

# ANNUAL REPORT 2016



بنك التسليف التعاوني والزراعي  
Cooperative & Agricultural Credit Bank

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the Name of Allah  
The Most Gracious the Most Merciful



Republic of Yemen  
(Coat of Arms)

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## OUR VISION



### THE PIONEERING FINANCIAL INSTITUTION

## OUR MISSION



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

## OUR FUNDAMENTAL VALUES



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



## CACBANK'S ESTABLISHMENT

The Cooperative Agricultural Credit Bank was established in 1982 as a result of a merger between Agricultural Credit Bank, set up in 1975, and National Cooperative Development Bank, founded in 1979.

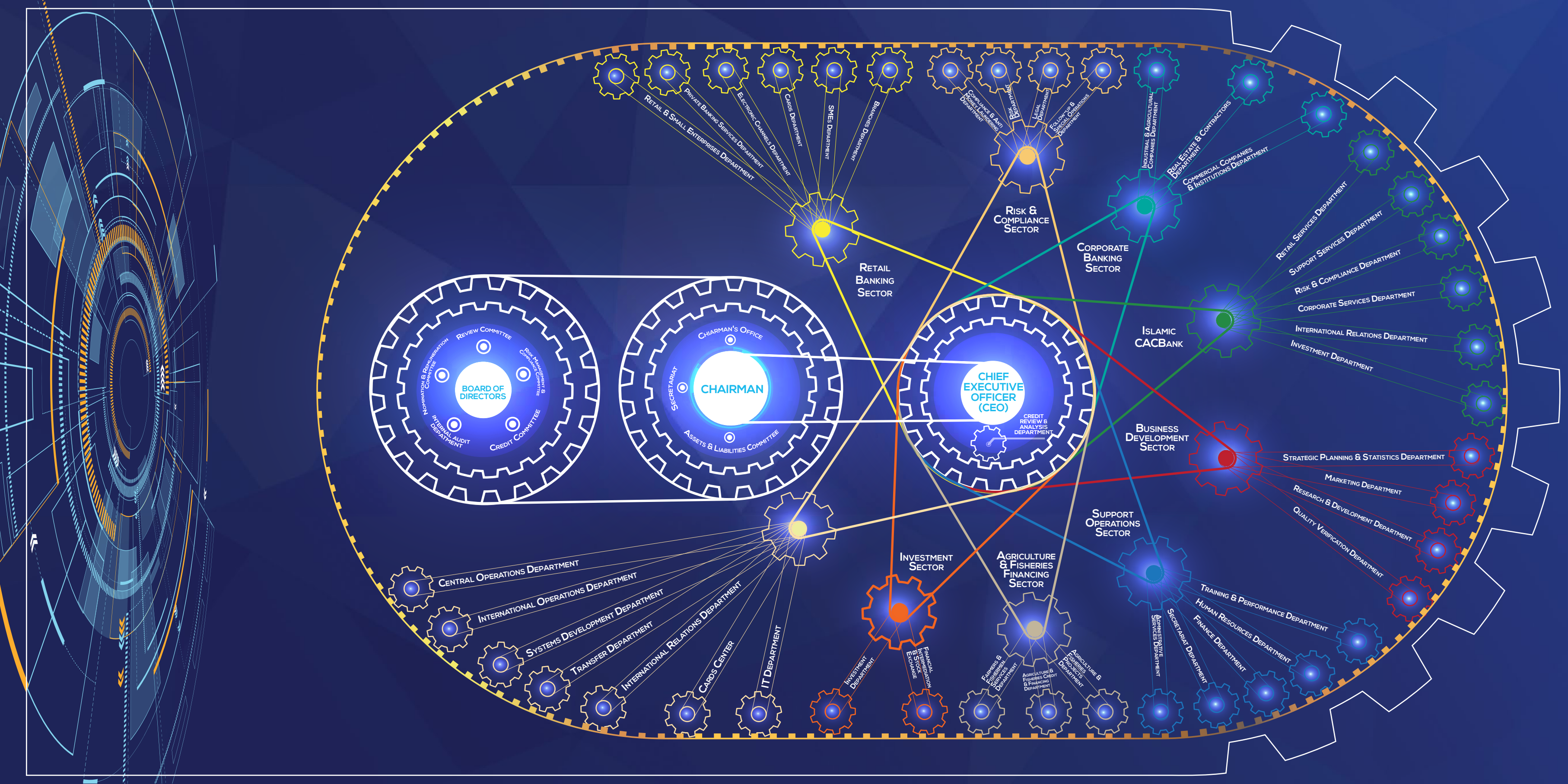
As a consequence, the amalgamated Bank has embarked on financing both economic and productive sectors.

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



ORGANIZATIONAL  
STRUCTURE







## Board of Directors' Chairman Message

### Mohamed Saleh Alla'i

#### CACBABK Pioneer in Excellence.... Leader in Success

##### Dear Friends:

It is my honor and pleasure to present to you and those particularly concerned with economic and financial affairs the Cooperative and Agricultural Credit Bank's 2016 Annual Report in reflection of the transparency and professionalism, with which the Bank is accustomed in running its business. The Report explains the Bank's most important results and financial, administrative and banking performance.

In spite of the exceptional circumstances through which our country is going through and the various threats suffered by our banking institution, we have been thank God capable to transform some of these threats into opportunities enabling the Bank to continue performing its business and duties with utmost professionalism, in addition to extending its numerous financial services to all customers in the Republic through more than 80 branches which are spread in all Governorates.

CACBANK has been able to maintain the growth of its deposits by attracting many new customers, thus increasing from 309 billion rials at the end of 2015 to 333 billion at the end of 2016. On the other hand, the Bank has managed to resume and restore relationships with international and regional banks, which almost stopped dealing with the Yemeni banking system, including CACBANK. In particular, the Bank has been able to regain the trust of these banks and financial institutions by means of replenishing its foreign balances, resulting in the strengthening of trust on the part of its customers, reducing delay in their external transactions and covering many of the liabilities they owe to the outside world.

As far as infrastructure and expansion are concerned, the Bank has opened numerous new offices and branches for the provision of financial services and facilities, in order to make them within easy reach of customers. The Bank has also been able to extend its services to Yemeni universities and their students by means of linking through the network registration requirements whether at public or private universities.

In spite of the existing circumstances, the Bank has managed to increase its capital to twenty billion rials, in order to enhance its financial position and rank in the Yemeni banking system, by means of diversifying its revenue sources and rationalizing expenditure without affecting whatsoever the principle of competitiveness in providing a quick service at an appropriate cost.

The above is part of what has been achieved during the year 2016. The reader can trace the changes that took place in 2016 compared with the previous years through the information provided in the report, the Bank's consolidated financial statements and the independent international auditor's report attached as an appendix to this report.

In conclusion, while we feel proud of the achievements realized in exceptional circumstances full of challenges and difficulties in 2016, we understand and appreciate fully the importance of making all efforts towards the realization of objectives , in order to make the current year 2017 a year of development, growth and expansion. The continuation of the Bank's success is imperative to us all as well as to the banking sector and the national economy. Our faith and trust are immense in the continuation of the vast contribution to be made by the Bank's leadership and all its employees, to whom we express our thanks, in view of their being the pillar of success. Furthermore, we express our gratitude to the esteemed Bank customers for their support and loyalty to us in the various stages through which the Bank has passed. Our appreciation also goes to the members of the Board of Directors for the efforts they have made in moving the Bank forward on the path of excellence and pioneering leadership.

We hope stability will return to our country and peace and safety will prevail all over our homeland in the service of the economy and provision all the elements and factors of success, development and excellence.





# BOARD OF DIRECTORS' MEMBERS



**Salim Mohamed Salman**  
Independent Member

**Abdu Mahdi Al Adlah**  
Independent Member

**Abbas Issa Al Zabidi**  
Fisheries Ministry  
Representative

**Mohamed Mohamed Basheer**  
Cooperative Agricultural  
Federation Representative

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

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

**Mohamed Saleh Alla'i**  
Board of Directors' Chairman

**Mohamed Abdul Rahman Abdul Qadir**  
Aviation & Metrology Public  
Authority Representative

**Ali Abdul Kareem Al Fadheel**  
Agriculture & Irrigation  
Ministry Representative

**Hamoud Mohamed Al Salahi**  
Independent Member

**Abdulla Hassan Al Shatir**  
Independent Member

**Saleem Nasir Al shuhtiri**  
Independent Member



# CEO's Message

## Salah Sadiq Basha

Most banking institutions pay adequate attention to overall production in view of the increasing demand for goods and services. On the other hand, keen attention is paid to the financial market, as a result of the intense competition between companies and banks to acquire capital. This is followed by immense interest in marketing in pursuit of discovering the consumer's needs and requirements. However, utmost importance is allotted to the human element, which is considered a vital factor of production, marketing and finance. As a consequence, human resources are treated as part and parcel of a company's vital capital.

Human resources are considered one of the most important factors of production. Owing to their important role in the success of any economic, government or security organization, its leadership usually assigns great importance to the human element, by way of conducting research into the factors influencing the productivity and efficiency of employees positively or negatively. The aim and pursuit of any institution's management are that its employees' productivity reaches the highest level of efficiency possible. For the realization of this aim, management strives to provide its organization with good and qualified staff and training them in various skills, in order to increase their capacity of performance. But performance capacity alone is not enough for the employee to do his utmost and carry out his duties with the maximum efficiency possible, unless there is an incentive or motivation making him work and produce in an efficient manner. In fact, an individual's efficiency depends on two basic factors, which are the ability to work and the desire to work. The ability to work depends on an employee's skills, knowledge and capabilities.

CACBANK has relied on human resources to achieve its aims and enhance its effectiveness. They must therefore be trained, developed and motivated materially and morally, in order to realize their satisfaction and achieve organizational loyalty between its members. The subject of organizational loyalty has attracted the attention of researchers in organizational behavior, in view of its influence and associated relationship with many behavioral phenomena. Consequently, institutions strive constantly to assess their employees' behavior, particularly in view of increasing work pressures and as such seek to motivate their workers, in order to attain a state of staff satisfaction and create organizational loyalty with a clear preponderance to compete and excel. Institutions are convinced that they must achieve staff satisfaction and create organizational loyalty, thus providing an incentive to limit internal struggles and obstacles to effective performance, which will result in raising productivity and improve service quality. The relationship between the individual and organization is a mutual one, for each party has expectations to be fulfilled by the other, since employees make efforts and achieve the bank's objectives in expectation of material and moral consideration and returns.

The Bank's management endeavors to implant mutual trust and confidence between the employee and management, which is achieved by the human relationship through the realization of complementarity between employees in the area of business, thus resulting in motivating them to work with sincerity, dedication and loyalty to the Bank.





# EXECUTIVE MANAGEMENT

**Salah Sadiq Basha**  
Chief Executive Officer (CEO)



**Yahya Al kiksi**  
Deputy CEO,  
Risks & Compliance

**Ibrahim Al Houthi**  
Deputy CEO, Business  
Development



**Abdul Jabbar Salamah**  
Deputy CEO,  
Investment



**Nasir Al Muraqqab**  
Deputy CEO,  
Retail Services

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



**Faris Al Jaadabi**  
Deputy CEO,  
Agriculture  
& Fish Finance



**Ibrahim Najjad**  
Deputy CEO, Banking  
Operations



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



**Hussein Al Mohdhar**  
Executive Director,  
Islamic CAC





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## PREFACE

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

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

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

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



## II- Board of Directors

### A- Responsibilities:

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

- 1- Ensuring that the Bank is managed in a prudent manner and within the framework of the pertinent laws in force and instructions issued by the Central Bank and the Bank's internal policies, thus guaranteeing the management of the Bank in a safe and sound way, in addition to safeguarding depositors' rights, shareholders' equity and interests and the rights of creditors, employees and other stakeholders.
- 2- Ensuring the implementation of the Governance System approved in the Bank.
- 3- Approval of the Internal Control Systems, their supervision and reviewing their effectiveness annually or whenever the need arises.
- 4- Guaranteeing the existence of an internal audit department enjoying full independence to avoid its coming under any influence on the part of executive management. This is achieved by making this department directly responsible to the Board of Directors, which will be in charge of determining the salaries, rewards and bonuses of its employees in the context of the Bank's cadre of staff. The Board is also responsible for assessing their performance, in addition to ascertaining the availability of a sufficient number of them, as well as the adequacy of their qualifications and professional expertise and skills and their constant development, while providing all necessary resources to achieve this goal.
- 5- Constitution of committees or authorizing executive management or any other entity to carry out some of the Board of Directors' duties, while emphasizing such delegation does not exempt the Board from its responsibilities in accordance with the provisions of the pertinent laws in force.
- 6- Instilling the principle that each Board member is responsible to the Bank, that he represents all its shareholders and undertakes to carry out what is in the interest and of benefit to the Bank, depositors and other stakeholders and not merely the interest of a limited group.
- 7- Protecting the Bank from illegal acts or those which are inappropriate and inconvenient to major shareholders and

which impact adversely the interests of the Bank and/or the remaining shareholders.

- 8- Putting in place a policy that regulates and determines operations with stakeholders and connected parties in terms of knowing, compiling and determining all operations and transactions approved and not approved, in order to ensure that any operation for connected parties or stakeholders is implemented in a just and fair manner without preferential treatment and disclosed there and then immediately and properly.
- 9- Setting in place a written policy regarding conflict of interests, ensuring that policies which assist in discovering potential conflict of interests do exist and are implemented.
- 10- Ascertaining the nonparticipation of Board of Directors' members in taking decisions where a conflict of interests exists thus preventing them from performing their role in protecting the interests of the Bank in a sound manner.
- 11- Understanding and appreciating the supervisory and control role of the Board of Directors' members and their commitment of loyalty to the Bank, its shareholders, other stakeholders and the community in general.
- 12- Ensuring the devoting of adequate attention and time by the Board of Directors' members to carry out their duties and shoulder their responsibilities in an effective manner.

## III- Chairman of the Board of Directors

- 1- The Chairman of the Board of Directors, should be responsible for the implementation of the Bank's strategic plan, as well as supervision of all the Bank's business and activities. The Chairman is responsible to the Board of Directors for following up the implementation of the policy drawn up by the Board to achieve the Bank's objectives and goals, in addition to assessing the Bank's general performance in accordance with the strategies, plans, objectives, policies and budgets approved by the Board of Directors.
- 2- The Chairman of the Board also undertakes to carry out the following functions, in addition to what the law stipulates:
  - i- Establish a constructive relationship between the Board and the Bank's executive management.
  - ii- Create a culture during Board meetings that encourages constructive criticism on issues subject to differences in the points of view of members, as well as promotes debate and

reaching consensus on those issues.

