



Annual Report

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**SHARE THE
PIONEERING SPIRIT**





REPUBLIC OF YEMEN

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Mother Land`s Bank



Bank's Vision



Leading Financial Institution

Bank's Message



Providing diverse banking and financial services of high quality using the best administrative and technical systems with high professionalism through a wide business network for the retail, corporate and institutional sectors, thus contributing to the development of the local economy.

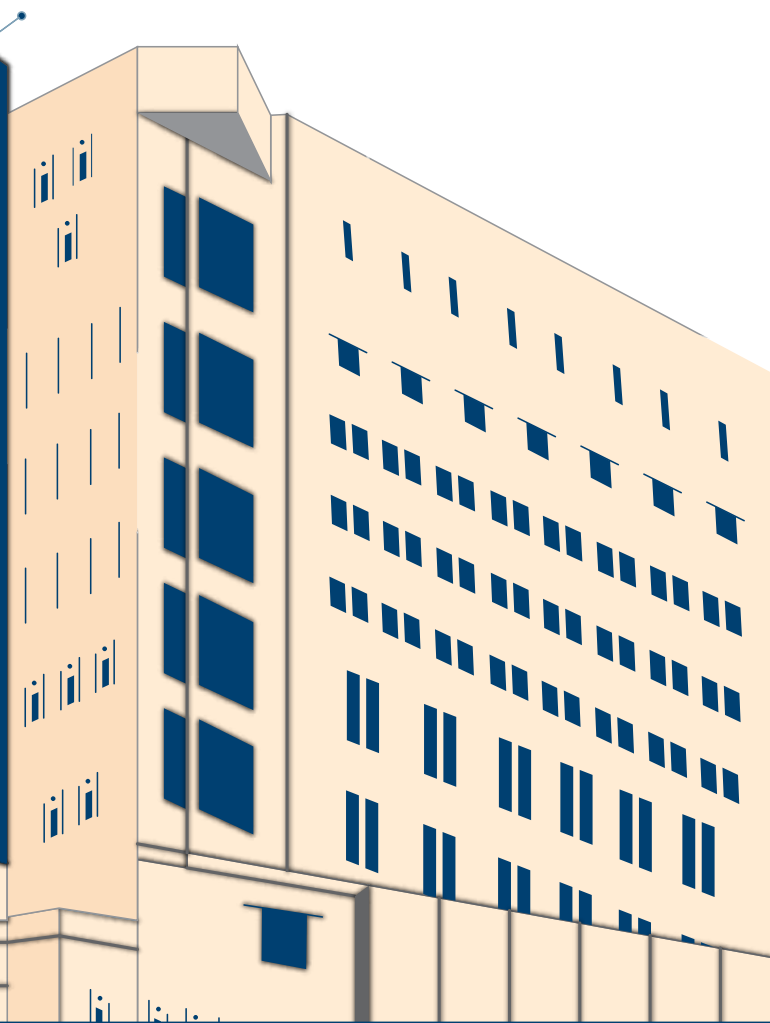
Bank's Core Values



1. Teamwork.
2. Attention to human resources and development of their capabilities.
3. Community development.
4. The customer is our focus.
5. Continuous pursuit of excellence.



Establishment of the Bank



The year 1982 formed a milestone in the history of banking in Yemen, with the establishment of the Cooperative and Agricultural Credit Bank “CAC Bank”, as a result of the merger of two powerful financing banks, the Agricultural Credit Bank, which was established in 1975 and the National Cooperative Bank for Development, which was established in 1979.

CAC Bank continuously to provide development and economic support to a number of sectors. It has assumed responsibility for financing the agricultural, fisheries and livestock sectors since its establishment until the end of 2003, during a period when investment projects declined to a large extent. Since 2004, CAC Bank has been able to support the State’s orientation to keep pace with changes in the global economy, by attracting foreign investments, supporting economic openness and creating opportunities for development by providing diverse and comprehensive services and products, in accordance with the latest standards and specifications of global banking, with a modern and flexible vision which responds to local and global changes.

With these advanced steps and ambitious strategies, the Bank has adopted from the outset the pioneering spirit, to become a comprehensive financial and banking institution that offers its modern and innovative products in a manner that meets the diversity of the segments of society, and in a manner that serves the economy, directing it all to a society to which it belongs, saying to every member thereof: Share with us the leadership and pioneering spirit.


Board of Directors' Chairman's Message



Banking events cast their shadow on the reality of general economic activity and the effects of these events extend to all financial institutions and such activity reflects the capabilities of institutions and the efficiency of their strategies in facing challenges and enabling their cadres to overcome the continuous changes. The aim is to maintain their growth through the factors of stability and steadfastness and overcoming exceptional situations, together with the development of work methodology to improve performance, reduce negative effects and confine them to their natural limits at the least.

Some believe that the restructuring of banks is a theoretical process of changing the objectives, policies, and elements of which the organization is composed including visions, systems, central operations, dynamic management and other determinants, which enter into the process of management change to produce many procedural outputs, owing to the initiative and activities of the institution itself. However, the essence of management change is to determine the practical implementation stage, which stems from creating the available capacity with the distribution of human resources on job submission sites according to the description of each job.


We can then say that the institution has succeeded in building the appropriate climate for the success of the organizational structure and its connection with banking variables. The requirements for accurate job descriptions are to provide a distinguished system in performance evaluation and this is one of the most important principles on which institutional work is based within the framework of the rules governing the committed business, by defining objective conditions and necessary characteristics for each site within the performance evaluation criteria, leading to the design of training programs to meet the actual needs of each job.



From this standpoint, the Bank proceeds according to well-studied plans and strategies towards continuous development as a main task to keep pace with the latest technologies to meet the needs of customers and achieve their satisfaction through a comprehensive review and update of the regulatory frameworks and policies followed, in line with banking development and creating demand and new trends to reach a high level, which is harmoniously linked with banking changes. There is no doubt that the Cooperative and Agricultural Credit Bank (CAC Bank) possesses an organizational structure, implements comprehensive strategies and has a wide network of distribution channels and highly qualified human capabilities to face the effects of banking results and deals with reality and variables, so that it is able to make the Bank overcome the difficulties and consequences within safe and reassuring borders towards a future which we trust is the best. It can be said that the alignment of the Bank's cadres of different job positions and their utmost efforts in integration, harmony and more insistence on facing challenges and achieving success, sensing the responsibilities and duties of loyalty and belonging, all the while being well aware that the nature of competitive situations, even if they puts us all to a test of wills, it actually gives us additional strength and our banking experience is enriched with more knowledge and capabilities to face different circumstances and changes.

In appreciation and based on the importance of the human element, we must stress here that the Bank's philosophy in its appreciation and dealing with its employees or cadres is based primarily on practical relationships, the foundation of which is efficiency, commitment and achievement. Moreover, we should all entrench these values in our minds and reflect them in our reality with a common conviction governing our relationship with our institutions.

The Bank's staff, who worked day and night for the past years to advance and promote it "until its pioneering role and position in the banking sector emerged", are today, more than ever, called upon to preserve this great economic achievement, so that the Bank remains a leading banking institution and a lofty economic fortress, which contributes to its pioneering role in economic advancement and comprehensive national development.



Cooperative & Agricultural Credit Bank Board of Directors



Ibrahim Ahmed
ALhothi

Chairman of the Board
of Directors



Jamal Ali Al-Maliki

Ministry of Finance
Representative



Mohamed Abdulrahman
Abdulqadir

Representative of the
General Authority for Civil
Aviation & Meteorology



Mahdi Abdullah
Al-Rahabi

Representative of the
Agricultural and Fisheries
Production Promotion Fund



Ali Abdulkareem Al-
Fadheel

Representative of the
Ministry of Agriculture
and Irrigation



Abbas Issa Al-Zabidi

Representative of the
Ministry of Fisheries



Abdu Mahdi
Al-Adlah

Independent Member



Hamoud Mohamed
Al-Salahi

Independent Member



Dr. Saleem Nasir
Al-Shahtari

Independent Member



Abdullah Hassan
Al-Shatir

Independent Member

Cooperative & Agricultural Credit Bank Executive Management



Sami Ahmed Salim

Director, Risk &
Compliance Sector



Thakir Abdu
Al-Sami'i

Director, Operations
and IT Sector



Yahya Mohamed Ahmed
Al-Kibsi

Director, Support
Operations Sector



Hani Mohamed
Al-Kibsi

Director, Retail and
Branch Services Sector



Abdullah Ali
Al-Dailami

Director, Business
Development Sector



Jamil Rabie
Al-Shamiri

Director, Cash and
Electronic Payments
Sector



Adil Mohamed
Al-Kibsi

Executive Director,
Islamic Finance Sector
(Islamic CAC



Ali Naji Al Maribi

Assistant Director,
Agricultural Development
and Projects Sector



Ameen Yahya
Al-Sanabani

Assistant Director, Human
Resources Support
Operations Sector



Abdullah Qasim
Mohamed Ibrahim

Assistant Director,
Operations and Information
Technology (IT) Sector

Governance Manual



Corporate Governance Charter

The Bank's Board of Directors believes in the importance of corporate governance in providing the foundations and rules for future performance through a clear vision adopted by both the Bank's Board of Directors and its executive management, in order to achieve the strategic objectives and improve performance while enhancing confidence in its activities among depositors and stakeholders involved in the Bank's operations. This matter prompted the Board of Directors to take a decision to adopt corporate governance, in accordance with the best international standards and practices in commercial and Islamic banks, the principles of the Organization for Economic Cooperation and Development (OECD) and the guidelines of the Basel Committee on Banking Supervision.

Effective corporate governance is the one which provides both the Bank's Board of Directors and executive management with the appropriate foundations to reach the goals that are in the interest of the institution, in a way that ensures the efficient use of its resources. Governance also includes guidelines, supervisory control procedures and guiding principles for the system of Shariah supervision (in Islamic banking).

The Bank reviews, develops and amends the Governance Manual from time to time, with the aim of keeping pace with changes in its needs, expectations and the banking market, in accordance with the new organizational structure of the Bank which was approved by the Board of Directors and sanctioned by the Central Bank, thus becoming applicable and effective on 12 November 2020.

Board of Directors – Executive Management “after developing and updating the Bank's organizational structure”

Board of Directors

- Nomination, Remuneration and Governance Committee
- Risk and Anti-Money Laundering Committee
- High Credit Committee
- Audit and Review Committee
- Sharia Supervisory Board
- Internal Audit Department
- Secretariat
- Chairman's Office

Chief Executive Officer, CEO

- Development Building Committee
- Executive Committees
- Financing & Projects Review & Analysis Dept.
- Tenders & Auctions Committee & its affiliates



Ammar Ali Al Adlah

Board of Directors'

Secretary



The Board of Directors



Nabeel al Mikhlafi

Section Head

Board of Directors' Affairs

The Board of Directors of the Cooperative and Agricultural Credit Bank (CAC Bank), in addition to the responsibilities imposed on it by the relevant laws and the laws regulating banking business, shall comply with the following responsibilities:

- Ascertaining that the Bank's management is conducted in a prudent manner and within the framework of the relevant laws in force, instructions issued by the Central Bank of Yemen and the internal policies of the Bank, in such a way as to ensure the safe and sound management of the Bank and safeguarding the rights of depositors and the interests of shareholders, creditors, employees and other connected parties.
- Ensuring the implementation of the Bank's approved governance system.
- Adopting and supervising the internal control systems and reviewing their effectiveness annually or whenever it is deemed necessary.
- Ensuring the existence and good quality of an independent internal audit department and ascertaining the avoidance of any type of influence on it on the part of the executive management, by being directly responsible and subordinate to the Board of Directors, which should be responsible for determining the salaries, incentives and bonuses of the audit department employees within the Bank's cadre. The Board shall also be responsible for evaluating and appraising their performance, ascertaining the availability of an adequate number of them, the adequacy of their qualifications, experience and professional skills, their continuous development and the provision of all the necessary requirements and needs to fulfill these objectives.
- Forming the committees or delegating the executive management or any other body to perform some functions of the Board of Directors with the assurance that this does not absolve it of its responsibilities in accordance with the relevant laws in force.
- Implanting the principle of commitment of each member of the Board of Directors towards the Bank as representing all shareholders. The member must commit himself/herself to acting in the best interests of the Bank and the interests of depositors and other stakeholders and not just of a specific group.
- Protecting the Bank from illegal or inappropriate acts of major shareholders with negative effects on the interests of the Bank and the rest of the shareholders.
- Developing a policy that regulates and identifies transactions with connected parties and the interests related to them in terms of knowing, monitoring and determining all approved and unapproved transactions and operations. The Board should also ensure that the implementation of any transaction for any of the connected parties and interests related to them is done fairly and without preference and disclosed there and then in an instantaneous and proper manner.
- Setting in place a written policy on conflict of interests, ensuring that policies which assist in detecting potential conflicts of interest exist and are applied.
- Ensuring that members of the Board of Directors do not participate in making decisions, where there is any conflict of interests preventing them from performing their role in protecting the Bank's interests in a proper and sound manner.
- Understand the supervisory and oversight role of the members of the Board of Directors and their commitment to loyalty towards the Bank, its shareholders and other stakeholders, and towards society in general.
- Ensuring that sufficient attention and time are devoted by the members of the Board of Directors in carrying out their duties and assuming their responsibilities in an effective manner.



Chairman of the Board of Directors

The Chairman of the Board of Directors is responsible for implementing the strategic plan of the Bank, as well as supervising all the business of the Bank. He is responsible to the Board of Directors for following up the implementation of the policy set by the Board to achieve the objectives and goals of the Bank, as well as monitoring and evaluating the overall performance of the Bank, in accordance with the strategies, plans, objectives, policies and budgets approved by the Board of Directors.

In addition to what the Law stipulates, the Chairman carries out the following functions:

- Establishing a constructive relationship between the Board of Directors and the Executive Management of the Bank.
- Creating a culture during meetings of the Board of Directors encouraging constructive criticism on issues on which there is divergence of views among members, promoting discussions and providing consensus on those issues.
- Ensuring that sufficient information is provided to both members of the Board of Directors and shareholders in a timely and appropriate manner.
- Ensuring that the Bank's approved Governance Manual is applied.
- Ensuring that members of the Board of Directors receive adequate and suitable training on the Bank's business.
- Ensuring that the views of the Bank's shareholders reach all members of the Board of Directors, especially with regard to the Bank's strategies and the Bank's Governance Manual.





Meetings of the Board

In order to ensure the comprehensiveness of the topics presented at the meetings of the Board of Directors, the following topics should be addressed:

- Sanctioning the estimated budgets as well as capital expenditures and updates of the policies governing the treasury operations, credit, compliance and investment, in addition to the powers of disbursement and approval of the annual audit plan. All members can obtain the relevant information available to the Secretary of the Board of Directors. Members of the Board of Directors may also obtain advice from third (external) parties on any specialized topic with the expenses of those consultations to be borne by the Bank, in accordance with the Bank's Governance directions.

Secretary of the Board of Directors

- Provides the members of the Board of Directors with sufficient information before an adequate period of time of Board meetings to enable them to make appropriate decisions.

- The Secretary of the Board of Directors shall also prepare and document the minutes of the meetings, record the discussions of the Board of Directors, the suggestions of the members and their votes, the decisions taken by them and the party responsible for implementing those decisions.



4

The Code of Business Ethics and Policy of Conflict of Interests

The Board ensures that the Bank enjoys high integrity in the conduct of its business. This is done through the availability of conflict of interest policies and the Code of Business Ethics, which include a definition of conflict of interests and transactions undertaken by employees of the Bank for their personal benefit, based on internal information about the Bank obtained as a result of the powers given to them.

These policies and the Code of Business Ethics have been circulated to all employees of the Bank and members of the Board of Directors. The Board of Directors approved the Policy of Conflict of Interests and the Code of Conduct and Business Ethics in its latest updates in 2017 and circulated them to all employees of the Bank.

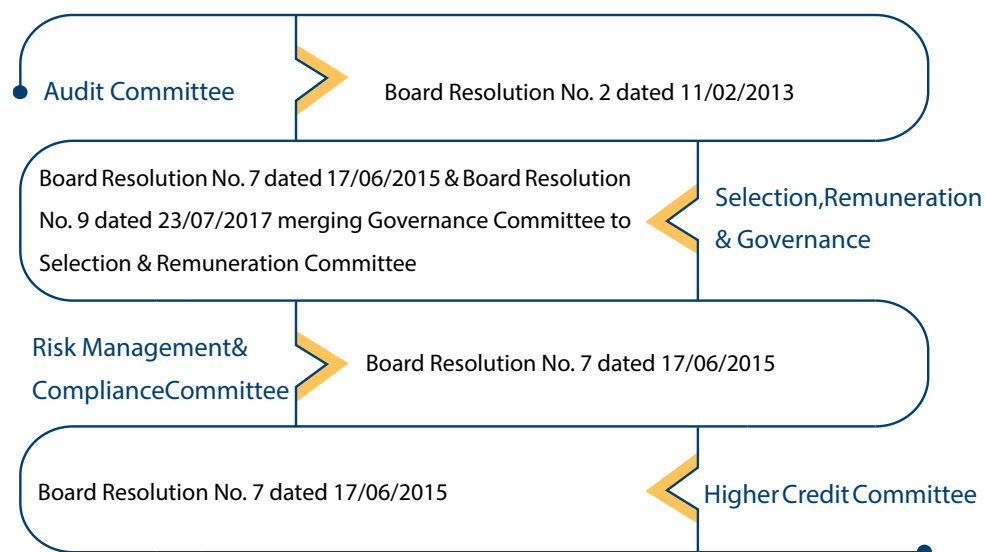


Committees of the Board

General Provisions

- The committees emanating from the Board of Directors and in accordance with the latest approved version of the Governance Manual shall carry out the tasks assigned to them, activate their role and submit the periodic reports to the Board.
- The committees are responsible for their actions before the Board of Directors, but this does not relieve or absolve the Board of Directors of its responsibility for the work of these committees.
- The attendance of the members of the committees at their meetings shall be necessary for the continuation of their membership. A quorum shall be required for the meeting to be valid. Decisions shall be taken by a majority of the votes of the members. In the event of a tie, the side on which the committee's chairman votes succeeds. The votes (opinions) of the other side shall be recorded in the minutes of the meeting with emphasis that delegation of voting rights is not allowed. The chairman of any committee shall not be allowed to delegate his powers to any other person.
- Each committee has its own system of work, which has been approved by the Board of Directors and which clearly defines its powers, functions and responsibilities.
- The minutes of the meetings of the committees shall be duly documented and classified.
- A member shall not be a member in more than two committees and a member shall only be chairman of one committee.

The following table shows the Board of Directors' Committees



The Board of Directors has formed the Audit Committee, the Risk Management and Compliance Committee, the Nomination, Remuneration and Governance Committee and the Higher Credit Committee. It should be noted that that the Board is entitled to merge several of its Committees, if such procedure is convenient or more appropriate from a technical and administrative standpoint.

The Audit Committee

1

The Audit Committee is composed as follows

Members	Status/Position
Abdulla Hassan Al Shatir	Chairman
Ali Abdul Kareem Al Fadheel	Member
Jamal Ali Al Maliki	Member
Abbas Issa Al Zabidi	Member

The Committee convened thirteen meetings during 2020

2

Objectives of the Committee

Review of the reports of financial statements, internal control and surveillance systems, scope, results and adequacy of internal audit, external audit, as well as review of accounting issues which have a material impact on the financial statements.

3

Powers and Functions of the Committee

* The Audit Committee shall have the authority to obtain any information for conducting its business. The Committee may also invite any person with experience or competence to attend its meetings to seek his guidance and opinions, as well as invite any member of the Board of Directors or the Executive Management to attend the Committee's meetings. Furthermore, it has the right to invite the Manager of Internal Audit to attend the meetings of the Committee. The Committee may also request meeting with the External Auditor.

* Review the periodic financial statements before presenting them to the Board of Directors, recommending them to the Board of Directors and following up the accounting issues which have a material impact on the financial statements, in order to ensure the fairness and transparency of the financial reports and statements.

* The Audit Committee assesses the effectiveness and adequacy of the internal control and supervision systems. The Committee's responsibility includes what follows:

- Evaluate the effectiveness and adequacy of the internal audit function and ensure compliance with the applicable instructions issued by the relevant authorities.

3

Powers and Functions of the Committee

- Evaluate the effectiveness and adequacy of the scope of the internal audit programs.
- Review the results of the internal audit reports and ensure that the necessary relevant actions have been taken in their respect.
- Review and approve the audit plans proposed by the Internal Audit.
- Recommend to the Board of Directors to appoint, transfer, dismiss and evaluate the performance of the Manager and staff of the Internal Audit Department.
- The Committee shall have the authority to directly contact the External Auditor and to meet with him without the attendance of the Executive Management. The Committee's responsibility in this regard shall include:

1- Recommend to the Board of Directors regarding the appointment and removal of the External Auditor, the determination of his/her fees and evaluation of his/her performance.

2- Evaluate the objectivity and independence of the external auditor.

3- Review and accept the letter of appointment.

4- Review the results of external audit reports and those of the Central Bank of Yemen and ensure that the necessary relevant measures have been taken in this respect.

5- The Committee reviews the operations with connected parties and informs the Board of Directors accordingly thereof.

6- The Committee shall ascertain the extent to which the Bank complies with the relevant applicable laws in force, the laws regulating the banking business, the instructions issued by the Central Bank of Yemen and the extent of compliance with the Bank's policies and internal regulations.

7- The Committee shall hold periodic meetings with the External Auditor at least once a year and at least twice with the Internal Auditor. The Internal Auditor and the External Auditor shall also be entitled to request a meeting with the Committee whenever business requirements deem it necessary.

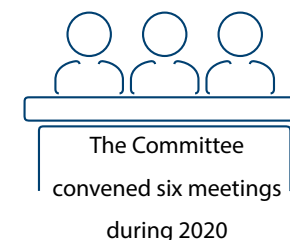
8- The Committee shall receive all communications submitted by employees regarding any potential violations in financial or legal areas in strict confidence, in accordance with the Infringement Reporting Program approved by the Board of Directors.

Risk, Compliance and AML Committee

1

The Audit Committee is composed as follows

Members	Status/Position
Mahdi Abdulla Al Rahabi	Chairman
Mohamed Mohammed Basheer	Member
Abdu Mahdi Al Adlah	Member



2

Objectives of the Committee

To set in place the risk policy in line with the Bank's ability and acceptability to take risks and review the performance of the Executive Management in managing the risks of credit, market, liquidity, operation, non-compliance, reputation and others.

3

Powers and Functions of the Committee

- The Committee shall review risk management strategies and policies before they are approved by the Board of Directors and ensure the implementation of these strategies and policies.
- Ascertaining the availability of adequate resources and systems for risk management and ensuring the independence of risk management personnel from the activities which result in the Bank being exposed to risks.
- Recommending to the Board of Directors regarding the appointment of the Director of Risk and Compliance Sector, the Manager of Risk Management Department and the Manager of Compliance Department and their transfer, dismissal and evaluation of their performance.
- Reviewing the periodic reports on the nature and size of the risks to which the Bank is exposed and the activities of the Risks and Compliance Sector.
- Monitoring the compliance of the Risks and Compliance Sector with the standards and criteria of the Basel Risk Management Committee related to risk management in respect of credit risk, market risk, operational risk and risk of non-compliance.
- The Committee reports periodically to the Board of Directors and provides statistics on the risks to which the Bank is exposed, changes and developments in risk management and instructions issued by the Central Bank of Yemen.
- Reviewing and giving an opinion to the Board of Directors on the limits and ceilings of risks and exceptional cases that arise and to which they are subjected.
- The Committee holds periodic meetings with the Risk Sector to discuss and evaluate the risks to which the Bank is exposed, the adequacy of the methods of their treatment and presenting recommendations thereon.

Nomination, Remuneration and Governance Committee

1

The Audit Committee is composed as follows

Members	Status/Position
Mohamed Abdulrahman Qadir	Chairman
Jamal Ali AlMaliki	Member
Mahdi Abdulla Al Rahabi	Member
Hamoud Mohammed Al Salahi	Member



The Committee convened nine meetings during

2020

2

Objectives of the Committee

- Setting in place the Bank's governance system and monitoring its implementation as well as its amendment whenever it is deemed necessary.
- Monitoring and ensuring the transparency of replacement of the members of the Board of Directors and the appointment of the Chief Executive Officer (CEO), as well as proposing criteria and standards for evaluating the effectiveness of the Board of Directors as a whole and the effectiveness of each Board member independently, in addition to evaluating the performance of the Executive Management in accordance with the standards approved by the Board. Furthermore, the Committee ensures the transparency of the policies pertaining to the salaries, remuneration and incentives of the members of the Board of Directors and Executive Management, ascertaining that these policies are consistent with the Bank's objectives.

3

Powers and Functions of the Committee

- Monitoring supervision of implementation of the governance system, its review and proposing any update or amendment as deemed necessary, such as the issue of new resolutions or regulations, requiring amendment of the governance system and in particular following up what is issued by the Basle Committee and submitting it to the Central Bank of Yemen.
- Coordination with the Audit Committee to ascertain compliance with the governance system.
- Providing the Board of Directors annually as a minimum with reports and recommendations, in accordance with the results and conclusions reached during the Committee's work.

3

Powers and Functions of the Committee

- Setting minimum standards and conditions for the expertise, qualifications and skills required for membership of the Board of Directors and for the position of Chief Executive Officer, including determining the time to be allocated by the member to the business of the Board of Directors, which must approve these standards and conditions.
- Adopting objective criteria to evaluate the effectiveness of the Board of Directors as a whole, the performance of each member of the Board of Directors and each of its committees, as well as evaluating the performance of the Executive Directors. On presenting to the Board of Directors the performance appraisal of the Board of Directors as a whole and the Executive Management, consideration must be given to the performance of other similar institutions. Compliance with supervisory requirements should also be taken into account and the Board of Directors must approve the evaluation criteria and standards.
- Ensuring that members of the Board of Directors receive continuous training and rehabilitation, through programs designed for this purpose, in order to keep abreast of recent developments in the financial services industry. The Committee also provides information on some important issues in the Bank to the members of the Board of Directors upon request.
- Setting in place the conditions and criteria for appointing senior executive management, evaluating their performance and preparing a plan for their replacement.
- Recommending to the Board of Directors to appoint or dismiss any senior executive management personnel, if proven ineffective or deficient in compliance with applicable regulations and instructions issued by the Central Bank of Yemen.
- Ensuring the existence of clear remuneration and compensation policies for Board members and executive directors commensurate with their experience and qualifications to be approved by the Board of Directors and reviewed annually by the Committee. There must be a balance in determining the remuneration and dues, so as to motivate and attract the recruitment of qualified persons but not exaggerated. The ladder of such remuneration and dues shall be within the range determined by the Bank's policy and not linked to performance in the short term, with a view to avoiding risk encouragement beyond acceptable limits.

Higher Credit Committee

1

The Audit Committee is composed as follows

Members	Status/Position
Board of Directors' Chairman	Chairman
Jamal Ali AlMaliki	Member
Mohamed Abdulrahman Qadir	Member
CEO	Member
Islamic CAC Counselor	Member
Corporate Credit Sector Deputy Chairman	Member
Corporate Sector Assistant Deputy Chairman	Member
Credit Audit & Analysis Manager	Rapporteur



The Committee
convened nine
meetings in 2020

2

Responsibilities

- Reviewing the Bank's credit strategy and policy before being approved by the Board of Directors and constantly evaluating their effectiveness.
- Making the final decision regarding the granting of other credit facilities based on the powers set out in the credit policy in this regard.
- Follow up and evaluate the granted credit facilities and take appropriate measures to rectify the nonperforming ones.
- Ensuring the effectiveness and accuracy of the Bank's credit procedures and powers and the framework of selling and granting credit operations, in addition to subjecting them to periodic reviews and adjusting them if necessary.
- Monitor and follow up the implementation of the credit policy, receive periodic reports from the concerned departments and submit them to the Board of Directors with the necessary recommendations in this regard.
- To demand any data or information from the Executive Management, or to call any member of the Board of Directors or the Executive Management to attend the Committee's meetings and respond to any information requested by the Committee from him/her.



Internal Control and Supervision Environment

1 Internal Audit Function

- **The Bank has a permanent and effective internal audit function, reporting directly to the Board of Directors, which is fully independent, with the appointment by the Board of Directors of the Manager and staff of the Internal Audit Department, following the recommendation of the Audit Committee. The Internal Audit staff must not be entrusted with carrying out any executive duties or responsibilities. The following are the most important tasks of the Internal Audit Department:**
- Ensuring compliance with the policies and procedures approved by the Board of Directors and the laws governing banking business and instructions issued by the Central Bank of Yemen.
- Ensuring the application and implementation of the Bank's instructions, rules, by laws and its internal regulations and proposing to address deficiencies and shortcomings in the financial, administrative and technical systems.
- Documenting the functions, powers and responsibilities of the Internal Audit Department within the Internal Audit Charter, which has been approved by the Board of Directors.
- Submitting internal audit reports to the Board of Directors or Audit Committee.
- Ensuring the adequacy of internal control and supervision systems and risk management systems and their effectiveness.
- Present proposals and recommendations aiming at improving the efficiency of the internal control systems of the Bank to the Board of Directors or Audit Committee.
- Assisting the Board of Directors in carrying out its responsibilities fully by providing it with analyses, evaluations and recommendations on the activities carried out by the Audit Department.

The primary responsibility of the Internal Audit Department, which must be risk based, is to review as a minimum the following:

- All departments, sections and branches of the Bank and all activities and risks, to be in the form of periodic and continuous review during the year, in addition to the review of financial statements and final accounts.
- The internal audit process should be carried out in accordance with comprehensive and appropriately professional review programs, which abide by the latest international internal auditing standards and guidelines, in addition to providing the necessary techniques and exerting efforts to evaluate and develop these programs to suit the development of the Bank's work and business.
- Keeping its reports and working documents in a systematic and safe manner which can be referred to, consulted and ready for review by the External Auditor, the Audit Committee and the Central Bank inspectors.



2 Compliance Function

The Bank has a permanent and effective compliance function, which enjoys full independence. The following are the most important duties of the compliance function:

- Constant follow-up of the Bank's compliance with all relevant laws and laws governing banking business and instructions issued by the Central Bank, which must be followed and adhered to. The Compliance Function also ensures that the Bank complies with its by laws and regulations as well as with the norms and sound banking practices and rules, criteria and standards issued by local and international regulatory authorities.
- Follow-up on the extent of compliance with the Bank's governance system.
- Receiving and investigating Bank employees' reports on illegal or immoral practices.
- Measuring the expected impact in the event of any changes taking place in the legal framework to which the Bank is subjected.
- Ensuring that any products or procedures developed by the Bank comply with the applicable relevant laws in force and the laws governing banking business and instructions issued by the Central Bank.
- Ensuring that the Bank is sufficiently aware of the risks of non-compliance, which are the risks of legal, regulatory or supervisory penalties or the possibility of exposure to financial losses or reputation risks, as a result of the Bank's non-compliance with the relevant applicable laws in force and the laws regulating banking business and instructions issued by the Central Bank, in addition to international laws governing international banking relations between banks.
- Submitting compliance reports to the Board of Directors with a copy to the Executive Management.

