,206,421	2,064,328
<b>Total Equity</b>	<b>22,140,632</b>	<b>19,574,023</b>
<b>Total liabilities and equity</b>	<b>359,183,111</b>	<b>481,673,085</b>
<b>Contingent liabilities and commitments, net</b>	<b>36,061,444</b>	<b>63,540,236</b>

**Separate Financial Statements for CAC Bank - Parent company (Continued)****2 Statement of Profit or Loss and Other Comprehensive Income for the years ended December 31,**



	2015 YR 000s	2014 YR 000s
Interests income	48,561,883	53,754,636
Less: interests expense	(26,054,318)	(33,440,065)
<b>Net interests income</b>	<b>22,507,565</b>	<b>20,314,571</b>
Islamic financing and investments activities income	1,301,152	1,425,684
Less: Return of unrestricted investment and saving accounts holders	(317,125)	(555,026)
<b>Net income from Islamic financing and investment Activities</b>	<b>984,027</b>	<b>870,658</b>
<b>Net income from interests and Islamic financing and investments activities</b>	<b>23,491,592</b>	<b>21,185,229</b>
Fees and commission income	1,919,008	2,260,794
Loss from foreign currency transactions	(102,921)	(28,360)
Income from investment in securities	17,094	158,228
Other operating income	372,949	3,877
<b>Net operating income</b>	<b>25,697,722</b>	<b>23,579,768</b>
Less: Impairment loss on investments securities	(1,177,802)	-
Less: Provisions	(6,151,837)	(4,632,214)
Less: Staff cost	(8,266,152)	(7,840,574)
Less: Depreciation of property and equipment	(716,835)	(732,310)
Less: Other expenses	(5,653,845)	(6,635,105)
<b>Net profit for the year before income tax</b>	<b>3,731,251</b>	<b>3,739,565</b>
Less: Income tax for the year	(1,172,117)	(1,310,944)
<b>Net profit for the year after tax</b>	<b>2,559,134</b>	<b>2,428,621</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>2,559,134</b>	<b>2,428,621</b>
<b>Earnings per share</b>	<b>151 YR</b>	<b>163 YR</b>



بنك التسليف التعاوني والزراعي  
Cooperative & Agricultural Credit Bank

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Branches   
 Offices 

## Cac Bank Branches & offices

### Sana'a

Branches & Offices	Phone	Fax	Address
Sanaa Branch	01 220 110	01 220 112	Alqiada Street
ArdHemyar (Office)	01 387119	01 384 985	Madhbah Office
Airport (Office)	01 348 271	01 348 272	Sana'a Intr'l Arpt
Haddah (Branch)	01 428 370	01 428 361	Hadda Street
Alzubairi (Branch)	01 538 801	01 538 832	Alzubairi Street
Movenpick (Office)	01 545868	01 545869	Movenpick HTL
Dhahban (Office)	01 337996	01 337887	60 North Street
14 October (Branch)	01 634 551	01 634 234	Taiz Street
Babassalam (Office)	01 627 230	01 269 586	Khawlan Street
Magadisho (Branch)	01 537 884	01 537 959	Mogadishu Street
22 May (Branch)	01 627 230	01 627 236	22 May Street
Asbahi (Office)	01 673 337	01 673 360	40 Street
Bghdad (Branch)	01 441 404	01 441 407	Baghdad Street
Belhaf (Office)	05 211 961	05 211 964	Balhaf highway

### Dhamar

Branches & Offices	Phone	Fax	Address
Dhamar Office	06509227	06509227	Sana'a Street
Dhamar Branch	06509296	06509295	Al Manzil St
Aanis Branch	06455321	06455017Al	Al Sharq Town

### Amran

Branches & Offices	Phone	Fax	Address
Amran Branch	07601096	07600206	Sana'a St
Masna'a Office	07613035	07612567	Masna'a St

### Al Dhali'a

Branches & Offices	Phone	Fax	Address
Lahj Branch	02510996	02510996	Main Street

### Al Mahweet

Branches & Offices	Phone	Fax	Address
Al Mahweet Branch	07 402626	07403357	Main Street

### Sa'ada

Branches & Offices	Phone	Fax	Address
Sa'adah branch	07512549	07513386	Govt Complex St

### Marib

Branches & Offices	Phone	Fax	Address
Marib Branch	06301331	06302205	Govt Complex

### Al Jowf

Branches & Offices	Phone	Fax	Address
Al Jowf Branch	06341081	06342014	Govt Complex St

### Al Baidha

Branches & Offices	Phone	Fax	Address
Al Baidha Branch	06539320	06539321	Main Street
Sari'a Office	06539326	06539326	Highway
Rada'a Branch	06559074	06559073	Main Street
		06559075	