- iii- Ensure adequate information is available to all Board members and shareholders in a timely manner.
- iv- Ensure implementation of the Bank's approved governance manual.
- v- Ensure Board members obtain appropriate training on Bank's business.
- vi- Ensure shareholders' points of view are relayed to all Board members particularly concerning Bank's strategies and Governance Manual.

## IV- Board Meetings

### A- To ensure the comprehensiveness of the topics presented in Board meetings, the Board of Directors held 7 meetings during the year dealing with the following subjects:

Bank's strategic plan approval, budgets and capital expenditure ratification, updating of policies governing treasury and credit operations, compliance and investment, in addition to expenditure authority and annual audit plan ratification. All Board members are able to obtain relevant information and data, which are available with the Board Secretary. Moreover, the Board members can obtain advice from outside parties on any special topic at the expense of the Bank, in accordance with its Governance directives.

### B- Board of Directors' Secretary

Provides Board members with adequate information and data on a timely basis before the Board meetings to enable them make appropriate decisions. Board Secretary also prepares and documents minutes of the meetings and record discussions of the Board, members' proposals, their voting, decisions made by them and the party responsible for implementing them.

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

The Board always ensures that the Bank enjoys high integrity in the conduct of its business and activities. This is accomplished by the availability of an ethics code of conduct and the provision of policies dealing with conflict of interests, which include a definition of the principles of conflict of interests and transactions conducted by Bank staff for their personal benefit based on internal information about the Bank obtained or reviewed as a result of the powers and authorities given to them. These

policies and ethics code of conduct have been circulated to all Bank employees and Board members. The Board of Directors has ratified the ethics code of conduct with its latest updates in 2016 and circulated them to all Bank employees.

## VI- Board of Directors' Committees

### A- General Provisions

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



Board of Directors Committees	Committee Name	Audit Committee	Selection & Remuneration Committee	Risk Management & Compliance Committee	Hig Credit Committee
	Formed Pursuant To	Board Resolution No. 2 dated 11/02/2013	Board Resolution No. 7 dated 17/06/2015	Board Resolution No. 7 dated 17/06/2015	Board Resolution No. 7 dated 17/06/2015

1- The Audit Committee

a- Committee Objectives

- Reviewing the financial reports, internal control and supervision systems and the scope, conclusions and adequacy of internal and external audits, as well as reviewing important issues which are of fundamental impact on financial statements and data.
- The Audit Committee is composed of four non-executive members, most of them independent. They are the following:

Member	Status
Abdulla Hassan Al Shatir	Chairman
Saleem N. Al Shahtari	Member
Abbas Issa Al Zabidi	Member
Ali Abdul Kareem Al Fadheel	Member

b- Functions and Mandates of the Committee :

- i- Mandate to obtain any information by way of practicing its business. It has also the right to call any person with experience or specialization credentials to attend the Committee's meetings to seek his guidance or opinion. Furthermore it has a right to call any Board or executive management member or the internal audit manager to attend its meetings. Finally the Committee is entitled to request a meeting with the External Auditor.
- ii- Reviewing periodic financial statements and data before presenting them to the Board, submitting its recommendations thereof to the Board and following up accounting issues of fundamental impact on financial statements and data, with the aim of guaranteeing the fairness and transparency of financial reports.
- iii- Audit Committee should evaluate effectiveness and adequacy of internal control and supervision systems. The Committee's responsibility includes the following:
  - \* Evaluate effectiveness and adequacy of the internal audit function and ensuring compliance with instructions in force issued by pertinent authorities.

- \* Evaluate effectiveness and adequacy of scope and programs of internal audit.
- \* Review conclusions of internal audit reports, making sure necessary measures have been taken in this respect.
- \* Review and confirm audit plans as proposed by internal audit.
- \* Recommend to the Board appointment of Internal Audit Department manager and employees and their transfer, dismissal and performance appraisal.
- \* The Committee should have a mandate to communicate directly with the external auditor and meet with him without the presence of management. The Committee's responsibility in this area includes the following:
  - Recommend to the Board regarding the appointment and dismissal of the external auditor, determine his remuneration and assess his performance.
  - Evaluate the objectivity and independence of the External Auditor.
  - Review the appointment letter and its acceptance.
  - Review conclusions of external audit and Central Bank reports, making sure necessary measures have been taken in this respect.
  - The Committee should review operations with connected parties and advise the Board accordingly.
  - The Committee should ascertain extent of the Bank's compliance with pertinent laws in force, those governing banking business and instructions issued by the Central Bank, as well as the level of compliance with the Bank's policies and internal regulations.
  - The Committee must hold periodic meetings with the external auditor at least once a year and at least twice a year with the internal auditor. The internal and external auditors have the right to request a meeting with the Committee, when business requirements make this necessary.
  - The Committee should receive all notifications reported by employees relating to any potential violations in financial or

legal matters in complete secrecy, pursuant to the violation notification procedures, as approved by the Board.

2- Risk Management and Compliance Committee:

a- Committee Objectives:

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

Member	Designation
Harith Abdul Bari Saleh	Chairman
Mohamed M. Basheer	Member
Abdu Mahdi Al Adlah	Member

b- Functions and Mandates of the Committee:

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

presenting recommendations to the Board in this respect.

3- Selection and Remuneration Committee

a- Committee Objectives

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

Member	Designation
Mohamed A'Rahman Abdul Qadir	Chairman
Jamal Ali Al Maliki	Member
Harith Abdul Bari	Member

b- Functions and Mandates of the Committee

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



and prepare a plan for their replacement.

- v- Recommending to the Board to cancel the appointment/ dismiss any top executive management official if he is proved to be ineffective and fails in fulfilling his duties and responsibilities, as an example and not limited to the finance manager.
- vi- The annual review of the conditions required to be a Board member and CEO should be implemented, in order to ensure compliance with the provisions of the laws and regulations in force and the instructions issued by the Central Bank.
- vii- Ensuring existence of clear policies for remunerations and compensations of Board members and executive directors, which are appropriate and commensurate with their experience and qualifications, to be approved by the Board and reviewed annually by the Committee. There must be a balance when putting in place the remunerations, whereby they form an incentive to attract qualified persons but without being excessive. The ladder of these remunerations should be within the ambit of Bank policy without being related to short term performance, in order to avoid encouraging the taking of risk over and above acceptable limits.
- viii- The Bank's annual report must disclose the mechanism whereby executive and nonexecutive members' remunerations are fixed.

4- High Credit Committee

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

Member	Designation
Jamal Al Maliki	Chairman
Mohamed A. Abdul Qadir	Member
CEO	Member
Risk & Compliance Deputy Chairman	Member
Corporate Credit Sector	
Deputy Chairman	Member
Islamic CAC Adviser	Member
Credit Review & Analysis	
Department Manager	Rapporteur

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

Responsibilities:

- 1- Reviewing Bank's Credit strategy and policy before approval by the Board, in addition to evaluating their effectiveness on a constant basis.
- 2- Final decision regarding the granting of other credit facilities on the basis of the mandates set out in the credit policy in this respect.
- 3- Following up credit facilities granted, their evaluation and taking appropriate measures to rectify the non performing ones.
- 4- Ascertaining the effectiveness and accuracy of the Bank's credit procedures and mandates and the framework of operations of extending credit, in addition to subjecting them to periodic reviews and amending them if necessary.
- 5- Monitoring and following up credit policy implementation, receiving the periodic reports from the concerned departments and submitting them to the Board with the necessary recommendations.
- 6- Demanding any information or data from executive management or ask for any Board or executive management member to attend the Committee's meetings and reply to any queries raised by the Committee.

VII- Internal Control and Monitoring Environment

1- Internal Audit Function

- The Bank has a permanent effective internal audit function, which reports to the Board of Directors and enjoys full independence. The Internal Audit Department Manager and staff are appointed by the Board of Directors, based on the recommendation of the Audit Committee. Furthermore, the Internal Audit staff should not be charged and entrusted with any executive business or responsibilities. The following are the most important functions and duties of Internal Audit:
- Ensuring extent of compliance with implementation of policies and procedures approved and endorsed by the Board and laws governing banking business and instructions issued by the Central Bank.
  - Ensuring the implementation of the Bank's instructions and rules and its internal regulations, as well as proposing tackling and dealing with shortcomings in the financial, administrative and technical systems.
  - Submitting internal audit reports to the Board or Audit Committee.
  - Documenting internal audit department's duties, mandates and responsibilities within the internal audit charter, which is approved and endorsed by the Board.
  - Ensuring adequacy of internal control and monitoring systems and risk management systems and extent of their effectiveness.
  - Submitting proposals and recommendations aiming at

improving efficiency of Bank's internal control systems to the Board or Audit Committee.

- Assisting the Board in carrying out its duties to the fullest extent possible, by means of providing it with analyses, evaluations and recommendations concerning activities reviewed by the audit department.
- Internal Audit Department's basic responsibility, which should be risk based, comprises auditing as a minimum what follows:
  - All Bank departments, sections and branches as well as all activities and risks in a periodic and continuous manner during the year as well as auditing the financial data and final accounts.
  - Internal audit process should be conducted in accordance with appropriate, professional and comprehensive audit programs, consistent with the latest international internal audit standards and manuals, meanwhile making available the necessary technologies and sparing no effort in assessing and developing these programs to be appropriate and consistent with business development in the Bank.
- Storing and safekeeping of its reports and business documents in a systematic and safe manner making them easy to track and refer to as well as readily available to be reviewed by the external auditor, Audit Committee and Central Bank inspectors.

2- Compliance Function

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

- Permanent monitoring of the extent of Bank's compliance with all pertinent laws in force and laws governing banking business as well as instructions issued by the Central Bank, which should be followed, by laws and regulations, sound banking conventions and practices and rules and standards issued by local and international supervisory agencies.
- Following up extent of compliance with the Bank's Governance system implementation.
- Receiving Bank employee reports and notifications on illegal or unethical practices and investigating them.
- Measuring potential effects in the event of any amendments taking place in the legal framework, by which the Bank is governed.
- Ensuring new products and procedures introduced by the Bank meet and are consistent with pertinent laws in force, laws governing banking business and instructions issued by the Central bank.
- Ensuring that the Bank is adequately well aware of noncompliance risks, represented by legal or regulatory penalties, potential exposure to financial losses or ill reputation risks, as a result

of Bank's noncompliance with pertinent laws in force, laws governing banking business and Central Bank instructions, in addition to international laws governing international banking operations and dealings.

- Submitting compliance reports to the Board with a copy thereof to executive management.

3- Risk Management

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

- The Bank's risk department submits its reports through the official in charge of the Sector to Risk Management and Compliance Committee. As far as the day to day operations are concerned the department should liaise with the Deputy CEO for Risks and Compliance.
- The Bank's risk department's responsibilities include the following:
  - Analyzing all risks including credit, market, liquidity and operational risks.
  - Developing and improving measurement and control methodologies for every type of risk.
  - Recommending to Risk Management Committee risk exposure ceilings, approvals, report submission as well as recording exceptional cases to risk management policy.
  - Providing the Board and executive management with information on risk measurement in the Bank. The Board should review the Bank's risk statistics quality wise and quantity wise on a regular manner in every Board meeting.
  - Making available information on the Bank's risk exposure to be used for purposes of disclosure and publication to the public at large.
- The Bank's executive committees, such as credit, assets and liabilities management and Collections committees, should assist the risk department in conducting its functions, in accordance with the mandates vested in those committees.
- The Bank's annual report should include information on risk management department relating to its structure, nature of its operations and developments it has experienced.

4- External Audit

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

- Appointing an independent external auditor practicing his business in accordance with audit profession international standards, well aware of his obligations towards the Bank relating to paying necessary professional care and attention consistent with international audit standards.
- The Bank adopts regular rotation for the external auditor in



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

5- Shari’a Supervisory Board (SSB)

The Bank’s Governance system includes compliance with the provisions and principles of Islamic Shari’a in the context of offering Islamic financial services within the ambit of the Islamic Sector. The Board of Directors has appointed the Shari’a Supervisory Board (SSB) consisting at least of three members, who are Islamic Shari’a scholars with experience in the area of financing.

a- SSB members:

Name	Designation
1- Dr. Saeed Ali Alhimyari	Chairman
2- Dr. Lutf Mohamed Al Sarhi	member
3- Dr. Nasr Mohamed Al Salami	Shari’a Supervisor

The SSB held five meetings during the year under study. The SSB does not include members who are Bank managers or shareholders who own 5 % or more of the Bank’s share capital.

b- SSB Functions

- The SSB is charged and entrusted with the following functions and duties:
- Review and approve the contracts, agreements, transactions, policies, systems, mechanisms and work programs as well as endorse products and services.
  - Review and approve the Manual of Policies and Procedures pertaining to Bank compliance with the provisions and principles of Islamic Shari’a.
  - Present an annual report to the Shareholders General Assembly, showing the extent of the Bank’s compliance with the provisions of Islamic Shari’a for the period of the report, as well as the SSB comments and recommendations. The SSB report should be included in the Bank’s Annual Report.
  - Carry out the duties of planning and executing the Shari’a Audit Procedures and preparing the Annual Report. The remuneration obtained by the SSB should be allocated for the duties of giving opinions and fatwas and the tasks of the audit, which should include all the work related to the Shari’a field on site audits, follow-ups, the SSB meetings with respect to the audit tasks, consideration and finalization of the Shari’a comments, in addition to the preparation of the SSB Annual Report.
  - The SSB has the right if necessary to seek external assistance of an External Auditor (and if available External Shari’a Auditor) in performing the above duties.
  - Offer advice, on request, to the parties who provide services to the Bank, such as the External Auditors, legal experts and consultants.
  - Ascertain the adequacy and effectiveness of the Internal Shari’a Supervision System.
  - Give advice and guidance to Internal Shari’a Audit Department (ISAD), concerning the scope of Shari’a audit required. The SSB should also review the summaries of the ISAD reports and management’s responses to them, in order to ensure ISAD’s adequacy and effectiveness.
  - Coordination with Governance and Audit Committees for ensuring compliance with the provisions and principles of Islamic Shari’a.
  - Inspect all the reports containing the review of compliance with the provisions and principles of Islamic Shari’a as well as the reports of Central Bank and External Auditor and management’s responses to them, in order to assess the efforts exerted in ensuring compliance with the provisions and principles of Islamic Shari’a and taking them into consideration when planning the business of external Shari’a audit and the SSB.
  - Suggest Shari’a training programs for Bank staff in light of the need which the SSB estimates.
  - SSB has the right of full review, without restrictions, of all the records, documents, transactions and information from all sources, as well as referring to the professional consultants and the relevant Bank staff.
  - SSB has the right to seek the assistance of external experts for advice and specifically on legal and financial issues, at the expense of the Bank, after the approval of the Board of such action.