3 Risk Management Function

The Bank has a permanent and effective risk management function which is fully independent. The Risk Management Department in the Bank submits its reports through the Director of the Sector to the Risk Management, Compliance and Anti Money Laundering Committee. As far as the day-to-day operations are concerned, the Department is associated with and comes under the authority of the Deputy Chief Executive Officer for Risks and Compliance. The following represent the most important risk management functions:

- Analysis of all risks including credit risk, market risk, liquidity risk and operational risk.
- Development of measurement and control methodologies for each type of risk.
- Recommendation to the Risk Committee concerning risk limits, approvals, reporting and recording exceptions to the risk management policy.
- Provide the Board of Directors and Executive Management with information in respect of risk measurement in the Bank (the Board reviews the Bank's qualitative and quantitative risk statistics on a regular basis at each Board meeting).
- Provide information regarding risks to which the Bank is exposed, so that they may be used for disclosure purposes to the public.
- The executive committees of the Bank, such as the Credit, Assets and Liabilities Management and Collections Committees, assist the Risk Management Department in carrying out its functions, in accordance with the specific powers vested in these committees.

4 External Audit

The Bank has a governance system which ensures the realization of additional supervision and internal control procedures by means of carrying out the following:

- Appointing an independent external auditor to perform his/her work and duties in accordance with international auditing standards, aware of his/her responsibilities to the Bank in respect of due professional care and diligence required in accordance with international auditing criteria and standards.
- Regular rotation of the external auditor in accordance with the instructions issued by the Central Bank.
- Compliance with applicable laws and instructions issued by the Central Bank related to the regulation of the relationship between the External Auditor and other relevant parties.
- Arrangement of regular meetings between the External Auditor and the Audit Committee, being important and essential for enhancing the independence of the External Auditor.
- Ensuring the independence of the External Auditor by ascertaining that he/she has not any interest in the Bank and that no member of the Board of Directors is a shareholder or partner of the External Auditor.
- Review by the Audit Committee of the arrangements with the External Auditor on a regular basis, to ensure their suitability and compatibility in accordance with the size and nature of the Bank's operations.
- The Audit Committee shall activate the channels of communication between the External Auditor, the Board of Directors and the Executive Management of the Bank and create an atmosphere that enables him/her to obtain all the

information, data, records and documents required by the audit process from either the Executive Management or the Board of Directors.

- Effective use of the external audit results in a timely and appropriate manner.
- The external audit reports must be submitted to the Board of Directors or the Audit Committee and then transferred to the Executive Management for responding to them. Thereafter, the Board of Directors shall issue its instructions to deal with these observations.
- The External Auditor is responsible to the shareholders and stakeholders, as well as to the Board of Directors and the Bank for performing due professional diligence and care, in accordance with the relevant international auditing criteria and standards, thus ensuring the integrity and soundness of the audit procedures in the Bank.



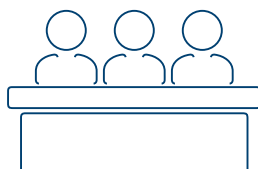
5 Sharia Supervisory Board

The Bank's governance system includes adherence to Islamic Sharia rules and principles within the framework of providing Islamic financial services in the Islamic Sector (Islamic CAC).

The Board of Directors has appointed a Sharia Supervisory Board with at least two members Islamic Sharia scholars, who have expertise in the fields and areas of finance.



Members	Status/Position
Dr. Lutf Mohamed AlSarhi	chairman
Dr. Saeed Ali Al Himiari	Member
Hussein Ahmed Al Siraji	Inspector & Sharia Member



The Sharia Supervisory Board convened eight meetings during the year. The SSB does not include as members managers of the Bank. It also does not include shareholders who own 5% of the Bank's capital or more.

Functions of the Sharia Supervisory Board

The Sharia Supervisory Board shall undertake the following tasks and duties:

- Review and approve contracts, agreements, transactions and policies, systems, mechanisms and programs of work or business, in addition to approval of products and services.
- Review and approve the policies and procedures manual in connection with their compliance with the provisions and principles of Islamic Sharia.
- Submit an annual report to the General Assembly of shareholders indicating the extent of the Bank's compliance with the provisions of the Islamic Sharia for the period covered by the report, as well as its observations and recommendations. The SSB's report should be included in the Annual Report of the Bank.
- Perform the tasks and duties of planning and implementing the Sharia review measures and procedures and preparation of the annual report. The fees obtained by the Sharia Supervisory Board should be dedicated to carrying out the Fatwa and Audit tasks, which include all work and business related to the legal Sharia field review and follow-up, as well as the SSB's meetings relating to the review duties and tasks. The fees should also cover the studying of the Sharia observations, dealing with them and preparing the SSB's annual report.
- Provide advice on request to parties providing services to the Bank such as external auditors, legal counsel and consultants.
- Ensure the adequacy and effectiveness of the system of internal Sharia supervision and control.
- Provide advice and guidance to the Internal Shariah Audit Department on the scope of Sharia review required and look at the summary of the internal Sharia audit department reports and the responses of management thereon, to ensure the adequacy and effectiveness of the Internal Sharia Audit Department.
- Coordinating with the Nomination, Remuneration and Governance Committee and the Audit Committee to ensure compliance with the provisions and principles of Islamic Sharia.
- Review all reports including the review of compliance with the provisions of Islamic Sharia and its principles, as well as the reports of the Central Bank, the External Auditor and the Management's responses to those reports, in order to assess the efforts made to ensure compliance with the provisions and principles of Islamic Sharia and taking them into consideration in planning the work and business of the external Sharia audit and the Sharia Supervisory Board.
- Proposing the legal (Sharia) training programs for employees in the Bank in light of the need that it estimates.
- The right to have full and unrestricted access to all records, documents, transactions and information from all sources, including reference to the relevant professional consultants and staff of the Bank and seeking their assistance.
- The right to seek assistance and use of external experts to advise the Sharia Advisory Board, specifically on legal and financial issues, at the expense of the Bank after taking the approval of the Board of Directors.



Social Responsibility

The Cooperative and Agricultural Credit Bank (CAC Bank) plays an important role in supporting the economic and social growth in this country and homeland and thus:

- Helps companies to increase and improve their competitiveness, develop their business abroad and strengthen their principles.
- Plays a major and prominent role in the foreign exchange markets thus contributing to the stabilization of the exchange rates of foreign currencies against the national currency the Yemeni Riyal.
- Applies the best internationally recognized standards, criteria and guiding principles in the assessment of social impacts in the financing of projects, especially projects in the agricultural and commercial sectors.
- Support for educational institutions, welfare societies and other cases worthy of support.
- Setting in place new mechanisms in the field of agricultural finance to keep pace with development and change and in order to achieve the objectives of rural development.





Conflict of interests

The Bank has not entered into any contracts that exist or existed, which involve a fundamental interest for any of the members of the Board of Directors or any person related or connected to any of them.

In the ordinary course of business, the Bank carries out transactions with some members of the Board of Directors, senior managers and their families and companies in which they own 5% or more of their capital and which were the Bank's customers during the year. The terms of these transactions are approved by the Bank's Board of Directors.

Loans and advances granted to related and connected parties during the year 2020 amounted to Yemeni Riyals 143,824.77 thousand. These are repayable or have been settled in accordance with contracts signed with them. Loans and advances are usually provided to the related and connected parties against guarantees of the related or connected party's salaries and cash deposits.



Shareholders' Equity and Relationship with Them

- The Bank protects the shareholders' equity and rights as imposed by the relevant laws in force and the laws and instructions issued by the Central Bank.
- Discussing the work and business on the agenda of the General Assembly and directing inquiries to the members of the Board of Directors, the Executive Management and the External Auditor.
- Shareholders are urged to attend the Bank's General Assembly meeting and the date and place of the meeting are arranged in such a way as to facilitate and encourage them to attend the activity.
- The Chairmen of the Audit Committee, the Nomination, Remuneration and Governance Committee and any other committees emanating from the Board of Directors attend the annual meeting of the Bank's General Assembly.
- Representatives of the external auditors attend the annual meeting of the Bank's General Assembly, in order to answer any questions that might arise and be posed regarding the audit and the auditor's report.
- Voting shall be conducted separately on each issue raised during the annual meeting of the Bank's General Assembly.
- Following and at the end of the annual meeting of the Bank's General Assembly, a report is prepared to inform the shareholders of the observations made during the meeting and the results, including the results of the voting, the questions raised by the shareholders and the responses of the Executive Management thereon.



Relationship with Investment Account Holders

- The Bank recognizes the rights of the investment account holders in following up the performance of their investments and the related risks to which they are exposed and as such the Bank establishes adequate means to ensure the preservation, safeguarding and exercise of these rights.
- The Bank adopts a sound strategy which is consistent with the expected risks and returns to investment account holders (taking into consideration the distinction between restricted and unrestricted investment account holders), as well as applying transparency in supporting any returns.



Proportional Share in CAC Bank's Capital in Percent

Shareholder	Shareholding in %
Agriculture & Fisheries Production Support Fund	40.5 %
Ministry of Finance	33.82 %
Civil Aviation & Meteorology General Authority	25 %
National Cooperation Authority General Federation	0.68 %

CAC Bank's 2020 Financial Performance Report Summary



CAC Bank's 2020 Financial Performance Report Summary

The continuation of the economic crisis, which the country has been going through for a decade, has greatly affected economic activities, as the size of the economic stagnation has increased as a result of the blockade and the increase in the risks of investments in sustainable activities, as well as the fear of the banking sector from engaging in any new investments owing to the volume of market risks, In addition to the scarcity of cash liquidity.

Despite all these challenges, the Bank has been able to maintain its financial position and put in place many mechanisms and measures to conduct business. Moreover, it did not stop there but resorted to searching for new investment sources and banking business for the purpose of generating cash revenues for use in the Bank's activities. The Bank has also been able to find various alternatives which enabled it to continue providing its services to the public, including launching and developing the electronic money service and reaching a good segment of society to encourage its use and spread the culture of using fast electronic banking, whether through his bank accounts or through the electronic money service provided through "Mobile Money".

On the other hand, the Bank has been able to avoid many of the negative effects of the crisis, as it took many precautionary measures

which enabled it to reduce the liquidity crisis, such as automating the system with daily and monthly cash withdrawal ceilings through electronic services and in proportion to customer balances to maintain the Bank's share of customers in the banking sector. The aim has been to regain confidence which has been weakened by the crisis and to limit partially the liquidity scarcity in the Bank. Furthermore, the Bank has introduced new products to re-supply the Bank and attract cash deposits, including cash accounts and linking them to many advantages that keep pace with technological progress and help facilitate and attract customers' transactions.

During the year 2020, the Bank has also updated its organizational structure in line with the recent changes and its future plans, as some sectors were merged, in addition to the creation of some departments as required by the Bank's activities.

All these measures taken by the Bank have helped it maintain its level and increase and strengthen its financial indicators, despite the existing crisis, as well as restore confidence to customers.

Below we present to you the most important developments of the Bank during the year 2020 and the successes it achieved to maintain its financial position.

CAC Bank's most Important Successes in 2020

407 billion riyals

The Bank's total income-generating assets by the end of the year 2020 amounted to 407 billion riyals, compared to 396 billion as at end of 2019 representing an increase of 11 billion riyals or 2.8 %.

499 billion riyals

The Bank maintains a strong financial position as total assets amounted to 499 billion riyals at the end of 2020, compared to 496.6 billion riyals at the end of the previous year, representing a growth of 2.4 billion riyals or 0.48 %.

97 Thousand users

The number of electronic money service users (Mobile Money) increased to 97,252 by the end of the year and the number of Mobile Money service points also rose to 5,818.

32 billion riyals

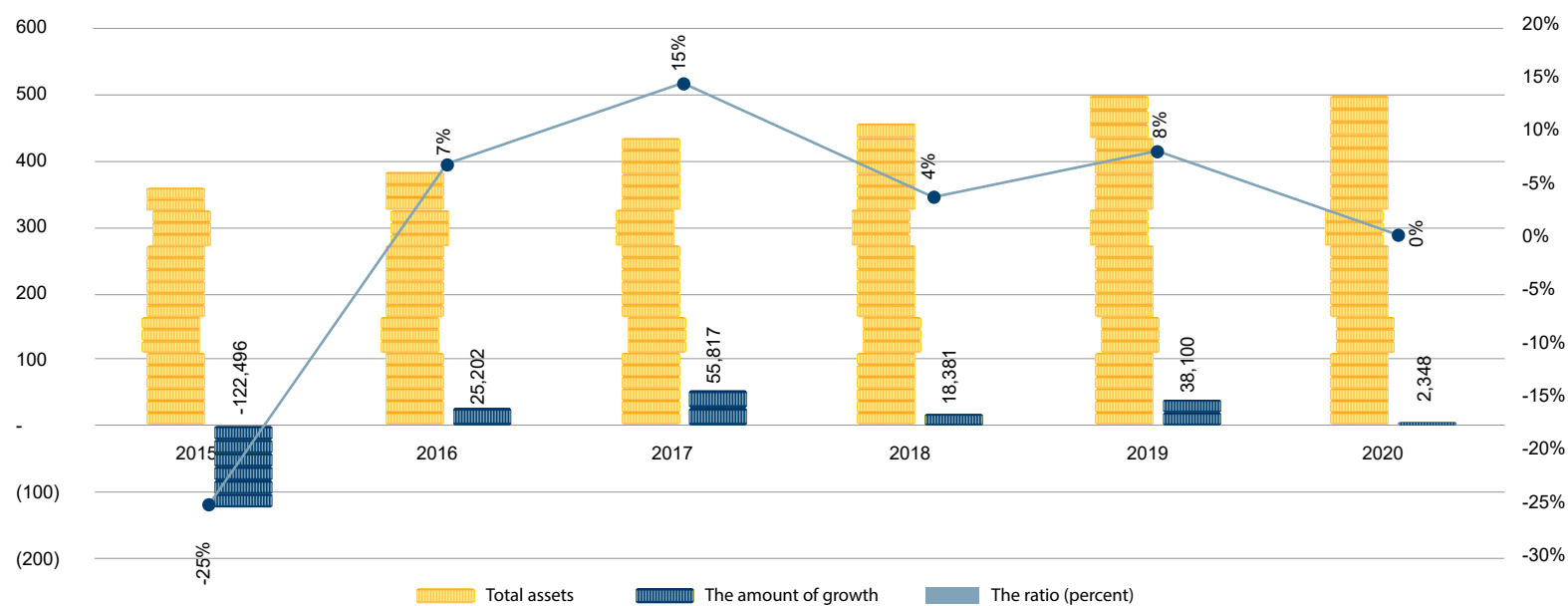
Operating revenues rose to achieve a level of Riyals 32 billion as at the end of 2020 vis a vis 21.8 billion by the end of the previous year, representing a growth of Riyals 10.2 billion or 47 %.



Connecting to institutions and parties for revenue collection, the most important of which is the Information Technology (IT) Centre, Higher Education and Scientific Research Ministry.

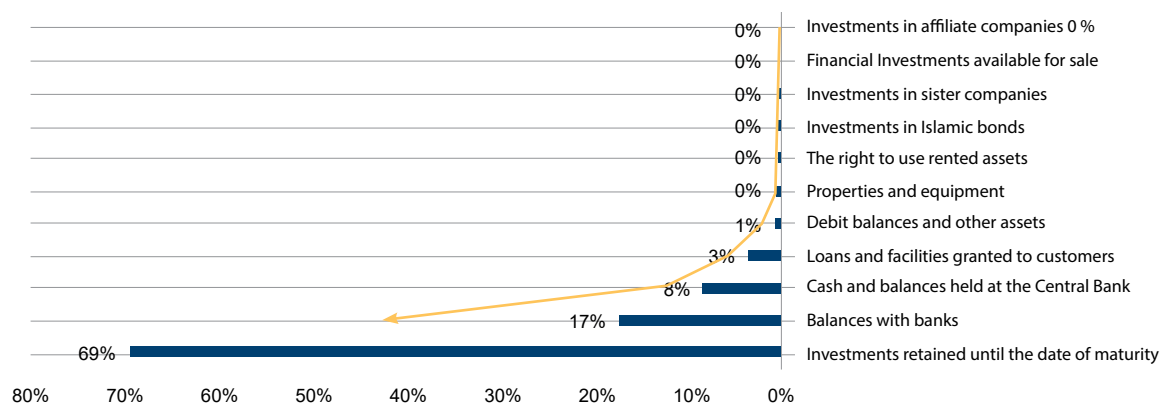
1 Total Assets

Total assets in billions of riyals during the period from 2015 to 2020



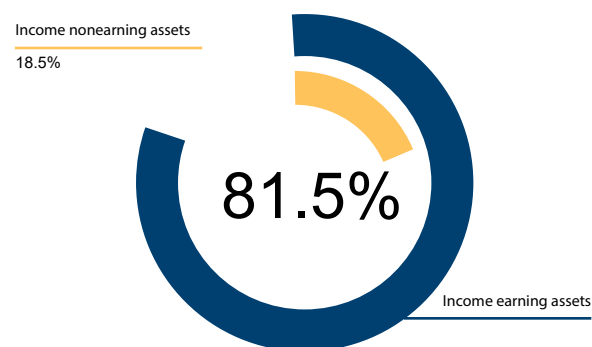
In view of the high volume of investment risks in recent years, including credit risks, the Bank has preferred to increase the volume of its investments in public debt instruments, considering it the least risk, as the volume of investment in public debt instruments represented 69% of the total volume of assets.

The proportional composition of assets, as at December 31, 2020



The Bank manages its assets by operating them in income-generating tools, as the total income generating Bank assets reached in 2020 an amount of nearly riyals 407 billion riyals, while the non income generating ones were riyals 92 billion, compared to riyals 397 billion and riyals 100 billion consecutively in the previous year.

The Bank's asset distribution plan for the year 2020



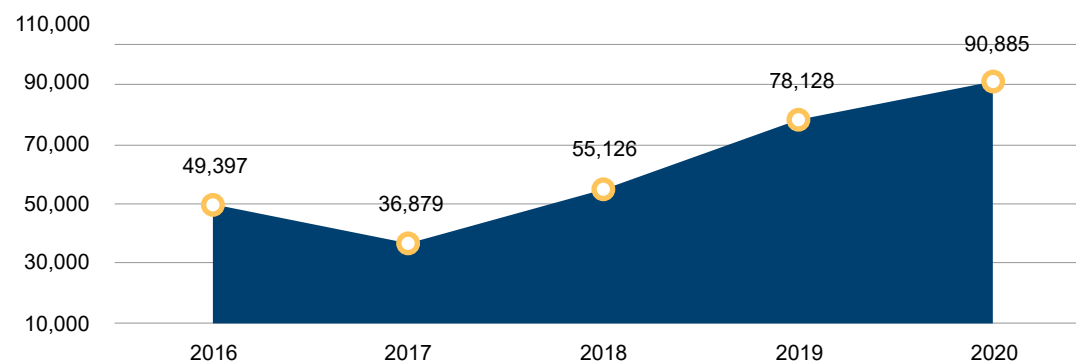
Below we will provide you with the most important items of assets at the end of the year 2020

Bank Balances

The Bank deposits part of its balances with local and foreign banks for the conduct of its financial and banking business and placing the surplus of those funds in income-generating investment deposits.

Our net balances with banks as at December 31, 2020, amounted to 90.9 billion riyals, compared to 78.1 billion riyals at the end of the previous year.

The balances with banks for the period from 2016 to 2020 in millions of riyals

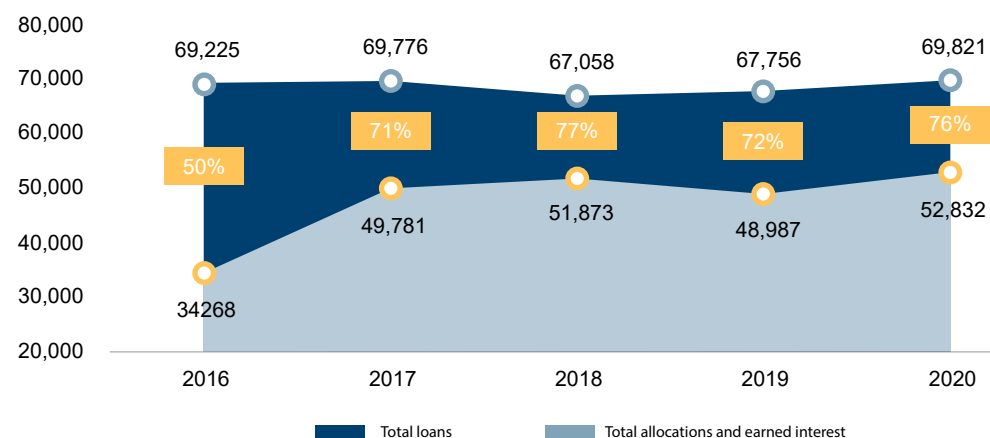


Loans, Facilities and Financing Activities

Investing in the credit portfolio is one of the sustainable investments, which make an effective contribution to the development of societies, especially as it is the main financier for the development of any society.

As a result of the crisis that the country has been going through for a decade, which led to the deterioration of economic activities dramatically, partly as a result of the high credit risks and the difficulty of collection, in addition to the lack of liquidity that began since June 2016, all of which led to the faltering and nonperformance of customers' debts, thus increasing the provisions allocated to counter potential risks.

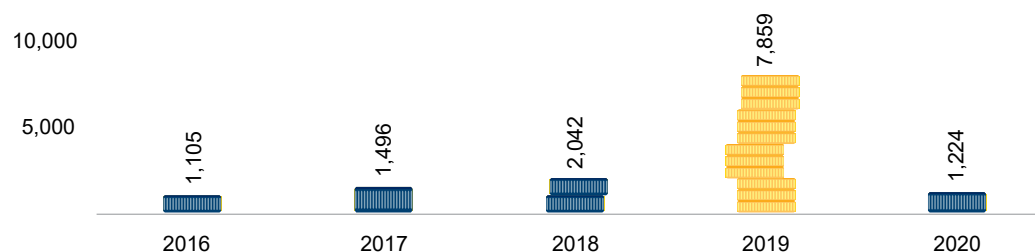
Comparison of the total loans and financing with allocations and earned interest during the period from 2016 to 2020 in millions of riyals



As measures to mitigate those risks, the Bank has formed mini-committees to follow up on debt collection, which had a major role in collecting many nonperforming debts despite the current crisis, in addition to partially continuing to grant facilities to customers with good creditworthiness.

The Bank conducts periodic studies of the loan portfolio and financing, as well as forming the necessary provisions to face any potential risks, as the total provisions formed and the suspended interests until the end of the year 2020 amounted to almost 53 billion riyals. Nevertheless, the Bank realized many achievements in the area of collecting previous debts despite the crisis, as the Bank was able to collect debts that were essentially non-performing and an amount of 1.2 billion riyals was recovered as a refund from the provisions as a result of those collections.

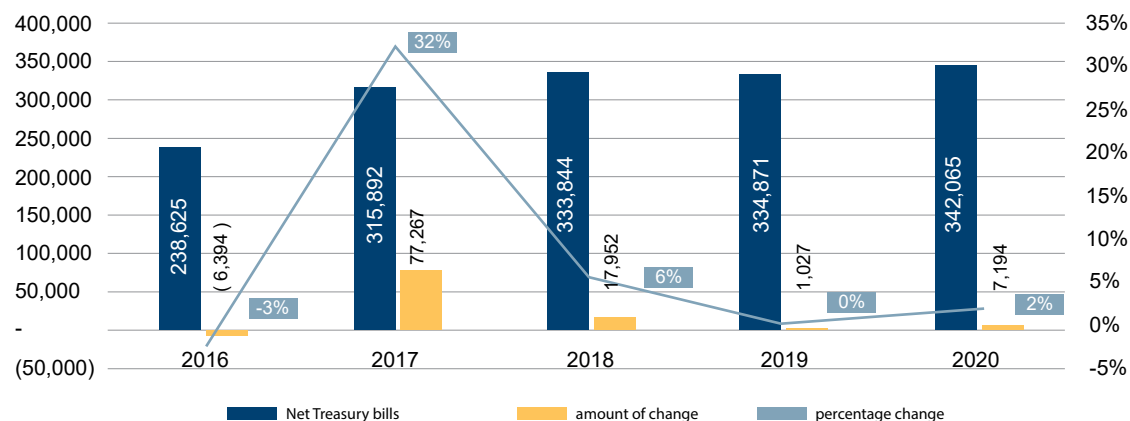
Recovered provisions during the period from 2016 to 2020 in millions of riyals



Investment in Treasury Bills

The Bank invests depositors' money in public debt instruments "Treasury Bills", where the net investment at the end of the year 2020 amounted to 342 billion riyals, an increase of 7.2 billion riyals over the previous year. All Treasury Bills owned by the Bank are short-term, as 99% of these bills are due within three months.

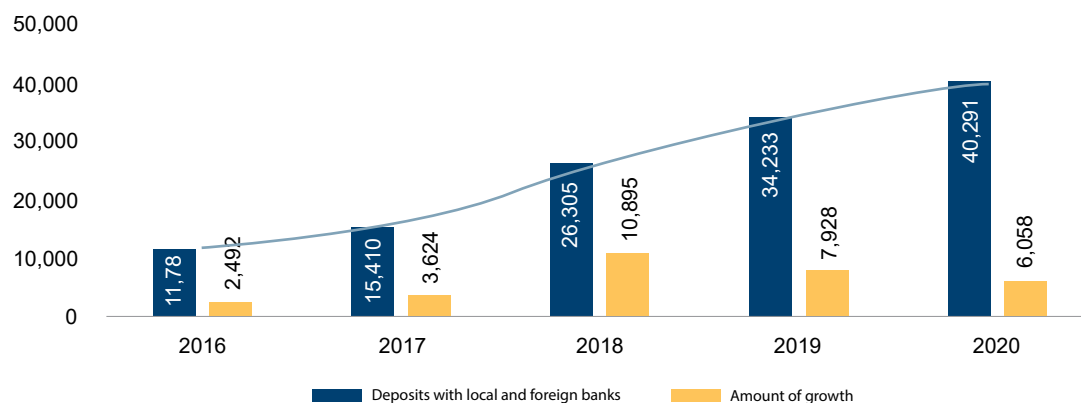
The plan of treasury bill investments during the period from 2016 to 2020 in millions of riyals



Investment in Deposits with Local and Foreign Banks

The Bank distributes its investment portfolio to more than one source as a management of its risks, on the one hand and on the other in order to achieve revenues from more than one area. The Bank also diversifies its investment portfolios, including investment in banks, which led to an income of 6 billion Riyals in 2020 compared to 5 billion in the year 2019.

The plan of income-generating deposits with local and foreign banks during the period from 2016 to 2020 in millions of riyals



2 Total Liabilities

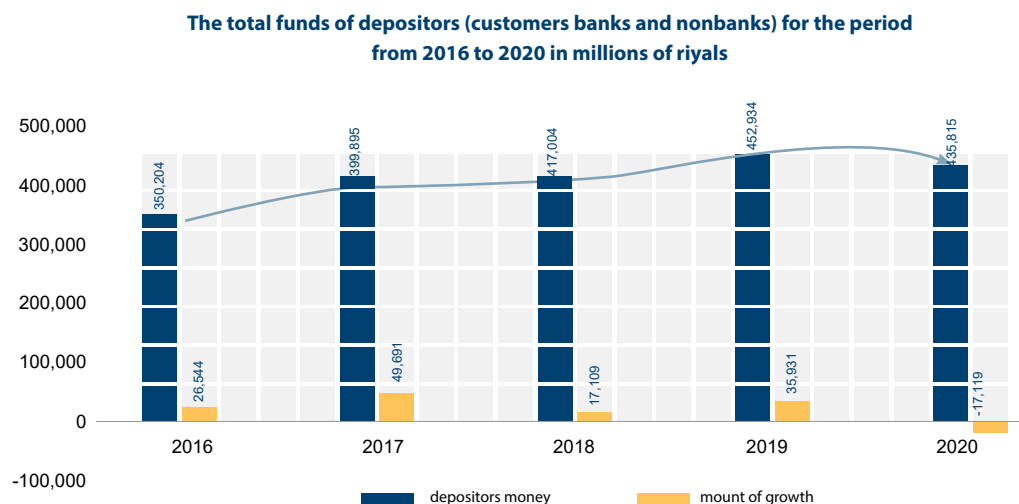
Total liabilities as at December 31, 2020 amounted to 474 billion riyals, compared to 473 billion riyals at the end of the previous year, with an increase of 1 billion riyals. Total liabilities represent 95% of the Bank's total assets.

Depositors' Funds (Customers banks and nonbanks)

Depositors' funds are one of the most important sources of funds in banks, which they use in the conduct of their business. The Cooperative and Agricultural Credit Bank (CAC Bank) pays the greatest attention to the development of these funds as they give the Bank financial solvency and adequacy, in addition to their reflecting well on the Bank's assets through their fruitful operation and employment.

The crisis experienced by the country during the past years affected the banking sector and the confidence of customers in banks, which led to the withdrawal of large balances from banks, followed by relative stability after the year 2016.

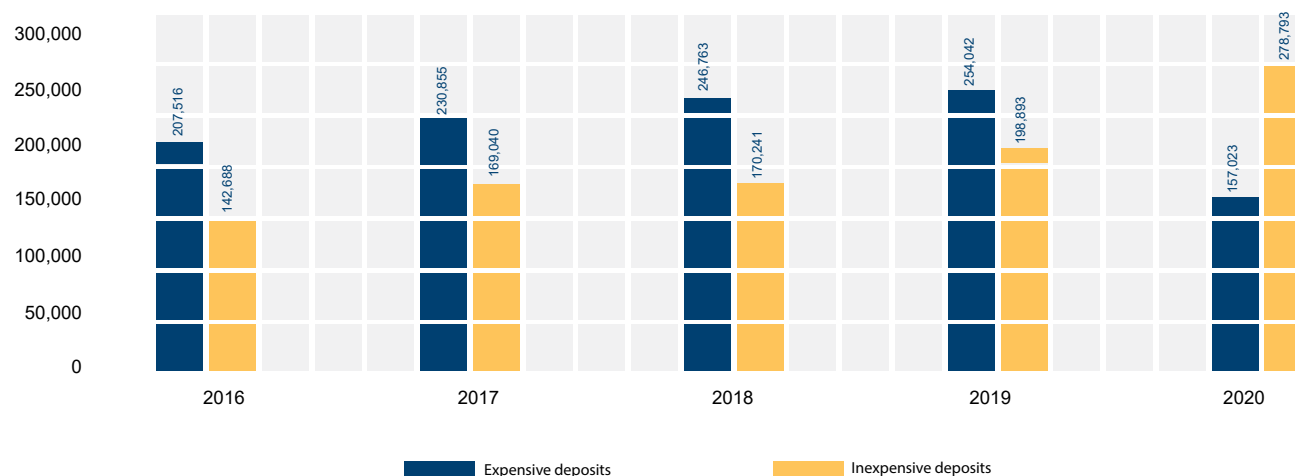
From the middle of the year 2016, a new problem emerged, which is the Cash liquidity scarcity, which led the banks to implement preventive measures for liquidity arrangements, among which the Bank set appropriate mechanisms for withdrawals from the old balances of customers, as one of the most important means adopted by the Bank to manage liquidity in light of this crisis.