Suqutra'

## Cac Bank Branches & offices

Aden			
Branches & Offices	Phone	Fax	Address
mansurah(Branch)	02 358 160	02 358 157	Abdul Aziz Zone
Mansura(Office)	02 356 583	02 303 405	Abdul Aziz Zone
Crater(Branch)	02 267 541	02 264 400	Main Street
	02 267 549	02 267 542	Main Street
Mu'alla(Office)	02 220 416	02 220 416	Mu'alla Customs
Free Zone (Branch)	02 398 866	03 262 699	Free Zone
	02 356 340		Free Zone
Sheikh Othman Br	02 306 821		Sheikh Othman
	02 306 822		Sheikh Othman
Buraiqa (Office)	02 306 823		Buraiqa
	02 306 826		Buraiqa

Hajja			
Branches & Offices	Phone	Fax	Address
Hajja Branch	07222200	07222427	Al Salam St
Al Aman Off	07228116	07228118	Aman Market
	07228138		
Abs Branch	07242137	07242636	Main Street
	07242138		
Mahabisha Off	07230925	07230924	Mahabisha Region

Abyan			
Branches & Offices	Phone	Fax	Address
Abyan Branch	02605594	02602109	Unity St, Zinjibar

Hadhramout			
Branches & Offices	Phone	Fax	Address
Mukalla Branch	05314899	05314898	Banks Street
Seyiun Branch	05404606	05400640	Algeria St
	05409937		
Al Qatn Office	05458341	05456555	Highway
Al Shihr Branch	05336443	05336440	Main Street

Socotra			
Branches & Offices	Phone	Fax	Address
Socotra branch	05660727	05660726	20 Street

TAIZ			
Branches & Offices	Phone	Fax	Address
Taiz Branch	04269110	04210482	Al Hareesh
Jamal St Branch	04210481	04267946	Jamal Street
Mocha Branch	04362360	04362320	Al Jadid Zone
	04362926		
Al Turbah Branch	04301289	04302007	Al Qiada St

IBB			
Branches & Offices	Phone	Fax	Address
Ibb Branch	04458039	04455665	Ring Road
Taiz St Office	04424602	04424603	Taiz Street
Arwa Branch	04421283	04421285	Al 'Udain St
Qa'ida City Off	04331138	04345188	Highway
Governorate Off	04408488	04401834	Jara'an Centre
Yareem Branch	04470105	04501721	Behind A'Rahman Clinic
Udain Branch	04470105	04470107	Main Street
Al Nadira Branch	04541992	04541993	Main Street

Hodeida			
Branches & Offices	Phone	Fax	Address
Hodeida Branch	03263394	03262699	Hodeida Street
Martyrs Office	03265965	03262699	7 July Street
Al Zahra Office	03575113	03575113	Highway
Al Qanawis Office	03560021	03560061	Qanawis
	03560294		
Commercial Area Br	03217052	03219586	26 September St
Zabeed Branch	03341914	03340910	City Gate
Al Jarrahi Office	03343280	03343282	Highway
Beit Al Faqeeh Br	03331078	03331954	Main Street
	03334191		
Beit Al Faqeeh Off	03334668	03334669	Comm Zone Entrnce
Haradh Branch	07245911	07246630	Main St
Customs Off	07248938		Al Tewal Customs
Bajil Branch	03503400	03503500	Sana'a Road
	03503311		
Heis Branch	03360622	03360222	Main Street

## Cac Bank Branches & offices

Shabwa			
Branches & Offices	Phone	Fax	Address
Beihan Branch	05270245	05270244	Al Tarbiah St
Shabwa Branch	05200534	05202526	

Al Mahara			
Branches & Offices	Phone	Fax	Address
Al Mahara Branch	05611950	05612623	Thi Al Hajjah St
Al Ghaidha Office	05613700	05613701	Highway
Sayhoot Branch	05640590	05640591	Sayhoot
Sayhoot Office	05640710	05640713	Highway

Al Dhali'a			
Branches & Offices	Phone	Fax	Address
Al Dhali'a Branch	02431492	02431493	Main Street
	02431491		
Qa'taba Office	02451410	02451409	Highway
Damt Branch	02456962	02456963	Damt Main Rd
Juban Office	02461912	02461912	Public Street

# The Widest Banking Network





**Dear Customers and employees:**

We will be pleased to receive your ideas and suggestions about this Report on the following email:

**[annual\\_report@cacbank.com.ye](mailto:annual_report@cacbank.com.ye)**

Or the following phone number

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**Published by Strategic Planning and Statistics Department**



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