VIII- Social Responsibilities

- The Cooperative and Agricultural Credit Bank believes that the Big Bank bears a special responsibility in supporting economic and social development in our beloved homeland and as a consequence, the Bank:
- Assists companies in enhancing and improving their competitive capacities, develop their businesses abroad and strengthen their governance principles.
  - Significant and conspicuous role in the stability of the Yemeni rial exchange rate against other currencies.
  - Applies the best internationally recognized guidance standards and principles in assessing the social consequences of project financing and in particular agricultural and commercial projects.
  - Supports educational and benevolent institutions and others which are worthy of help and assistance.
  - Sets in place new mechanisms in the area of agricultural financing to keep abreast of new developments and innovations, thus contributing to the achievement of rural development objectives.

IX- Conflict of Interests

The Bank has not concluded any contract containing a fundamental interest or benefit to any Board member or any person connected to any of them. In the context of the Bank’s ordinary activities, it carries out operations with some Board members, senior managers, their families and companies, in which they own 5% or more of their share capital and those who were Bank customers during the year. The terms of these operations are approved by the Bank’s Board of Directors. The loans and facilities extended to connected persons during 2016 amounted to 239 million rials repayable or have already been settled according to the contracts signed with them. Usually the loans and facilities extended to connected persons are against guarantees and pledges of connected person’s salaries and cash deposits as well as commercial fees against fixed assets. The note No. 45 shows all facilities granted to connected persons.

X- Shareholders’ Rights and Relationship with them

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

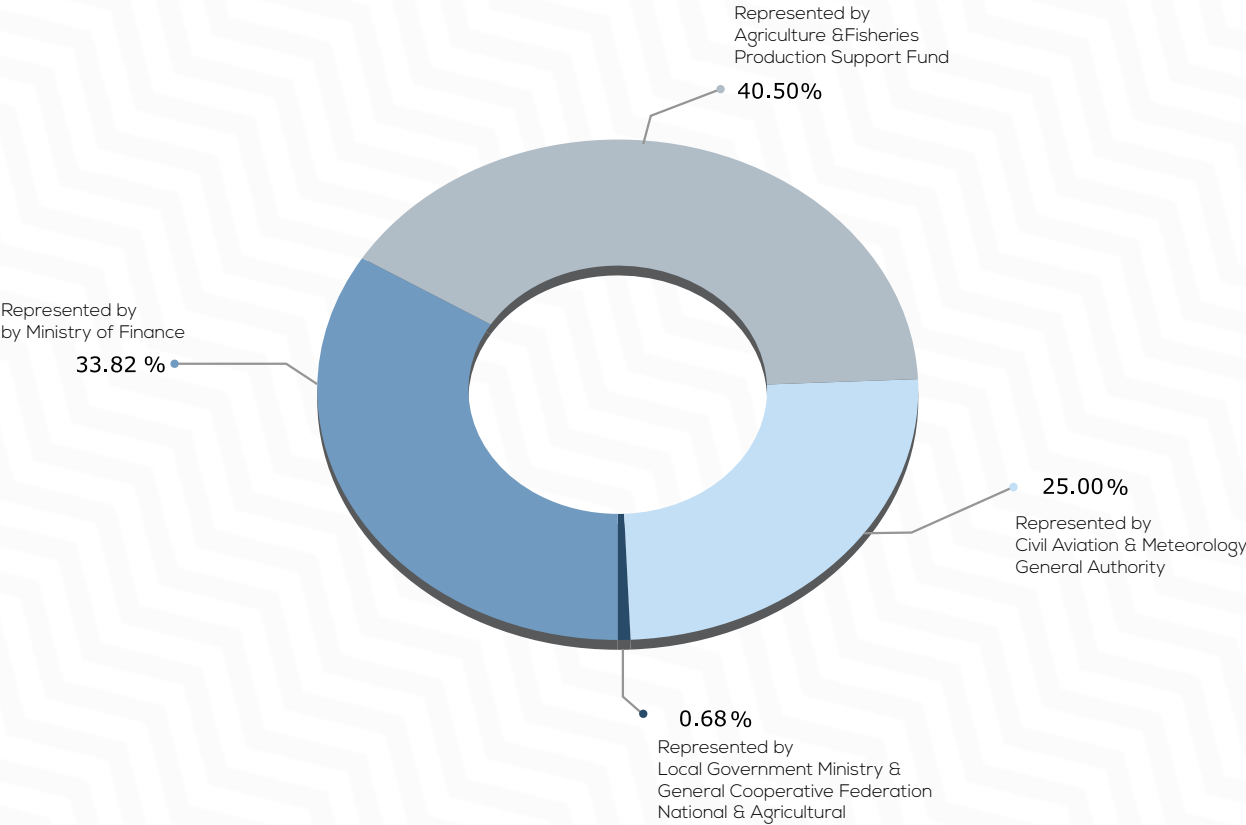
- Assembly Annual Meeting, in order to respond to any query which may be posed regarding the Audit and the Auditor’s report.
- 6- Voting should be made separately on each issue raised during the General Assembly Annual Meeting.
  - 7- After the end of any General Assembly meeting a report should be prepared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

XI- Relationship with Investment Account Holders

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



XII- CACBANK’s Shareholders & Board Members Representing Them



Agencies & Institutions which own CACBANK	Proportional Share in CACBANK's Capital	Number of Companies Controlled by Representative
Represented by Ministry of Finance	33.82%	None
Represented by Agriculture & Fisheries Production Support Fund	40.5%	None
Represented by Civil Aviation & Meteorology General Authority	25%	None
Represented by Local Government Ministry & General Cooperative Federation National & Agricultural	0.68%	None





### Introduction

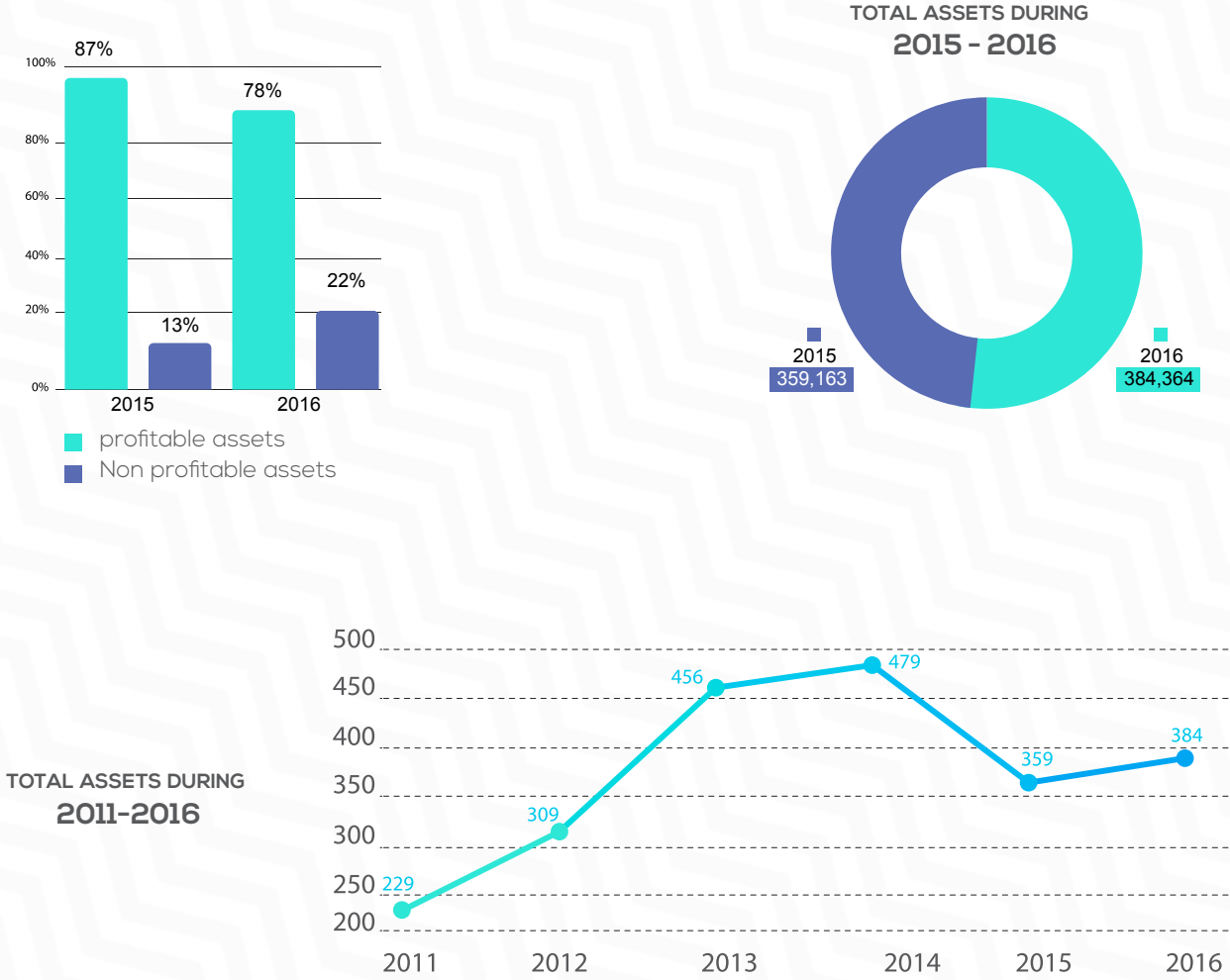
The year 2016 has witnessed numerous crises on all fronts, as banks struggled with foreign exchange scarcity, wide exchange rate fluctuations, the boycott imposed on Yemen and dwindling expatriate remittances. All these factors have adversely affected exchange rate stability. While banks were striving to find suitable solutions to deal with the problems within available resources, there emerged in the horizon in mid-2016 a new crisis represented by a scarcity of Yemeni Rial cash liquidity.

Despite the acuteness of the crises which have afflicted the banking industry market in the country, the Cooperative Agricultural Credit Bank has been able to avoid numerous difficulties and negative repercussions created by these crises, as a result of its conservative policies and focusing on the maintenance of acceptable levels of liquidity and caution in employing its funds. As a consequence, the Bank has been able at least until now to manage the crisis with positive effectiveness, owing to the efforts of all its staff, in addition to its well prepared plans and programs and the various scenarios and options it set in place in accordance with the current variables and circumstances and their constant review, which have borne fruit in the form of an improvement in some financial indicators in the context of the prevailing circumstances.



## TOTAL ASSETS

As at 31 December 2016 total assets amounted to YR 384 billion vis-à-vis YR 359 billion at the end of the previous year, increasing by YR 25 billion or 7%. In comparison, the Bank contributes 14% of Yemeni banking sector's total assets. The Bank's assets were distributed as follows:



## INVESTMENT PORTFOLIO

Bank management is always keen to strike a balance of compatibility and consistency between liquidity and profitability on employing depositors' funds. Treasury bills are considered, in the current circumstances experienced by the country, the ideal investment, as they represent a safe and quick source of liquidity and a secondary reserve for facing contingent obligations. The Bank's net investment in treasury bills amounted to YR 239 billion, occupying the first rank among banks operating in Yemen. The Bank has also been able during 2016 to collect and retrieve considerable debts and not to grant any new loans or facilities, except after acquiring all necessary guarantees safeguarding the Bank's rights in the first place. The following table clarifies this point:

	2015	2016	change
Total loans & financing portfolio	67,551	67,533	0%
Total provisions	17,398	18,485	6%
Total interest earned	12,014	14,091	17%
Net Portfolio	38,139	34,957	(8)%

The Bank always pays special attention to acquire adequate guarantees on granting credit to companies and institutions as well as individuals to minimize potential risks to the Bank. Cash collateral balances against direct and indirect credit facilities amounted to YR 30 billion as at 31 December 2016 compared with YR 26 billion at the end of the previous year.

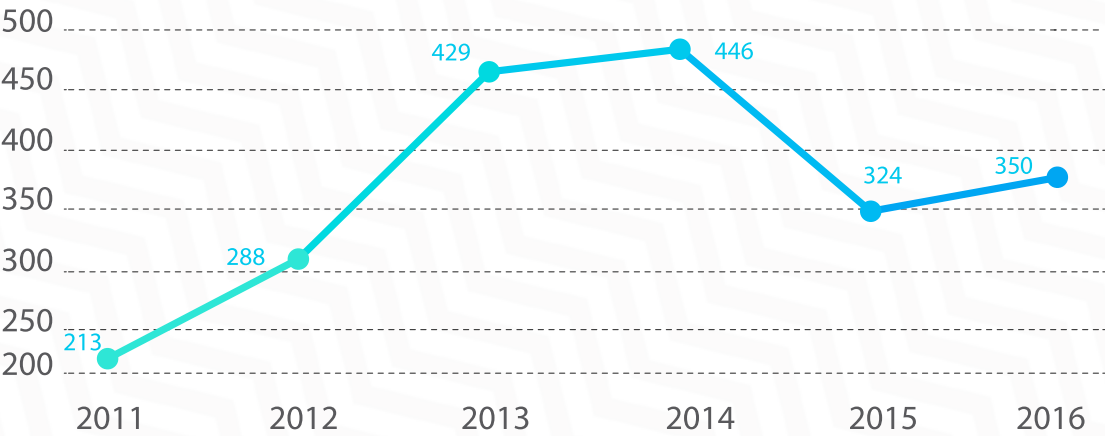
## SAVINGS PORTFOLIO

The crisis through which the country is passing has to a large extent affected depositors' balances with the banking sector, as depositors are withdrawing their funds from banks. CACBANK has carried out numerous arrangements to regain customers' confidence by means of meeting their demands and needs according to visions and priorities appropriate to the circumstances. These steps has resulted in the stability of customers' deposits and in fact they started to increase gradually as things are improving on a continuous basis. Customer deposits (including banks') amounted to YR 350 billion as at 31 December 2016 compared with YR 324 billion at the end of the previous year, increasing by %8.