The Bank has maintained an excellent and competitive portfolio of depositors' funds, as the total funds of depositors (banks & non-banks) as at December 31, 2020 amounted to 436 billion riyals, compared to 453 billion riyals at the end of the previous year, with a decrease of 17 billion riyals, or 3.8%. Customer deposits (banks and nonbanks) represent 92% of the total liabilities.

Despite the decrease in the volume of customer deposits during the year 2020, the Bank was able to transfer and convert most of the costly customer deposits to inexpensive current accounts, as the expensive deposits decreased from the amount of 207 billion riyals to the amount of 123 billion riyals, a decrease of 84 billion riyals, as reflected in the volume of expenditure in this area.

Depositors' money (expensive and inexpensive) for the period from 2016 to 2020 in millions of riyals



3 Indicators

Property Rights

The financial indicators of property rights for any bank or institution are among the most important indicators for investors, depositors and dealers alike, as they serve as the first line of defense, which cover emergency and out-of-control risks.

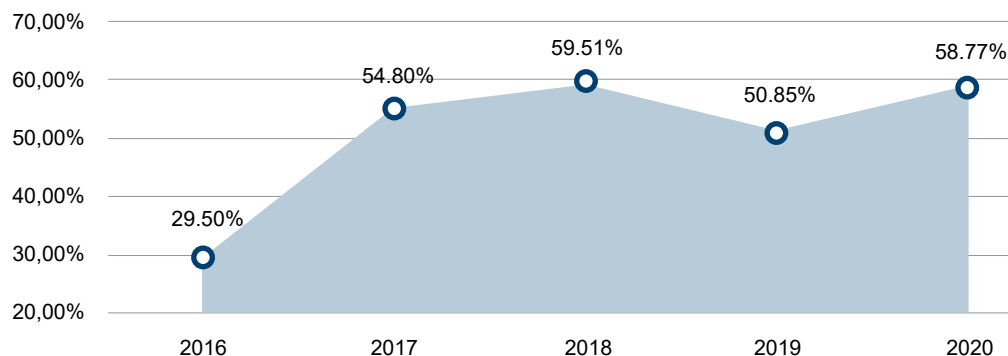
Because of the difficulties facing the banking sector, which lead to high risks, including the increase to high levels of foreign exchange rates, lack of liquidity, lack of investment opportunities and stagnation in the operation and employment of depositors' funds, etc., all of this leads to the search for sources of hedging and safeguarding to face any potential losses, as the Bank has followed the fixed policy of the transfer of realized profits to form provisions to deal with potential risks or to support capital and reserves.

Consequently, the total paid-in capital on December 31, 2020, amounted to 20 billion riyals.

The Bank was able to maintain a high capital adequacy ratio in accordance with the requirements of the Basel Committee and the requirements of the Central Bank of Yemen, where the capital adequacy ratio on December 31, 2020 reached 58.77%.

Below is a chart of capital adequacy ratios during the period 2016 - 2020 according to Basel rules and the requirements of the Central Bank.

The Bank's capital adequacy ratio during the period from 2016 to 2020



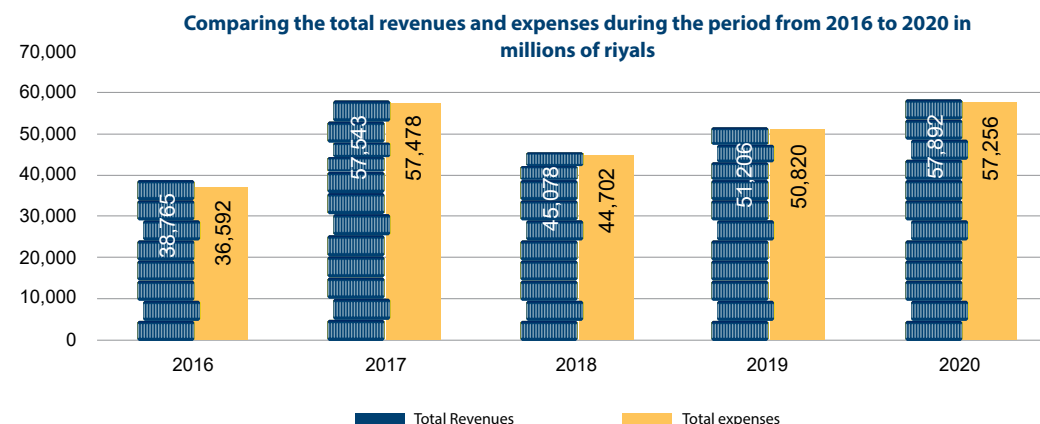
Below we will provide you with the most important items related to property rights (equity) as at the end of 2020

Profitability Indicators

Despite the country's economic stagnation during the past decade and the lack of income-generating investment opportunities, the Bank was able over the past years to achieve good returns, most of which were used to reduce currency position risks and face the risks of doubtful debts.

The Bank achieved net profits by the end of the year 2020, amounting to 635 million riyals, compared to 385 million riyals in the previous year, an increase of 250 million Yemeni riyals.

By looking at the Bank's income statement, we find that the Bank achieved a total operating income of 32 billion riyals at the end of the year 2020, compared to 22 billion riyals in 2019. The Bank used this income in:



An amount of (14,691) million riyals to meet operating expenses

An amount of (635) million riyals carried forward as a net profit

Net operating profit (32,163) million riyals was used in the following

The amount of (3,221) million riyals paid to the State

- An amount of (2,288) million riyals as zakat on trade offers
- The amount of (933) million riyals in commercial profits taxes

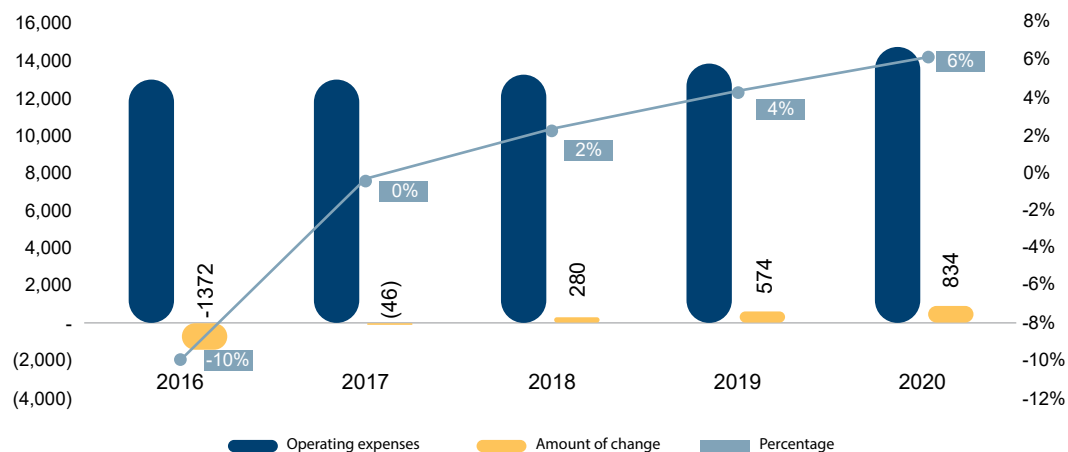
An amount of (13.616) million riyals, creating provisions to face potential risks

Operational Expenses

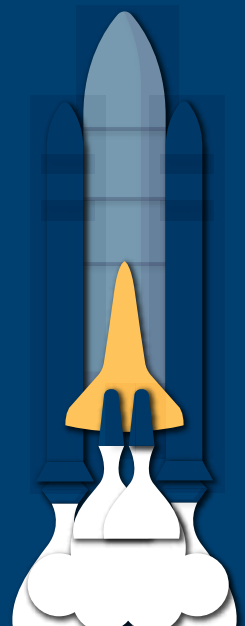
Despite the significant increase in the general level of prices, in addition to the increase in foreign exchange rates, the Bank was able to maintain good spending levels. In some years, it achieved actual savings over the previous years in terms of total expenses as well as item by item. This shows the ability of the Bank's leadership to run its business according to the highest quality and lowest cost, which reflected its impact on the profits achieved by the Bank during the last period.

The total operating expenses during the year 2020 amounted to 14,691 million riyals, compared to 13,857 million riyals in the previous year, with an increase of 834 million riyals. This increase is modest in view of the aforementioned rise in the general level of prices and foreign exchange rates. This increase was mostly owing to the rent and leases item as well as the foreign exchange rates, since the lease contracts from third parties are calculated in foreign currencies, where accounting is done at the parallel market rates. In addition, the Bank paid an amount of 200 million riyals to the account of the General Insurance Organization to cover the differences in insurance contributions for the Bank's employees for the period from 2017 to 2020, according to the amendments to the Social Security (Insurance) Law, resulting in increasing the total social insurance premiums from 15% to 18%.

Operating expenses during the period 2016-2020 in millions of Riyals



Bank Organizational Structure



Bank Organizational Structure

The Bank's organizational structure reflects an expressive image of the corporate business model which the Bank pursues, its main activities and the business models that it practices, in order to meet the needs and desires of the customers with the required quality, to achieve the expectations and tastes of diverse customers, as well as the continuous pursuit of customer satisfaction and loyalty and the building of a long-term working relationship and partnership.

The organizational structure also gives an overview of the nature of the various organizational units and their specializations, distributed over the various sectors of the Bank and to highlight the level of harmony in performance in a consistent, coherent and connected manner, which ensures the integration of functions and the sequence of various operations and activities to achieve the objectives set in the strategic directions of the Bank, in a manner that enhances its ability to reach the visions and strategies set in advance.

In addition, the organizational structure embodies the nature of the functional and administrative relations between the various organizational units of the Bank and the direction of the various institutional decisions, lines of communication and reporting in it, in a manner that supports the Bank's orientation towards its strategic goals. Furthermore, the organizational structure gives a practical translation of future transformations in the Bank towards changes emerging in the internal and external work environment and future trends vis a vis the real economy and community development, as the institutional strategic thinking requires development and the keeping pace of the organizational structure with jobs based on labor market results and indicators and foreseeing the future in the banking industry.

The organizational structure is defined as a map showing the administrative levels

within a hierarchical form that provides the appropriate framework for the implementation of various operations and activities, including the provision of products and services, defines tasks and responsibilities, allows coordination of activities and enhances administrative aspects such as supervision, control, evaluation, organization and effective communication, in addition to facilitating decision-making on the part of management.

The importance of the organizational structure is shown by the following:

- Exhibition of administrative levels.
- Defining job responsibilities.
- Defining the terms of reference for performance indicators, measuring them and working to improve them.
- Arranging and defining the necessary relationships and powers of the officials.
- Describes the sectors, departments, divisions, units, branches and offices in detail.
- Clarifies job titles.
- Determines the relationship between institutional processes and their smooth flow.
- Achieving the desired organization goals.
- Identification of responsibility in cost centers.
- Defining administrative accounting procedures.
- Reporting hierarchy, communication channels and issuing instructions.

There are many organizational structures, including the simple organizational structure, the functional organizational structure, the sectoral structure, the matrix structure, the mechanical structure, and the biological, organic or flat structure.

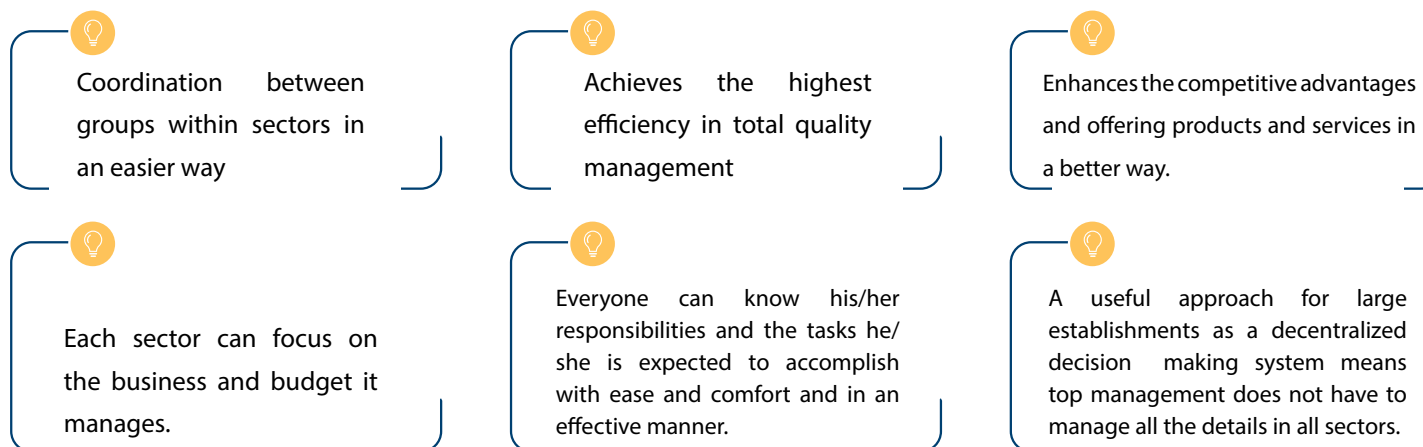
Institutions with their various activities must work on developing their organizational structures with a new design that is flexible and in line with the requirements and developments, so that they can enhance their ability to adapt to emergency conditions, external developments and the environmental conditions they encounter.

There are several determinants which are taken into account when building the organizational structure to be effective and achieve the desired goals and objectives. These determinants are represented in the sum of the factors that

will affect the selection and identification of the appropriate organizational structure for the institution, including the size of the institution itself.

The Bank has therefore worked to modernize its organizational structure, in a way that enhances institutional work in all activities of the comprehensive banking, investment and development work. Given the large size of the Bank, the best modern organizational structures were selected that serve the Bank's development and modernization process, which is the sectoral structure. It is a type of structure in which specialized employees are grouped in a specific service or product, focusing on the Bank's sectors being more specialized and in coordinated and harmonious departments Which serve the banking work and business.

Advantages of a Sectoral Organizational Structure



Characteristics of the Sectoral Organizational Structure:

- It allows coordination between the bank's business, as the organizational structure provides achievement of integration between business and eliminating duplication or repetition.
- Taking into account the conditions of the environment, as the organizational structure is concerned with the external as well as internal environment and its effects, with the flexibility of the organizational structure in responding to it.
- Benefiting from specialization, as the organizational structure helps the employee to accomplish the tasks of one job or accomplish the tasks of one section, which ensures the speed of work completion, in addition to low cost and work perfection.
- Paying attention to the important activities of the Bank, so the organizational structure arranges the activities according to their degree of importance and priority.
- The costs necessary for the needs of the organizational structure of units and specialization are taken into consideration and the divisions that are expected to have great benefits in the long run are emphasized.
- It opens the way for effective oversight and supervision.
- It works to reduce centralization and reliance on decentralization, which means delegating authority and participation among workers in making decisions and creating wide and great opportunities for workers with the aim of creativity and innovation, as it gives them a chance to carry out their work with ease, comfort, freedom and independence, which encourages competition and flexibility in raising employees' performance at all levels of management.
- Flexibility, as this feature reflects the ability of the organizational structure to adapt to the urgent changes in the work environment.
- Clarity, so that the elements in the organizational structure are precisely defined.
- Appropriateness, as this feature leads to the harmonization of the organizational structure with the environment of the institution or organization, which means meeting its needs.

Organizational Structure Principles:

The principle of division of labor

each person is responsible for a specific part of the work

The job principle

i.e. the division of work based on jobs and the quality of work

The principle of unity of purpose

which aims in the end to achieve the organization of the work environment and its unification in one goal

The principle of unity of the presidency or leadership

each employee has a chief from whom he/she takes directions, instructions and orders

The principle of equal responsibility with the authority

every official has a job and authority to supervise performance, enabling him/her to shorten the line of authority. The lower the administrative levels, the more effective the administration

The principle of flexibility

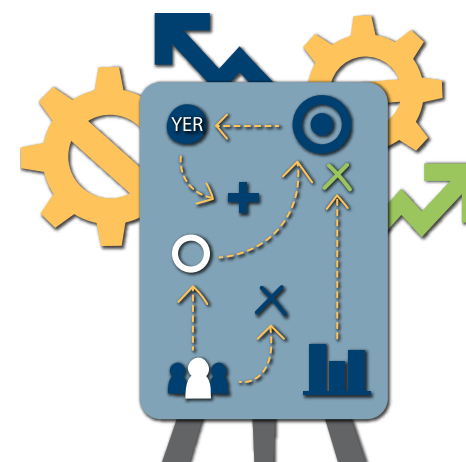
It shows the extent to which the institution or the Bank is able to adapt to internal and external changes without the need for fundamental modification

The most important updates in the organizational structure of the Bank during the year 2020

The most important updates that took place on the Bank's organizational structure during the year 2020 were the intention of the Bank's leadership during the second half of the year 2020 and in response to the requirements of the changes in the labor market and the government's tendency towards transition to the real economy and community development, the organizational structure was redrawn and the jobs that assume the roles and responsibilities consistent with the nature of the future activities of banks were redesigned. This was done in a manner that accommodates the specificity of the operations required to implement the formulas, investment projects and expected banking services in the future with the desired efficiency and quality, in such a way that meets the needs of all parties related to the Bank, avoids the shortcomings in the previous structure and strengthens the internal control system in the Bank.

The Bank has created new organizational units and assigned to them the roles and responsibilities required of them in accordance with the strategic visions and directions. Some business sectors with similar functions have been merged into one sector. The tasks, roles and responsibilities have been reorganized and they have been given approved work policies and procedures manuals, in order to achieve work principles and good corporate governance in the Bank.

In view of all the determinants, advantages, characteristics and principles that made the sectoral structure the most appropriate and convenient structure in the process of modernizing the organizational structure of the Bank, it has established eight different sectors that enjoy all the principles described, have all the desired characteristics, benefit from all the available advantages and meet all the required needs.



The Bank's sectors that were created after updating the organizational structure consist of eight sectors, in addition to the Development Building Committee. These are as follows:

1 Individuals and Branches Services Sector

Through this sector, the Bank has been keen to provide new and advanced products and services, which can meet the needs of a distinct and different base of customers and to use the competitive advantages which ensure maintaining the Bank as a pioneer among the banks in the banking sector. Therefore, the Bank sought, through the Retail and Branch Services Sector, to organize the efforts of its employees and staff in line with its strategy in designing systems and means to ensure effective internal communication and the participation of individuals in the decision-making process and interaction and dealing with its customers through its branches, which are spread throughout the country.

2 Agricultural Development and Projects Sector

This sector works to meet an important part of the requirements of economic transformation and moving towards real development, which necessarily calls for the establishment of diversified programs, investment funds and portfolios, through which the Bank can acquire the appropriate market share in view of the volume of their transactions, as well as prepare programs and projects capable of developing the Bank's resources through diversifying its assets and investments.

This requires creating the jobs and channels of business implementation required through this sector, in order to ensure the Bank's ability and continuity and to preserve its position as one of the most important financial institutions in the Republic of Yemen and one of the largest contributors to economic development.

3 Electronic and Cash Payments Sector

This sector keeps abreast of the fundamental changes in the banking sector by providing all electronic banking products and services, as well as responds to government trends regarding activating electronic payment systems and adopting electronic transactions policies, in a manner that facilitates the use of cash and its recovery and flow into its banking channels, while reducing the costs of paper currency circulation and what it will be in the future. The Bank through this sector seeks to achieve digital banking leadership in accordance with the directions of the central bank of Yemen.

4 Operations and Information Technology (IT) Sector

Modern banks have the ability to face competition within the banking system and it is these banks, the leaders of which attach great importance to the development of organizational and administrative structures, in a manner that achieves the objectives of their ambitious programs in raising the efficiency of performance and in increasing the ability to exploit the opportunities available to the bank, as represented by expected cash flows, with the aim of generating and raising the revenues derived from future operations.

To achieve this, the Bank uses the latest systems, programs and technologies, as it possesses a huge and modern technological structure capable of supporting all of the Bank's activities and operations in order to achieve its objectives, as well as enabling it to accommodate all variables and deal with all existing and expected challenges.

5 Risk and Compliance Sector

The Bank works through this sector to achieve the effectiveness of the risk management system and the application of best practices to ensure that the Bank's banking activities achieve an appropriate balance between return and expected risks. The Bank has frameworks for identifying, measuring, monitoring and managing risks.

Through this sector, the Bank works to provide the foundations and rules for future performance through a clear vision for both the Bank's Board of Directors and its executive management, believing in the importance of corporate governance for the purpose of achieving its strategic objectives, improving its performance and enhancing confidence in its activities by the depositors and the parties the Bank deals with.

6 Business Development Sector

This sector organizes the framework that clarifies the tasks and responsibilities of different jobs, organizational units and their competencies (terms of reference), the authorities and powers of the different administrative levels and the preparation of public policies and their procedural guides and manuals.

The sector also helps in directing the Bank's leadership to take decisions by setting and evaluating strategic and operational plans, determining the activities to be carried out and the resources needed to implement them, coordinating between the various tasks within the Bank, in addition to providing studies and development research for traditional and electronic services and products. Moreover, the sector manages the Bank's public relations and supervises the implementation of the Bank's responsibility towards society and the community.

7

Support Operations Sector

The Bank seeks, through the new organizational structure and through the Support Operations Sector, to succeed in reducing operating expenses and ending cases of operational duplication, which plague some departments and sectors, by exploiting the available capabilities and resources and using them optimally for the purpose of resource development.

The success of the new organizational structure lies in creating integration between the interests of employees within the Bank and the interests of the Bank itself, in addition to urging managers to treat employees as intelligent partners who have the ability to innovate and excel.

8

Islamic Finance Sector (Islamic CAC)

The Bank, through the Islamic Finance Sector (Islamic CAC), seeks to provide diversified banking services of high quality to our customers with all financial solutions, which are compatible with Islamic Sharia provisions and controls, using the best administrative and technical systems with high professionalism in the best work environment that achieves continuous growth. This environment contributes to serving the community, so much so the Islamic Finance Sector (Islamic CAC) becomes the first destination for a banking partner with innovative Islamic solutions, as it is a financially and administratively independent sector under the supervision of a Sharia Supervisory Board, which works to ensure the safety of business implementation and avoiding mixing of funds, in addition to having a fully functional organizational structure, which guarantees the implementation of business in a professional and skillful manner that helps boost performance.

9

Development Building Committee

Through this Committee, the Bank seeks to create and manage investment portfolios, in order to achieve the objectives, set in their establishment, by financing investment projects in various development sectors, thus contributing to economic recovery programs and supporting development in the country, while achieving the required return on investors' funds in those portfolios, in addition to strengthening the means of real partnership with the private sector. Moreover, the Committee submits proposals and economic feasibility studies, which have positive financial effects on the local economy, contributing to the selection of market sectors and economic fields supported by investment portfolios and coordinating with sector experts during their change, transformation and expansion.

Business Continuity



Crisis Management

Corona (COVID-19) Epidemic

During the year 2020, the whole world witnessed the spread of the Corona virus (COVID-19) and this pandemic cast a shadow on all aspects of life, as the world was about to witness a collapse in all its systems, the most important of which are the health and economic systems. The Bank had therefore to manage this crisis according to a scientific and professional methodology to maintain the continuity of its business and in a manner that maintains the service and safety of employees, customers and society.


Accordingly, the Bank has, during this crisis, formed the Supreme Committee for the Management of the Corona Virus Pandemic Crisis (COVID-19). This Committee has undertaken the following tasks:

- The business and resource planning process at all levels of the plan (preventive, detection, response and recovery)
- Organizing resources of all kinds.
- Oversee the implementation of activities for the business plans.
- Directing and monitoring the public health measures taken to limit the effects of the pandemic during the continuity of the work and business of the Bank, its branches, and channels.



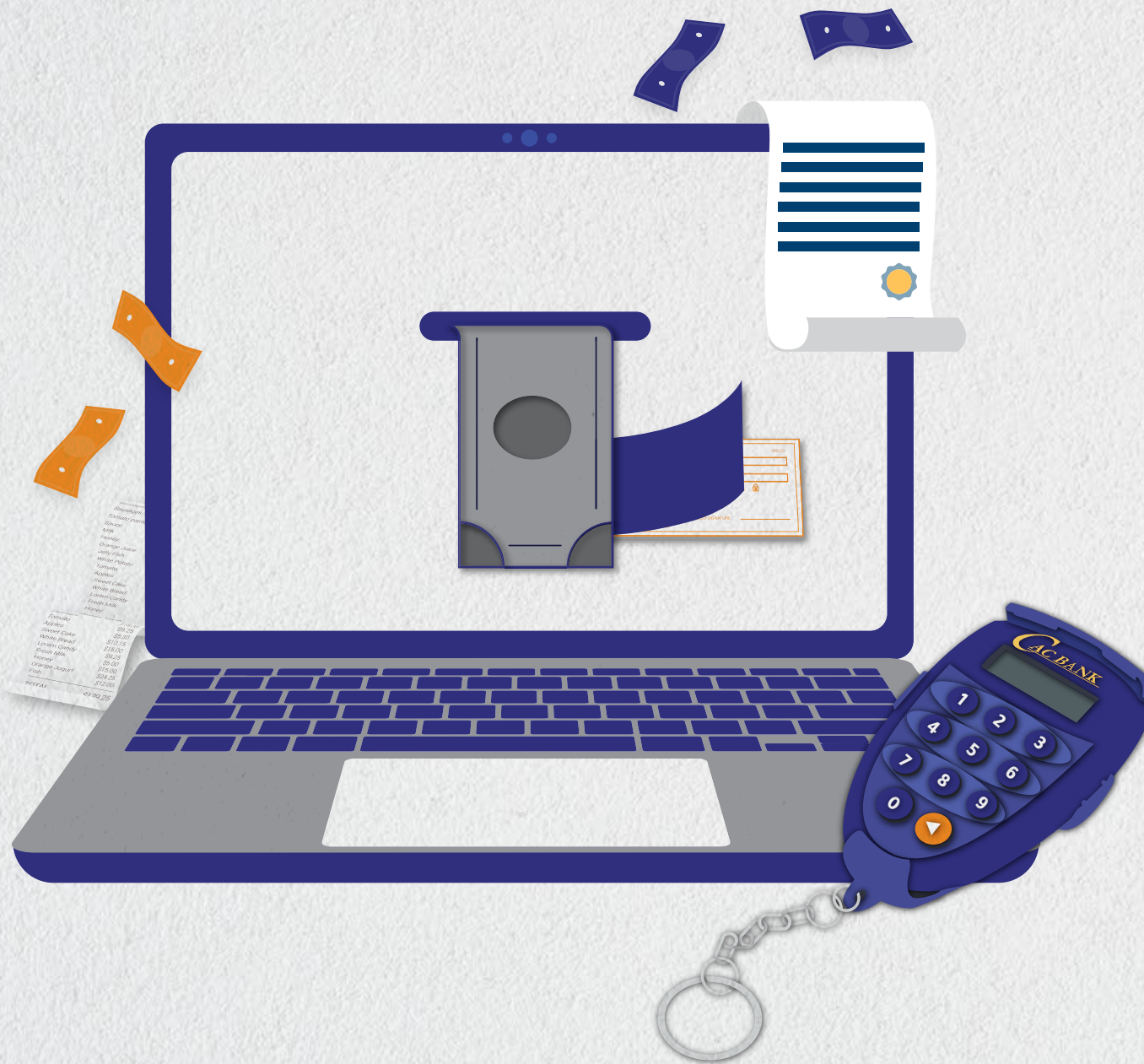
The Bank issued its Business Continuity Guide in light of the COVID-19 pandemic. This guide played a major role in combating the spread of the Corona epidemic, by adhering to the following principles:

- Adapting to epidemic levels, planning and organizing to arrange the relative importance of operations and the continuity of their implementation and to determine the means and locations of their implementation to ensure the continuity of important business.
- Providing public health measures and advice regarding all levels of the epidemic, to ensure protection for employees, customers and the local community.
- Monitoring the implementation of the recommendations of the Ministry of Public Health and the procedures for implementing operations as the situation evolves.
- The Bank's Supreme Committee for Crisis Management evaluates the procedures for continuity of operations implementation, planning and modification as necessary, given the changing nature of the epidemic.
- Taking into account that the Bank's contingency plan has sufficient flexibility for the continuity of business, operations, sites, channels and instruments during the crisis period.
- Identify continuity plan risks (difficulties, threats, weaknesses, or unexpected events) and monitor the situation to identify appropriate change.
- Preserving the Bank's capital and cash flow and reducing customers' burdens as a result of their inability to access the Bank's sites.
- Innovating new work methods (remote (offsite) work) and creating the appropriate tools for their implementation.

- 
- Identify supply chain risks.
 - Planning to close some sites and channels and open others during the crisis period.
 - Transferring Bank customers to electronic distribution channels.

In view of the fact that the pandemic has posed a direct threat to the Bank's most important asset as represented in its human cadre, which is its real capital, the Bank has been keen to take all measures and arrangements in all phases of the epidemic (prevention phase, detection phase, response phase, recovery phase) to preserve the safety of the Bank's employees and customers and exert due diligence to ensure that they are not exposed to any health problems as a result of the outbreak of the Corona epidemic (COVID-19). Some of the measures taken to preserve and protect the human cadres (employees or customers) are for example the following:

- Imposing social distancing measures.
- Partial employment of the human cadres.
- Implementation of a system of shifts between employees.
- Providing alternative devices to prove employees' working hours, such as face print devices instead of handprint devices, in order to avoid transmission of the virus through touch.
- Providing employees and Bank customers with means of protection, including gloves and masks, on a daily basis.
- Providing thermal monitoring devices to identify those infected with the virus among the Bank's employees or customers.
- Providing branches and departments with health sterilizers.
- Continuous sterilization of workplaces.



A service targeting major customers, companies and international organizations and through this web-based platform by entering the Bank's website, you can carry out many banking transactions quickly, easily and safely and without the need to visit the Bank.



Electronic Banking Transformation



Electronic Banking Transformation

The world has witnessed a revolution in the field of information and communication technology, which has brought about radical changes in the economic, commercial, financial and banking sectors. These developments have cast a shadow over the business and activities of banks, which has led many of them to re-develop their activities to keep pace with technological development, in order to take advantage of the benefits offered by the use of the internet and information and communication technology in providing banking services. Furthermore, the use of the modern technology has brought about a realistic transformation in the nature of the banking industry and the diversification of banking services, which may now be provided with ease, convenience and better quality.

Banks have been able to reach their customers in various regions, through the modern technologies, which have contributed to the development of banking products, thus leading to an increase in electronic commercial transactions. This is one of the most important phenomena of the contemporary world, which is based on the knowledge economy and information and communication technology.

The banking sector is considered one of the sectors most affected by globalization, especially financial globalization, by its liberation from legislative, regulatory and geographic restrictions and obstacles, which stand in the way of transformation and expansion of banking activities.

The Cooperative and Agricultural Credit Bank (CAC Bank) adopted the electronic banking transformation process at an early stage and was the pioneer and forerunner in this field during the previous decade, where the Bank overcame all the challenges associated with the electronic banking transformation process of searching for and promoting markets for banking and electronic services, raising awareness among target customers and attracting them, in addition to the huge costs incurred by the Bank to establish a modern technological infrastructure, which includes software, hardware, electronic and protection systems, as well as the Bank's fulfillment of all legal requirements and those related to regulatory and supervisory authorities. Within the organizational structure updates, an independent sector for electronic payments and money was established to allow the flow of operations in a way to serve customers.

The monetary and supervisory authorities in Yemen, represented by the Central Bank, in cooperation with Yemeni banks, are seeking to lay the foundations for electronic transactions, in line with the Government's aim to expand the base of dealers with electronic payment tools to benefit from them in general and in light of the current cash shortage in particular.

Electronic Money Services

The technical development and the rapid growth in the use of the internet and e-commerce have resulted in many innovations in payment systems, as mobile payment systems are among the latest technical systems, which have made positive progress in the field of retail payments and their beneficiaries include customers and financial, services and government institutions and banks. Most of the beneficiaries of the services of these institutions at the present time carry out various payment operations through traditional methods, but the modern technology of electronic payment has now allowed several possibilities in this field. Today, it is possible to pay bills electronically and to adapt internet and mobile technologies to implement this service anywhere in the world.

As a result of what has been mentioned above and in late 2018, the Bank launched the electronic money service (MOBILE MONEY), enabling its customers to transfer and receive money and pay their obligations such as mobile bills, instant charging, the internet, fixed (landline) telephone, water and electricity bills, in addition to paying the value of purchases, services and other available electronic payments, including university fees and online stores from anywhere and at any time. Also, out of great concern and interest on the part of the Bank to support and update electronic payment services of direct benefit to the community and in implementation of the national vision strategy and the promotion of the principles of financial inclusion and in cooperation with state institutions, the Cooperative and Agricultural Credit Bank (CAC Bank) has provided the service of electronic business payments and government collections, in order to enable companies, institutions and individuals to pay government fees electronically, such as paying taxes, customs and amounts of oil derivatives, easily and safely through the Bank's network of branches, offices and agents.





A distinguished service that has been updated to complete the cycle of financial inclusion for the Bank's services, as well as to meet the banking needs of our customers according to an integrated package of high quality services.

Mobile Money Wallet

Services and benefits for individuals

Services

- **Money Transfer Service:** enables Bank customer to receive and transfer funds easily from his/her account (mobile phone number) to any other (mobile phone number), whether the beneficiary is subscribed or not in the Mobile Money wallet.
- **Cash Withdrawal and deposit Service:** enables customer to withdraw and deposit cash from and to his/her account in the Wallet through branches and offices of CAC Bank or through authorized agents (and in the future through service points or merchants).
- **Cash Withdrawal Service:** from ATMs without bank card is an easy and secure way to withdraw cash from ATMs of the Cooperative and Agricultural Credit Bank (CAC Bank), by means of the Card Less withdrawal feature through the wallet application or via text messages (SMS).
- **Settlement of purchases and electronic payment service:** allows purchasing goods and services and paying for them electronically through points of sale (POSs) / electronic stores and other electronic payments, such as paying donations and subscriptions.
- **Bill Payment Service:** Enables Bank customers make inquiries and payment of bills for various services (landline, internet, water, electricity), in addition to charging and paying mobile phone bills and purchasing Internet packages.
- **Payroll Service:** receive and disburse group payments such as salaries, subsidies and loans electronically through the Mobile Money Wallet.

Advantages

- Reducing the problems of liquidity scarcity and circulation of damaged banknotes and the risks of contamination and transmission of diseases.
- Ease of conducting financial transactions using any type of mobile phone (smart-normal) through:
 - . Mobile Money application (internet application - (SMS) application).
 - . by sending an SMS containing the service order to the number (6464) from all networks.
- An easy and safe way to receive salaries and collect financial dues.
- A wide network of points of sale (POSs) and agents spread throughout the Republic of Yemen.
- High level of security, confidentiality and privacy.

Services

- **Service points through Mobile Money:** It is specifically designed for merchants to match the needs of their customers and enable them to collect payments for goods and services provided to customers easily and securely via their mobile phone.
- **Business Payment Service:** Companies and private and governmental institutions can collect receivables and make commercial payments through the Mobile Money system (such as: payments between the manufacturer and the wholesaler, or the wholesaler and the retailer) via the Internet with accuracy, ease and speed without the need to visit the Bank.
- **Government Dues Payment Service:** The Mobile Money Wallet offers the latest electronic payment services, which include electronic payment of government fees and obligations (currently available services: payment of customs duties and taxes).
- **Electronic Payment Service for Websites and Applications:** Owners of websites and e-stores can now link with the Mobile Money Wallet to receive payments electronically.
- **Electronically transferring collective salaries collective payments:** Companies, organizations and financing and lending institutions can transfer salaries or any type of group payments electronically through Mobile Money Wallet.

Advantages

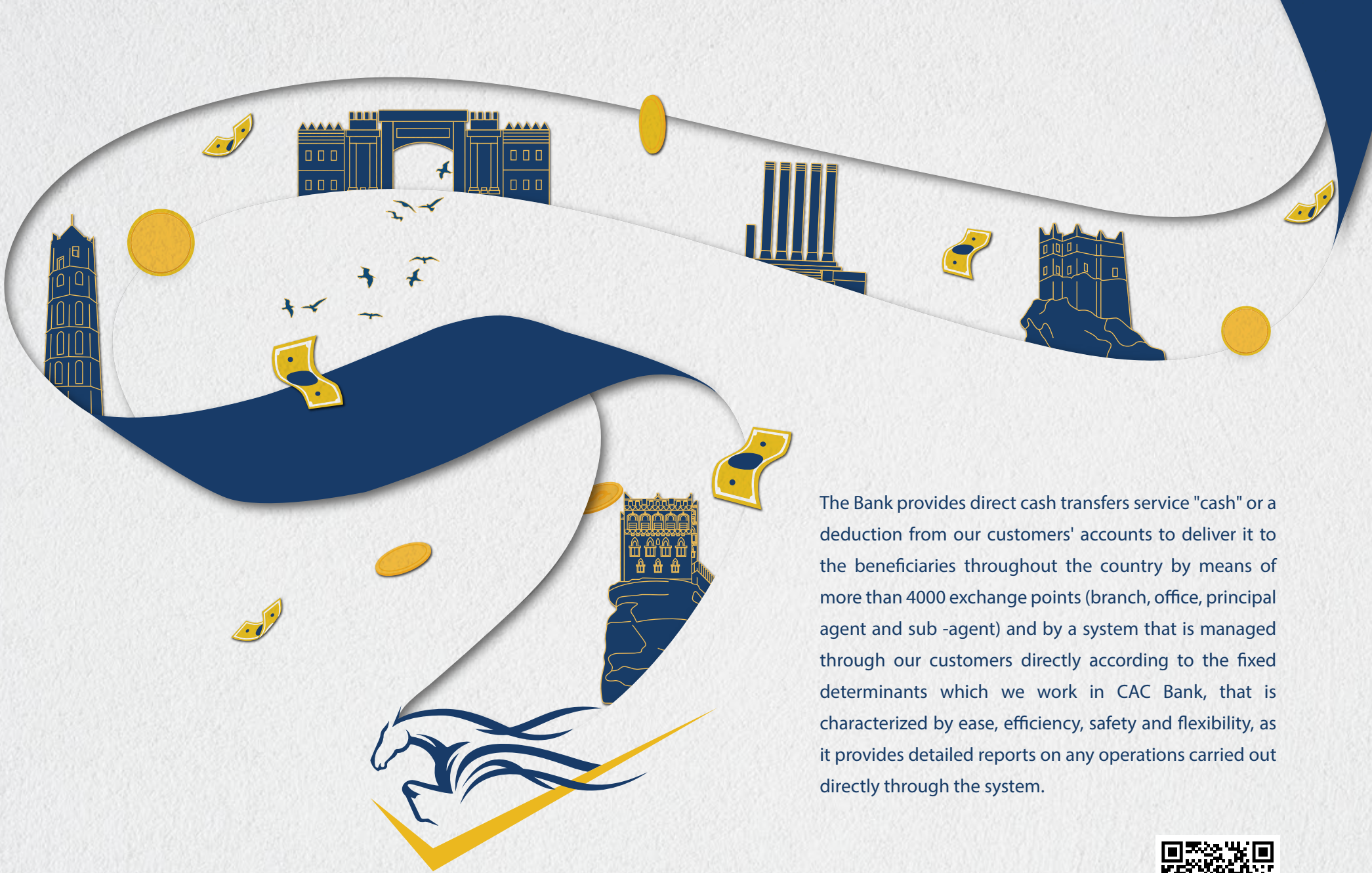
- Electronic payment services are characterized by high levels of security and confidentiality protection in order to safeguard customers' interests.
- Pay government dues from the workplace without the need to go to the Bank branch.
- The ability to follow up on payments and collection processes and view reports around the clock, seven days a week.
- Reducing the problems of liquidity scarcity and circulation of damaged banknotes and the risks and costs of storing, sorting and transporting them, as well as the risks of contamination and transmission of diseases.
- The merchant can add users with different permissions (Users Manager - Users Supervisor - Accounts Administrator - Cashier).
- The possibility of activating bilateral control and defining four administrative levels for the implementation of financial operations in the system (such as: commercial payments (B2B) - government payments (B2G)).

Withdrawal and Deposit Service for Customers

Executing withdrawals and deposits of Mobile Money Wallet customers, to benefit from the transactions of individuals as well as to obtain commissions.

Receipt of government payments and deposits

Mobile Money Wallet customers through service agents can pay their obligations towards customs, taxes and other government dues, in addition to the ability to replenish their accounts with service agents.



The Bank provides direct cash transfers service "cash" or a deduction from our customers' accounts to deliver it to the beneficiaries throughout the country by means of more than 4000 exchange points (branch, office, principal agent and sub-agent) and by a system that is managed through our customers directly according to the fixed determinants which we work in CAC Bank, that is characterized by ease, efficiency, safety and flexibility, as it provides detailed reports on any operations carried out directly through the system.

السريع للحوالات
ALSAREA TRANSFER
حوالة ... وأكثر



Money Transfers

Domestic Remittances Incoming from Agents

The year 2020 witnessed an increase in the number of remittances received through agents compared to the previous year 2019, where the percentage of increase in the number of remittances delivered through agents amounted to approximately 12%, as a result of the increase in salary remittances executed through "Sarie" Express Service and reliance on agents to deliver them in various regions of the Republic and outside official working hours of the Bank. The year 2020 also witnessed an increase in the number of inward remittance agents compared to their number during the year 2019 and the percentage of increase was 20%. The number of outward remittance agents during the year 2020 increased by 26 % in 2020 compared to 2019.

Electronic Money through Agents

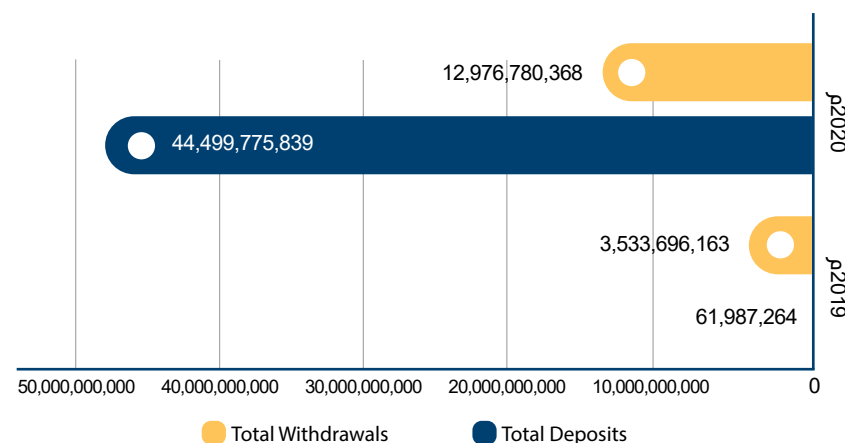
The year 2020 witnessed a very big leap in electronic money operations through the Bank's agents, which are implemented for customers of various segments, individuals and companies. The volume of cash deposits with agents increased significantly in 2020 compared to 2019, the total customer deposits through agents amounted to approximately 44.4 billion riyals in 2020 compared to only 61.9 million riyals during 2019, as a result of the launch of government payments via electronic money during the year 2020.

Cash withdrawals from agents also increased during the year 2020 compared to the previous year 2019, so that the total withdrawals of customers through agents amounted to approximately 12 billion riyals, an increase of 267% over the previous year, which amounted to 3.5 billion riyals, as a result of attracting the salaries of many agencies and paying them through electronic money.

Foreign Transfers Received and Delivered through external agents

The year 2020 witnessed an increase in the number of foreign remittances delivered by the Bank's external agents, compared to 2019 with an increase of 7% in the number of remittances and an increase of 9% in the amounts of foreign remittances delivered in US dollars, as a result of facilitating the withdrawal of their financial dues since the middle of the year 2020.

The chart below shows the number of cash deposits and withdrawals through electronic money agents during the years 2019 and 2020:





WesternUnion WU

CAC Bank has, as a result of its good reputation, set up strong partnerships with many well known international money transfer companies, including Western Union, as it is one of the most famous international companies in the field of money transfer and this relationship has started about 10 years ago and is still in continuous growth and expansion.

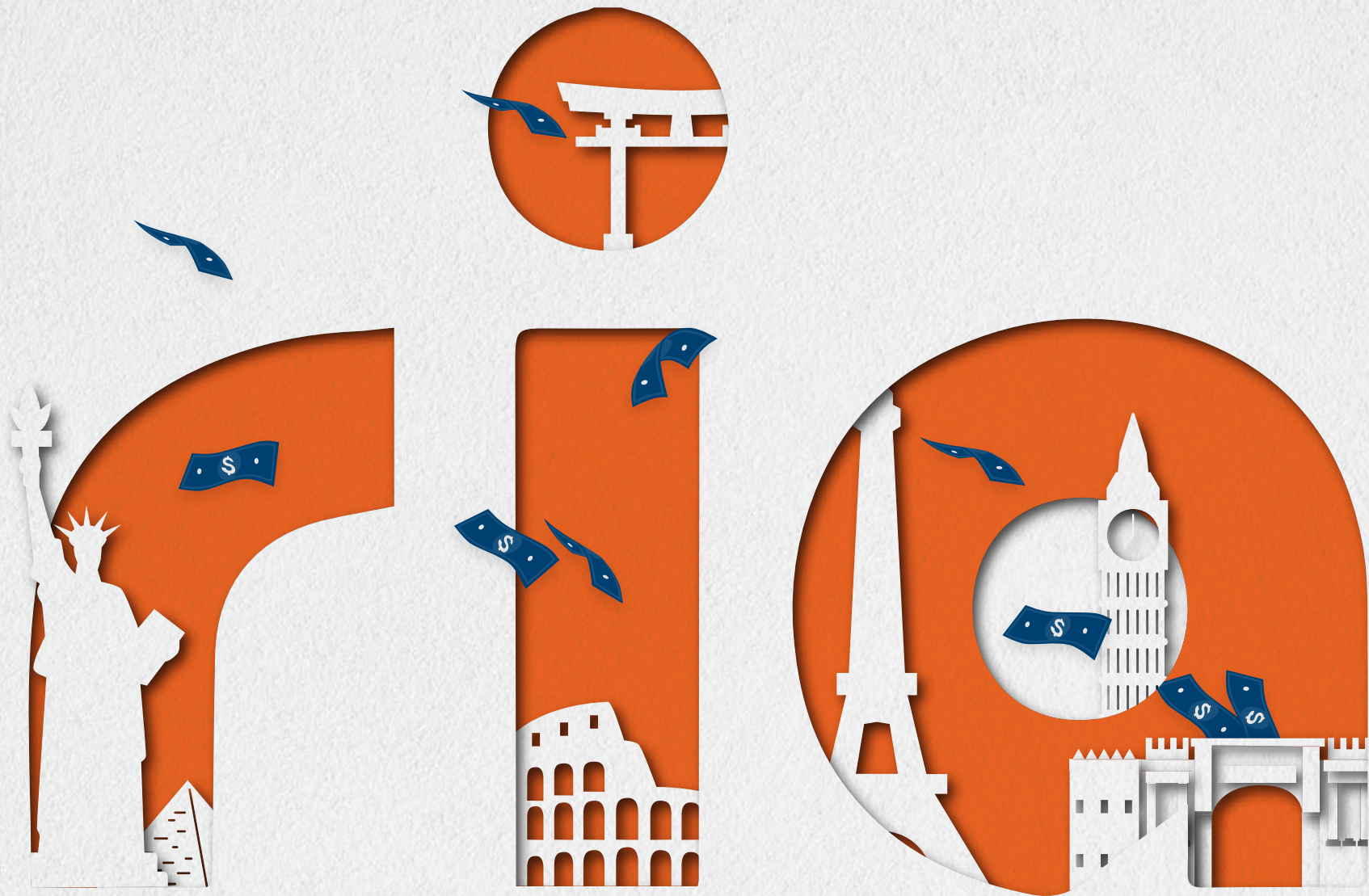


The year 2020 also witnessed an increase in the number of electronic money agents compared to the number of agents during the year 2019, at a rate of increase of 73%.

The Cooperative and Agricultural Credit Bank (CAC Bank) has been keen to provide its employees at all levels of management with full knowledge of the details of electronic money services, their advantages and how to use them. An integrated training package for the Mobile Money service was designed by the Bank and trained its employees on the package.

Furthermore, the Bank continued the process of training for electronic money service agents during the year 2020, according to the integrated training package that was prepared by specialists in the Bank, where 13 groups of electronic money service agents were trained.

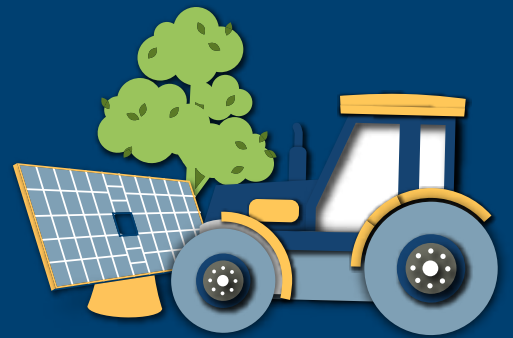




One of the personal financial transfers services provided by CAC Bank to its customers, as CAC Bank is the first agent of the Company in the Republic of Yemen and is considered the third largest money transfer network around the world and is characterized by its low commission and its presence in most countries of the world.



Agricultural Development and Projects



Agricultural Development and Projects

Changes in the organizational structure of the Cooperative and Agricultural Credit Bank (CAC Bank) have kept pace with the economic developments and future trends of the State, with the aim of reducing treasury bills, encouraging actual investment and working to find development in all agricultural, industrial, commercial, real estate, financial and other sectors. Moreover, the Bank is working on trends towards Islamic finance in all forms, in which the Bank preceded all commercial banks in restructuring and preparing for the new stage.

The agricultural development and projects sector seeks to promote agricultural, industrial, commercial and contracting development, through linking and intertwining with the services provided by all sectors in the Bank on an ongoing basis, in line with the previous course of the Bank, which it implemented in financing the agricultural, fisheries and livestock sector since its establishment until the present day. Since the restructuring in the year 2004, the Bank has supported the State's orientation to keep pace with changes in the global economy by attracting foreign investments, supporting economic openness and creating opportunities for development and intense competition, in the context of providing diverse and comprehensive services and products and electronic banking services, in accordance with the latest international banking standards and specifications with a modern and flexible vision that responds to local and global changes.

With these advanced and ambitious strategic steps, the Bank has been able to assume the leadership project to become at an early stage a comprehensive financial and banking institution, which offers its modern and innovative products, in a manner that meets the diversity of the segments of society and

serves the local economy and financial inclusion, thus ascending from the stage of development success to the stage of banking excellence in all economic sectors, serving a community to which it belongs and, telling each community member "share in our pioneering spirit".

The project for the necessary modernization of the Bank's organizational structure has been adopted and this comes as a sense of responsibility and achievement of the national economic, agricultural, development and financial vision, keeping pace with urgent changes in the banking sector and in response to government directions regarding activating payment systems and adopting electronic transactions policies, in a manner that facilitates the use of cash and its recovery and return to banking channels with reduced banknote circulation costs.

This development is considered an absolute necessity to ensure the continuity of the Bank in providing services and products to the customers and restoring its role in the banking sector, by utilizing the available capabilities and resources and using them optimally in order to develop them, using competitive advantages.

The Agricultural Development and Projects Sector consists of five departments:

- Agricultural and Fisheries Services Department.
- Agricultural and Fisheries Projects Department.
- Commercial and Industrial Projects Department.
- Real Estate and Contracting Projects Department.
- Investment Department.

The strategy of the Agricultural Development and Projects Sector

in the field of financing development projects is as follows:

1 First: The field of direct financing of projects and linking sales chains

The Agricultural Development and Projects Sector follows strategic approaches in providing financial services for financing development investment projects, which achieve the development and sustainability of funded projects and activities by pursuing the following methodologies:

1 Methodology for Developing Operating Systems

This methodology works to finance services and activities, which aim to develop operating methods, as it leads to reducing waste and loss to the lowest level and linking beneficiaries to suppliers of high-quality production inputs and thus contributing to their access to planned production according to market needs. This will also contribute to adhering to the required production standards and specifications in the external and local markets, in addition to using of the latest production technology in all sectors by contracting with suppliers with experience and excellent reputation, in order to protect products from commercial fraud and focusing on specialization in the production of distinguished goods in terms of price, quality, season and costs.

3 Exporters, Buyers and Suppliers (Marketing) Financing Methodology

The Bank provides financial and financing services to local and foreign exporters, buyers and manufacturers, linking them with small farmers, fishermen and the rest of small producers and service providers, with the aim of concluding marketing contracts before production, external marketing, providing the required specifications and standards, offering packaging, transportation and preservation services appropriate to export requirements and selling at international prices, in addition to enabling small producers to communicate with markets.

2 Methodology for Enhancing Financial Indicators

The Bank adopts this methodology in providing financing services for projects and activities, which achieve raising financial indicators, as it leads to a decrease in production costs and an increase in the quantity of production and revenues by displaying various Yemeni products characterized by great distinction of high quality, to be marketed and sold at the international price and doubling production for others. This leads to farmers, fishermen and other producers achieving high profits compared to the old agricultural methods and ways, thus rural customers have the ability to repay the financing provided to them, spend better on education, health and food, as well as carry out the operational process of production again in the next season.

4 Logistics Support, Training and Experience Transfer Methodology

In addition to its financial services to the beneficiaries of financing programs, the Bank also provides logistical support services, training and transfer of experience through the implementation of workshops and training courses, offered by local farmers and producers with accumulated experience to the rest of the production sectors and holding specialized training courses by specialized experts in cooperation with the competent authorities interested in the agricultural and fishing sector and the rest of the vital and important production sectors in all regions of the Republic.

2 Secondly, Investment Portfolio Management

The Bank has a lot of capabilities and experience which qualify it to manage donor development projects and refinance them in the field of investment projects and provide various financial services, given its uniqueness in terms of its expertise in dealing with customers which it gained from development activities in the various agricultural, commercial, industrial and other sectors and its provision of comprehensive banking services.

The Bank is present in all governorates of the Republic through its branches located at the level of directorates and governorates and its direct dealings with members of the targeted group without additional intermediaries. The Bank's experience throughout its history in managing grants and assistance targeting all sectors in the field of rural development in its comprehensive concept and the overall services of the Bank at the level of its adopted systems and methods and ways of dealing with them.

Targeted Areas of Project Financing Programs

The Bank provides its financing services in the framework of partnership with specialized governmental and non-governmental agencies, whether local, regional or international, to achieve comprehensive development, in accordance with the policy of financing value-added chains and in the form of standard services (products), with the aim of obtaining funds and building appropriate alliances for all financing programs. Furthermore, the Bank owns many financing programs which are designed to develop all regions of the Republic in all production and service activities without exception and in good harmony with the requirements of developing specific regions or productive sectors.

Moreover, the Bank is unique in owning a qualified human cadre of agricultural and financial engineers whose energies will be directed to work on the success of rural financing programs.



Targets of Project Financing Programs

In addition to its financial services to beneficiaries of financing programs, the Bank also provides logistical support services, training and transfer of experience through carrying out workshops and training courses provided through the accumulated experience of local farmers and producers for the rest of the production sectors and holding specialized training courses by specialized experts in cooperation with the competent authorities interested in the agricultural and fishing sector and the rest of the vital and important production sectors in all regions of the Republic.

Features of Projects and Financing Programs

Creating permanent job opportunities for their beneficiaries.

Sustainability of the programs so that their balance is always renewed, meaning that the amounts granted in the form of funds are recovered from the borrowers from the income of the financed projects and re-lent to finance other projects.

Granting concessionary financing for productive projects.

They target graduates of universities and vocational institutes and those with experience in dealing with any field of development, while providing job opportunities for non-graduates.

The programs target all segments of society in all governorates of the Republic, including farmers, fishermen, traders, owners of small projects, business incubators and people with limited income, especially rural women, including those without any educational qualifications.

The Bank's financing includes many and diversified sectors to reduce the risks of funding concentrations, while giving priority to promising sectors.

The Bank assigns priority to funds from the program allocation for existing and new projects, especially those deprived of banking sector financing.

The Bank gives women an equal opportunity with men in obtaining financing from its development programs.

The settlement of the financed funds shall be made in periodic installments, according to the nature of the project's production cycle and its income.

The Bank obtains sufficient guarantees from borrowers according to the rules and regulations in its development programs or what is issued by the bodies and entities financing the projects (local and international donor organizations, bodies and funds) and any instructions determined by the mechanism used in fulfilling the guarantees, their type and value.

The Bank works on the compatibility of granting funds from program allocations with the beneficiaries' contributions to the costs of the financed projects, in accordance with the policy and the specific conditions for the percentage of contributions imposed on the applicants for financing.

All projects which the Cooperative and Agricultural Credit Bank (CAC Bank) finances and manages are built in accordance with the requirements and procedures of combating money laundering and terrorist financing and applying the principle of due and enhanced diligence in identifying customers and those behind them, knowing the real beneficiary and reporting to the Compliance Department in case of suspicion if any.

The Bank prohibits financing any projects which pollute the environment.

Methods of Administration and Management in Joint Financing Projects and Programs

- Joint financing projects and programs are implemented through specific business management committees, whether through the directors of development finance projects with the strategic partners or project managers for donor programs or any consultant representing the donors to manage the joint business.
- Providing finance through all traditional and private electronic distribution channels to enable the beneficiaries to have access to the Bank's development and financial services at the lowest cost and at any time.
- The duration of the implementation of joint financing projects is preferably not less than three years for each program or according to the stipulations and requirements of the donors, starting from the date of the start of allocating investment portfolios and crediting their amounts to the account of each program at the Bank.

Programs Adopted by the Agricultural Development and Projects Sector to Continue Providing Development Financing Programs

In line with the national vision in promoting the Yemeni economy and its growth, the focus has been on linking the agricultural development and projects sector policies and its procedures in line with the agricultural economic vision adopted by the country's supreme leadership through the endorsement of programs for financing projects with high economic feasibility as follows:

Name of Program

- Environmental and Renewable Energy Support Programs
- Bank financing services and programs for the development of rural communities in remote areas
- Services of agricultural and fisheries investment companies and supply chains
- Investment projects program to generate electric power for villages and secondary cities from clean sources
- Real estate investment program and financial services for contractors
- Financial Services Programs for Industrial and Commercial Companies.


Development Building Committee

The Development Building Committee has been formed for the purpose of creating and managing investment portfolios by financing investment projects in various development sectors, in a way which contributes to economic recovery programs and strengthening development, while achieving the required return on the contributions of investors in those portfolios and enhancing the means of real partnership with the private sector.

The Bank's senior management provides the necessary support and resources to the working group of the Development Building Committee and the working group has access to the technical expertise of the Bank's staff and additional resources may be ordered to be provided for projects with higher government levels.

Among the most important objectives, tasks and responsibilities of the Development Building Committee are the following:

1



Preparing studies and establishing investment portfolios in accordance with development purposes and investors' aspirations, in order to comply with the following:

- Submitting proposals and feasibility studies which have positive financial effects on the local economy.
- Determining the returns and opportunities in the local community for the purpose of directing the strategic path.
- Preparing qualitative studies and financing programs, presenting them to investors and relevant authorities and implementing them through the Bank.

2



Establishing the mechanisms required for the implementation and sustainability of projects in various fields, in coordination with the various business sectors in the Bank and according to the requirements of their implementation and their sources of financing (public, private or mixed sectors) and the first investment portfolios of the Bank include the following projects:

- Portfolio of investment projects.
- Sustainable development portfolio.
- Commercial and general investment portfolio.
- Real estate and agricultural investment portfolio.

3



Selecting market sectors and economic fields supported by investment portfolios, providing a channel to the local business community, strengthening relations between the public, private and mixed sectors, offering information and data on the local market and business sectors, supervising the implementation of marketing plans and working to evaluate them on an ongoing basis.

4



Identifying opportunities to attract new business, meetings with project shareholders and presenting and updating the documents and business progress reports to be reviewed.

5



Reviewing periodic reports on the progress of business in the implementation of investment projects and project financing mechanisms, with the follow-up and evaluation of cash flows for proposed and implemented projects, whether those received through shareholders or paid to finance projects, meanwhile ensuring that their deadlines match, overcoming the caveats of gaps, reviewing the cash and electronic liquidity positions related to investment projects on a regular basis and evaluating the performance of the Bank's business sectors according to the tasks and projects entrusted to them.

Business Development



Strategic Planning in the Bank

With the passage of time and with the increasing complexity in the environment of business enterprises as well as with the acceleration of changes in the internal and external work methods, the urgent need for strategic management and planning activities appeared, in order to organize the resources of business enterprises, protect their existence from the various challenges which plague them and enhance the ability of those institutions to move in the right direction towards achieving visions and goals that they seek to achieve in the short or long term.

The managers of business institutions have also realized the importance of strategic management and strategic planning departments in various organizations to maintain the growth and continuity of these entities and to enable them to have strategic tools, methodologies and systems that serve the strategic thinking process through which institutions can deal flexibly with the challenges and threats caused by many internal and external factors in the business environment.