The following table shows the details:  
customer deposits during 2015-2016 million Yemeni rials

year	2015	2016	change	in percent
Total non banks	309,578	333,090	23,512	8%
Total banks	14,081	17,114	3,033	22%
Total deposits	323,659	350,204	26,545	8%

CUSTOMER DEPOSITS DURING 2011-2016



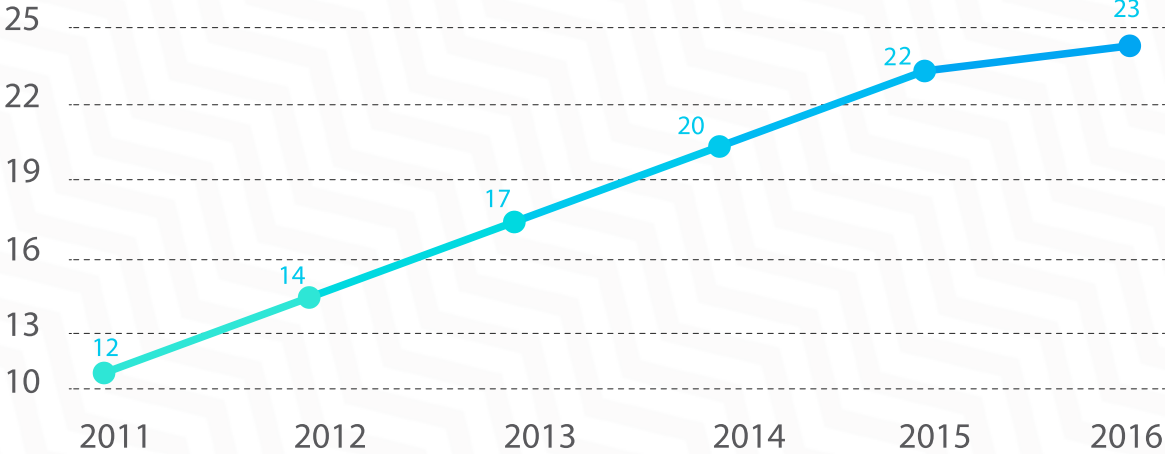
### SHAREHOLDERS' EQUITY

If this situation persists, the acute liquidity crisis may lead to an acceleration in increases of the exchange rate and the collapse of some banks. All these uncontrollable risks make those in charge of the banking sector monitor them anxiously and attempt to put in place possible solutions and remedies, in order not to be trapped by them, safeguard banks' reputation and protect them from collapse.

CACBANK is one of the pillars of the banking system and one of the banks, that shoulder important missions in managing this crisis. Consequently, The Bank strives to suggest numerous effective solutions and arrangements to overcome the crisis. One of CACBANK's most important proposals is to strengthen and increase the capital base for dealing with any potential losses in the event such risks materialize.

The Bank increases its capital from realized net profits on an annual basis, reaching an amount of 19 billion rials by the end of 2016 compared to 17 billion rials at the end of 2015, thus maintaining its rank as the third with the largest capital amongst banks operating in the country.

SHAREHOLDERS' EQUITY DURING 2011-2016



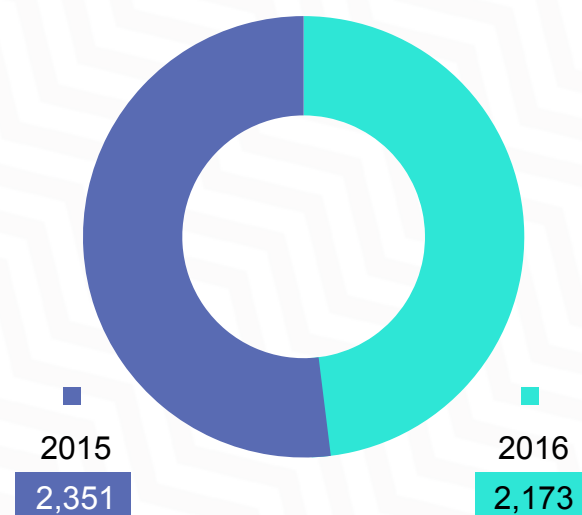
### CAPITAL ADEQUACY

The Bank always maintains a balanced relationship as regards capital adequacy in compliance with Basle standards. Consequently, capital adequacy ratio was 29.5% at the end of 2016.



## CACBANK'S NET PROFITS

During 2016 the Bank realized net profits amounting to 2.1 billion rials compared with 2.3 billion rials during the previous year, falling by 8%. This decline is considered insignificant in view of the crisis the country went through in 2016, the year under study.



## THE MORE WIDESPREAD THE CHEAPEST



### Service Features:

Speed for money transfer is a service provided by CAC Bank for costumers to send and receive their money locally and externally through a modern, secured and automated system. Customer can execute transfers within short moments from our send/receive points of service (branches – offices – subagents) distributed around Yemen and abroad in the Gulf countries, Jordan, Djibouti and will cover the entire world in the near future through various financial transfer companies.

- Competitive and very low commission rates.
- Fast and easy to send/receive transfers from any point of service (branch – office – agent) spread throughout Yemen.
- A wide network of branches, offices and subagents covering the whole country.
- A wide network of banks and exchange companies abroad covering the Gulf countries, Jordan, Djibouti and the entire world.
- Sending an SMS message notifying the customer with the sequence number of transfer.
- Long working hours to facilitate service from 8 am – 7 pm; the agents' continue opened till 9 pm.
- The possibility to send transfers collectively in a batch at the same time, and send SMS – messages to all beneficiaries with the sequence numbers of transfers.
- The possibility to credit the incoming transfers to customer's accounts with the bank.





## JOB LOYALTY IS THE PRINCIPAL ANCHOR OF INSTITUTIONS' OVERALL PERFORMANCE AND THE JEWEL OF SUCCESS AND IMPROVEMENT

CACBANK's pioneering journey has witnessed a real embodiment of job loyalty in its scientific and methodological context in practice and implementation, making it a pioneering example of loyalty. This has, moreover, provided the Bank with a foundation for its institutional business in managing human resources, enabling it to create loyalty and belonging, which have resulted in the achievement of objectives, the enhancement of competitiveness and contribution in the improvement of efficiency and expertise and resistance against challenges.

The Bank has adopted stable strategies to enhance loyalty and belonging in accordance with a clear vision, that translates objectives and achieves indicators of satisfaction and provides a safe future efficiently and effectively. CACBank has adopted advanced methods in ongoing training and investment in capabilities and energies and deploying them to the maximum in realizing cohesion, coordination and moral and material partnership. This partnership has materialized in decision making, strengthening of individual trust and making available opportunities, encouragement and incentives as a result of improvement, renovation, development and achievement of the pioneering status in the financial and banking market with merit and excellence.

CACBANK's methodology continues to deepen loyalty and sense of belonging, by means of a combination of capability and expertise, with which its efficient leadership is characterized, in addition to an intense care to strengthen partnership, innovation and creativity and realization of stability in a cascading pattern all along the pyramid of institutional hierarchy. CACBANK entertains a collective feeling of responsibility for the achievement of success and moving along the road of progress and excellence.

CACBANK's employees have represented an illustrious example of loyalty and belonging to their institution through their performance, dedication and perseverance. They have achieved a pioneering status and strengthened the Bank's role in the business of banking, despite the exceptional circumstances the country is experiencing, as a result of its efficient cadre of staff, achievement of the highest standards of loyalty and belonging and clear objective in persevering in the face of challenges. CACBANK's efficient and wise management has been able to define objectives, enhance efforts, channel resources and make everyone in the Bank to work and achieve one goal which is the protection of the institution and the continuation of its improvement and development.





## GIVING DUE CARE AND ATTENTION TO HUMAN RESOURCES IS ONE OF CACBANK'S TOP PRIORITIES

CACBANK's status as one of the most important and distinguished banking institutions on the local as well as regional level has not been achieved easily but is the result of relentless efforts and excellent managerial expertise, enabling the Bank to earn a high degree of loyalty on the part of its staff and coaxing them to make strenuous efforts to achieve efficiency, expertise and innovation . Moreover, strategic plans have been set in place to develop and rehabilitate human resources and maintain the bases of their assessment and motivation, leading to the enhancement of employee loyalty, which in turn resulted in the strengthening of the Bank's competitive capabilities and their improvement and development in the appropriate manner.

In order to achieve this desired level of loyalty on the part of employees, the Bank has devoted special care and attention to them, met their demands to enhance their job capabilities and provide them with a decent standard of living, in addition to making available opportunities to them to develop their cultural attainments by means of continuous training and education.

## MOST IMPORTANT AREAS IN WHICH THE BANK INVESTED IN ITS HUMAN RESOURCES TO STRENGTHEN STAFF LOYALTY

- Increasing indirect compensations to the Bank's employees
- Training and Developing Employees' Skills
- Developing Employee Mental Capabilities
- Social Responsibility Towards Society

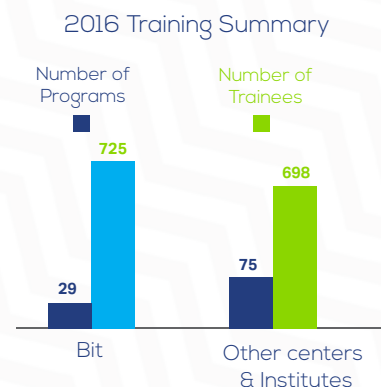
## INCREASING INDIRECT COMPENSATIONS TO THE BANK'S EMPLOYEES

By this is meant all what the Bank extends to its employees with the exception of direct compensation (the salary). The Bank provides many services and guarantees, which assist an employee at work and in his private life giving him/her a degree of comfort and assurance in his/her future career with the Bank, which considers an employee as an important investment pillar. Some of the most important compensations provided by the Bank to its employees are the following:



## STAFF TRAINING AND ORIENTATION

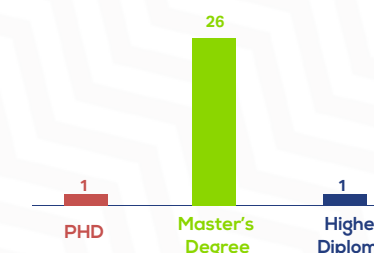
By training and developing employees' skills, the Bank strives to achieve several objectives, one of which is to increase employees' skills and capabilities. Another objective is to develop their cultural standard in society, as they represent the Bank where they work. Furthermore, training raises the level of human relations between employees and their superiors in an appropriate manner and removes barriers dividing them, making all work with a family or one team spirit. The Performance Development (Training) Department in 2016 has implemented 104 training programs benefiting 1423 trainees in house (The Bank's Training Center) and outside the Bank in other accredited centers and institutes.



## DEVELOPING EMPLOYEE MENTAL CAPABILITIES

The Bank pays attention to rehabilitating its employees by providing them with financial assistance and moral support to acquire high academic qualifications and degrees, to complete academic studies and obtain higher diplomas, by means of the higher studies program implemented at the Bank. This is done through a fair selection based on controlled standards and criteria ensuring that the Bank's employees at all levels may compete for the announced seats in a transparent manner. The employees supported in the higher education program numbered 28 during 2016.

Employees Supported in Higher Studies programs in 2016



## ACHIEVEMENT OF FAIRNESS IN EMPLOYMENT AND JOBS

CACBANK is keen to achieve fairness among its employees in promotions by means of the performance appraisal system, which is considered the most important element in human resource management, by way of determining the adequacy of staff performance of their jobs and implementation of their responsibilities and duties and their compliance with the values, policies, regulations and procedures of Cooperative and Agricultural Credit Bank. This is done by the use of appropriate appraisal standards and criteria, ensuring a comprehensive review of activities, functions and nature of work according to job categories, guaranteeing fairness and objectivity in staff performance appraisal and realization of equality between them, leading to the raising of employee performance and productivity levels and improving the overall performance of the Bank.







ORIENTATION COURSES

- (A) GOVERNANCE AND ITS EFFECTS ON IMPROVEMENT OF BANKS
- (B) COMBATING MONEY LAUNDERING AND TERRORIST FINANCING

In view of its keenness to comply with sound governance principles and improve AML/CFT systems, the Bank held the above two courses for members of the Board of Directors on 3rd and 4th of August 2016 at the Bank's Bank Training Institute (BTI). The two courses were attended by members of the Board of Directors, CEO's Deputies, consultants and Secretariat Officers. Despite their very busy schedule, the participants, the Board members in particular, were keen to attend 5 hours a day on both courses, indicating an awareness of the importance of sound governance and AML/CFT for the Bank's activities and their keenness that the Bank applies the best international and local practices.

■ Main Points covered by AML/CFT Course

- Introducing participants to the concept of Money Laundering and Terrorist Financing.
- Reviewing with participants the laws and instructions regulating AML/CFT.
- Introducing participants to the international standards to be complied with in the AML/CFT area.
- Reviewing with participants money laundering and terrorist financing methods and ways and means of detecting suspicious operations and investigating and dealing with them.
- Reviewing with participants on how to set in place controls and procedures concerning AML/CFT in Banks.
- Introducing participants to self assessment procedures to ensure adequacy of the AML/CFT system and legal responsibilities.

■ Main Points covered by Good Governance & its Effects on Improvement of Banks

- Introduction to the basic concepts of Governance.
- Understanding the importance of Governance in strengthening banks and the benefits derived by banks which comply with good Governance.
- Understanding bank Governance best practices.
- Understanding the role of Board of Directors in adopting and complying with bank Governance principles.
- Understanding bank Governance effective parties.

EMPLOYEES' ELECTRONIC GATE

The Bank, taking into account the importance of technological and information technology developments, the speeding up of communication and facilitating acquiring of information, the IT has been employed to offer a special electronic service, in order to save employees' time and effort, being the pivot of our attention, as it has become possible for the employee to review his work and financial data at any time, in addition to getting in touch with

other employees through their personal accounts on the electronic gate, enabling him to review:

- Job description for every job.
- Salary voucher for every employee.
- Attendance record reports.
- Checking in and out position for every employee.
- Leave balance and movements for every employee.

SOCIAL RESPONSIBILITY TOWARDS BANK STAFF

CACBANK management is keen to give credit to efforts made by employees, by way of honoring, encouraging and getting close to them, in the context of its responsibility for its staff. Bank management is also keen that its employees participate in all activities and events they perform every year.



On occasion of International Woman's Day and Mother's Day, the Bank management takes part with Bank staff in honoring these events, in the context of the attention and care given to woman. During the ceremony a number of Bank female employees were honored.



Honoring the Planning Department staff –the Annual Report Team- for all the efforts made in the production of the 2016 Annual Report, which elicited the appreciation and praise of all.



Bank management held a ceremony in honor of successful candidates in the context of the "Initiative of Ideas and Prizes", where the certificate of Initiative and Innovation was awarded to the successful first and second grade candidates, in accordance with the conditions and standards as stipulated in the "Ideas" Appraisal.



## CACBANK EFFECTIVE PARTNERSHIP & EXCELLENT SERVICES



As a pioneering bank, CACBANK plays its role in supporting the national economy and offering financial and banking services based on excellent technology, such as CAC Mobile for Account Management, Mobile Transfers, POS terminals to pay electronically for purchases from stores by means of bank cards, CAC Online enabling organizations to conduct transactions through the internet, in addition to numerous other services. We highly value this important role of CACBANK and by way of dealing with it and in the framework of our effective partnership, we have found it the pioneering bank in offering bank services to the various segments of society.

Furthermore, in addition to its principal role of serving the national economy and preserving its stability in view of the difficult situation and immense challenges faced by our country, the Bank contributes to solving the salary problems through payment of salaries to the public and private sectors. This function has a great impact on preserving the national economy and its stability and serving the Yemeni citizen. The Bank represents the financial institution, the presence of which is significantly felt in the banking and financial market in Yemen by way of its excellent services and its keeping abreast of developments, as well as its improvement of the human intellectual capital of the Bank's cadres at all levels of specialization.