In line with the recent trends in business administration and the Bank's belief in the importance of the strategic planning function, strategic management and methods of

strategic thinking in planning all the resources in the Bank, whether those resources are financial or non-financial and in line with modern management thinking, the Bank took the initiative to harmonize the changes related to its work environment and the challenges associated with its activities. The Bank, in order to enhance its leadership position in the local market and ensure the safety of moving in the right direction, it has kept abreast of the existing changes in the local and external arena, in a manner that mitigates the negative effects of the existing and potential challenges. The Bank has made adjustments and re-designed jobs in its organizational structure and completed the procedures related to those amendments in terms of institutional rebuilding of the business sectors, policies and procedures, in line with the change in systems in an integrated and harmonious manner.

The new organizational structure and functions became in line and compatible with the strategic directions of the Bank, emanating from the extrapolation of the internal and external environment factors and designed to serve the Bank's strategic goals, vision and objectives, which it seeks to achieve in the future.

Annual Report 2020 WORKTEAM



Research and Development Function

The year 2020 was a year full of challenges, especially in light of the Corona pandemic, which negatively affected most sectors, whether commercial, educational, economic and other sectors closely related to the work of banking institutions. The effects were clearly evident in the Bank, but because of the efforts exerted by its dynamic management in a subtle way which does not affect its human cadre in light of the pandemic, the Research and Development Department has contributed to the progress of the banking process to preserve the most important basics of success in the Bank.

Reports and studies have been made on human resources with regard to job satisfaction for the Bank's employees, as well as focusing on the needs of customers, both in terms of their requirements in products and services or in terms of evaluating the procedures through which these products are obtained, whether banking or electronic, by means of Research and field surveys carried out to identify these needs, whether directly or

indirectly, as well as paying attention to the competitive aspects between banks, whether at the local, Arab or international levels.

Many projects have been accomplished, which aim to achieve the Bank's mission in providing various banking and financial services of high quality using the best administrative and technical systems with high professionalism through a wide business network for the retail, corporate and institutional sectors which contribute to the development of the local economy.

During the period that the world suffered economically owing to the Corona pandemic in the year 2020, the Research and Development Department prepared a report on the impact of the Corona pandemic on the global and Arab economic and corporate sector and a report on the repercussions of the economic collapse as a result of Corona.

Public Relations Activities

The importance of public relations comes from its pivotal role in financial institutions, as it represents the window through which institutions look at those around them and vice versa. It contributes to achieving many goals and enhances mutual trust between institutions and the public.

It is the main interface in building positive impact, creating influence and association (connection) and building the mental image to the public. Furthermore, it works to create a positive compatibility between the interests of the institution and customers and through which the external public opinion is built.

The internal role of public relations embodies institutional effectiveness and integration in finding channels for linking internal relations between employees, through which it devotes and nourishes the constructive relationship between senior management and staff and provides support information in decision-making.

Successful institutions pay great attention to public relations and consider them a

cornerstone in the totality of the various transformations and work strategies, given their importance in achieving goals and their vital functions in assigning executive operations, by means of the development and analysis of service strategies. Public relations also measure the extent of the success and its effectiveness in achieving goals and working on developing and managing new ideas and communicating them to stakeholders to study, implement and manage crises with competitors.

The concept of public relations is not limited to managing communication accounts, but exceeds this to encompass focusing relationships with people who have influence, coordination and interaction and formulating a positive public image.

In conclusion, it is sufficient for public relations to be the key to ensuring the building of strong and positive trust relationships with different customers and to reflect a positive image to the external environment, which works to enhance connection and trust and increase the demand for the Bank's services.



An electronic service that allows customers to manage their bank accounts, settle bills and pay for purchase and to transfer money at any time and from anywhere via the mobile phone by using the application of the service or short messages (SMS) in a direct manner.



Retail and Branches Services



Retail and Branches Services

In light of its strategic plan, the Bank seeks to expand the base of its customers of individuals and establishments, by providing an integrated system of banking services for individuals and establishments, which are compatible with the desires and aspirations of its customers, providing them with financial solutions in the long and near term and meet their personal needs at competitive prices and with the best terms, flexibility and ease in procedures, including offering the following financial services:

- Providing financing services to individuals.
- Providing financing services to small and medium enterprises (SMEs).

The Department of Individuals (Retail) and Small and Medium Enterprises (SMEs) Services is also attracting the salaries and entitlements of employees of government and private agencies and entities and disbursing them through the Mobile Money Wallet, as the number of employees of the entities whose monthly dues are paid during the year 2020 has increased by more than 73 thousand employees and covering 87 entities and bodies. The Cooperative and Agricultural Credit Bank (CAC Bank) has a long experience which extends for years in granting development finance in the field of comprehensive sustainable development, along with all official agencies and bodies as well as international and local organizations working in this area.

The Bank is currently working on completing all procedures, policies and manuals for launching in the field of small and micro finance to serve all sectors and establishments in society and not be limited to agricultural and fish financing only.

Indeed, the Bank expands to include the activity of small and micro finance, which comprises all financing requests for different segments of society, especially those with limited income, through the actual contribution to the implementation of various projects which contribute to reducing poverty and unemployment.



Call Center

The Call Center Department has many modern systems and programs for the purpose of serving the Bank's customers and facilitating their access to the Bank's services and products. Among the systems and programs used in the Call Center Department are the following:

- Shortel System for Communications (Agents).
- Customer Relations Management System (CRM).
- The system of account numbers and cards.
- Power Card System.
- Phoenix System.
- Mobile Numbers Inquiry System - Mobile Money.
- Mobile Money System (change password - unlock and stop numbers).
- Account statement printing system for Visa credit cards.

The Call Center Department has a qualified and sufficient human cadre to meet the needs of customers and respond to their questions and inquiries at all times through various channels of communication with customers, where 18 employees with experience and high qualifications work in the Department, who have the ability to analyze customers' questions, inquiries and problems and introduce them to banking products and services. Moreover, the Department provides the necessary support to customers by receiving their problems, recording them in the CRM system and following up on their solution.

Furthermore, the Call Center Department staff offer many services, out of which:

- Instructing Bank customers in connection with ATM locations in the Republic of Yemen.
- Directing the Bank's Customers regarding the locations of our exchange company agents.
- Handling all problems submitted by departments and branches.
- Directing Bank customers in respect of points of sale (POSs) locations.
- Print statements of accounts for Visa credit cards (gold and classic).
- Changing the secret numbers (passwords) of customers subscribed to the (Mobile Money) service.
- Receiving branch calls, responding to their inquiries, writing them down and solving the problems of their customers.





Electronic Cards

Electronic Cards: CAC Bank has strong and sustainable relationships with many major card companies around the world, enabling you to enjoy the global benefits of our group of bank cards. We issue many cards of international brands in order to suit your needs.



Card Products

1 American Express Cards (Black, Gold, Platinum, Green):

- Their invoices are issued in US dollars and are supported by the (Membership Rewards®) Program, which gives you points for all your purchases.
- Cover the annual card fee
- Ensure online fraud protection as well as purchase protection insurance.
- Emergency card replacement.



2 Visa Credit Cards (Gold - Classic):

- A credit card with a modern and advanced technology that is compatible with international standards.
- Grants the customer a revolving credit facility
- Used for cash withdrawals and purchases from all over the world, through the global Visa network, without the need to have cash in the account at the time of implementation of the operation.



3 (Visa Net) Cards:

- A prepaid card that you get from the Cooperative and Agricultural Credit Bank (CAC Bank).
- Designed specifically for online shopping.
- It can be replenished with the balance that the customer desires according to his/her need.
- It gives our customers security and flexibility when buying online.
- The card is issued immediately without delay.



4 (Visa Electron) Card:

- A card linked to the customer's current account.
- It is used to withdraw cash and pay for purchases from all over the world through the global (Visa) network



5 Union Pay Debit Cards:

- A card linked to the customer's current account.
- It is used to withdraw cash and pay for purchases from all over the world through the global (UnionPay) network.



6 Debit Card from the Account

- More convenient, easier and safer than carrying cash.
- You can withdraw at any time through the ATM network spread throughout Yemen and you can also withdraw cash through the ATMs of other banks within the national exchange network.
- The value of your daily purchases can be paid automatically through POS terminals located in the shops, without any commission.
- Additional cards can be requested on the same account for one of your family members with a withdrawal limit for each card.
- It suits all segments of society, with nominal fees and better benefits.
- It contains high security features.
- Its validity lasts for four years.
- Our customers have the right to be issue a replacement card in case it is lost.
- There is a special design for ladies made especially for you.
- Ease of obtaining it within a period not exceeding 24 hours to 48 hours after submitting the application.



7 Prepaid Card

- More convenient, easier and safer than carrying cash.
- Control how much you spend through the amount you pre-deposit into the card.
- Ease of obtaining it within a period not exceeding 24 hours to 48 hours after submitting the application.
- Pay the value of your daily purchases automatically instead of paying using cash through point-of-sale (POS) terminals located in the shops.
- Withdrawal of cash through the ATM network spread throughout Yemen.
- It contains high security features.
- It does not require the customer to have a bank account because it is not linked to an account.



Information Technology (IT)



Information

Technology (IT)

The Cooperative and Agricultural Credit Bank (CAC Bank) is considered a pioneering and proactive bank in keeping pace with technological development, which makes it a great competitor in the banking market. Perhaps the most important characteristic of the Bank is the continuity of keeping abreast of the successive technological developments, which improve the nature of banking and financial work and business, with the aim of modernizing banking services and introducing new distinguished services in the labor market, in a way that keeps pace with the modern banking field and makes it maintain its lead.

The project to modernize the Bank's organizational structure is based on the keen attention paid to financial technology, digital transformation and electronic payments, in line with the successive local and global developments in this area and also in the context of supporting the plans of the State and the Central Bank of Yemen towards financial inclusion and transformation into a non-cash digital society, as well as building internal capacities, benefiting from a strong infrastructure, which is constantly updated.

Therefore, the Cooperative and Agricultural Credit Bank (CAC Bank) applies high protection measures to safeguard the information technology through which all its electronic services are managed, including devices, data and software, comprising data encryption, access authentication, communication encryption certificates (SSL) and other globally known information security means, in addition to many technical services which the Sector has worked on and which are as follows:

-
- The largest data center at the level of Yemeni banks.
 - Readiness of the database infrastructure services to accommodate and meet the Bank's requirements to operate the new banking and financial technology services.
 - Operating about 70% of financial and banking services in virtual servers.
 - Updating and developing up to the latest releases in the main and reserve centers for each of the following:
 - . Virtual environment for servers.
 - . Data storage system.
 - . Operating systems for alternative servers.
 - . Infrastructure of the network system installed by the latest network equipment and devices.
 - . Infrastructure of the Bank's systems capable of accommodating the electronic wallets.

- Updating the synchronization of transportation, improvement, processing and storage of data between the main and backup centers.
- Expansion of the Converged Infrastructure environment using Dell EMC Blades generation (14) servers, the latest and last generation in this series.
- Moving to the latest version (6.5) of the virtual environment for servers and the synchronization and backup systems associated with it.
- Operating and activating the network's access to the branches through the main center and the reserve (backup) at the same time.
- Expand the test environment to ensure that services are tried and tested before they are run.
- Continuity of maintenance contracts and technical support to ensure that systems operate continuously and with high efficiency and are updated to address security gaps.
- Continuing to develop and update processing servers to improve the speed of data performance and processing.
- Continuity of raising the data storage capacity of the central storage systems in the main and backup centers.
- Continuously updating the master data system in the main and reserve (backup) data centers to keep pace with the increasing needs.
- Raising the efficiency of the specialized technical staff and rehabilitating them with high expertise in line with the developments in the labor market.
- Continuous information security development to ensure protection from high risks.
- Continuing to update all devices with the latest drivers, protection and anti-virus programs to ensure optimal performance in business continuity.
- Periodic maintenance of the departments and branches' devices and equipment.

Human Resources (HR)



Human Resources (HR)

The Cooperative and Agricultural Credit Bank (CAC Bank) witnessed during the year 2020 a turning point and a new start that keeps pace with all the challenges, which the banking market is going through, taking into account the needs of the country and people and in light of very difficult and complex conditions, as the Bank is one of the largest and most widely spread specialized banks in the Republic of Yemen. The Bank is also considered one of the largest contributors to the process of economic and social development and seeks to keep abreast of all developments and innovations, in order to be able to maintain its advanced position in the field of banking services and the continuity of its ability to compete in the current environment characterized by freedom of competition and continuous performance development. Call Center Accordingly and within the framework of the Cooperative and Agricultural Credit Bank (CAC Bank)'s pursuit to improve its performance, diversify and introduce new banking activities, in order for the Bank to be transformed into a comprehensive banking institution, which operates in accordance with the market mechanism and regional and international banking standards and systems. As such changes are called for in the way of work and its method, which necessitated the need to update and develop the Bank's organizational structure.

The new organizational structure aims to represent the organizational units in the Bank, in a way that reflects the general trends and objectives of the Bank in expansion and growth and to highlight the contribution of its organizational units to achieving their vision through the optimal coordination of the organizational relations among them.

The organizational structure also aims to clarify job titles and their organizational positions and detail their tasks and responsibilities as additional inputs for the Cooperative and Agricultural Credit Bank (CAC Bank) to achieve the desired development and growth.

As a result of the foregoing, the Human Resources Department has witnessed fundamental changes, in line with the general updates in the Bank. It has implemented a number of important and effective projects, through which it has sought to develop and update the performance of human resources, with the aim of facilitating the provision of its services to all Bank employees (management and branches).



The Human Resources Department has made a significant contribution to modernizing the Bank's organizational structure in implementation of the decisions of the Board of Directors, in line with the needs of the Yemeni banking market and strategic directions in a way that meets the requirements of customers and fulfills their desires.

The Human Resources Department has also worked to raise the degree of employee satisfaction and enhance their loyalty to the Bank through the application of a set of direct and indirect measures and methods. A study of job satisfaction was conducted and the recommendations made in the study have been implemented.

Furthermore, the Human Resources Department has been keen to attend all the diverse and purposeful events to share with employees their joys and sorrows, support and encourage them in all fields, in addition to providing material and moral honors to employees who obtained the highest performance evaluation, in addition to giving them material and moral incentives in return for their achievements, qualitative initiatives and commitment to performing their work ideally, by applying the ideal employee initiative in departments and branches.

Performance Development and Training Activities

The country and the whole world witnessed during 2020 the pandemic of the spread of the Corona virus (Covid-19), which cast a shadow on all aspects of life, especially professional life and this pandemic resulted in the suspension of the activities of business organizations in general and in all fields, owing to the precautionary measures which were implemented globally.

The most important of these precautionary measures were the prevention of gatherings and mixing, which made the Bank, through the Performance Development and Training Department, change its training strategy in line with those precautionary measures and moving from direct to remote training using the latest tools and electronic programs, in order to protect the lives of its employees and to continue the training process in the Bank.

The Performance Development and Training Department maintained its activity and implemented training programs, which benefited the Bank's employees in all its sectors, departments and branches, whether before or during the outbreak of the Corona Virus (Covid-19) pandemic and through modern and safe ways and means. The Performance Development and Training Department implemented several courses and training programs that included skill and specialized programs, which serve the employee and the job in particular and banking services in general, whether they were implemented inside the Bank through the its internal training center or outside it through private training centers and institutes.

The table below shows the number of programs implemented during the year 2020:

700

Number of employees benefiting

68

Number of training programs implemented



Islamic Finance Sector (Islamic CAC)



Islamic Finance Sector

(Islamic CAC)

Vision

Your first destination for a bank partner with innovative Islamic solutions.

The Message

Offering a variety of quality banking services to our partners with all financial solutions complying with Shari'a rules and regulations, by using the best administrative and technical systems with a high level professionalism under the best business environment, which is conducive to achieving continuous growth and contributing to the service of the community.

Core Values

- Adhering to the principles and provisions of Islamic Shari'a in the various activities offered by the Islamic Finance Sector (Islamic CAC).
- Work in a team spirit.
- Carrying out business efficiently and effectively to win customer confidence.
- Customer satisfaction is the measure of our success.
- Consolidate and enhance the spirit of belonging.
- Contribute to the process of economic and social development in society.

Introduction

The Islamic Finance Sector (Islamic CAC) was established as a financially and administratively independent sector in 2010, under the supervision of a Shariah Supervisory Board that works to ensure the safety of business implementation and the non-mixing of funds. This achievement was realized as a continuation of the successes gained by the Cooperative and Agricultural Credit Bank (CAC Bank) in various fields and as a contribution to community service, a full-fledged organizational structure has been prepared to ensure that business is carried out in a professional and competent manner, which assists in enhancing performance.

The Islamic Finance Sector (Islamic CAC) is keen to provide various banking services and products which comply with Islamic Sharia Law and in a manner that enhances the satisfaction of its customers and contributes to supporting the development process in the country.

Profit Distribution

Despite the current events during the year and most economic sectors having been affected by the Corona pandemic, the Islamic Finance Sector (Islamic CAC) was keen to maintain the required level of performance in light of these conditions, which fact was reflected positively by the distribution of good profits to its customers, as evidenced through the following profit distribution ratios:

2.5%

Saving in dollars

8%

Saving in rials

3.5%

Deposits in US dollars

10%

Deposits in Yemeni rials

Capacity Building and Development

The Islamic Finance Sector (Islamic CAC) believes in the importance of continuing to strengthen and develop the capabilities of its human cadre and maintain its excellence in this field. Accordingly, several training courses were implemented during the year, including the following:

- Mobile Money.
- Customer service etiquette in light of the preventive measures against the Corona virus.
- Measuring customer satisfaction.
- Supervisory job skills in managing work teams.
- Auditors in the methods of Sharia audit.
- Islamic finance formulas (forms) in covering international trade.

Services and Products

The Islamic Finance Sector (Islamic CAC) works to provide many banking services and products that are compatible with Shariah provisions, principles and controls, to ensure the satisfaction of its customers, by providing a number of main services and products, which are the following:

Aman package

It comprises several products, including:

- Current Account
- Savings Account
- Investment Deposit

Hayat (Life) Program

It comprises several products, including:

- Umniah (wish) product (a product that allows the customer to obtain his/her requirements and pay in easy installments)
- Mishwary (travel) product
- A home product from Inma

Tayseer (Facilitation) Package

It comprises several products, including:

- VISA Credit Cards
- Finance cards (Tas-heel (facilitation) cards)
- Debit cards
- SMS Service (Zajel (pigeon) Mobily)

Additional Services

- Sari'e Express Transfers
- Mobile Money
- Letters of Guarantee
- Salary Disbursement Service
- "Your Salary is Greater" Service
- Standing Orders Service

Business partnerships

The Islamic Finance Sector (Islamic CAC) and the Ministry of Justice signed an agreement to open intermediary accounts and current accounts for the Ministry of Justice, which includes installing collection points for the Bank at the headquarters of some courts, in addition to signing a banking services agreement and providing a service for paying the salaries of employees of the Ministry of Justice's General Office, courts and public prosecutions.

Social Responsibility Activities



Our Responsibility Towards our Community

Based on the objectives and strategic directions of the Cooperative and Agricultural Credit Bank (CAC Bank) and in order to enhance its pioneering role in sponsoring and supporting national events, as well as community initiatives, the Bank's participation in sponsoring the activities of the Tourism Festival in Al-Mahweet City 2020 comes as a contribution to the development of the tourism sector and the introduction and promotion of the natural and historical elements of tourism, the archaeological and cultural characteristics of Al Mahweet Governorate and in the service of the national economy.

The Bank also participated in supporting the event of the Prophet's Birthday, based on the religious and patriotic duty to commemorate the birth of the Greatest Messenger and the greatness of this occasion, in addition to organizing an event for the employees of the Cooperative and Agricultural Credit Bank (CAC Bank) and the Islamic Finance Sector (Islamic CAC).

Furthermore, the Bank contributed to supporting the Cancer Patients Foundation, based on a sense of responsibility and duty towards society and providing support and financial aid, which helps treat patients who are unable to bear the costs of treatment, as well as spreading societal awareness of cancer in the context of strengthening the Bank's role in contributing to social responsibility and its keenness to supporting the most needy families. On the other hand, during the holy month of Ramadan, the Bank provided support to the Ramadan Bag Project and the distribution of food baskets.

Within the framework of the Bank's interest in youth and entrepreneurs, the Bank was keen to support young people and entrepreneurs as an incubator for the beginnings in the "Show Any Event" activity and to provide technical, administrative, financial and marketing

support and advice to the owners of innovative ideas and projects.

Additionally, the Bank contributed to creating a special pavilion to display banking services to visitors and participants in the exhibition and to enhance communication with young people and entrepreneurs to select and support promising ideas and raise awareness of the Bank's various services, as well as encourage the development of inventions, innovations and entrepreneurship, which aim to develop society and serve the national economy.



The Bank, through its Internal Training Center, has also implemented several training programs for a number of public and private university students and civil society organizations.



In conclusion, by shedding light on the Bank's interest in sponsoring the internal activities of its employees, enhancing their job loyalty and contributing to the success of sports and community activities, it sponsored the participation of the Bank's football team in the corporate championship, in which the Cooperative and Agricultural Credit Bank (CAC Bank) won the championship title.



Sister Companies



CAC Insurance Company



Marib Poultry Company

Affiliate Companies



**CAC Security and
Maintenance Company**

(.COOPERATIVE AND AGRICULTURAL CREDIT BANK (Y.S.C
SANA'A – REPUBLIC OF YEMEN

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
AND INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF COOPERATIVE AND AGRICULTURAL CREDIT BANK (Y.S.C.)

SANA'A – REPUBLIC OF YEMEN

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Cooperative and Agricultural Credit Bank (Y.S.C.) ("the Bank") and its subsidiary company (together referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as modified by the Central Bank of Yemen for the recognition, measurement and disclosure of financial instruments.

Basis for Qualified Opinion

1. Other provisions, which are carried in the consolidated financial statements at YR 16,847,478 thousand, include a provision against losses related to the exposure of foreign currencies of YR 16,000,000 thousand. The recognition of this provision which does not arise as a result of a past event, for which payment is not probable and which cannot be measured reliably, constitutes a departure from IFRSs. Accordingly, retained earnings were understated by an amount of thousand YR 16,000,000 and the other provisions was overstated the same amount.
2. Balances with banks, which are carried in the consolidated financial statements at YR 28,812,733 thousand, include amount of YR 2,746,202 thousand which we were unable to obtain sufficient appropriate audit evidence about its correctness and fairness, as those banks did not respond to the confirmation's requests sent to them. Consequently, we were unable to determine whether any adjustments were necessary to these balances.
3. As stated in Note No. (43) to the consolidated financial statements, the group's management was unable to carry out a comprehensive valuation of the financial impact resulting from the transactions carried out by the branches of the governorates of Aden and Lahj during the financial year ending December 31, 2020, resulted from the use of these branches of an separate accounting system for the purpose of opening current accounts and deposits, attracting funds and other transactions, and transferring SWIFT due to the political conditions that the country is going through.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF COOPERATIVE AND AGRICULTURAL CREDIT BANK (Y.S.C.)

SANA'A – REPUBLIC OF YEMEN

Basis for Qualified Opinion (continued)

As a result of these events, we were unable to determine the future effects on the bank's position and its consolidated financial statements, and we were unable to measure the impact on the consolidated financial statements for the fiscal year ending on December 31, 2020 for debit and credit transactions not included in the group's banking system, consequently, we were unable to determine whether any adjustments were necessary to the balances and profit for the year and their impact on the consolidated financial statements of the group should the transactions of those branches were included in the group's records.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the requirements of the relevant Yemeni laws and regulations. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the Republic of Yemen, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matters

We draw attention to:

1. Note (43) to the group's consolidated financial statements which refers to:
 - The political unrest and the country's security situation, since March 2015, and the spread of the corona virus in the region continue to place challenges on the Group's ability to predict future cash flow patterns, timing and results.
 - The suspension of technical support by the company providing the bank with the banking system since August of the year 2019.
 - Subsequent events related to the bank's management addressed a letter No. (M S/ 23) to the Yemeni Banks Association, on January 28, 2021, in which the association was requested to address the banks in the Republic of Yemen to refrain from dealing with the so-called general management in Aden, and accordingly, the Yemeni Banks Association sent a letter No. (39/2021) on January 31, 2021 to all Yemeni banks to refrain from dealing with the so-called general management in Aden, and on March 15, 2021, management of the bank in Sana'a published an official announcement in Al-Thawra newspaper No. 20570 stipulating the following ("according to The Law of Establishing the Cooperative and Agricultural Credit Bank, the bank announces to its public and clients not to use any counterfeit services or unapproved systems that have nothing to do with the bank. It is, at a minimum, an attempt to imitate the bank's electronic wallet logo (Mobile Money) and an attempt to establish accounting or banking systems at one of the bank's branches in the city of Aden for the purpose of opening current accounts and deposits and attracting funds and other transactions, we alert our customers that these operations are not reliable,

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**TO THE SHAREHOLDERS OF
COOPERATIVE AND AGRICULTURAL CREDIT BANK (Y.S.C.)***SANA'A – REPUBLIC OF YEMEN***Emphasis of Matters (continued)**

stressing that the bank is not responsible for the legal and financial obligations that may arise because of these transactions, and in a manner that preserves the fund of its clients while the bank maintains all procedures to fully protect its rights and the fund of its clients in full").

Our opinion is not modified in respect of these matters.

- Note (37) to the group's consolidated financial statements, which describes the exposure to the risks of fluctuations in foreign currency exchange rates. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2019, were audited by another auditor who expressed a modified opinion on those statements on 30 March 2021.

Responsibilities of Management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and the requirements of the relevant Yemeni laws and regulations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF

COOPERATIVE AND AGRICULTURAL CREDIT BANK (Y.S.C.)

SANA'A – REPUBLIC OF YEMEN

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other Legal and Regulatory Requirements

During our audit of the consolidated financial statements for the year ended 31 December 2020, we have not become aware of material violations of the Law No. (39) of 1982 of establishing the Cooperative and Agricultural Credit Bank, or Commercial bank's Law No. (38) of 1998, or Yemeni Commercial Companies Law No. (22) of 1997 or its amendments or Central Bank of Yemen instructions, which would have a material effect on the group's consolidated financial position, except for the following:

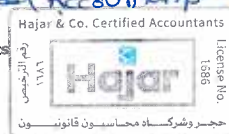
1. As described in Note (37) to the consolidated financial statements, the bank was unable to comply with the limits established by Central Bank of Yemen for the positions of foreign currencies.
2. The bank did not fully comply with the Central Bank of Yemen instructions in respect of providing for loan losses provisions for debts in foreign currencies, in the currency of the original debt, as the bank provided for such debts partially in foreign currencies and in local currency, effecting the currency position and sensitivity analysis shown in Note (37) to the consolidated financial statements.
3. Non-compliance with Article No. (73) of the Banking Law (38) of 1998, whereby the assets' ownership transferred to the bank are kept for a period exceeding five years for immovable fixed assets.

Hajar & Co., Certified Accountants

Hajar & Co., Certified Accountants

Sana'a, Republic of Yemen

20 April 2022



COOPERATIVE AND AGRICULTURAL CREDIT BANK (Y.S.C.)

SANA'A – REPUBLIC OF YEMEN

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020**

	Notes	2020 YR'000	2019 YR'000
ASSETS			
Cash and balances with Central Bank of Yemen	5	41,055,625	56,491,390
Balances with banks	6	85,720,831	74,086,090
Held to maturity investments	7	346,526,058	339,331,901
Loans and advances to customers	8	16,988,846	18,769,052
Available for sale investments	9	600,000	1,194,176
Investment in Islamic Sukuk	10	1,428,000	-
Investments in associates	11	718,091	693,279
Debit balances and other assets	12	2,564,901	2,786,305
Property and equipment	13	1,940,010	1,851,550
Right-of-use assets	14	1,469,063	1,459,408
Total assets		499,011,425	496,663,151
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks	15	28,812,733	22,887,027
Deposits from customers	16	407,002,717	430,047,112
Long term loans	17	51,037	54,632
Credit balances and other liabilities	18	21,606,037	13,211,761
Other provisions	19	16,847,478	6,406,565
Total liabilities		474,320,002	472,607,097
Shareholders' Equity			
Paid-up capital	20	20,000,000	20,000,000
Statutory reserve	21	3,306,022	3,210,717
General reserve		217,615	217,615
Retained earnings		1,167,786	627,722
Equity attributable to owners of the Bank		24,691,423	24,056,054
Non-controlling interests		-	-
Total shareholders' equity		24,691,423	24,056,054
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		499,011,425	496,663,151
CONTINGENT LIABILITIES AND COMMITMENTS			
	22	29,760,979	24,333,776

Finance Manager

Head of Support
Operations SectorChief Executive
Officer

Chairman



The accompanying notes form an integral part of these consolidated financial statements

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**TATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
DED 31 DECEMBER 2020**

	Notes	2020 YR'000	2019 YR'000
Interest income from loans and advances and due from banks	23	6,541,414	5,985,066
Interest income from Held to maturity investments		58,423,721	57,738,097
Total interest income		64,965,135	63,723,163
Interest expense	24	(25,148,582)	(27,256,317)
Net interest income		39,816,553	36,466,846
Islamic financing and investment activities income	25	228,768	128,568
Return on unrestricted investments and saving accounts holders	26	(580,163)	(2,089,523)
Net interest income and from Islamic financing and investment activities		39,465,158	34,505,891
Fee and commission income	27	1,307,160	1,348,961
Net loss from foreign exchange	28	(10,095,280)	(21,895,811)
Financial investment income	29	52,121	28,024
Other income	30	1,433,849	7,872,639
Revenue		32,163,008	21,859,704
Net impairment loss on financial assets	31	(13,615,864)	(5,158,930)
Staff expenses	32	(9,314,839)	(8,639,692)
General and administrative expenses	33	(5,375,949)	(5,216,845)
Profit for the year before Zakat and income tax		3,856,356	2,844,237
Zakat expense	18-2	(2,288,377)	(1,427,949)
Income tax expense	18-1	(932,610)	(1,030,837)
Profit for the year		635,369	385,451
Other comprehensive income		-	-
Total Comprehensive Income for the year		635,369	385,451
Attributable to:			
Owners of the Bank		635,369	385,451
Non-controlling interests		-	-
Total		635,369	385,451
Earnings per share (Yemeni Rial)	34	31.77	19.27

The accompanying notes form an integral part of these consolidated financial statements

COOPERATIVE AND AGRICULTURAL CREDIT BANK (Y.S.C.)