We hope the Bank will continue on the road of giving and benefiting from the trust of the public and customers in the achievement of development and growth.

**DR. ABDUL AZIZ AL HAJ**  
**EXECUTIVE DIRECTOR OF SKILLS**  
**DEVELOPMENT FUND**

## VISA NET

Shop and Make Your Purchases  
easily through the Internet





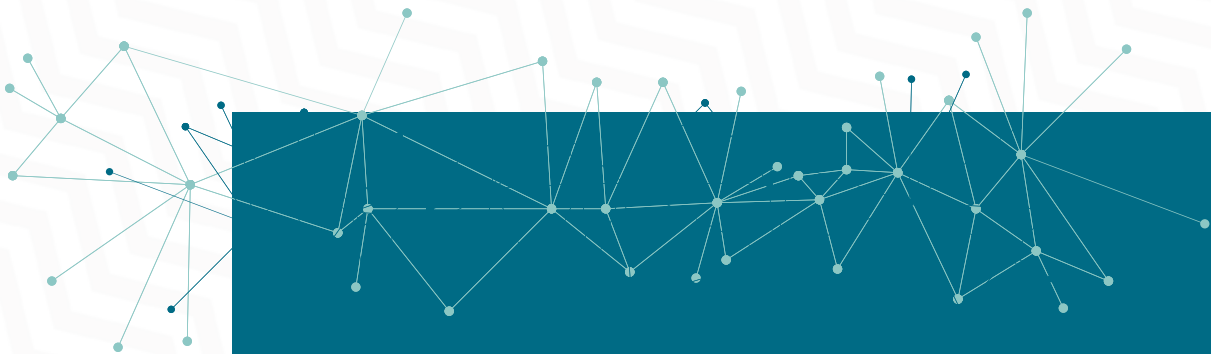
## DEVELOPMENT OF SERVICES AND PRODUCTS



## CONSTANT DEVELOPMENT OF SERVICES & PRODUCTS

The process of modernization and development is considered a basic pivot in all the Bank's sectors and areas, in order to keep abreast of innovation and coordination with the requirements of the local banking and financial markets, by means of adopting modern tools in banking business, innovating and developing new products, in constant pursuit of achieving excellence and the Bank's pioneering status in the Yemeni banking market. Among the most important developments implemented in 2016 in the area of the Bank's services and infrastructure are the following:

- Database Enlargement and Rehabilitation Project
- House Lighting Product
- CACBANK's Geographic Information System (GIS)
- Connecting with Higher Education & Yemeni Universities Project
- POS Service (CAC purchases)



## DATABASE ENLARGEMENT AND REHABILITATION PROJECT

In the framework of constant development and modernization and the Bank's pursuit of keeping abreast of the most up to date innovations achieved by the advanced countries in the IT field, the Bank's database expansion and rehabilitation project has been launched, where the specialists took special care to adopt the most modern scientific methods in this respect.

No one denies that CACBANK is the banking industry's pioneer in Yemen and depends on modern technology to excel and compete in the market. As a result of the diversity of bank services in the Bank, there is a continuous need for development and expansion in the IT field.

The Systems Department has a deep belief in the role that IT plays in the area of business environment development and as such the prevalent direction was in favor of the embarkation on the database expansion project and rehabilitation of its systems. The implementation of the project was given top priority, in view of its importance in building and developing a strong technological environment. With the aim of developing the database infrastructure services, in preparation for hosting the apparatus and equipment, a new server room was added and the technical apparatus and equipment were redistributed in a safer manner, ensuring business continuity for the Bank's services and acceptance of expansion in future business for the achievement of the Bank's vision and strategic objectives.

The importance of implementation of this project lies in the urgent need to find quick and practical solutions for the risks and threats which were hovering over the infrastructure, the main server room and other database utilities, represented in the probability of the stoppage of database infrastructure services and the apparatus and host servers, the systems and main network services stopping or becoming out of order, in addition to the main network systems and services. Furthermore, this project is also required for raising the level of continuity, efficiency and effectiveness of database services.

There are also projects and strategic solutions implemented by the network section, ascertaining raising reliability and improving the Bank's network performance, represented by the implementation of the reserve channel project for the Bank's network and implementation of the isolation of the network communication lines for branches, services and others.

## MOST IMPORTANT PARTS ALREADY IMPLEMENTED IN THIS PROJECT ARE THE FOLLOWING:

### DEVELOPING AND UPDATING PERFORMANCE OF THE BANKING SYSTEMS DATA PROCESSING SERVERS.

- Modernization and upgrading of core bank server memories (storing capacities)
- Modernization and upgrading of cards server memories (storing capacities)
- Updating the compressed program and replacement of Islamic bank's core motherboard and processor.

### DEVELOPING AND UPDATING THE SERVER PERFORMANCE SYSTEM AND INTENSIFIED DATA PROCESSING.

- Upgrading and updating Head office's server firmware.
- Upgrading and updating the reserve centre's server firmware.
- Updating the scenario environment system VMWare.
- Upgrading and updating the scenario environment system VMWare at main center.
- Upgrading and updating the scenario environment system VMWare at reserve center.
- Operating the reserve center.

### OPERATING RESERVE CENTER & GUARANTEEING CORE BANK DATA SYNCHRONIZATION IN MAIN & RESERVE CENTERS.

- Enhancing network isolation, raising protection level and updating protection systems.
- Isolation of various data communication channels from each other.
- Isolating access to server network from internal network and closing server gates.
- Isolating networks of POS terminals, ATMs and company services.
- Installing and operating protection systems for internet bank services.
- Installing and operating system for protecting and monitoring access from outside the VPN network.
- Updating system for protecting and monitoring internet users.

### CONNECTING NEW BRANCHES & STRENGTHENING RESERVE CONNECTIVITY FOR BANK BRANCHES.

- Connecting new branches and offices.
- Connecting capital Sana'a offices to satellite reserve lines for 5 branches.
- Connecting Bank branches to satellite reserve lines for 21 branches and offices.

### ENHANCING EXTERNAL NETWORK LINKAGE

- Linking the American Ria Transfer Company

### CHANGING MOST BRANCH COMMUNICATION CHANNELS TO THE COMMUNICATION SERVICE MPLS AND DEVELOPING AND UPDATING THE DATABASE SERVICES INFRASTRUCTURE

- Redesigning and planning database utilities
- Rehabilitation and maintenance of database utilities, their redistribution and lighting installation.
- Implementing a central disposal system for the database secondary air conditioners.
- Strengthening physical safety and database surveillance systems.
- Preparation and arranging the networks room.
- Preparation and operating new server room 2 (secondary server room).
- Rehabilitating central storage room.
- Preparation and arranging new database electricity room.
- Preparation and arranging control room.
- Maintenance of database infrastructure systems.

### DEVELOPING AND UPDATING CENTRAL DATA STORAGE CAPACITY SYSTEM

- Developing and updating card system storage capacity.
- Updating head office central storage system EMC.
- Updating reserve site central storage system EMC.



## HOUSE LIGHTING PRODUCT

Yemen is in urgent need of a substitute for electricity power, which the State is supposed to provide for its citizens, but has been totally nonexistent, as a result of the political and security situation the country is experiencing. The current situation has forced consumers, who are able to buy from the local market solar power systems for use at home. But a wide segment of the population cannot afford to buy such systems in cash.

Consequently, the Bank has offered this product to meet its customers' requirements and take part in solving the power scarcity problem by providing the necessary cash liquidity.

This is a product offered to Bank staff and employees of government and private entities, with whom the Bank has concluded agreements for salary disbursement and independent loan contracts, by which such customer obtains a loan not exceeding his salary for 12 months, with the interest charged being %12 deducted in advance and with repayment not exceeding 12 months.

The Bank has in 2016 provided finance through Commercial CAK and Islamic CAK for the installation of more than 1,261 solar power systems for fixed income customers.

**1,261**  
**HOUSE LIGHTING**  
**LOANS AMOUNTING TO**  
**279,234,700**  
**YR**

**10,765** **EID LOANS TOTALED** **YR 550,950,000**

**8,286** **PERSONAL LOANS TOTALED** **YR 3,835,555,194**

**20,312** **THE TOTAL NUMBER OF LOANS EXTENDED TO INDIVIDUALS IN 2016**

**YR 4,665,739,894** **TOTAL AMOUNTS OF LOANS IN 2016**

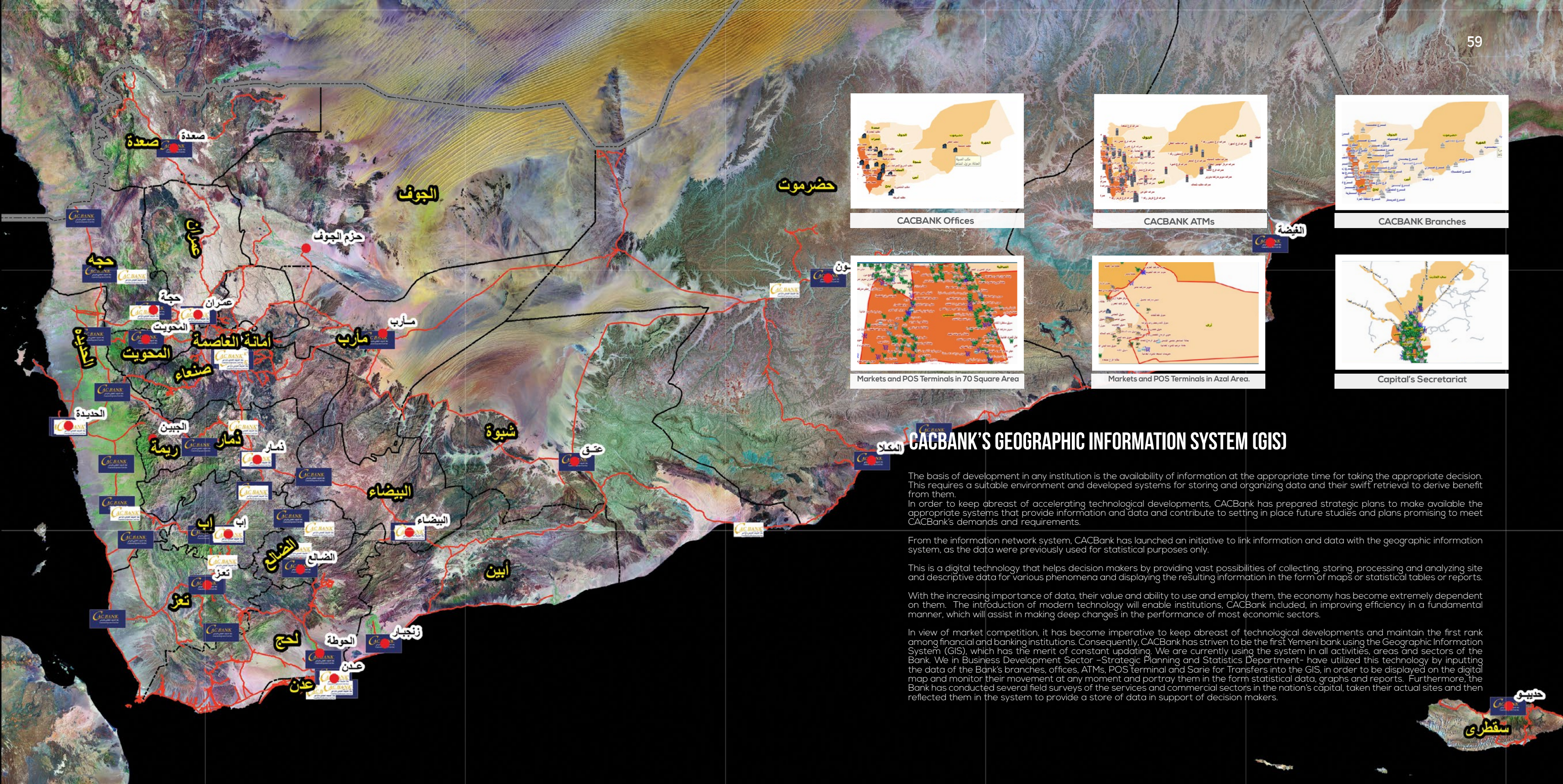


**LET THERE"  
BE LIGHT IN YOUR  
"LIFE**

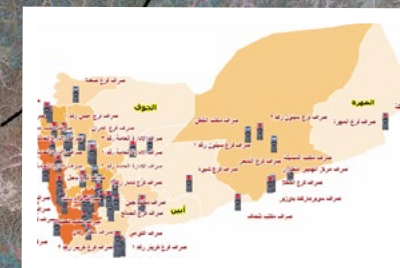


**CACBANK's Solar  
Energy Financing**





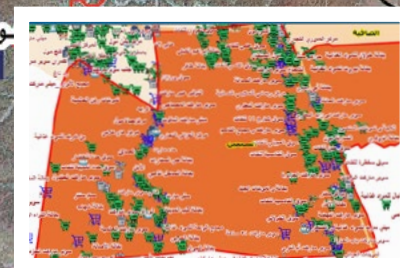
CACBANK Offices



CACBANK ATMs



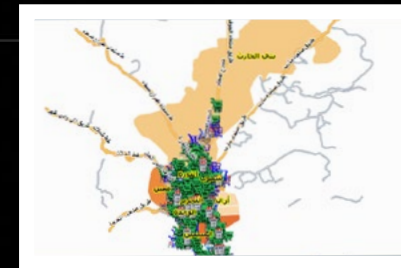
CACBANK Branches



Markets and POS Terminals in 70 Square Area



Markets and POS Terminals in Azal Area.



Capital's Secretariat

## CACBANK'S GEOGRAPHIC INFORMATION SYSTEM (GIS)

The basis of development in any institution is the availability of information at the appropriate time for taking the appropriate decision. This requires a suitable environment and developed systems for storing and organizing data and their swift retrieval to derive benefit from them.

In order to keep abreast of accelerating technological developments, CACBank has prepared strategic plans to make available the appropriate systems that provide information and data and contribute to setting in place future studies and plans promising to meet CACBank's demands and requirements.

From the information network system, CACBank has launched an initiative to link information and data with the geographic information system, as the data were previously used for statistical purposes only.

This is a digital technology that helps decision makers by providing vast possibilities of collecting, storing, processing and analyzing site and descriptive data for various phenomena and displaying the resulting information in the form of maps or statistical tables or reports.

With the increasing importance of data, their value and ability to use and employ them, the economy has become extremely dependent on them. The introduction of modern technology will enable institutions, CACBank included, in improving efficiency in a fundamental manner, which will assist in making deep changes in the performance of most economic sectors.