SANA'A – REPUBLIC OF YEMEN

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Paid-up Capital YR'000	Statutory Reserve YR'000	General Reserve YR'000	Retained Earnings YR'000	Total Equity (Equity Holders of the Bank) YR'000	Non- controlling Interests YR'000	Total YR'000
2020							
Balance at 1 January 2020	20,000,000	3,210,717	217,615	627,722	24,056,054	-	24,056,054
Profit for the year	-	-	-	635,369	635,369	-	635,369
Other comprehensive income for the year	-	-	-	-	-	-	-
	20,000,000	3,210,717	217,615	1,263,091	24,691,423	-	24,691,423
Transfer to statutory reserves	-	95,305	-	(95,305)	-	-	-
Transfer to general reserves	-	-	-	-	-	-	-
Balance at 31 December 2020	20,000,000	3,306,022	217,615	1,167,786	24,691,423	-	24,691,423
2019							
Balance at 1 January 2019	20,000,000	3,152,899	217,615	300,089	23,670,603	-	23,670,603
Profit for the year	-	-	-	385,451	385,451	-	385,451
Other comprehensive income for the year	-	-	-	-	-	-	-
	20,000,000	3,152,899	217,615	685,540	24,056,054	-	24,056,054
Transfer to statutory reserves	-	57,818	-	(57,818)	-	-	-
Transfer to general reserves	-	-	-	-	-	-	-
Balance at 31 December 2019	20,000,000	3,210,717	217,615	627,722	24,056,054	-	24,056,054

COOPERATIVE AND AGRICULTURAL CREDIT BANK (Y.S.C.)
SANA'A – REPUBLIC OF YEMEN

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	YR'000	YR'000
Cash flows from operating activities		
Profit for the year	635,369	385,451
<u>Adjustments for profit:</u>		
Zakat expense recognised in profit or loss	2,288,377	1,427,949
Income tax expense recognised in profit or loss	932,610	1,030,837
Gain on investments in associates	(52,121)	(28,024)
Depreciation of property and equipment	455,762	561,637
Depreciation on right-of-use assets	538,306	494,208
Impairment provisions provided during the year	13,615,864	5,158,930
Impairment provisions used during the year	(23,495)	(363,357)
Provisions net foreign exchange (gain)/loss	2,864	(447)
Debit interest on lease contracts liabilities	97,906	64,678
Impairment provisions reversed during the year	(1,223,794)	(7,859,497)
Gain on disposal of property and equipment	(993)	(328)
	17,266,655	872,037
<u>Changes in working capital:</u>		
Decrease/(increase) in balances with Central Bank under reserve's percentages	3,975,943	(3,629,051)
(Increase)/decrease in treasury bills due for more than 3 months	(209,979)	46,826
Decrease in loans and advances	541,029	2,796,362
Decrease/(increase) in debit balances and other assets	740,456	(1,039,480)
Increase in balances due to banks	5,925,706	1,783,767
(Decrease)/increase in customers' deposits	(23,044,395)	34,146,793
Increase in credit balances and other liabilities	6,031,633	726,961
Net cash generated from operations	11,227,048	35,704,215
Income tax paid (Note 18-1)	(333,089)	(1,330,295)
Zakat paid (Note 18-2)	(602,500)	(231,899)
Net cash generated by operating activities	10,291,459	34,142,021
Cash flows from investing activities		
Payments to acquire property and equipment (Note 13)	(545,706)	(273,204)
Proceeds from sale of property and equipment	2,477	32,516
Decrease/(increase) in AFS investments	505,910	(507,500)
Increase in investments in Islamic Sukuk	(1,428,000)	-
Net cash inflow from associates	27,309	29,415
(Increase)/decrease in restricted time deposits with banks	(186,775)	180,446
Net cash used in investing activities	(1,624,785)	(538,327)

COOPERATIVE AND AGRICULTURAL CREDIT BANK (Y.S.C.)

SANA'A – REPUBLIC OF YEMEN

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	YR'000	YR'000
Cash flows from financing activities		
Payments of long-term loans	(3,595)	(654,245)
Payments to creditors of leased assets	(563,683)	(553,947)
Net cash used in financing activities	(567,278)	(1,208,192)
Net change in cash and cash equivalents during the year	8,099,396	32,395,502
Cash and cash equivalents at 1 January	435,330,570	402,935,068
Cash and cash equivalents at 31 December	443,429,966	435,330,570

Cash and cash equivalents at the end of the year comprise of the following:

	2020	2019
	YR'000	YR'000
Cash and balances with Central Bank	41,046,625	56,491,390
Balances with banks	90,894,142	78,128,266
Treasury bills held to maturity	342,065,192	334,871,035
Restricted time deposits with banks	(487,988)	(301,213)
Balances with the Central Bank under reserve's percentages	(29,742,537)	(33,718,480)
Treasury bills due after more than 3 months (net)	(345,468)	(140,428)
Cash and cash equivalents at 31 December	443,429,966	435,330,570

The accompanying notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL OVERVIEW

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 operates through its head office in Sana'a and in 43 branches (43 :2019 branches) spread all over the governorates of the Republic of Yemen. The Bank also provides Islamic banking services through its Islamic branch in conformity with the Islamic Sharia' and under the supervision of Sharia' Board. On March 2010 ,29, the Bank obtained the initial approval from Central Bank of Yemen (CBY) and obtained the final approval on April 2011 ,16.

The consolidated financial statements of the Bank and the financial statements of its subsidiary in the Republic of Yemen, which is as follows (together referred as the "Group"):

Name of the Subsidiary	Share capital YR'000	Shareholding and voting percentage	Main activities
CAC Services for Security and Maintenance (Sana'a, Republic of Yemen)	10,000	100%	Security and cleaning services

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs

Effective for annual periods beginning on or after

- Amendments to References to the Conceptual Framework in IFRS Standards. Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

January 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2.ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
- Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".	January 2020
- Definition of a Business – Amendments to IFRS 3 Business Combinations. The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	January 2020
- Interest Rate Benchmark Reform phase one - Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments. Amendments regarding pre-replacement issues in the context of the IBOR reform, in that IBOR is to be replaced by new benchmark Risk-Free Rates (RFRs). The amendments aim to provide relief for hedging relationships.	January 2020
- Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures.	January 2020

New and revised IFRSs in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New IFRS and relevant amendments	Effective for annual periods beginning on or after
- IFRS 9 Financial Instruments	January 2021 (according to the instructions of Central Bank of Yemen)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2.ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

New and revised IFRSs in issue but not yet effective (continued)

New IFRS and relevant amendments	Effective for annual periods beginning on or after
- Amendment "COVID-19 -Related Rent Concessions (Amendment to IFRS 16)" The amendment adds a practical expedient to IFRS 16 "Leases" which provides relief for lessees in assessing whether specific COVID-19 rent concessions are considered to be lease modifications. Instead, if this practical expedient is applied, these rent concessions are treated as if they are not lease modifications. There are no changes for lessors in this amendment.	June 2020
- References to the Conceptual Framework – Amendment to IFRS 3 Business Combinations. The amendment Adds a new exception to the recognition principle to make sure that the accounting remains unchanged.	January 2022
- Proceeds before Intended Use - Amendment to IAS 16 "Property, Plant and Equipment". The amendment prohibit deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.	January 2022
- Onerous Contracts – Cost of Fulfilling a Contract – Amendment to IAS 37. The Amendment specifies which costs an entity includes when assessing whether a contract will be loss-making.	January 2022
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41).	January 2022
- IFRS 17 Insurance Contracts. Revised effective date to be January 1, 2023.	January 2023
- Classification of Liabilities as Current or Non-current – Amendment to IAS 1. The amendment on whether a liability should be classified as either current or non-current.	January 2023
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments will have no material impact on the financial statements of the Bank in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared on going concern basis and in accordance with International Financial Reporting Standards ("IFRS") and the amendments of Central Bank of Yemen in respect of recognition, measurement, disclosure of financial instruments, according to the circular of the Central Bank of Yemen, addressed to all banks operating in the Republic of Yemen, which states that "defer the implementation of IFRS 9 (Financial Instruments) to the beginning of the year 2021", and the requirements of the relevant Yemeni laws and regulations.

Therefore, it is required to comply with circular No. (6) of 1996 and circular No. (5) of 1998 and circular No. (8) of 2015, in respect of assets and liabilities classification. Furthermore, a provision should be made for direct facilities at amortised cost and contingent liabilities itself, in addition to a provision for general risks calculated on the total of loans and advances and other liabilities after deducting any balance secured by deposits and bank guarantees issued by foreign worthy banks. The provision is determined based on periodic comprehensive reviews of the credit portfolio and contingent liabilities, and percentages identified in the Central Bank of Yemen instructions. Therefore, general risk provisions calculated on performing loans and advances and contingent liabilities provision are to be recognised in other provisions, rather than in shareholders' equity.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 2, 1 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Foreign currencies

The Group's consolidated financial statements are presented in Yemeni Rials ("YR") which is the currency of the primary economic market (the functional currency of the group) and all the values are rounded to nearest thousand Rials, except when otherwise indicated.

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at date of preparing consolidated financial statements, profits/losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost are retranslated at the rates prevailing at the date of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined, revaluation gain/loss are recognised as part of the fair value.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument except for "regular way" purchases and sales of financial assets which are recognised on settlement date basis

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss, if any) are added to or deducted from fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are classified into the following specified categories: Held to maturity, loans and receivables and available for sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity, examples include treasury bills held to maturity dates, which represents treasury bills issued by the Central Bank of Yemen.

Held to maturity financial assets are initially recognised at fair value plus any directly attributable transaction costs.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses, with revenue recognised on an effective yield basis i.e. based on actual results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Held to maturity (continued)

If there is objective evidence that an impairment on held to maturity investments carried at amortised cost has been incurred, the amount of impairment loss recognised in the consolidated income statement is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the investments' original effective interest rate.

Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective interest rate method. Therefore, treasury bills are recognised at nominal value after deducting issuance discount as at the date of the consolidated financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investments will be recovered other than because of credit deterioration. Loans and receivables (including direct credit facilities to customers, loans and advances to customers, and debit balances and other assets) are initially measured at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The losses arising from impairment are recognised in the consolidated income statement.

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.

Debts related to Murabaha financing, are recorded at cost of goods sold or money paid to the beneficiaries plus differed income of the Group until the date of the consolidated statement of financial position minus installments received.

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.

Istisnaa's assets represent amounts paid as of the date of the consolidated statement of financial position against assets purchased for the benefit of Istisnaa projects plus deferred income, minus installments received.

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. Ijarah may end with transfer of rented asset ownership to the lessee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Loans and receivables (continued)

Amounts relating to Ijarah Muntahia Bittamleek consist of assets purchased by the Bank, either individually or as part of a syndication with other entities and leased to beneficiaries for their use in Ijarah Muntahia Bittamleek agreements whereby the ownership of the leased assets is transferred to the beneficiaries at the end of lease term and the completion of all payments under the agreement. The assets are stated at their acquisition cost less accumulated depreciation up to the date of the statement of financial position. The assets are depreciated using the straight-line method over the related lease period. No depreciation is recorded in respect of assets not yet put to use.

Available for sale investments

Available for sale investments are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or. AFS investments are those intended to be held for an indefinite period of time and may be sold to meet liquidity requirements or changes in interest rates, exchange rates or equity prices.

Available-for-sale investments are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at fair value. The fair values of quoted financial assets in active markets are based on current prices. The Group's AFS investments are unquoted and are not traded in an active market, and these are stated at cost less impairment unless fair value at the end of each reporting period can be reliably measured.

If an available-for-sale investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in the consolidated income statement is removed from equity and recognised in the consolidated income statement.

Gains and losses arising from changes in fair value are recognised in the other comprehensive income statement and recorded in cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in the consolidated income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity in the cumulative changes in fair value is included in the consolidated income statement for the year.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is calculated using the effective interest rate method and the dividends from available for sale investments are recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Effective interest method (continued)

Any other changes in the value of financial assets are included in the consolidated statement of other comprehensive income, as well as reserves of the fair value of the investments. Interest income is recognised by applying the effective interest rate, except for loans and short-term receivables when the effect of discounting is immaterial.

When financial assets are sold or when impairment is recognised, gains or losses which were previously assembled in fair value reserve of investments in profit or loss are reclassified.

Dividends on financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

The Group assesses at the date of each consolidated statement of financial position whether there is objective evidence of impairment of a financial asset or a group of financial assets. The value of the financial asset or group of financial assets decreases and the impairment loss incurred if, and only if, there was objective evidence as a result of one or more events after the initial recognition of the asset ("loss event"), and that loss event (or events) has an impact on the expected future cash flows for a financial asset or group of financial assets that can be estimated reliably.

Objective evidence of impairment of a financial asset or a group of financial assets includes observable data that comes to the Group's attention about loss events:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- Group grants a waiver to the borrower, for economic or legal reasons due to the borrower's financial difficulty, which in its absence the lender is not seen the subject of such waiver; or
- It is becoming probable that borrower will enter bankruptcy or another financial reorganisation; or
- The disappearance of an active market for such financial asset because of financial difficulties.
- Observable information indicating that there is a measurable decrease in the estimated future cash flows of a class of financial assets since the initial recognition of those assets, although it was not possible to determine impairment of individual financial asset in the class, including:
 - There is adverse change in the payment status of the borrower; or
 - Economic conditions national or local that coincides with settlement defaults on assets in the class.

Group assess availability of any objective evidence for impairment in values of financial assets on a collective basis even if they were assessed not to be impaired individually. If the Group identified the absence of objective evidence about existence of impairment of financial asset which is individually assessed, whether significant or not, is added to a class of financial assets with similar credit risk characteristics for assessing impairment existence in this class collectively. Assets that are individually assessed for impairment and is inserted into or continued to insert an impairment loss in its value are not included in the collective assessment for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (continued)

If there is objective evidence that an impairment loss has been incurred on loans and advances carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate. The carrying amount of the asset is reduced using an allowance account and the amount of the loss is recognized in the consolidated statement of profit or loss. If the loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment based on the instrument's fair value using an observable market price.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience and the success of recovery of overdue amounts. Historical experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

The estimations must be reflected in the future cash flows of a group of assets, and should be in line with the changes in the related information that can be monitored from time to time. (for example, changes in the unemployment rates, real estate prices, payment position or other factors that indicate changes in the loss possibilities in the group and its size).

The calculation of the present value of estimated future cash flows of the financial asset reflects the cash flows that may result from mortgage less costs for obtaining and selling the mortgage, whether a potential foreclosure or not.

The methodology and assumptions used in estimating future cash flows are reviewed regularly by the group to reduce any differences between estimated losses and actual loss experience.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows (except for future credit losses that did not occur), discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. And as a process, the Group may measure impairment on the basis of the fair value of the instrument using observable market price.

If a loan is uncollectible, were to follow all the necessary legal procedures and the final loss has been determined, it is written off against the provision associated with a decrease the value of the loan. And such loans are written off after completing all the necessary procedures and determine the amount of the loss. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In case of loans if the decreased amount of the impairment loss in a subsequent period can be attributed objectively to an event occurred after the impairment was recognised (such as an improvement in the credit rating of the debtor), the impairment loss previously recognised will be reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (continued)

In case of significant or prolonged decline at fair value of financial assets below its cost is considered in determining the existence of decline in the value of the asset. If such evidence exists for available for sale financial assets then its accumulative losses are removed, which is measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset listed previously with profit or loss, from the consolidated statement of shareholders' equity and to be included in consolidated statement of profit or loss.

Provision for loans and advances to customers and contingent liabilities

In addition to the above, and for the purpose of applying the Central Bank of Yemen instructions as per circular No. (6) of 1996, and circular No. (5) of 1998 and circular No. (8) of 2015 regarding the classification of assets and liabilities; a provision of direct credit facilities at amortised cost and contingent liabilities is made, in addition to a provision for general risks calculated on the total of loans and advances and other liabilities after deducting any balance secured by deposits and bank guarantees issued by foreign worthy banks. The provision is determined based on periodic comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, the provision is provided in accordance with the following rates at least:

- Performing Loans and advances (including watch list accounts)	%2
- Performing contingent liabilities (including watch list accounts)	%1
- Non-performing Loans and advance and contingent liabilities	
Substandard loans and advance and contingent liabilities	%15
Doubtful loans and advance and contingent liabilities	%45
Bad loans and advance and contingent liabilities	%100

Loans and advances to customers are presented on the consolidated statement of financial position net of provisions and uncollected interests. Loans are written off if procedures taken towards their collection prove useless, or if directed by CBY inspection upon review of the portfolio by debiting the provision. Proceeds from loans previously written off in prior years are included in the consolidated statement of profit or loss under "other income".

During the year ended 31 December 2015, the CBY issued circular No. (8) of 2015, including an amendment of provision percentage on performing direct loans and advances from %1 to %2.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Derecognising of a financial asset at amortised cost in its entirety is measured by the difference between the asset's carrying amount and the sum of the consideration received in addition to receivable and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

The Group classifies its financial liabilities into financial liabilities at amortised cost only (i.e. other financial liabilities).

Other financial liabilities

Other financial liabilities (including amounts due to banks, customer deposits, credit balances and other liabilities) are initially measured at their fair value which is the cost at the time of transaction and subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis, except for short-term payables when the recognition of interest would be immaterial. All the financial liabilities of the Group are short term in nature.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, balances with the Central Bank (other than reserve balances), current accounts with other banks in addition to treasury bills and certificates of deposits which are due within three months.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The carrying amount of the asset is reduced immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Realizable value is the asset's fair value less costs to sell or value in use, whichever is higher.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in property and equipment item. Any other expenses are included in profit or loss as expense as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of it is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Valuation of assets transferred to the Group's ownership as a repayment of loans

Assets transferred to the Group's ownership are measured at the values carried to the Group and presented under "debit balances and other assets" in line with the CBY instructions. Such assets are revalued individually at the date of consolidated financial statements at fair value (less selling costs) on individual basis and impairment loss is charged to profit or loss and subsequent increase is recognised in profit or loss to the extent of impairment losses charged previously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent liabilities and commitments

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined, (when the effect of the time value of money is material), by discounting the expected future cash flows using a rate that reflects current market assessments, the time value of money and the risks related to the liability, when appropriate.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Revenue recognition

Net interest income

Interest income and expense is recognised in "net interest income" as "interest income" and "interest expense" in the profit or loss account using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash flows of the financial instrument over the expected life of the financial instrument or over a shorter period, whichever is appropriate, to the net carrying amount of the financial assets or financial liabilities. Future cash flows are estimated taking into account all contractual terms of the instrument. The effective interest rate calculation includes all fees and points paid or received between parties to a contract that are increasingly due directly to specific lending arrangements, transaction costs, and all other bonuses or discounts. For financial assets at fair value through profit or loss (if any), transaction costs are recognised in profit or loss upon initial recognition.

Interest is credited to debts that are past due for three months (low-value financial assets - non-performing debts) that are not paid marginally and are not raised on clients' debts and are not added to the profit and loss account only when they are collected and after they have been collected. The origin of religion.

Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part effective interest income (see above). The fees included in this part of the Group's consolidated statement of profit or loss include among other things, fees charged for servicing a loan and non-utilization fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement. Fees and commission expenses with regards to services are accounted for as the services are received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of it is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Valuation of assets transferred to the Group's ownership as a repayment of loans

Assets transferred to the Group's ownership are measured at the values carried to the Group and presented under "debit balances and other assets" in line with the CBY instructions. Such assets are revalued individually at the date of consolidated financial statements at fair value (less selling costs) on individual basis and impairment loss is charged to profit or loss and subsequent increase is recognised in profit or loss to the extent of impairment losses charged previously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Dividends income

Dividends income is recognised when the right to receive payments is established. This is the ex-dividend date for listed equity securities (if any), and usually the date when shareholders approve the dividend for unlisted equity securities.

Murabaha financing, Istisna'a and construction transactions

Income from Murabaha, Istisna'a, and Construction contracts are recorded on the accrual basis of accounting as all profits at the completion of Murabaha contracts are recorded as deferred revenues and taken into the income statement or equity of restricted investment account holders depending on the finance percentage using the straight-line method over the term of the contract.

Investment in Mudaraba and Musharaka contracts

Income from investments in Mudaraba and Musharaka contracts, which initiate and terminate during the financial year, are recorded in the income statement at the disposing date of Mudaraba and Musharaka contracts. Income from investments in Mudaraba and Musharaka contracts, which last for more than one financial year, are recognised, based on the cash dividends received on these transactions during the year.

Investments in sukuk

Revenue from investment in sukuk is recognised on a time proportionate basis using the rate of return declared by issuing institutions.

Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek is proportionately allocated to the financial periods over the lease term.

Investments in associates

Revenues of investments in associates are recognised based on the Bank's share in the equity of these companies in accordance with the approved financial statements of these companies.

Leasing

The Bank as a lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract.

The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Bank as a lessee (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'rent expense' in profit or loss.

The Bank as a lessor

Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Bank is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

End of service benefits

The Group and its employees are contributing to the program of General Corporation for Social Security in accordance with the provisions of the Social Security Law.

Income Tax

Tax due is calculated according to the Income Tax Law No. (17) of 2010 and a provision is provided against tax liabilities after performing the required study.

Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using the tax rates prevailing at reporting date.

Deferred income tax

Deferred tax is provided for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Deferred tax is calculated based on the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The tax effects on the temporary differences are disclosed as deferred tax.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which unused tax losses and credit can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax arising from revaluation of investments is recognised (if any) as adjustment over the surplus\ (deficit) arising from revaluation of investments.

Zakat

Zakat is paid in accordance with the applicable laws and regulations in the Republic of Yemen. A provision is provided for Zakat payable and the Group pays Zakat to the relevant government authority.

Shari'a board

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.

Consigned assets

Consigned assets are not considered part of the Group's assets, therefore, they are not included in the consolidated financial statements of the Group.

Segment information

Segment is a differentiable component of the Group that is engaged either in providing products or rendering services (business segment), or in providing products and services within a particular economic environment (geographical segment), which are subject to risks and returns that are different from those of other segments. The main form of a report on the Group's segment information is business segments based on the management structure and internal reporting. The main business of the Group is in sector of banking services provided to retail, corporate and banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities and changes in the fair values during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the estimations followed in preparing the consolidated financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as financial assets as available for sale or held to maturity.

Available for sale investments

Management follows the guidance set out in International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement on classifying non-derivative as AFS investments.

Held to maturity investments

The management follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgments. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for the specific circumstances for example, selling an insignificant amount close to maturity, it will be required to classify the entire class as available for sale. The investments could, therefore, be measured at fair value, not at amortised cost.

Fair value estimation

Fair value is based on quoted market prices at the reporting date. If a quoted market price is not available, fair value is estimated based on discounted cash flow and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

Impairment losses on loans and advances

The purpose of the review of credit portfolio of customers is to determine the required provision for loans and advances balances and contingent liabilities, commitments which are studied in line with the laws and regulations issued by the Central Bank of Yemen.

In addition to laws and regulations issued by the Central Bank of Yemen Circular No. (6) of 1996, the Bank takes into account the following factors in the study:

- Analytical study of the customer's financial situation based on the financial statements and cash flow provided by the customer in addition to the movement of their accounts held with the group.
- The credit limit of the customer.
- The proportion of risk analysis, any customer's ability to implement a profitable business and collect enough cash for the repayment of amount borrowed.
- The value of the mortgage and the possibility of re-owned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY (CONTINUED)

Impairment losses on loans and advances (Continued)

- The cost of debt recovery.
- The client's obligations with Tax Authority and the Social Security Corporation.

The Group's policy requires regular and periodic review for the impairment of the provisions of credit facilities in addition to the periodic evaluation of mortgages and make sure of the possibility of recovery.

The classification of loans as non-performing loans continues unless reclassified as current loans and the collection of interest and the principal amount of the loan are considered probable. The provision of loan losses is calculated and included in profit or loss.

Impairment losses on AFS investments

The Group determines that shares' prices are impaired when there is a significant or prolonged decline in the fair value below its cost. The determination of what is significant or long-term requires judgment. In making this judgment, the management evaluates, among other factors, the normal course of volatility in the share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial situation of the investor and the performance of the field work, the sector and the changes in the technical, operational and financing cash flows.

Useful lives of property and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, maintenance programs, and normal wear and tear using best estimates.

Assessing whether the right-of-use asset is impaired

In estimating the recoverable amount of right-of-use assets, management estimates the market realizable rates for similar properties with similar lease terms.

Determine the appropriate discount rate for rent payments

The lease payments are discounted using the internal cost of funds as the Bank's Incremental Borrowing Rate ("IBR"), management applies appropriate judgment and estimates to determine the IBR at the inception of the lease (initiation of the contract).

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FOR THE YEAR ENDED 31 DECEMBER 2020

5.CASH AND BALANCES WITH CENTRAL BANK OF YEMEN

	2020 YR'000	2019 YR'000
<u>Cash on hand and ATMs</u>		
Local currency balances	4,473,434	2,739,611
Foreign currencies' balances	6,839,654	20,033,299
	11,313,088	22,772,910
<u>Mandatory reserves at Central Bank of Yemen</u>		
Local currency balances	20,477,031	21,536,310
Foreign currencies' balances	9,265,506	12,182,170
	29,742,537	33,718,480
	41,055,625	56,491,390

6.BALANCES WITH BANKS

	2020 YR'000	2019 YR'000
<u>Balances with local banks</u>		
- Current accounts	6,325,927	4,114,965
- Time deposits	39,766,790	33,724,950
	46,092,717	37,839,915
<u>Balances with foreign banks</u>		
- Current accounts	4,349,053	4,239,912
- Time deposits	524,114	507,644
	4,873,167	4,747,556
<u>Balances with Central Bank of Yemen</u>		
- Local currency balances	28,475,998	9,121,991
- Foreign currencies' balances	11,443,260	26,418,804
	39,919,258	35,540,795
Total balances with banks	90,885,142	78,128,266
Less:		
Impairment provision on balances with banks (Note 6-1)	(5,164,311)	(4,042,176)
	85,720,831	74,086,090

6.BALANCES WITH BANKS

	2020 YR'000	2019 YR'000
Balance as at 1 January	4,042,176	758,367
Provided during the year	1,122,135	3,283,809
Balance as at 31 December	5,164,311	4,042,176

In accordance with regulation of the Central Bank of Yemen, a mandatory reserve is maintained with the CBY calculated as %10 of the total customers' deposits in foreign currencies and %7 of total customers' deposits in local currency (%10 :2019 and %7 of the total customers' deposits in foreign currency and on total customer deposits in local currency respectively). The Bank does not get any interest income on mandatory reserve balances with CBY.

Time deposits with foreign and local banks carry variable interest rates, while current accounts with such banks do not carry any interest. The restricted time deposits with foreign banks amounted to YR 487,988 thousand as at 31 December 2019) 2020: YR 301,213 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

7. HELD TO MATURITY INVESTMENTS

Held to maturity investments represent treasury bills (debt securities) issued by the Central Bank of Yemen on behalf of the Ministry of Finance in the Republic of Yemen and carry different interest rates, as follows:

Mature within 31 to 90 days
Mature within 91 to 180 days
Mature within 181 to 364 days

Deduct: Unearned discount

Government bonds (unquoted)

2020	2019
YR'000	YR'000
352,898,890	346,204,380
240,000	50,000
124,600	100,000
353,263,490	346,354,380
(11,198,298)	(11,483,345)
342,065,192	334,871,035
4,460,866	4,460,866
4,460,866	4,460,866
346,526,058	339,331,901

The treasury bills carry an interest rate between %15.78 and %16.95 during the year ended

31 December 2019) 2020: between %16.1 and %16.61). 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.

As explained in Note (19), based on the signed commitment to the CBY during the month of January 2019, a restriction of the Central Bank of Yemen has been implemented over treasury bills amounting to YR 82.6 billion, in addition to income from such treasury bills, until the foreign currencies positions of the Bank are corrected, in addition to the Bank's commitment to allocate the income from these restricted treasury bills to form a provision or reduce the exposed positions of foreign currencies, the restriction shall not be released except by the final correction of the position of foreign currencies or by an amount equal to the reduction in the overdrawn position by its equivalent in foreign currencies and at the official exchange rate announced by CBY and at sufficient provision formed to meet the realized and potential losses.

In accordance with the Council of Ministers' Resolution No. (145) of 2006 dated April 2006 ,11, in which a decision was taken that Ministry of Finance purchased the agricultural credit portfolio due to the Cooperative and Agricultural Credit Bank as at 31 December 2005 and based on the agreement reached between the Ministry of Finance and the Bank, the Central Bank of Yemen, on behalf of the Ministry of Finance, issued government bonds maturing on April 2016 ,11 according to the letter No. (130-180) dated May 2016 ,10 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 2016 ,11 and according to bond No. (7) dated April 2017 ,4 which is sent by Central Bank of Yemen based on letter No. (130-62) dated March 2017 ,22 of the Ministry of Finance addressed to the Governor of the Central Bank of Yemen, these bonds were renewed for one year starting from April 2017 ,10 and according to bond No. (10) dated April 2018 ,11 which was sent by Central Bank of Yemen based on the letter No. (130-42) dated March 2018 ,20 from the Ministry of Finance addressed to the Governor of the Central Bank of Yemen, these bonds were renewed for one year starting from April 2018 ,9 and bear an average interest rate of three months treasury bills and the CBY records the interest of these bonds to the Group's account every three months. Interest on government bonds was stopped according to the Prime Minister Resolution No. (30) and the letter No. (110/661 MW) dated October 2019 ,28, from the Ministry of Finance. According to Bank Letter No. (77) on August 2020 ,30, and the letter No. (110/769 MW) dated September 2020 ,12, from the Ministry of Finance, the value of government bonds should be recorded in the current bank account at the Central Bank of Yemen, but up to date the amount has not been recorded in the current account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

8. LOANS AND ADVANCES TO CUSTOMERS

	2020 YR'000	2019 YR'000
Trading & Agricultural Loans and Advances		
Financing accounts – Overdrafts	30,386,200	27,836,599
Loans to customers	31,752,604	31,830,499
Agricultural loans	730,435	732,918
Letters of credit facilities	18,733	18,733
Total credit facilities	62,887,972	60,418,749
Less:		
Impairment provision on credit facilities-performing and non-performing (Note 8-1)	(21,393,264)	(20,485,475)
Uncollected interest (Note 8-2)	(27,637,953)	(24,819,640)
	13,856,755	15,113,634
Islamic Financing Activities Balances		
Istisna'a transactions financing	3,234,370	3,236,409
Ijarah Muntahia Bittamleek	2,209,495	2,583,118
Murabaha transactions financing	921,567	942,162
Agricultural financing	17,550	114,123
Other financing	549,853	461,779
	6,932,835	7,337,591
Less:		
Impairment provision on Islamic financing activities (Note 8-3)	(1,712,963)	(1,381,575)
Uncollected revenue	(75,035)	(75,183)
Deferred revenue	(40,616)	(60,898)
Accumulated depreciation for Ijarah Muntahia Bittamleek	(1,972,130)	(2,164,517)
	3,132,091	3,655,418
	16,988,846	18,769,052

As at 31 December 2020, non-performing loans and advances were amounting to YR 65,249,689 thousand (2019: YR 63,919,183 thousand). The Bank maintains a variety of good guarantees in the form of real estate and cash guarantees against loans and advances granted to customers. Cash securities against credit and other facilities represent the amount of YR 16,067,857 thousand as at 31 December 2019) 2020: YR 25,980,929 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. LOANS AND ADVANCES TO CUSTOMERS

The following are details of loans and advances covered with cash securities:

	2020		
	Loans & advances	Cash guarantees	Net
	YR'000	YR'000	YR'000
Substandard loans, advances & Islamic finances	184,472	-	184,472
Doubtful loans, advances & Islamic finances	183,757	(3,981)	179,776
Bad loans, advances & Islamic finances	64,881,460	(14,138,934)	50,742,526
	65,249,689	(14,142,915)	51,106,774
Performing loans, advances & Islamic finances	2,361,623	(1,924,942)	436,680
	67,611,312	(16,067,857)	51,543,454

	2019		
	Loans & advances	Cash guarantees	Net
	YR'000	YR'000	YR'000
Substandard loans, advances & Islamic finances	84,712	(1,275)	83,437
Doubtful loans, advances & Islamic finances	31,532	(4,612)	26,920
Bad loans, advances & Islamic finances	63,802,939	(25,957,493)	37,845,446
	63,919,183	(25,963,380)	37,955,803
Performing loans, advances & Islamic finances	792,260	(17,549)	774,711
	64,711,443	(25,980,929)	38,730,514

8.1 Provision for Loan Loss (Performing and Non-Performing)

	2020		
	Specific	General	Total
	YR'000	YR'000	YR'000
Balance as at 1 January	20,477,498	7,977	20,485,475
Provided during the year	1,523,961	-	1,523,961
Used during the year	(10,345)	-	(10,345)
Recovered during the year	(606,520)	-	(606,520)
Transferred to specific provision	6,476	(6,476)	-
Foreign currencies revaluation difference	693	-	693
Balance as at 31 December	21,391,763	1,501	21,393,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

8. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

8.1 Provision for Loan Loss (Performing and Non-Performing) (Continued)

	2019	
	Specific	General
	YR'000	YR'000
Balance as at 1 January	26,127,161	8,069
Provided during the year	1,140,255	-
Used during the year	(363,213)	-
Recovered during the year	(6,426,575)	(92)
Transferred to specific provision	-	-
Foreign currencies revaluation difference	(130)	-
Balance as at 31 December	20,477,498	7,977

When calculating provisions for such loans and advances, subsequent collections made during the next year were taken into account.

In accordance with the instructions of the Central Bank of Yemen, provisions are classified into specific and non-specific (general provision for debts and facilities). Based on the instructions of the Central Bank of Yemen, a %2 provision is provided for all performing direct credit facilities and indirect facilities after deducting related cash margins.

During the year ended on December 2015 ,31, the Central Bank of Yemen has issued Circular No. (8), which refers to adjusting the provision percentage on regular direct loans and advances from %1 to %2.

In accordance with the provisions of IAS (39), measurement method can be applied for impairment of credit facilities and financial assets based on the groups and by applying the study of impairment on the sets of credit facilities and financial assets that have been studied and analyzed individually and proved not to be impaired, while there are indications of impairment in similar groups, and the decline in the value of each asset within that group cannot be identified.

8.2 Uncollected Interest

Uncollected interest is interest on non-performing loans and advances, which is recognised as revenue only when actually collected in accordance with the CBY instructions.

	2020	2019
	YR'000	YR'000
Balance as at 1 January	24,819,640	21,750,367
Uncollected interest written off or collected during the year	(584,412)	(2,453,064)
Increased during the year	3,399,664	5,523,018
Exchange rate revaluation difference	3,061	(681)
Balance as at 31 December	27,637,953	24,819,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

8.3 Impairment Provision on Islamic Financing Activities

	2020		
	Specific	General	Total
	YR'000	YR'000	YR'000
Balance as at 1 January	1,374,948	6,627	1,381,575
Provided during the year	441,467	-	441,467
Used during the year	-	-	-
Recovered during the year	(109,600)	(487)	(110,087)
Transferred to general provision	(1,094)	1,094	-
Foreign currencies revaluation difference	8	-	8
Balance as at 31 December	1,705,729	7,234	1,712,963

	2019		
	Specific	General	Total
	YR'000	YR'000	YR'000
Balance as at 1 January	1,590,402	13,856	1,604,258
Provided during the year	54,525	-	54,525
Used during the year	-	-	-
Recovered during the year	(277,208)	-	(277,208)
Transferred to general provision	7,229	(7,229)	-
Foreign currencies revaluation difference	-	-	-
Balance as at 31 December	1,374,948	6,627	1,381,575

9. AVAILABLE FOR SALE INVESTMENTS

	2020	2019
	YR'000	YR'000
Asas Real Estate Company Limited	1,049,802	1,049,802
General Company for Real Estate Investment Limited	600,000	600,000
National Company for Electronic Financial Services	-	507,500
Y-Telecom Company	430,043	430,043
Yemeni Financial Services	97,073	95,483
Yemen Company for Manufacturing Pumps	15,750	15,750
Dates Factory 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
CAC International Bank - Djibouti	69,178	69,178
	2,277,655	2,783,565
Less: impairment of AFS investments (Note 9-1)	(1,677,655)	(1,589,389)
	600,000	1,194,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

9. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

Available for sale investments represent unquoted investments, due to the difficulty of obtaining a reliable estimate of fair value for these investments and there are no quoted market prices and future cash flows are not determinable, these investments were carried at cost.

During the year ended 31 December 2020, the Bank withdraw from the investment in the National Company for Electronic Financial Services (a company under establishment) and the full investment amount was collected/recovered.

9.1 Impairment of Available for Sale Investments

	2020 YR'000	2019 YR'000
Balance as at 1 January	1,589,389	1,676,065
Charged during the year	88,266	-
Recovered during the year	-	(86,676)
Balance as at 31 December	1,677,655	1,589,389

10. INVESTMENT IN ISLAMIC SUKUK

	2020		2019	
	Number of Sukuk	Value of Sukuk YR'000	Number of Sukuk	Value of Sukuk YR'000
Investment in Islamic Sukuk – Gov restricted	1,428	1,428,000	-	-
	1,428	1,428,000	-	-

The nominal value of Sukuk is YR 1,000,000, issued by the Unit of Islamic Sukuk at CBY. The Yemeni Government represented by the Ministry of Finance guarantees such 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, which are restricted in investments in Islamic Sukuk in favor of the customers of the Bank. The value of the sukuk and its return is payable in full on maturity and its non-tradeable.

11. INVESTMENT IN ASSOCIATES

	2020		2019	
	Share		Share	
	YR'000	%	YR'000	%
Mareb Poultry Company	492,974	27.32	490,098	27.32
CAC Insurance Company	225,117	22.50	203,181	21.00
	718,091		693,279	

Following are the details of the movements during the year:

	2020 YR'000	2019 YR'000
Balance as at 1 January	693,279	694,670
Bank net share of profits	52,121	28,024
Cash dividends received during the year	(27,309)	(29,415)
Balance as at 31 December	718,091	693,279

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FOR THE YEAR ENDED 31 DECEMBER 2020

11. INVESTMENT IN ASSOCIATES (CONTINUED)

As of 31 December 2020, the total assets of Mareb Poultry Company were amounting to

YR 2,230,031 thousand (2019: YR 2,334,141 thousand), while the total liabilities were amounting to YR 425,589 thousand (2019: YR 540,226 thousand). Mareb Poultry Company realized a net profit of YR 2019) 30,591: YR 47,814 thousand) according to the last audited financial statements for the year ended 31 December 2019.

As of 31 December 2020, the total assets of CAC Insurance Company were amounting to

YR 4,498,413 thousand (2019: YR 3,927,433 thousand), while the total liabilities were amounting to YR 3,497,893 thousand (2019: YR 2,945,118 thousand). CAC Insurance realized a net profit of YR 183,064 thousand (2019: YR 155,555 thousand) according to the last audited financial statements for the year ended 31 December 2020. During the year ended 31 December 2020, the bank's shareholding in CAC Insurance Company was modified from %21 to %22.5 as a result of the amendment in the percentage of shareholders' ownership in the company as some shareholders did not contribute their shares of the company's capital increase.

12. DEBIT BALANCES AND OTHER ASSETS

	2020 YR'000	2019 YR'000
Assets transferred to the Group's ownership as a repayment of debts	3,583,414	3,583,414
Prepaid expenses	394,759	474,389
Accrued interests and income	665,924	428,204
Projects in process (advances)	47,330	326,056
Advances to employees	111,266	149,739
Other debit balances	2,625,086	3,206,433
	7,427,779	8,168,235
Less:		
Doubtful debts provision (Note 12-1)	(4,862,878)	(5,381,930)
	2,564,901	2,786,305

12.1 Doubtful Debts Provision for Debit Balances and Other Assets

	2020 YR'000	2019 YR'000
Balance as at 1 January	5,381,930	5,165,395
Charged during the year	-	460,564
Used during the year	(13,150)	(144)
Reversed during the year	(506,251)	(243,815)
Foreign currencies revaluation difference	349	(70)
Balance as at 31 December	4,862,878	5,381,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. PROPERTY AND EQUIPMENT

	Lands & Buildings	Furniture & Fixtures	Motor Vehicles	Leasehold Improvements	Total
	YR'000	YR'000	YR'000	YR'000	YR'000
Cost					
At 1 January 2019	1,064,310	7,739,576	874,678	1,614,160	11,292,724
Additions	9,830	259,694	1,691	1,989	273,204
Disposals	(46,665)	(75,948)	-	(18,892)	(141,505)
Reclassifications	38,971	79,294	(3,690)	(114,575)	-
At 1 January 2020	1,066,446	8,002,616	872,679	1,482,682	11,424,423
Additions	326	351,587	402	193,391	545,706
Disposals	-	(74,488)	-	(1,247)	(75,735)
Reclassifications	-	(2,811)	-	2,811	-
At 31 December 2020	1,066,772	8,276,904	873,081	1,677,637	11,894,394
Accumulated Depreciation					
At 1 January 2019	323,430	6,631,743	829,871	1,335,509	9,120,553
Charge for the year	20,673	410,053	18,747	112,164	561,637
Disposals during the year	(22,395)	(68,417)	-	(18,505)	(109,317)
Reclassification	32,612	63,064	(3,690)	(91,986)	-
At 1 January 2020	354,320	7,036,443	844,928	1,337,182	9,572,873
Charge for the year	19,691	318,192	14,114	103,765	455,762
Disposals during the year	-	(73,004)	-	(1,247)	(74,251)
Reclassifications	10	(2,943)	2,936	(3)	-
At 31 December 2020	374,021	7,278,688	861,978	1,439,697	9,954,384
Carrying Amount					
At 31 December 2020	692,751	998,216	11,103	237,940	1,940,010
At 31 December 2019	712,126	966,173	27,751	145,500	1,851,550
Depreciation rates used	0% - 2%	10% - 20%	20%	Lower of 10% Or lease term	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

14. RIGHT-OF-USE ASSETS

This item consists of the following as of December 31:	2020	2019
	YR'000	YR'000
<u>Cost</u>		
At 1 January	1,953,616	1,736,370
Added right-of-use assets during the year	718,995	217,246
Expired right-of-use assets during the year	(359,788)	-
Foreign currencies revaluation difference	-	-
	2,312,823	1,953,616
<u>Accumulated depreciation</u>		
At 1 January	494,208	-
Depreciation for the year	538,306	494,208
Depreciation for expired right-of-use assets	(188,754)	-
Foreign currencies revaluation difference	-	-
	843,760	494,208
Net right-of-use assets	1,469,063	1,459,408

15. DUE TO BANKS

	2020	2019
	YR'000	YR'000
<u>Current Accounts</u>		
Balances in local currency	8,815,708	2,437,258
Balances in foreign currencies	1,136,534	1,623,285
	9,952,242	4,060,543
<u>Time Deposits</u>		
Balances in local currency	6,057,862	6,649,227
Balances in foreign currencies	12,802,629	12,177,257
	18,860,491	18,826,484
Total balances due to banks	28,812,733	22,887,027

Current accounts and time deposits balances due to banks bear various interest rates.

16. DEPOSITS FROM CUSTOMERS

	2020	2019
	YR'000	YR'000
Current accounts	257,062,357	181,134,201
Time deposits	123,289,644	207,421,947
Savings accounts	14,872,569	13,697,392
Cash, LC and LG margins	8,758,239	10,715,513
Time deposits – restricted	-	14,095,712
Other deposits	3,019,908	2,982,347
	407,002,717	430,047,112

Time deposits and saving accounts bear fixed interest rates during the deposit period, while other current accounts, cash margins, and other deposits earn nil interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. LONG TERM LOANS

	2020 YR'000	2019 YR'000
Mahra Rural Development Project	42,795	45,965
Tehama Development Project - III	5,271	5,271
Raimah Development Project	2,971	3,396
	51,037	54,632

Mahra rural development project: On November 1999 ,11, a loan was received from International Fund for Agricultural Development (IFAD) to activate the agricultural sector in Mahra Development Project, which will mature on June 2034 ,1. The Group is executing the project through an agreement with the Ministry of Finance.

Tehama development project – III: On April 1980 ,16, a loan was received from Reconstruction Credit Institution of Germany to activate the agricultural loans activities in the Tehama Development Project matured on April 2009 ,16. The Group is executing the project through an agreement with the Ministry of Agriculture and Irrigation.

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

18. CREDIT BALANCES AND OTHER LIABILITIES

	2020 YR'000	2019 YR'000
Income tax (18.1)	2,019,152	1,419,631
Zakat provision (18.2)	4,042,782	2,356,905
Interest payable	1,524,596	2,268,036
Lease contracts liabilities (18.3)	1,541,592	1,464,347
Accrued expenses	1,313,814	1,229,355
Insurance and guarantees from clients	3,086,735	2,961,687
Unearned revenue	32,196	34,073
Forward contracts commitments	6,895,000	-
Other credit balances and liabilities	1,150,170	1,477,727
	21,606,037	13,211,761

18.1 Income Tax

Income tax is provided at %20 :2019) %20) of the annual amended profit for tax purposes. The table below shows the movement of income tax provision:

	2020 YR'000	2019 YR'000
Balance at 1 January	1,419,631	1,719,089
Provided during the year	932,610	1,030,837
Paid during the year	(333,089)	(1,330,295)
Balance at 31 December	2,019,152	1,419,631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. CREDIT BALANCES AND OTHER LIABILITIES (CONTINUED)

18.1 Income Tax (continued)

Tax position

Income Tax

- In accordance with Article (21) of Law No. (39) of 1982, concerning the establishment of the Bank, the bank's profit was not subject to income tax. The Bank was not subject to 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 until 31 December 2009.
- Income tax is cleared for the years until 2016.
- Tax declarations were submitted for the year 2017 and 2018 and the amounts due were paid based on the declarations, field inspection is still in process by tax authority, the bank was informed of the additional assessments on income, salaries, wages and the independent base taxes amounting to YR 4,076,889 thousand and YR 2,549,251 thousand, respectively. The bank objected to these additional assessments within the legal period, and the file was referred to the settlement committee, which has not issued its decision to date.
- Income tax declaration for the year 2019 was submitted and tax was paid based on the declaration in 2021, field inspection is still in process by tax authority, and the bank did not receive any notification in respect of such return from tax authority to date.
- A fine for late submission of tax return for the year 2019 amounting to YR 27,500 thousand was paid during the year 2021.
- The bank paid YR 1,000,000 advances in account of the income tax during the year 2021.
- The bank paid YR 500,000 advances in account of the income tax during the year 2022.

Payroll Tax

- Payroll tax has been settled with the tax authority until 2008.
- Payroll tax was paid for the year 2009 as per tax return and no settlement was reach between the bank and tax authority to date.
- Tax settlement has been finished for the payroll tax until 2016.
- Payroll tax for the years 2017 to 2020 was paid based on the monthly submitted returns.
- Field inspection is still in process by tax authority for the years 2019 and 2020 and the bank did not receive any notification from tax authority to date.

Others

- A fine on sales and under-account tax and property tax for the year 2017 and 2018 amounted to YR 28,478 thousand, which was paid during the year 2019.
- Sales and under-account tax for the year 2019 were settled during the year 2020 and paid with fines in a total amount of YR 93,899 thousand during the year 2021.
- Sales and under-account tax for the year 2020 were settled and paid with fines in a total amount of YR 72,379 thousand during the year 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. CREDIT BALANCES AND OTHER LIABILITIES (CONTINUED)

18.2 Zakat Provision

Zakat Position

The Bank submits its Zakat declaration annually and pays the amount due based on the declaration. The table below shows the movement of Zakat provision:

	2020	2019
	YR'000	YR'000
Balance at 1 January	2,356,905	1,160,855
Provided during the year (*)	2,288,377	1,427,949
Paid during the year	(602,500)	(231,899)
Balance at 31 December	4,042,782	2,356,905

*Amount provided during the year 2020 includes YR 744,277 thousand to meet the zakat additional assessment received during the year 2020 on zakat related to the year 2018.

- The Group submitted its zakat declaration and payment until the end of the year 2017 according to its financial statements in accordance with the receipts granted by the head office and its branches in all governorates, and it has not been informed of any additional assessment notification from the Zakat General Authority (previously the Zakat Authority).
- The Group submitted its zakat declaration and payment for the year 2018 according to its financial statements in accordance with the receipts granted by the head office and its branches in all governorates, and it has been informed of additional assessments amounting to YR 744,227 thousand and YR 710,975 thousand which were paid during 2021 and a final clearance was obtained regarding Zakat for the year 2018.
- The Group submitted its zakat declaration and payment for the year 2019 according to its financial statements in accordance with the receipts granted by the head office and its branches in all governorates, and it has not been informed of any additional assessment notification from the Zakat General Authority.
- The Group submitted a "preliminary" Zakat return for the year 2020 according to its unaudited financial statements on April 27, 2021, and the payment was made accordingly.

18.3 Lease Contracts Liabilities

	2020	2019
	YR'000	YR'000
Balance at 1 January	1,464,347	1,736,370
Provided during the year	543,022	217,246
Debt interest	97,906	64,678
Paid during the year	(563,683)	(553,947)
Balance at 31 December	1,541,592	1,464,347

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19.OTHER PROVISIONS

2020				
	Provision for contingent liabilities (a)	Provision for contingent claims	Foreign currencies fluctuation provision and the effect on overdrawn foreign currencies positions (b)	Total
	YR'000	YR'000	YR'000	YR'000
Balance as at 1 January	243,337	323,228	5,840,000	6,406,565
Provided during the year (Note 31)	53,394	226,641	10,160,000	10,440,035
Used during the year	-	-	-	-
Reversed during the year	(936)	-	-	(936)
Foreign currencies revaluation	1,814	-	-	1,814
Balance as at 31 December	<u>297,609</u>	<u>549,869</u>	<u>16,000,000</u>	<u>16,847,478</u>

2019				
	Provision for contingent liabilities (a)	Provision for contingent claims	Foreign currencies fluctuation provision and the effect on overdrawn foreign currencies positions (b)	Total
	YR'000	YR'000	YR'000	YR'000
Balance as at 1 January	1,068,715	103,451	5,840,000	7,012,166
Provided during the year (Note 31)	-	219,777	-	219,777
Used during the year	-	-	-	-
Reversed during the year	(825,131)	-	-	(825,131)
Foreign currencies revaluation	(247)	-	-	(247)
Balance as at 31 December	<u>243,337</u>	<u>323,228</u>	<u>5,840,000</u>	<u>6,406,565</u>

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

b) As described in note (37), and in accordance with the instructions issued by the Central Bank of Yemen to all banks operating in the Republic of Yemen, which stated that foreign currencies sensitivity analysis should be performed and presented regarding the effect of foreign currencies fluctuations on the financial statements, based on the exchange rate of the parallel market and stating the effect of such change on the statement of profit or loss and comprehensive income, and banks holding short foreign currencies financial positions should create a provision for losses related to the exposure of the difference between the value of the foreign currencies short positions according to the closing rates as per CBY instructions and the average parallel market exchange rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

19. OTHER PROVISIONS (CONTINUED)

During the year ended 31 December 2020, the bank created a provision against expected losses related to foreign currencies overdrawn positions.

The bank has signed a commitment to CBY during January 2020, including the bank's commitment to correct its foreign currencies exposed position gradually and reach to the allowed limits in accordance with the relevant instructions issued in this regard. The commitment also included giving the authority to CBY to implement a restriction over treasury bills in the amount of YR 82.6 billion, in addition to income from such treasury bills, until the foreign currencies positions is finally corrected, and a commitment from the bank to allocate the income from these restricted treasury bills to create a provision or to reduce the foreign currencies exposed positions. The restriction shall not be released except by the final correction of the position of foreign currencies or by an amount equal to the reduction in the overdrawn position by its equivalent in foreign currencies and at the official exchange rate announced by the Central Bank and with the sufficiency of the provision formed to meet the realized and potential losses.

20. PAID-UP CAPITAL

As at 31 December 2020, the paid up capital amounted to YR 20 billion (2019: YR 20 billion) divided into 20 million shares of YR 1,000 par share according to the General Assembly meeting No. 1 held on July 2019 ,29 regarding the increase of capital by amount of YR 1,000,000 thousand as follows:

	No. of Shares	Percentage %	2020 YR'000	2019 YR'000
Agricultural Promotion Fund	8,100,000	40.50	8,100,000	8,100,000
Government represented by the Ministry of Finance	6,764,000	33.82	6,764,000	6,764,000
Civil Aviation and Metrology Authority	5,000,000	25.00	5,000,000	5,000,000
General Confederation of Agriculture	136,000	0.68	136,000	136,000
	20,000,000	100	20,000,000	20,000,000

21. STATUTORY RESERVE

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

Capital is increased by the proceeds from the par value of the issued shares, and in case shares were issued with a premium amount over the par value, the net increase is included in statutory reserve, in accordance with the commercial companies Law No. (22) of 1997 of the Republic of Yemen.

Statutory reserve included an amount of YR 500 million the value of the premium for issuing shares during the year 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

22. CONTINGENT LIABILITIES AND COMMITMENTS

	2020			2019		
	Total commitment	Collateral	Net commitment	Total commitment	Collateral	Net commitment
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
Letters of credit	5,022,471	(468,793)	4,553,678	5,736,226	(668,612)	5,067,614
Letters of guarantee	30,952,459	(5,745,158)	25,207,301	26,875,448	(7,609,286)	19,266,162
	35,974,930	(6,213,951)	29,760,979	32,611,674	(8,277,898)	24,333,776

23. INTEREST INCOME FROM LOANS AND ADVANCES AND DUE FROM BANKS

	2020	2019
	YR'000	YR'000
Interest income from loans and advances to customers	387,030	414,432
Interest income from Government Bonds	-	440,206
Interest income from due from banks	6,154,384	5,130,428
	6,541,414	5,985,066

24. INTEREST EXPENSE

	2020	2019
	YR'000	YR'000
Interest expense on customers' deposits:		
- Time deposits	21,643,568	24,070,904
- Saving accounts	1,908,598	1,770,487
	23,552,166	25,841,391
Interest expense on balances due to banks and loans:		
- Deposits from banks	1,596,416	1,413,805
- Long terms loans	-	1,121
	1,596,416	1,414,926
	25,148,582	27,256,317

25. ISLAMIC FINANCING AND INVESTMENT ACTIVITIES INCOME

	2020	2019
	YR'000	YR'000
Income from Islamic Sukuk	150,233	-
Income from financing Murabaha transactions	30,383	51,105
Income from Ijarah Muntahia Bittamleek	34,731	53,498
Income from agricultural financing	9,707	19,953
Income from Musharakah transactions	-	1,194
Income from Istisna'a transactions	3,714	2,818
	228,768	128,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

26. RETURN OF UNRESTRICTED INVESTMENTS AND SAVING ACCOUNTS HOLDERS

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

	2020		2019	
	YR %	Foreign Currencies %	YR %	Foreign Currencies %
Investment deposits	9.90%	3.50%	10.00%	4.00%
Saving accounts	5.00%	1.80%	5.00%	2.00%

27. FEES AND COMMISSION INCOME

	2020 YR'000	2019 YR'000
Letters of credit commissions	984	11,423
Letters of guarantee commissions	158,027	146,121
Inward transfers commissions	429,310	207,794
Other commissions	718,839	983,623
	1,307,160	1,348,961

28. NET LOSS FROM FOREIGN EXCHANGE

	2020 YR'000	2019 YR'000
Letters of credit commissions	984	11,423
Letters of guarantee commissions	158,027	146,121
Inward transfers commissions	429,310	207,794
Other commissions	718,839	983,623
	1,307,160	1,348,961

29. FINANCIAL INVESTMENT INCOME

	2020 YR'000	2019 YR'000
Loss from buy/sell of foreign currencies	(10,147,293)	(21,957,746)
Loss from revaluation of foreign currencies	52,013	61,935
	(10,095,280)	(21,895,811)

30. OTHER INCOME

	2020 YR'000	2019 YR'000
Loss from buy/sell of foreign currencies	(10,147,293)	(21,957,746)
Loss from revaluation of foreign currencies	52,013	61,935
	(10,095,280)	(21,895,811)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

31.NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	<u>2020</u> <u>YR'000</u>	<u>2019</u> <u>YR'000</u>
Impairment provision on loans and advances to customers performing and non-performing (Note 8-1)	1,523,961	1,140,255
Impairment provision for financing activities (Note 8-3)	441,467	54,525
Doubtful provision for debit balances and other assets (Note 12-1)	-	460,564
Other provisions (Note 19)	10,440,035	219,777
Impairment provision on balances with banks (Note 6-1)	1,122,135	3,283,809
Impairment provision on AFS investments	88,266	-
	<u>13,615,864</u>	<u>5,158,930</u>

32. STAFF EXPENSES

	<u>2020</u> <u>YR'000</u>	<u>2019</u> <u>YR'000</u>
Salaries and wages	7,684,028	7,503,251
Social security contributions	459,505	261,976
Medical expenses	1,171,306	874,465
	<u>9,314,839</u>	<u>8,639,692</u>

Social security contributions for the year 2020 include an amount of YR 200,978 thousand (2019: Nil), against the differences in social security contributions for the Bank employees for the years 2017 to 2020 according to the amendments to the Social Security Law implemented under the agreement between the Association of Yemeni Banks and the General Authority for Social Security regarding increasing the total social security premiums from %15 to %18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

33. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 YR'000	2019 YR'000
Depreciation of property and equipment (Note 13)	455,762	561,637
Depreciation of right-of-use assets (Note 14)	538,306	494,208
Finance cost on right-of-use assets (Note 18.3)	97,906	64,678
Rent	648,248	296,237
Fees and subscriptions	436,694	520,575
Maintenance	482,138	569,585
Stationery and office supplies	86,093	86,219
Communications	317,605	279,418
Security and guarding	493,088	451,645
Water and electricity	338,168	349,884
Advertising and publishing	133,116	108,056
Transportation	344,480	328,129
Insurance	304,867	317,593
Training	29,269	64,981
Courier	206,193	245,669
Professional and legal fees	96,202	84,432
Other miscellaneous expenses	367,814	393,899
	5,375,949	5,216,845

34. EARNINGS PER SHARE

	2020 YR'000	2019 YR'000
Profit per share attributable to Bank's equity holders	635,369	385,451
Number of shares (thousand shares)	20,000	20,000
Earnings per share (Yemeni Rial)	31.77	19.27

35. RELATED PARTY TRANSACTIONS

The transactions with related parties in these consolidated financial statements are as follows:

	2020 YR'000	2019 YR'000
Deposits		
Balance at 1 January	12,584,994	15,243,084
Added during the year	-	-
Deducted during the year	(6,216,685)	(2,658,090)
Balance at 31 December	6,368,309	12,584,994
	2020 YR'000	2019 YR'000

Loans and financing

Balance at 1 January	1,157,016	615,592
Added during the year	-	541,424
Deducted during the year	(1,002,310)	-
Balance at 31 December	154,706	1,157,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

35. RELATED PARTY TRANSACTIONS (CONTINUED)

	2020 YR'000	2019 YR'000
Interests		
Interest and commission income	17,467	27,198
Interest expenses	<u>(63,128)</u>	<u>(508,923)</u>

Compensation of key management personnel:

The remuneration of the key management personnel during the year were as follows:

	2020 YR'000	2019 YR'000
Salaries, bonuses and allowances	<u>199,498</u>	<u>212,568</u>

36. FAIR VALUE INFORMATION

Based on the evaluation method described below, the Group considers the fair value of all financial instruments shown in the statement of financial position and off-balance sheet items as of 31 December 2020 are not materially different from their carrying values.

(a) Estimating the fair values

Loans and advances granted to customers: The fair value is calculated based on the expected future cash flows discounted for the principal and interest. It was assumed that loan repayments took place in the due dates as per agreement when applicable. For loans that have no specific repayment dates or those that are subject to collection risks, repayment is estimated based on previous periods experience when interest rates were at levels similar to current interest rates levels, adjusted for any changes in the expected interest rate.

Estimation of future cash flows is developed taking into consideration the associated credit risk and any indications of impairment. An estimate of future cash flows for any similarly classified loans on a portfolio basis and are discounted at current rates for similar loans available to new borrowers with similar credit profiles. The estimated fair values reflect the changes in the credit position from the date of granting the loans, they also reflect changes in interest rates in case of fixed interest rates loans.

Investments: Fair value is based on quoted market prices at the consolidated statement of financial position date. In the absence of a quoted market price, fair value is estimated using discounted cash flow techniques and any other methods of evaluation. When the discounted cash flow techniques are applied it shall be based on management's best estimates of these future cash flows and the discount rate is the rate prevailing in the market for a similar financial instrument at the consolidated statement of financial position date.

Current accounts balances due to/from banks: The carrying value of current accounts balances due to/from banks, was considered to serve as an appropriate estimate of fair value due to their short-term nature.

Deposits at banks and customers' deposits: For demand deposits and deposits with unknown maturities, fair value is considered to be the amount payable on demand at the consolidated statement of financial position date. The estimated fair value of deposits with fixed maturity periods is based on discounted cash flows using interest rates currently offered for deposits of similar remaining maturities. When estimating fair value, long-term relationships with depositors are not taken into account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. FAIR VALUE INFORMATION (CONTINUED)

(b) Other financial instruments in the consolidated statement of financial position

The fair values of all other financial instruments in the consolidated statement of financial position approximate their carrying values.

(c) Financial instruments outside the consolidated statement of financial position

No adjustments are made to the fair value of financial instruments outside the consolidated statement of financial position that are credit related, which includes contingencies to provide credit facilities, letters of credit and letters of guarantees, because future revenues associated with them reflect fundamentally contractual fees and commissions related to agreements with similar credits and maturities at the consolidated financial position date.