In view of market competition, it has become imperative to keep abreast of technological developments and maintain the first rank among financial and banking institutions. Consequently, CACBank has striven to be the first Yemeni bank using the Geographic Information System (GIS), which has the merit of constant updating. We are currently using the system in all activities, areas and sectors of the Bank. We in Business Development Sector -Strategic Planning and Statistics Department- have utilized this technology by inputting the data of the Bank's branches, offices, ATMs, POS terminal and Sarie for Transfers into the GIS, in order to be displayed on the digital map and monitor their movement at any moment and portray them in the form statistical data, graphs and reports. Furthermore, the Bank has conducted several field surveys of the services and commercial sectors in the nation's capital, taken their actual sites and then reflected them in the system to provide a store of data in support of decision makers.



LINKING HIGHER  
EDUCATION AND  
YEMENI UNIVERSITIES  
PROJECT



▪ Signing of joint cooperation agreement with Sana'a University offering services of education fee collection in the various university collages through bank branches.

▪ The Banks has signed with Technical and Vocational Education Ministry an Automate Link Agreement for Collection of Coordination and Registration Fees for Social Collages and Vocational and Technical Institution through Sarie "Speed" transfer system.

In the context of strengthening the relationships with academic institutions and realization of effective partnership in progress and construction, they are enabled to benefit from the Bank's services and privileges, which are offered to their students, including the collection of school fees. Electronic link has been established with Higher Education and the largest universities in the Republic of Yemen, such as Sana'a, Dhamar, Ibb and Hodeida Universities. The system now runs on live environment to enable students apply for registration through an electronic site and selecting the university and specialization desire.

In order to facilitate offering bank services to university students, the following two Bank offices have been opened:

- Sana'a University Office.
- Ibb University Office.

2016 UNIVERSITY REGISTRATION FEE PAYMENTS

	University/College	Number of Students	Total
1	Ibb University	12,192	38,637,000
2	Dhamar University	10,352	31,715,900
3	Sana'a University	5,544	9,543,301
4	Technological & technical Institutes	4,078	6,118,500
5	Selection Grants	2,198	4,396,000
6	Amran University	1,153	3,920,600
7	Al Beidha University	935	2,051,100
8	Remaining 17 Universities and Colleges	3,195	11,667,467
	Grand Total	39,647	108,049,868



A SAFER,  
FASTER AND  
EASIER SERVICE

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

ADVANTAGES

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



## POS SERVICE

In view of the difficult circumstances Yemen is experiencing by way of liquidity scarcity, the Bank has moved to find other means enabling customers to pay for their purchases without using cash money. The Bank is therefore encouraging customers to use the electronic funds transfer system, which enables a holder of an ATM card to pay for his/her purchases from a shop or institution by transferring the amount from his Bank account to the account of the shop or institution, as long as the Bank is the issuer of the card and the one implementing the operation in the networks of CACBANK, VISA, National Switch or others. As the POS terminal is an additional means of payment, its existence in the shop gives a sense of confidence and trust to the shopkeepers as well as the shoppers, without their carrying large amounts of cash in their pockets.



# Shop More with CAC Purchasing



# TRAVELLER PACKAGE



# باقعة



**“Across the Border” represents excellent services offered to the Yemeni expatriate and constant expansion of customer network abroad, with successful steps to strengthen relationships with international banks and financial institutions, which bore fruit in the form of understanding and cooperation, rectifying ideas associated with bank activity inside the homeland in the context of varying circumstances resulting from the war.**

## “TRAVELER PACKAGE” SERVICES

**Al Sarie Transfers Overcoming the Barrier of Distance**  
**CAC Bank’s fast transfer service provides you with many advantages:**

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

**CAC Mobily**  
**At a touch of a button manage your accounts and settle your bills.**

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

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

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

**VISA Traveler Card**  
**With Visa Traveler your boundaries are expanded to the fullest extent possible.**

VISA traveler card has been issued in accordance with the latest credit card and EMV smart card technology, which is the most up to date system supported by the largest credit card networks in the world and characterized by a high level of accuracy and safety. Visa traveler card provides you with the following advantages:

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

**CAC Online... We are with you wherever you are.**

CAC Online realizes all your banking desires and ambitions and facilitates your transactions by means of the most guaranteed practices inherent in the internet. CAC Online enables you to access your accounts and review them at any time and place. This service has the following advantages:

- Secrecy and confidentiality of data and banking operations with a high level of advanced and safe techniques.
- Ability to inspect the operation you wish to carry out as well as the possibility of reviewing all your accounts.
- CAC Online may be accessed 24 hours a day.
- CAC Online may be accessed at any place, where an internet service is available.
- Easy and simple procedures with high quality and less time for completing banking operations.

**Traveler Savings ...**  
**Your savings are safe and secure**

You may save your funds in your country and obtain secure saving methods offering rewarding investment returns, in support of your noble pursuit to safeguard your future and the future of your children.

- Save starting with US dollars 300 or the equivalent in any Gulf currency or Yemeni rial.
- Transfer to the saving account on a constant basis by means of a standing order from your current account or in cash.
- Your account is easily accessible through Customer Service Centre at any time in any place.
- Calculation of monthly profits on the minimum balance during the month deposited in the account semiannually at the end of June and December of every year.
- You will be issued an ATM card to facilitate various cash transactions or a checkbook of your own.



# EXPANSION AND PROPAGATION

CACBANK always strives to be available in all directions to facilitate for all segments of customers to obtain bank services rapidly and with the same quality through a wide banking network consisting of 80 branches and offices, spread all over the governorates of the Republic. In the context of this expansion on the part of the Bank,



■ Chairman of the Board of Directors cuts opening ribbon of Sana'a University Office for offering bank services to students and academics.

The following new offices have been opened in 2016:

Office Name		Governorate
1	Sama Mall	Sana'a
2	Algeria	Sana'a
3	Sana'a University	Sana'a
4	Ibb University	Ibb
5	Al Hoban	Taiz
6	Raimah Governorate	Raimah



■ Sana'a University Office

Business has been launched in the following branches, the sites of which have been transferred to new buildings:

Hadda Branch.   May 22 Branch.   Baghdad Branch.

## Wide ATM Network

In 2016 new ATMs have been installed making the grand total 209 ATMs spread over various sites in the governorates of the Republic.



■ Governor of the Raima Governorate cuts opening ribbon of Raima Governorate Office for offering bank services to Raima residents.



Lady  
سيدتي

This is a product designed in various colors targeting women and their characteristics and echoing their unique personalities. The product is created to present to ladies all different types of services (deposits, savings, shopping, credit cards, loans and facilities).



OUR PARTNERSHIP WITH COMMUNICATIONS, WATER AND ELECTRICITY COMPANIES

Electronic banking plays a vital role in maximizing resources and enhancing the Bank’s competitiveness in the context of the developments witnessed by banks. Modernization and development are therefore the most important factors leading to success and achievements in accordance with the designed plans. Accordingly, the following services have been added through the electronic distribution channels in 2016:

- Launch of Sabafone Instantaneous Charging Service.
- Launch of Internet service for Yemen Mobile, Al Sari’e and Al Barq.
- Launch of Instantaneous Charging Service for CAC Mobily.
- Successful launch of Yemen Mobile Service, which is now running live.

These services have enhanced collections in 2016 through the electronic products (CAC Mobily – Pigeon Mobily – E BANKING ) for the following participants:  
Yemen Mobile Company – MTN Company – Sabafone Company – Communications Public Sector Enterprise – Yemen Net – Water Public Sector Enterprise – Electricity Public Sector Enterprise (Nation’s Capital – first district – second district – third district – fourth district – lbb district), whereby the increase in 2016 was YR 1,716,475,827 with percentage of %45.

Yemen Mobile Net services are the following:

- Mazaia Service
- 200MB
- 500MB
- 1GB
- 3GB
- 7GB
- 12GB
- 20GB.

Entity	2015	2016	In Percent
Yemen Net	1,173,632,061	2,423,244,443	100.06%
Yemen Mobile Company	1,994,433,309	2,178,408,555	9 %
Communications PSE	317,542,358	612,294,850	93 %
MTN Company	173,649,213	153,365,662	(12) %
Sabafone Company	101,424,018	97,164,438	(4) %
Y Company	17,442,161	30,120,998	73 %
Total	3,778,123,120	5,494,598,947	%45



MANAGE YOUR ACCOUNTS AND SETTLE YOUR OBLIGATIONS THROUGH YOUR MOBILE.

ELECTRONIC PROGRAM APPLIED THROUGH A MOBILE ENABLING A CUSTOMER TO SEND SMS DIRECTLY TO HIS/HER TELECOMMUNICATION COMPANY FOR ACCOUNT MANAGEMENT AND BILL SETTLEMENT BY MEANS OF A TOUCH OF A BUTTON

- 1- YOU CAN MANAGE YOUR ACCOUNTS EFFECTIVELY AND EFFICIENTLY FROM ANYWHERE AND AT ANY TIME BY USING YOUR MOBILE.
- 2-SAVE TIME AND EFFORT.
- 3- YOU CAN SETTLE YOUR MONTHLY DUES: MOBILE, LANDLINE, WATER, ELECTRICITY, ADSL AND INTERNET BILLS.
- 4-CAC MOBILE INCLUDES A WIDE COLLECTION OF BANKING SERVICES OFFERED THROUGH SMS TECHNOLOGY AND MOBILE APPLICATION.
- 5- THE SERVICE IS OFFERED TO ALL CACBANK CUSTOMERS ALL OVER YEMEN AS WELL AS ABROAD AND BY MEANS OF ALL LOCAL MOBILE SERVICE PROVIDERS
- 6- YOU CAN ADD ALL YOUR ACCOUNTS TO THE SERVICE BY MEANS OF A SINGLE SUBSCRIPTION APPLICATION.
- 7- YOU CAN ADD MORE THAN ONE MOBILE NUMBER TO BE CONNECTED TO THIS SERVICE AS REQUESTED BY CUSTOMER.
- 8- YOU CAN PRINT AN ADVICE FOR ANY TRANSACTION EFFECTED THROUGH CAC MOBILE BY MEANS OF THE REFERENCE NUMBER SENT TO YOUR MOBILE AFTER EXECUTION OF THE TRANSACTION.



CAC INNOVATION

ENRICHING BANKING  
INDUSTRY WITH NEW  
FINANCIAL PRODUCTS



BANKING CREATIVITY  
WITH CACBANK

CAC Innovation is an interactive mechanism between the institution and its customers, who are endowed with innovative ideas. The aim is to contribute to the institution's development and improvement, in addition to encouraging innovative thinking, in order to bring out the vision and expectations of those outside the institution. Furthermore, the purpose is to complete the area of suggestions in a new and effective manner, by means of ideas and thoughts presented for new products and services, improvement of existing services or marketing proposals. Those studies and ideas are assessed, specifying the ones suitable for the Bank and investigating mechanisms to implement them in cooperation with the departments concerned, pursuant to the Bank's strategic and expansionary plans.

The plan will be implemented by means of the "CAC Innovation" link and taking part through the Bank's external web site in the process of suggesting new ideas, whereby those interested in participating can send any ideas or proposals for

services and products, with the results announced on the Bank's web site.

CAC INNOVATION?

Competition in innovative banking thoughts aiming at providing a suitable and continuous environment for research and development to produce innovative means in the service of banking business to facilitate customer relationships and simplify their requirements. The system enables participants to present their inspired thoughts either by inventing new banking products and services or by developing and improving existing ones. The purpose is to support creative minds and efficient and distinctive customers through offering them banking added value.

CAC INNOVATION  
OBJECTIVES

- Support development and innovation of banking services and products.
- Encouragement of creative minds and introducing them to the public.
- Enrichment of the banking industry with new financial products.

Three Types of "Thought"

- 1- Inventing a new banking service or product "Banking Idea". We welcome all innovative thoughts which contribute to the creation of a banking innovation, as well as in the development of a list of new creative banking services and products.
- 2- Development of compressing or merging new banking ideas or solving problems arising therein "Banking Development", in order to put in place solutions associated with offering a service, making its presentation better and quicker. We welcome your useful suggestions helping in raising customer satisfaction and activation of services more efficiently.
- 3- Invention of supplementary service applications in existing products "Banking Innovation", contributing to the development of existing bank products, by linking them to new innovative ideas to create new products encompassing better advantages and a better service.



IDEAS" SYSTEM"



With the appearance of the element of "ideas" as a new source of management, the Bank has selected the "Ideas" System, which is based on scientific foundations and principles and uses the best methods to encourage employees to contribute with their ideas and thoughts. The "Ideas" System is designed to receive the new ideas and thoughts relating to the updating of bank services and products, the introduction of new ones, development of systems and procedures or marketing suggestions, which ensure the achievement of any of the Bank's strategic or operational objectives, particularly those associated with increasing profits, cost reduction, raising the Bank's market share and increasing customer satisfaction. After that, those ideas are assessed and their feasibility and possibility of implementation investigated.

On the basis of appraisal results of those "ideas", innovation and initiative prizes and rewards are distributed to employees in two classes first and second, in addition to a financial reward for the successful "ideas". The system aims at the continuous development of the Bank and its distinction, by adopting the ideas of employees, who are actively pursuing their duties, encouraging them and providing the appropriate environment for the development and continuation of thinking and creativity. The system is also meant to relieve work pressures, diversification of daily functions and the building of firm and constant channels for the embracing of ideas and implementing them. The "ideas" system is considered a new and important standard for the appraisal of the employee and management's contribution to the development and improvement of the Bank.

The "ideas" system is also considered a guarantee for providing services and products commensurate with the current demands and expectations to meet our customers' present and future requirements and desires, in addition to representing a supportive tool for directing efforts and output application from the negative to the positive.

LIST OF  
SUCCESSFUL  
CANDIDATES  
IN THE  
"IDEAS"  
SYSTEM IN  
2016

NAME	JOB TITLE	IDEA NO.
Munir Ahmed Al Dhahabani	Training Center	140
Nada Mohd Abdulla Noman	Research & Development	153
Samar Mohd Ali Salah	May 22 Branch secretary	156
Wadi' Yusuf Qubati	Rada' Branch Manager	196
Mohd Al Sukheimi	Card Operatns Chief	205





## COMPANY INVESTMENTS



**Abdulla Mohamed Basheer**  
Executive Director

## CAC INSURANCE COMPANY

### MAJOR SHAREHOLDERS:

- Cooperative Agricultural Credit Bank (CACBANK)
- CACBANK's employees Fund
- Yemeni Economic Organization
- Group of institutions, private companies and businessmen.



21%

**BANK'S SHAREHOLDING  
IN THE COMPANY**

## CAC INSURANCE COMPANY

### 6 YEARS OF CONTINUOUS SUCCESSFUL SERVICES

CAC Insurance Company has been able, since its establishment in June 2010 and thanks to the efforts of all its cadre of staff, to achieve the top ranks of competition in the Yemeni insurance market.

Despite the precarious economic conditions as a result of the ongoing war, the Company has been able to overcome all difficulties maintaining the Company customers who have joined it since it has begun operations in 2010 until now, in addition to targeting various segments in all sectors in Yemen, such as local and international organizations. Moreover, the Company has widened its insurance activities reaching all areas in Yemen from North to South, as it put in place solutions to all challenges arising out of these events, thus making it the aim of all types of segments of society.

Furthermore, the Company has paid special attention to widen the medical network for health insurance customers, making it in the front line of Yemeni insurance companies in the area of health insurance for the two consecutive years 2015 and 2016, by means of its medical network covering all parts of the Republic of Yemen.

The Company also strives to offer all new products in order to win customer satisfaction and provide the required insurance service in a docile manner and with the highest distinctive quality.





FINANCIAL  
FIGURES

Capital	1,000,000,000	Assets	2,771,433,923
Reserves	877,503,665	Shareholders' equity	817,890,712
Installments	1,945,499,670	Compensations paid	1,209,618,397

FINANCIAL  
INDICATORS

The Company's Board of Directors held its meeting chaired by CACBANK's Board of Directors' Chairman to discuss the financial report presented by CAC Insurance Company's Executive Director for the financial year 2016 and the balance sheet, which showed positive growth in all financial indicators compared with the previous year 2015 as follows:

●  
**Increase in  
Profits**  
  
**219%**

●  
**Increase in  
Reserves &  
Provisions**  
  
**12%**

●  
**Increase in  
Cash Liquidity  
& Bank  
Deposits**  
  
**80%**

●  
**Decrease  
in Liabilities  
Owing to  
Others**  
  
**48%**

REINSURERS AND  
REINSURERS' BROKERS  
IN THE WORLD

Our brokers

- Commercial & General SAL
- CHEDID RE
- J .B. BODA
- NASCO
- RFIB Group Ltd
- GRS

Our REINSURANCE

- TRUST Re.
- GIC OF INDIA DUBAI. BRANCH.
- ARAB RE .
- AFRICA RE.
- MISR INSURANCE.
- TUNIS RE.
- OMAN RE.

THE COMPANY MANAGEMENT HAS BEEN ABLE TO WIDEN ITS CUSTOMER BASE  
SINCE ITS ESTABLISHMENT AND ATTRACT CUSTOMERS AND INSTITUTIONS, THE  
MOST IMPORTANT OF WHICH ARE THE FOLLOWING:

- CACBANK
- CACBANK International, Djibouti
- Red Sea Harbor Institution
- Yemeni Economic Organization
- YLNG
- Sabafone
- Kamaran
- CAC Security and Maintenance
- Marib Poultry
- Y Communications Company
- Suweid Exchange
- Agriculture & Fisheries Promotion Fund
- Deloitte & Touche
- Hertz International
- Yemeni Financial Services Company
- Grand Motors
- Enterprise Development Fund
- Wile & search
- Pyramid Trade
- Gas Corporation (Al Mikhlafl)
- Al khamiri Trade
- Al Faqih Trade
- Itas International
- Al Joubi Furniture
- Ardh Al Jannatein Medicines
- Al Rahmah Medicines
- Taxation Authority
- Islamic CAC
- Al Mudun Refineries



## OUR SERVICES

### Land Transport Insurance

Land transport insurance covers injury or damage caused to goods as a result of collision, overturning and fire or theft caused by the collision. The insurance may be extended according to the conditions of wider transport to cover damage caused by loading and unloading. Furthermore, air attack risks may be covered. The insurance covers all types of commercial goods including all kinds of petroleum products.

### Marine & Air Freight Insurance:

This type of insurance covers and alleviates the risk effects that may be caused to goods in transport by sea (vessel fire, damage to goods, capsizing of vessel or its seizure and other injuries suffered on the sea voyage). Insurance also covers air transport (aircraft destruction and other injuries during the air trip).

### Vehicle and Truck Insurance:

Insurance cover for injuries to the vehicle insured including loss and damage suffered by the insured vehicle or truck, as a result of an accident or overturning, fire, inflammation or lightning. The insurance extends to third party civil responsibility during the year all over the Republic.

### Energy Insurance:

Comprehensive insurance cover for energy, which is one of the vital sources providing a human being with energy, life and vitality, on which he relies in all his social and economic activities. This fact has made his need and demand for energy to increase day by day. There has been a diversity of energy and its sources through the stages of human civilization, beginning with solar energy, which has developed into various sources, including optical fibers, as well as electricity, oil and gas etc.

### Health Insurance:

Comprehensive insurance cover for all kinds of illness and disease happening to a subscriber during the term of insurance, as well as other medical benefits offered to businesses, by providing a health insurance service to their staff and employees to protect their health, ultimately raising their performance and limiting the negative effects represented by their absence from work as a result of sickness.

### Life Assurance

Collective life assurance cover of different types and names guaranteeing for the inheritors of the deceased, or in case of his incapacity, a sum of money providing a decent living, in addition to benefits of personal accident expenses and loss of wage earner.

### Insurance of Fire and Additional Risks

Insurance cover to alleviate the burden of losses caused by fire with our company providing full compensation for all losses emanating from the damage or destruction insured. This guarantees safe and sound progress of economic life for factories, stores, agricultural produce etc. Furthermore, stability and peace of mind are reassured for an individual and family in case a home and property contained therein are insured. Fire losses may amount to tens of millions rials and sometimes hundreds of millions, events which are not rare in the country. Fire insurance therefore guarantees in case of the happening of such catastrophes compensation of the loss amount provided the amount insured equals the value of the damage.

### Insurance of Money and Breach of Trust

Insurance cover for businessmen protecting their funds while stored in vaults or while transporting them from their premises to banks, in addition to breach of trust insurance.

#### All Other Types of Insurance

Covering all types of insurance desired by the customer provided furnishing us with the required documents for the type of insurance requested.





## PARTICIPATION AND ACTIVITIES

### CAC INSURANCE APPLIES PRINCIPLE OF TRANSPARENCY AND CREDIBILITY IN DEALING WITH ITS CUSTOMERS

CAC Insurance Company, owing to its deep faith in propagating insurance awareness and its duty to the public as a pioneering insurance company, has launched an insurance training course held at the premises of Kamaran Industry & Investment Company -Cigarette Factory- situated at Kilo 16, Hodeida. The course was held during the period 17-14 May 2017 and attended by 30 participants from Kamaran Factory as well as civil servants and other customers. Insurance was discussed from the technical and economic point of views and ideas were exchanged in this field. CAC Insurance in its belief in transparency and credibility in its relationship with its customers holds several courses every year in all aspects of insurance.

### CAC INSURANCE SPONSORS A TRAINING COURSE IN INCENSE MANUFACTURE

In the context of the difficult circumstances our country is experiencing, CAC Insurance sponsored a training course for the manufacture of incense, attended by 26 participants, who benefited from methods of producing incense and taking advantage of a useful craft to deal with the tough economic situation faced by our beloved country.

## PRIZES AND REWARDS

Sea Palace Hospital honors CAC Insurance as one of the best insurance companies which offer health insurance services in Yemen.

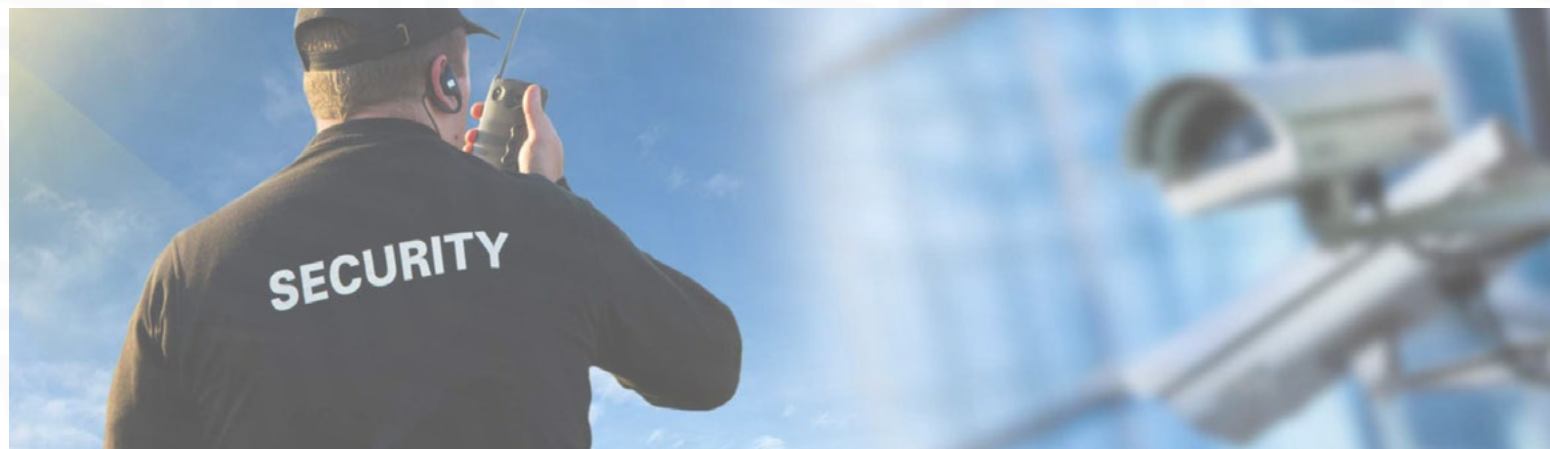


## HEALTH INSURANCE



كاك للتأمين  
**CAC INSURANCE**  
YOUR STRONG FORTRESS





## CAC COMPANY FOR SECURITY AND MAINTENANCE SERVICES



CAC Company for Security and Maintenance Services is a limited liability totally owned Yemeni company established with the aim of competing for projects of operations, maintenance, protection (guarding) of buildings and installations all over Yemen. The first assignment was from CACBANK, after which the quantitative and qualitative steps followed and expanded to include many areas such as operations, maintenance, cleaning, pests control, security and agricultural services, gardening and other distinctive services budgeted for in the Company's development plan.

The Company enjoys many advantages placing it on top of customers' choices, such as quality, a pioneering spirit, flexibility, competitive prices, compliance with constant development and improvement of services and technical specifications, in addition to strong loyalty to its customers and employees.

### SERVICES OFFERED BY THE COMPANY:

- 1- Property and installation protection and safety.
- 2- Maintenance services and ATM replenishment operations
- 3- Transporting and accompanying cash liquidity.
- 4- Messenger services
- 5- Cleaning services
- 6- Entertainment services



EXECUTIVE DIRECTOR  
SALEEM HUNEISH

100%

BANK'S SHAREHOLDING



## FUNDS TRANSFER.. THROUGH YOUR MOBILE

This service enables you to transfer money from your current account with the beneficiary receiving it in cash from one of our authorized sites (Bank branches or agents)







## MARIB POULTRY COMPANY



It is one of the pioneering companies in the area of poultry production both types chickens and eggs. Poultry farms and companies have been adversely affected by the events of 2016. Some of them have stopped production on a permanent basis. Marib Poultry Company has been naturally affected, but its management has hastened to implement accurate plans, resulting in the company's success to continue its activities, something which would not have happened were it not for CACBANK's coming to its aid by extending to it special care within its pioneering and constructive role in serving the national economy in general. It should be noted that the contributions of the Bank to the company are strong and effective in all banking areas, which is the positive element in the company's uninterrupted growth.



**EXECUTIVE DIRECTOR**  
**MOHAMED ABDULLA HUMEID**

**27.32%**

**BANK'S SHAREHOLDING**



**We'll be with you  
Wherever you go**

An electronic banking service E-Banking targeted at that segment of customers that enables a customer to obtain many of the banking services from anywhere in the world at any time through the Bank's Website.



## SOCIAL RESPONSIBILITY



- The Bank bought 1,500 comprehensive school bags, which it has distributed among orphanages and schools of displaced people targeting 15 places, as a humanitarian gesture of great importance in encouraging poor families to send their kids to schools. This action has been taken in the framework of social responsibility shouldered by the Bank as a pioneering national banking institution.



- In view of electricity power cut inside the capital Sana'a, the Bank adopts project to light streets and entrance of Old Sana'a City by using solar energy.

As usual, CACBANK continues to offer support for all social activities in the framework of social responsibility, pursued by the Bank, whereby it strives to develop them and improve their concepts and outputs. During 2016, the Bank has patronized and supported many such activities, festivals and fairs, some of which are the following:



- Under the motto "In every house there is a first aid kit" CACBANK patronizes second festival honoring the First Aid Training Course for 50 participants at Al Rouah Center for training and rehabilitating women and marginalized people.



- Patronage Graduation Ceremony for the 39th class of Management Studies College, Aden



- In the context of the circumstances experienced by public hospitals by way of scarcity of medicines and medical accessories, the Bank offers some medicines in support of Burns Centre at Republican Hospital.



- CACBANK Anniversary Patron of First Solar Energy Fair



- CACBANK honors the Republic's top secondary school graduates



**UNDER THE MOTTO "LET US BE MORE MERCIFUL TO EACH OTHER AND BRING SMILES TO THE AL HUDAYDAH AND HAJJAH GOVERNORATE'S CHILDREN"**

**1,740 FOOD BASKETS FOR TIHAMA COAST**

**1,181 FOOD BASKETS FOR HAJJAH GOVERNORATE**

CACBANK has presented food baskets and distributed them in some districts of Hodeida, Al Huseiniah and neighboring villages, as well as Hajjah Governorate (Bani Hussein, Haradh and & Abs districts). After reviewing the areas most affected and which suffer most from scarcity of assistance on the part of organizations, companies and welfare providers, the Bank's team has distributed food baskets on site, guided by field surveys and lists of the Executive Management Unit of dislocated people. Relevant cards for deserving people were distributed and accordingly the food baskets were allotted.



**TRAINING 57 UNIVERSITY GRADUATES IN BANKING STUDIES**

CACBANK in general bears heavy responsibility towards society in all aspects being one of the most important financial and banking institutions in the country. Here comes the role of Performance Development Department (Training) which participates in extending assistance to researchers and graduates in their research and studies. It also performs its duties through the Bank's Internal Training Centre, as 57 graduates have been trained in the basics of banking services. The Centre also cooperates with institutions and organizations by hosting and organizing various activities and providing knowledge to graduates of various Yemeni universities, colleges and academies.





# حساب توفير البراعم

## CHILDREN'S SAVINGS ACCOUNTS

THIS IS A SAVINGS ACCOUNT DESIGNED SPECIFICALLY FOR CHILDREN, WHEREBY THE BANK GIVES INTEREST PERIODICALLY ON THE ACCOUNT. THE BANK PARTICULARLY TARGETS THE YOUNG FROM THE DATE OF BIRTH UNTIL 18 YEARS. THE ACCOUNT OFFERS THEM THE OPPORTUNITY TO SAVE FOR THE FUTURE.