(d) Fair value compared to carrying value

The following tables provide analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

<u>2020</u>	<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>YR'000</u>	<u>YR'000</u>	<u>YR'000</u>	<u>YR'000</u>	<u>YR'000</u>
Assets					
Balances with banks	85,729,831	-	85,729,831	-	85,729,831
Held to maturity investments	346,526,058	-	346,526,058	-	346,526,058
AFS investments	600,000	600,000	-	-	600,000
Investment in Islamic Sukuk	1,428,000	-	1,428,000	-	1,428,000
Loans and advances to customers	16,988,846	-	16,988,846	-	16,988,846
Liabilities					
Due to banks	28,812,733	-	28,812,733	-	28,812,733
Customers' deposits	407,002,717	-	407,002,717	-	407,002,717
<u>2019</u>	<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>YR'000</u>	<u>YR'000</u>	<u>YR'000</u>	<u>YR'000</u>	<u>YR'000</u>
Assets					
Balances with banks	74,086,090	-	74,086,090	-	74,086,090
Held to maturity investments	339,331,901	-	339,331,901	-	339,331,901
AFS investments	1,194,176	1,194,176	-	-	1,194,176
Investment in Islamic Sukuk	-	-	-	-	-
Loans and advances to customers	18,769,052	-	18,769,052	-	18,769,052
Liabilities					
Due to banks	22,887,027	-	22,887,027	-	22,887,027
Customers' deposits	430,047,112	-	430,047,112	-	430,047,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. RISK MANAGEMENT

The Group manages risks by various means through a comprehensive strategy in place determining the risks and ways to address and mitigate such risks. The risk management devices in the group include the Board of Directors, the CEO, the assets and liabilities committee, finance manager, treasury manager and the director of risk management, all whom are under constant supervision by the management of the bank.

The following is a summary of how the bank is managing risk:

Credit risk: Credit risk refers to the risk that a customer or counterparty to a financial instrument will default on its contractual obligations resulting in financial loss, credit risk arises in the normal course of business of the Group.

In this context, the Group strengthens institutional frameworks governing the management of credit through the modernization and development of policies and procedures on an on-going basis. The bank also applies the instructions of the Central Bank of Yemen of circular No. (10) of 1997 on credit risk. The management is committed to a minimum set of standards for credit risk management.

Procedures for managing and mitigating credit risk include the following:

- Preparing credit studies on customers before dealing with them and determining credit risk rates related to them.
- Obtaining sufficient collateral to reduce the magnitude of the risks that may arise in case of customers default.
- Conduct field visits and prepare periodic studies for customers in order to evaluate their financial positions and credit worthiness.
- Configure the required allocation of provisions of debts and non-performing balances.
- Distribution of loans and advances to various sectors in order to avoid concentration risks within specific limits for each sector.

Distribution is disclosed for financial assets and financial liabilities and contingent liabilities and commitments in the consolidated statement of financial position date, according to the business sector is as follows:

Concentration by customers

	Assets		Liabilities	
	Balances with banks	Loans and advances	Due to banks	Customers' deposits
	YR'000	YR'000	YR'000	YR'000
31 December 2020				
Individuals	-	441,985	-	93,994,341
Corporate	-	16,546,861	-	313,008,376
Banks	85,720,831	-	28,812,733	-
	85,720,831	16,988,846	28,812,733	407,002,717
31 December 2019				
Individuals	-	8,844,443	-	82,561,191
Corporate	-	9,924,609	-	347,485,921
Banks	74,086,090	-	22,887,027	-
	74,086,090	18,769,052	22,887,027	430,047,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

37. RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Industry Sector

	2020			2019		
	Assets	Liabilities	Contingent Liabilities and Commitments	Assets	Liabilities	Contingent Liabilities and Commitments
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
Industrial & Commercial	12,979,686	172,865,719	8,986,690	6,098,838	141,291,896	7,810,941
Services	989,019	141,654,711	666,395	1,163,099	155,359,787	2,621,704
Financial	474,969,791	28,812,733	14,099,533	466,869,932	22,887,027	6,883,411
Others	6,663,856	130,986,839	6,008,361	19,220,324	153,068,387	7,017,720
Total	495,602,352	474,320,002	29,760,979	493,352,193	472,607,097	24,333,776

Credit risk without taking into consideration the collaterals

	2020 YR'000	2019 YR'000
Consolidated Statement of Financial Position		
Balances at banks	85,720,831	74,086,090
Available for sale investments	600,000	1,194,176
Investments in associates	718,091	693,279
Loans and advances to customers	16,988,846	18,769,052
Other debit balances and assets	2,564,901	2,786,305
Off balance sheet items	29,760,979	24,333,776

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due. Liquidity risk results from Bank's inability to obtain cash to face the decrease in deposits or increase in assets. The Bank monitors its liquidity risks through assets and liabilities maturity report, which is prepared internally. The Bank then classifies all assets and liabilities to periods up to one year and more. Treasury department of the Bank controls and monitors liquidity risks and ensure the Bank does not face such risks and the best utilize the Bank's resources at the same time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37. RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the bank's financial assets and liabilities at 31 December 2020 was as follows:

	Due within 3 Months YR'000	Due within 4 to 6 Months YR'000	Due within 6 months to One year YR'000	Due after One Year YR'000	Total YR'000
Assets					
Cash and balances at CBY	41,055,625	-	-	-	41,055,625
Balances with banks	85,720,831	-	-	-	85,720,831
HTM investments	346,180,590	230,236	115,232	-	346,526,058
Investments in Islamic Sukuk	-	1,428,000	-	-	1,428,000
AFS Investments	-	-	-	600,000	600,000
Investments in associates	-	-	-	718,091	718,091
Loans and advances	14,098,382	-	-	2,890,464	16,988,846
	<u>487,055,428</u>	<u>1,658,236</u>	<u>115,232</u>	<u>4,208,555</u>	<u>493,037,451</u>
Liabilities					
Due to banks	28,812,733	-	-	-	28,812,733
Customers' deposits	390,616,039	8,479,951	480,391	7,426,336	407,002,717
Long term loans	-	-	-	51,037	51,037
	<u>419,428,772</u>	<u>8,479,951</u>	<u>480,391</u>	<u>7,477,373</u>	<u>435,866,487</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

37. RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the bank's financial assets and liabilities at 31 December 2019 was as follows:

	Due within 3 Months YR'000	Due within 4 to 6 Months YR'000	Due within 6 months to One year YR'000	Due after One Year YR'000	Total YR'000
Assets					
Cash and balances at CBY	56,491,390	-	-	-	56,491,390
Balances with banks	74,086,090	-	-	-	74,086,090
HTM investments	334,730,607	4,509,204	92,090	-	339,331,901
Investments in Islamic Sukuk	-	-	-	-	-
AFS Investments	-	-	-	1,194,176	1,194,176
Investments in associates	-	-	-	693,279	693,279
Loans and advances	8,874,971	6,158,126	410,390	3,325,565	18,769,052
	<u>474,183,058</u>	<u>10,667,330</u>	<u>502,480</u>	<u>5,213,020</u>	<u>490,565,888</u>
Liabilities					
Due to banks	19,564,191	3,322,836	-	-	22,887,027
Customers' deposits	292,965,070	100,106,267	15,999,146	20,976,629	430,047,112
Long term loans	-	-	-	54,632	54,632
	<u>312,529,261</u>	<u>103,429,103</u>	<u>15,999,146</u>	<u>21,031,261</u>	<u>452,988,771</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

37. RISK MANAGEMENT (CONTINUED)

Market risk

Market risk includes foreign currency risk and interest rates risk.

Foreign currency risk

The Group is exposed to currency risk from its transactions in foreign currencies (especially transactions in US Dollar). Since the currency in which the Group presents its consolidated financial statements is Yemeni Rials, thus the consolidated financial statements are affected by the changes in exchange rates between US Dollars and Yemeni Rials. The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income".

The following table shows the important currencies' positions as at the date of the consolidated financial statements:

	2020		2019	
	Surplus / (deficit) YR'000	Percentage to equity %	Surplus / (deficit) YR'000	Percentage to equity %
US Dollars	(52,389,592)	(219.35%)	(57,610,475)	(253.27%)
Euro	917,135	3.84%	(633,023)	(2.78%)
Saudi Riyals	(868,401)	(3.63%)	312,885	1.38%
Sterling Pound	25,522	0.11%	26,592	0.12%
UAE Dirham	(71,098)	(0.30%)	117,783	0.52%
Other currencies	12,125	0.05%	11,607	0.05%
Net	(52,374,309)	(219.28%)	(57,774,631)	(253.98%)
Position (Short)	(53,329,091)	(223.28%)	(58,243,498)	(256.05%)

The Bank's currencies position exceeded the specified limits identified in circular no. (6) of 1998 which stipulates that the individual foreign currency position shall not exceed %15 nor shall the aggregate open position for all foreign currencies exceed %25 of the Bank's capital, reserves and retained undistributed earnings for previous years (retained). The management of the bank is correcting the position gradually during the subsequent periods.

Foreign currency sensitivity analysis:

The exchange rates for the major currencies as at 31 December are as follows:

	Closing rates according to CBY announcement		Average rates in the parallel market*	
	2020 YR	2019 YR	2020 YR	2019 YR
US Dollars	250.25	250.25	603.36	590
EURO	307.71	280.43	675.76	649.8
Saudi Riyals	66.72	66.71	158.09	153.5
Sterling Pound	340.99	328.21	730.06	760.89
UAE Dirham	68.13	68.13	162.04	154

* The latest transactions were used by the Bank's management to determine the average exchange rates in the parallel market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

37. RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Foreign currency risk (continued)

The following table shows the sensitivity analysis related to the effect of changes in the foreign currency against the Yemeni Rial, taking into account exchange rates in the parallel market, and assuming that the other variables are stable, on the statement of income (as a result of the fair value of financial assets and liabilities subject to currency risk).

	Impact on net income increase/ (decrease)	
	2020	2019
	YR'000	YR'000
US Dollars	(73,923,232)	(78,214,421)
EURO	1,096,979	(833,790)
Saudi Riyals	(1,189,236)	407,065
Sterling Pound	29,121	35,056
UAE Dirham	(98,001)	148,452
Others	17,109	14,629
	(74,067,260)	(78,443,009)

In accordance with the instructions issued by the Central Bank of Yemen to all the banks operating in the Republic of Yemen, which states that sensitivity analysis for the effect of foreign currencies fluctuation on the financial statements should be performed and presented, based on the exchange rate of the parallel market and stating the effect of the change in the statement of profit or loss and other comprehensive income, and banks holding short financial positions for foreign currencies should create a provision for losses related to the exposure of the difference between the value of the short positions of the foreign currencies according to the closing rates of CBY instructions and the average market exchange rate. During the year ended 31 December 2020, the bank created a provision against expected losses related to foreign currencies overdrawn positions at YR 10,160,000 thousand (2019: Nil), making the total provision as at 31 December 2020 at YR 16,000,000 thousand (2019: YR 5,840,000 thousand).

The bank has signed a commitment to CBY during January 2020, including the bank's commitment to correct its foreign currencies exposed position gradually and reach to the allowed limits in accordance with the relevant instructions issued in this regard. The commitment also included giving the authority to CBY to implement a restriction over treasury bills in the amount of YR 82.6 billion, in addition to income from such treasury bills, until the foreign currencies positions is finally corrected, and a commitment from the bank to allocate the income from these restricted treasury bills to create a provision or to reduce the foreign currencies exposed positions. The restriction shall not be released except by the final correction of the position of foreign currencies or by an amount equal to the reduction in the overdrawn position by its equivalent in foreign currencies and at the official exchange rate announced by the Central Bank and with the sufficiency of the provision formed to meet the realized and potential losses.

During the year ended 31 December 2017, and in accordance with the letter of the Central Bank of Yemen - Banking Supervision Sector No. (1955) dated 24 May 2018, the Group's management booked a provision to meet the losses related to the exposure of foreign currency positions according to the results of the financial statements for the year ended 31 December 2017 at an amount of YR 5,840,000 thousand, which was provided for within the limits of the bank's results for that year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

37. RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Interest rates risk

The Bank's operations are exposed to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature at different times or in different amounts.

Risk management activities are aimed to optimise net interest income provided that market interest rate levels are consistent with Group's business strategies. The Group manages differences by following policies and guidelines to reduce risks by matching the re-pricing of assets and liabilities.

Details are presented concerning the differences of re-pricing and interest rate risk to the assets and liabilities committee during its regular meetings, as well as to the risk committee of the Group's management.

Group's management follows steps to reduce or limit the effects of the risks arising from interest rates fluctuations to the minimum level as follows:

- Link the interest rate on borrowing with interest rates on lending.
- Consider different currency discount rates when setting interest rates.
- Monitor compatibility of financial assets and liabilities maturity dates.

Average interest rates applied during the year

The average interest rates on assets and liabilities during the year ended 31 December 2020 follows:

	YR %	US Dollar %	EURO %	SAR %
<u>Assets</u>				
Time deposits with banks	16.70	2.75	-	-
Treasury bills	16.90	-	-	-
Government bonds	-	-	-	-
Customer loans	22	10	-	10
Agricultural loans	6	-	-	-
Overdraft	25	12	2.52	12
<u>Liabilities</u>				
Customers' time deposits:	15.01	3.87	-	1.78
Saving accounts	15	2	1.92	1.78
Time deposits – Banks	15	4.96	-	-
Long term loans	2.60	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

37. RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Interest rates risk (continued)

The average interest rates on assets and liabilities during the year ended 31 December 2019 follows:

	YR %	US Dollar %	EURO %	SAR %
Assets				
Time deposits with banks	16.70	3.20	-	-
Treasury bills	16.91	-	-	-
Government bonds	16.74	-	-	-
Customer loans	22	10	-	10
Agricultural loans	6	-	-	-
Overdraft	25	12	2.52	12
Liabilities				
Customers' time deposits:	15.02	3.71	-	1.80
Saving accounts	15	2	1.92	1.72
Time deposits – Banks	16	4.97	-	-
Long term loans	2.60	2	-	-

38. CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure its ability to continue as a going concern while maximizing the return to shareholders through the optimization of the shareholders' equity within acceptable frameworks to encounter the yield from such risks. The general bank policy did not change from that in the year 2019.

The Bank's capital consists of paid-up capital, reserves and retained earnings.

39. CAPITAL ADEQUACY

The Bank monitors its capital adequacy in accordance with the instructions of the Central Bank of Yemen. The capital adequacy is calculated in accordance with the instructions of the Central Bank of Yemen by comparing the components of core and supplementary capital as shown in the consolidated financial statements against the total of the risk-weighted assets and liabilities as follows:

	2020 YR Million	2019 YR Million
Core and supplementary capital	24,390	22,747
Risk-weighted assets and liabilities		
Contingent liabilities and commitments	23,879	17,745
Total assets	17,622	26,988
Total risk-weighted assets and liabilities	41,501	44,733
Percentage of capital adequacy	58.77%	50.85%

The core capital consists of paid-up capital, reserves and retained earnings, while supplementary capital consists of general provisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

40. FINANCIAL REPORTING FOR INDUSTRY SEGMENTS

The Bank operates in the following three sectors:

- A. Retail banking services - including banking services for individuals, current accounts and savings accounts, deposits, investment savings products, credit and debit cards, consumer loans and housing loans.
- B. Banking services for corporates - including direct debit facilities, current accounts, deposits, loans, overdrafts and other credit facilities and foreign currency.
- C. Treasury and Investments - Other activities are investment management and corporate finance, which do not represent an independent sector that must be reported.

Transactions between the business segments are done in accordance with normal commercial terms. Funds are allocated normally between sectors resulting in the disclosure of the cost of funding transfers within the operating income. Interest charged on these funds is based on the cost of the Bank's capital. There are no other material items of income or expense between the business segments.

Assets and liabilities of the sector are represented by operating assets and liabilities which is the majority of the consolidated statement of financial position, however, it does not include such items as taxes and borrowings.

41. CONTINGENT LIABILITIES

Certain legal cases have been filed against the Bank amounting to YR 551 million (2019: YR 810 million). No provision has been made based on the opinion of the legal department of the Bank, management believes that the outcomes of such legal proceedings will not affect the Bank's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

42. COMPARATIVE FIGURES

Some comparative figures were reclassified to conform to this year's financial statements classification. The reclassifications did not impact the previously reported net profit or equity.

Following are the details:

	Audited 2019 Financial Statement	Reclassification amount	Reclassified 2019 Financial Statement
	YR'000	YR'000	YR'000
Loans and advances to customers	18,307,273	461,779	18,769,052
Debit balances and other assets	3,248,084	(461,779)	2,786,305
General and administrative expenses	5,588,949	(372,104)	5,216,845
Depreciations	1,055,845	(1,055,845)	-
Zakat	-	1,427,949	1,427,949
	28,200,151	-	28,200,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

43. GOING CONCERN AND SUBSEQUENT EVENTS

The current political events and the country's security situation, since March 2015, and the spread of Corona virus in the region, until the approval date of these consolidated financial statements, continue to place challenges on management ability to predict future cash flow patterns, timing, and results.

Since August 2019, technical support has been suspended by the company providing the bank with the banking system (Core Bank), and no agreement has been reached with the company or any of its affiliated parties for the purpose of restoring technical support to the bank's system, the group's management, until the date of approval these consolidated financial statements of the group, is still assessing the operational risks, studying all the technical and financial matters related to this matter and preparing the necessary remedies to take the appropriate decision, whether by contracting with other companies to support the banking system or purchasing a new system.

During the period of preparing these consolidated financial statements, an additional accounting system was used in the governorates of Aden and Lahj separated from the bank's system in Sana'a and the group's management continues to periodically evaluate the impact of this event.

The bank's management addressed a letter No. (M S/ 23) to the Yemeni Banks Association, on January 2021 ,28, in which the association was requested to address the banks in the Republic of Yemen to refrain from dealing with the so-called general management in Aden, and accordingly, the Yemeni Banks Association sent a letter No. (2021/39) on January ,31 2021 to all Yemeni banks to refrain from dealing with the so-called general management in Aden, and on March 2021 ,15, management of the bank in Sana'a published an official announcement in Al-Thawra newspaper No. 20570 stipulating the following (according to The Law of Establishing the Cooperative and Agricultural Credit Bank, the bank announces to its public and clients not to use any counterfeit services or unapproved systems that have nothing to do with the bank. It is, at a minimum, an attempt to imitate the bank's electronic wallet logo (Mobile Money) and an attempt to establish accounting or banking systems at one of the bank's branches in the city of Aden for the purpose of opening current accounts and deposits and attracting funds and other transactions, we alert our customers that these operations are not reliable, stressing that the bank is not responsible for the legal and financial obligations that may arise because of these transactions, and in a manner that preserves the fund of its clients while the bank maintains all procedures to fully protect its rights and the fund of its clients in full).

The Group's Board of Directors believes that the above events and considering the solutions procedures undertaken by the Group's management ensure limiting the effects of these events, which the Board of Directors believes will not be material to the consolidated financial position of the Group and will not have a negative impact that may affect the going concern of the Group in the foreseeable future.

44. APPROVAL OF THE FINANCIAL STATEMENT

The consolidated financial statements were approved by the board of directors and authorized for issue on 20 April 2022.

STATEMENT OF FINANCIAL POSITION – STANDALONE**AT 31 DECEMBER 2020**

	2020	2019
	YR'000	YR'000
ASSETS		
Cash and balances with Central Bank of Yemen	41,055,625	56,491,390
Balances with banks	85,720,831	74,086,090
Held to maturity investments	346,526,058	339,331,901
Loans and advances to customers	16,988,846	18,769,052
Available for sale investments	600,000	1,194,176
Investment in Islamic Sukuk	1,428,000	-
Investments in associates	718,091	693,279
Investments in subsidiaries	10,000	10,000
Debit balances and other assets	2,642,761	2,843,401
Property and equipment	1,925,828	1,834,534
Right-of-use assets	1,469,063	1,459,408
Total assets	499,085,103	496,713,231
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Due to banks	28,812,733	22,887,027
Deposits from customers	407,193,645	430,194,184
Long term loans	51,037	54,632
Credit balances and other liabilities	21,479,435	13,068,293
Other provisions	16,844,732	6,406,565
Total liabilities	474,381,582	472,610,701
Shareholders' Equity		
Paid-up capital	20,000,000	20,000,000
Statutory reserve	3,306,022	3,210,717
General reserve	217,615	217,615
Retained earnings	1,179,884	674,198
Total shareholders' equity	24,703,521	24,102,530
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	499,085,103	496,713,231
CONTINGENT LIABILITIES AND COMMITMENTS	29,760,979	24,333,776

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

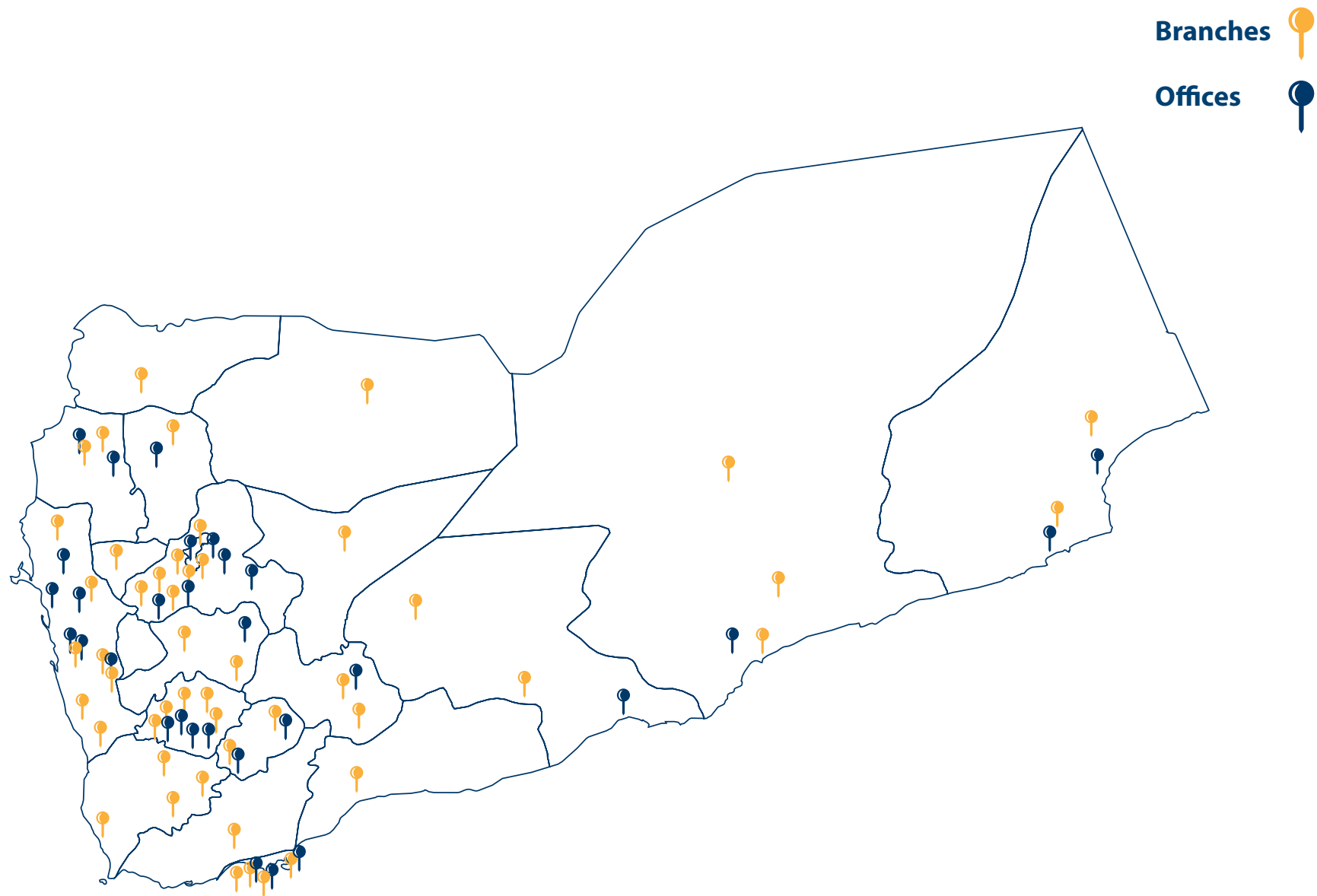
	2020	2019
	YR'000	YR'000
Interest income from loans and advances and due from banks	6,541,414	5,985,066
Interest income from Held to maturity investments	58,423,721	57,738,097
Total interest income	64,965,135	63,723,163
Interest expense	(25,170,982)	(27,274,272)
Net interest income	39,794,153	36,448,891
Islamic financing and investment activities income	228,768	128,568
Return on unrestricted investments and saving accounts holders	(580,163)	(2,089,523)
Net interest income and from Islamic financing and investment activities	39,442,758	34,487,936
Fee and commission income	1,307,160	1,348,961
Net loss from foreign exchange	(10,093,317)	(21,895,811)
Financial investment income	52,121	28,024
Other income	1,406,626	7,871,506
Revenue	32,115,348	21,840,616
Net impairment loss on financial assets	(13,613,117)	(5,158,930)
Staff expenses	(8,430,307)	(7,754,638)
General and administrative expenses	(6,260,180)	(6,098,532)
Profit for the year before Zakat and income tax	3,811,744	2,828,516
Zakat expense	(2,288,377)	(1,427,949)
Income tax expense	(922,376)	(1,026,633)
Profit for the year	600,991	373,934
Other comprehensive income	-	-
Total Comprehensive Income for the year	600,991	373,934

Branches and Offices



Network of Branches and Offices of the Cooperative and Agricultural Credit Bank

Branch Name	Branch Location and Address	Offices Reporting to Branch	Location & Address of the Office	Branch Name	Branch Location and Address
Sana'a Branch	Public Administration Building Sana'a -Saba Circle next to	Ardh Himyar Office Daris office Airport Office Sana'a University office	Madhbah, in front of Attorney General's Office Main Street, Airport Line Sana'a International Airport Sana'a University, Opposite Faculty of Commerce	Al-Turba Branch	Al-Qiyadah Street, Al Turba, near Electricity
Haddah Branch	Sana'a, Haddah, Opposite Shammar Hotel	Al-Masila Office	Al-Masila Oil Site	Mocha Mocha Branch	next to Al-Rasheed Hotel
Al-Zubayri Branch	next to the Ministry of Youth and Sports Sana'a - Al-Zubayri Street	Algeria Office	Baghdad Street, Old Baghdad Branch Building	Al-'Udain Branch	Main street, opposite Electricity
Dhamar Branch	Dhamar, next to Technical Education	Dhamar Office Ma'abar Office Aanis Office	Dhamar, Main Street - next to Ammar Awqaf Ring Rd, near Ma'abar Main Hospital Al Sharq City, Aanis	Al-Nadira Branch	Main street, - next to College of Education
Amran Branch	Amran, Sana'a Street, Opposite Central Bank	Amran Cement Factory Office	Amran, Sana'a Street, Opposite Central Bank	Jamal St, Taiz Branch	Jamal Street, next to Education Office
Hajjah Branch	Salam Street, Hajjah - Opposite Al-Amal School	Al Aman Office	Al Aman Office	Saada Branch	Near Health Office & Islamic Relief Organization
Al-Mahweet Branch	Main Street - Sana'a Street	Al-Rujm Office	Al Rujm District, Sana'a St, Opposite Albishari S.T.	Marib Branch	Main Street - next to the Central Bank
14 October Branch	Sana'a, Taiz Road, next to the Orphanage	Bab Al Salam office,	Bab Al Salam, Opposite Al-Thawra Hospital	Al-Jawf Branch	Al Hazm, Governorate Building
Taiz Branch	Al-Huraish Branch - near the Old Electricity	Al-Hawban office, Taiz city	Under Sofitel Circle - near Commercial Bank	Al-Baydha Branch	Main Street, next to the Government Complex
Ibb Branch	Ring Road, Opposite Ibb University Western Gate	Taiz Street Office Ibb Ibb university Office Al-Qaeda Office	Taiz Street in front of Yemenia Main Street, opposite Al-Dumaini clinic	Abyan Zingibar Branch	Al Wahda St, opposite Hadramout Hotel
Yarim Branch	Behind Al Rahma Dispensary, near Transportatn	Al Sarie Money Transfer Office	Ring Road - Sanad Circle near Shab'i Statn	Seiyun Branch	Algeria Street
Hodeidah Branch	.Al-Shuhada District, 7 July St	Al-Hodeidah Martyrs Office Al Zahra office Al-Qanawus Office	Al-Shuhada District, 7 July St. next to the main hospital Main Street, Al Qanawus	Mukalla Branch	Al Khor, Banks Street
Zabid Branch	next to the Al-Bishah mosque, Zabid	Al Jarrahi Office	Main street, Opposite GPC Headquarters	Shabwa Ataq Branch	Education St, next to the Agriculture
Bait Al-Faqih Branch	Traffic (Murur) Main Street	Raima Office		Al-Mahara Branch	Dhul-Hijla Street - next to the Central Bank
Abs Branch	Shafar neighborhood, Main Road	Mahabsha office		Lahj Branch	Sabir - Main Street - next to Sabir Station
Mansoura Branch Aden	Caltex Circle	Abdulaziz Mansoura office	Aden, Abdul Aziz neighborhood	Aanis Branch	Sharq City, Oposite Sharq City Petrol Station
Crater Aden Branch	Al-Tilal District, Arwa Street	Al-Mualla Office Customs Port Office Seihut Remittance Office	Al-Mualla Port Customs Sea Port Main Road, Seihut	Hays Branch 27	Main Road, next to the Future Association
Baghdad Branch	Sixty West Street	Balhaf Office	Main Road, the Gas Company	Bajil Branch	Sana'a Road, next to the Al kown (Universe) Circle
44 Damt Branch	Main Street, next to Al-Audi resort	Juban Office	Main Street, next to Amer City Restaurants	Al Shihr Branch	Ramleh neighborhood opposite Farzat Al-Shihr
Queen Arwa Branch, Ibb	Al 'Udain Street - next to MTN Company	Governorate Office	Jaraan Commercial Center	Cmmrcial Dstrct Branch	Commercial District, 26th Sept St, Hodeida
22 May Branch, Sana'a	Taiz St, next to Beinun St	Al Asbahi Office, Sana'a Sama Mall office, Sana'a	40 St, near Culture Circle 50th St, Commercial center next to the Great Hall	Al-Dhale' Branch	Al-Dhale', Main Street, near PEC
Sheikh Othman Branch	Aden, Vessel Circle	Al Bureiqa Office	Main St, Al Bureiqa, Aden	Aden Free Zone Branch	Free Zone
				Rada' Branch	Main Street - next to Al-Amal Hospital
				Socotra Branch	20 St, near National Bank
				Al Nukhba "Elite" Branch	Al Ruwaishan Circle, Hadda St, Sana'a



Annual Report 2020 WORKTEAM

WORKTEAM General Supervisor : DR.Riadh Abbas Alkirshi

Head of the WORKTEAM : Hazim Zaid Baithan

WORKTEAM members : Mohammed Yahya ALthari
Amani Alharbi

Yasseen Ahmed Jawan
Dalia Alaghbri

Mohammed Abdallah Alnood
Mohammed Fateh

Ibrahim Abdo Bagwan

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