**ADVANTAGES**

- PROFITS CALCULATED MONTHLY.
- ABILITY TO TRANSFER FROM EITHER PARENT'S ACCOUNT TO THE ACCOUNT OF THE CHILD.
- ABILITY TO USE THE BANK'S ELECTRONIC SERVICES AND REVIEW THE ACCOUNT ANYTIME ANYWHERE.

## GUARANTEEING A BETTER FUTURE



## AGRICULTURE AND FISHERIES FINANCE

The Bank has exercised its specialist functions of offering high quality various development services to both sectors agriculture and fisheries thus improving the standard of living and developing the domestic economy, by means of financing individual and collective projects. Furthermore, the Bank continues and on a wider scale to extend concessionary loans to small farmers and fishermen, a practice it has been doing since its establishment. These loans are disbursed through its branches which are spread all over the homeland, facilitating for farmers and fishermen to obtain diverse kinds of loans and finance for various agriculture, fisheries and livestock projects.

No one denies the difficult circumstances our country is experiencing during this period, the immense challenges being faced by the banking sector in the Republic of Yemen and the complexity of the economic and banking problems in a compounded manner. Despite all this, the agriculture, fisheries and development sector has stood firm and faced these challenges, since agriculture and fisheries production has remained almost as it was in the past, representing a unique sovereign output, after the stoppage of the largest contributor to the national economy (oil), as a result of most oil companies ceasing operations.

The Cooperative and Agricultural Credit Bank, as a specialist institution in the area of development by means of its Agriculture and Fisheries Sector, has remained the only source available to the segment of farmers and fishermen, in view of the Bank continuing to grant development finance at reduced service charges, as reflected by the huge amounts of finance extended to this sector. The Agriculture and Fisheries Sector has launched a study of agriculture and fisheries finance products, the economic feasibility and high financial yield of which have been confirmed in respect of agriculture and fisheries in general.

On the other hand, we notice the seriousness of the Yemeni farmer and fisherman, as reflected by the continuation of activity and repayment of accruing loan installments, enabling the Bank to revolve the loans and grant finance to an increasing number of beneficiaries and borrowers.



*Shahd* شهد

Honey



*Bihar* بحار

Fish



*Bun* بن

Coffee



*Ana'am* أنعام

Livestock



*Rei* ري

Irrigation



*Ghitha* غذاء

Fruits & Vegetables





## VISION

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

## MESSAGE

Offering high quality diversified banking services to our partners with all financial solutions in conformity and harmony with the Shari'a rules and controls, by using the best administrative and technical systems with high professionalism within the best business environment, that achieves constant growth and taking part in serving society and the community.

## FUNDAMENTAL VALUES

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





## ISLAMIC CAC ESTABLISHMENT

Islamic CAC was established in 2010 as an Islamic finance sector of the Cooperative and Agricultural Credit Bank, in accordance with Law No. 16 for the year 2009, allowing conventional banks to open independent branches in the Republic of Yemen, pursuant to the Islamic Shari'a and Central Bank of Yemen's regulations for conventional banks operating Islamic branches.

Islamic CAC is considered the first Islamic branch of a public sector bank in Yemen, which offers all kinds of banking services in compliance with Islamic Shari'a through its numerous branches.

An independent Shari'a Supervisory Board has been appointed to ensure the sound implementation of business and that funds are not mixed, in addition to establish a comprehensive organizational and administrative structure reporting directly to the Board of Directors' Chairman.

In view of the current exceptional situation the country is experiencing, Islamic CAC has paid particular attention to the continuation and sustainability of banking operations, by means of the implementation of fundamental arrangements in this area, as will be explained in the context of this report.

## PROFIT DISTRIBUTION

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

Percent of Customer Deposit Profit Distribution in 2016

Currency	Profit Distribution
Yemeni rial	7.65%
US dollar	3.23%

PROFIT  
2016

7.65 %  
YEMENI RIAL

3.23 %  
US DOLLAR

TRUST  
& GROWTH







TRAINING AND  
PERFORMANCE  
DEVELOPMENT

Owing to the importance given to raising and developing staff performance, whether in the improvement of the Bank or in offering an excellent service to the customer, Islamic CAC has paid special attention to holding specialized and diversified training courses, including all aspects of banking activities and dealing with customers. Furthermore, the Bank has sent many of its employees to specialized training institutes and centers.

Those courses included diverse banking and management businesses in various areas, by way of example and not limited to Islamic bank finance specimens, Islamic bonds, anti-money laundering, tax compliance law (FATCA). Moreover, the training courses comprised strategic planning, financial analysis, asset and liability management and documentary credits and collections.

CUSTOMERS  
AND PRODUCTS

Islamic CAC offers partnership to its customers, by making available a number of packages of banking products, which suit and meet all their various needs and demands. The products include:

Security Package	Life Program	Teyseer package
A number of products including: current accounts, savings and investment deposit accounts	A number of products including a security product enabling customer acquire goods & pay for them by easy installments, in addition to tours and household products from Inma	Various products including debit & credit cards and a "bigger salary" service

Moreover, Islamic CAC pays considerable attention to providing the appropriate and suitable site and location for its customers by transferring to the new building, which is situated in an excellent place in the heart of the capital Sana’a. The new building is easy to reach being near the customer, in addition to being designed in a professional way that is conducive to business, thus giving a better service to the customer.





## BANKING SYSTEMS AND TECHNOLOGY

In order to keep abreast of the most up to date banking technology, the Bank has implemented during 2016 additional developments and modernization in the area of banking systems and technology. This is exemplified by the updating of the Bank's main systems and other secondary financial and commercial systems, contributing to the creation of a better environment for the conduct of operations and achievement.

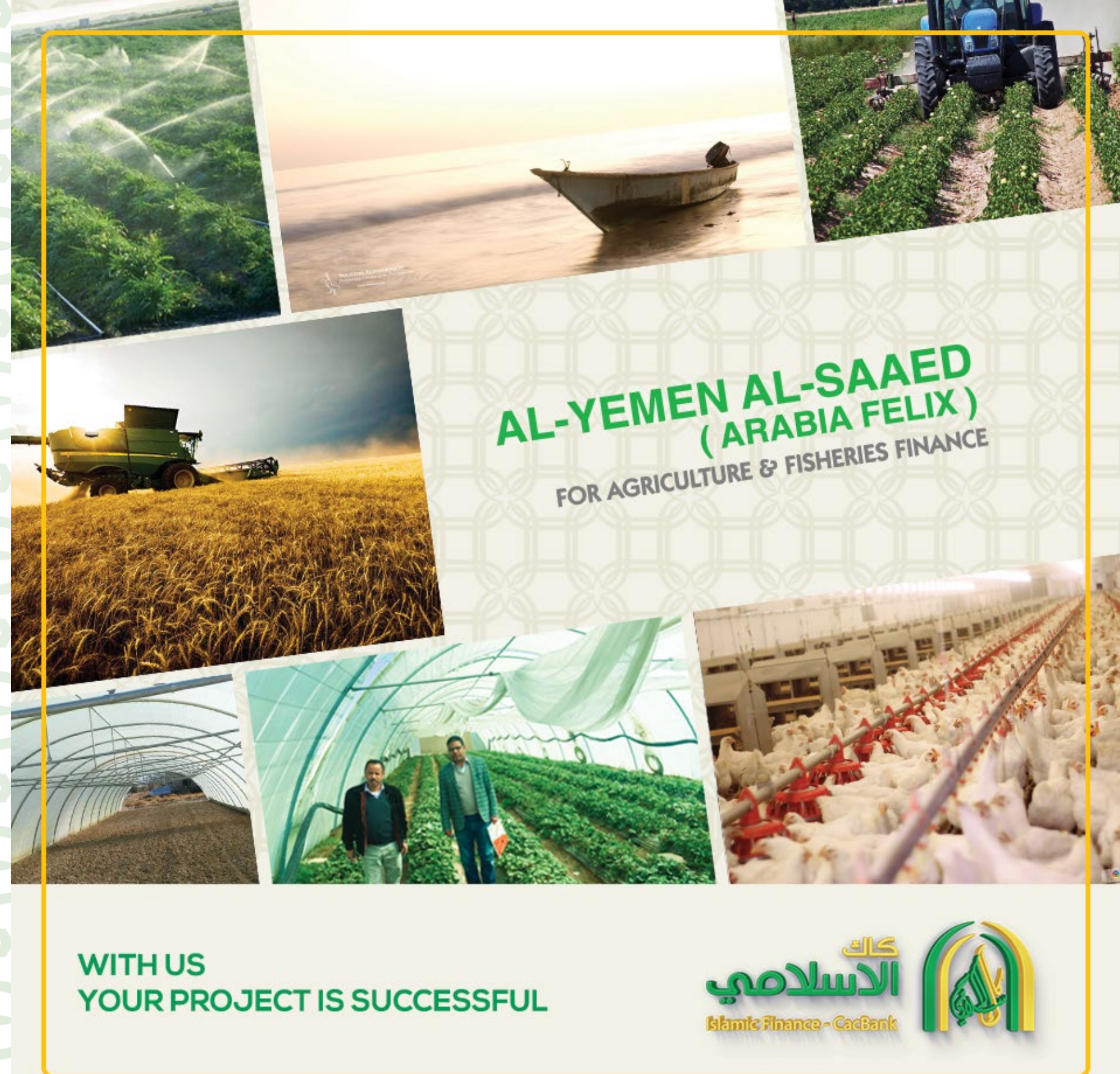
## STRENGTHENING OF INTERNATIONAL RELATIONS

Despite the siege imposed on the country, Islamic CAC has strengthened its international relations with correspondent banks and met its customer obligations to those banks. Owing to the keen attention the Bank pays to serve its customers and the constant flow of international transactions (credits and foreign transfers), a specialized committee has been established to manage Islamic CAC's balances abroad, leading to the creation of more flexible and positive environment in the implementation of those transactions at reasonable prices and at the appropriate time.

## SOCIAL RESPONSIBILITY OF THE BANK

Islamic CAC gives special attention in bearing its social responsibilities and performing its role in a positive manner in this area, as shown in the following points:


- Launching of finance program for small farmers and fishermen in accordance with Islamic finance procedures, by offering them short- and medium-term finance to implement their projects on concessionary terms, thus assisting in improving their standard of living.
- Despite the difficult circumstances faced by Islamic CAC in 2016 as a result of the increase in the US dollar exchange rate, it has been able with the support of top management to make available dollars to its customers at the Central Bank rate to cover foreign trade obligations in the form of documentary credits and collections as well as foreign transfers. Moreover, Islamic CAC has been able to provide dollars to customers to meet domestic dollar finance obligations, as they fell due. These measures have played a significant role to some extent in the maintenance of the exchange rate and its stability.



**AL-YEMEN AL-SAAED  
(ARABIA FELIX)**  
FOR AGRICULTURE & FISHERIES FINANCE

**WITH US  
YOUR PROJECT IS SUCCESSFUL**

**الاسلامي**  
Islamic Finance - CacBank







LADIES' CURRENT ACCOUNT



YOUR CURRENT ACCOUNT



INVESTMENT SAVING (SAVE & INVEST)



SALARY DISBURSEMENT



HOUSE FINANCE



CAR FINANCE

**Ria** Money Transfer



RECEIVE YOUR REMITTANCE FROM AMERICA AND/OR THE REST OF THE WORLD

FROM ANY CACBANK BRANCH BY USING RIA NETWORK **Ria**



**Consolidated financial statements and  
independent auditor's report  
Cooperative and Agricultural Credit Bank  
(Yemeni Joint Stock Company)  
December 2016 ,31**

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## Independent Auditor's Report

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

**Audit . Tax . Advisory**  
**Grant Thornton Yemen**  
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### Report on the Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of **Cooperative and Agricultural Credit Bank** (Yemeni Joint Stock Company) and its subsidiary unit (together referred to as the “Group”) which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (1-52).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the “Group” as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and instructions of CBY and in according with the current Yemeni Laws and regulations.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Accountant's Code of Ethics for Professional Accountants (IESBA) Code that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matters

- We draw attention to Note (51) to the consolidated financial statements related to the political crisis, economic situation and current security events in the Republic of Yemen, which indicate to the existence of an uncertainty about the improvement of the political situation that may cast significant doubts about the Group’s ability to continue as a going concern in case of the continuation of these circumstances. Our opinion is not modified in respect of this matter.
- We draw attention to Note (5.2/h) to the consolidated financial statements related to the Group’s exposure to foreign currencies exchange rate risk and its impacts on the significant foreign currencies position. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and instructions of CBY and in according with the current Yemeni Laws and regulations, and for such internal control as management determines which 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 relating 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.

The Board of Directors 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 is 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 ISAs, we exercise professional judgment 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 risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the 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.





An instinct for growth™

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

- We also provide those the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that any reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Report on Other Legal and Regulatory Requirements

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



Sana'a - Republic of Yemen  
April 29, 2017

## Consolidated Statement of Financial Position

	Notes	Dec. 31, 2016 YR 000s	Dec. 31, 2015 YR 000s
<b>Assets</b>			
Cash on hand and reserve balances with Central Bank of Yemen	7	41,165,652	29,999,735
Due from banks	8	49,396,830	17,945,773
Loans, advances and financing activities, net	9	34,957,302	38,138,851
Investments securities	12	243,830,524	250,224,334
Investments in Islamic Sukuk	16	8,834,000	14,667,000
Investments in associates	17	633,657	632,988
Debit balances and other assets, net	18	2,618,741	4,353,952
Property and equipment, net	20	2,927,891	3,200,865
<b>Total assets</b>		<b>384,364,597</b>	<b>359,163,498</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks and financial institutions	21	17,114,359	14,081,808
Customers' deposits	22	333,089,889	309,577,769
Long-term loans	23	3,193,540	2,756,188
Credit balances and other liabilities	24	7,128,867	8,844,736
Other provisions	25	526,823	1,968,168
<b>Total liabilities</b>		<b>361,053,478</b>	<b>337,228,669</b>
<b>Equity</b>			
Share capital	26.1	19,000,000	17,000,000
Statutory reserve	26.2	3,093,504	2,887,060
General reserve		253,803	47,151
Retained earnings		963,812	2,000,618
<b>Total equity attributable to equity holders of the bank</b>		<b>23,311,119</b>	<b>21,934,829</b>
Non-controlling interests		-	-
<b>Total equity</b>		<b>23,311,119</b>	<b>21,934,829</b>
<b>Total liabilities and equity</b>		<b>384,364,597</b>	<b>359,163,498</b>
<b>Contingent liabilities and commitments, net</b>	27	<b>34,310,942</b>	<b>36,061,444</b>

Finance Manager  
 Deputy of Chief Executive Officer  
 Chief Executive Officer  
 Chairman

Mr. Mohammed K. Al-Maqtari  
 Mr. Abdallah A. Al-Daylami  
 Mr. Salah S. Basha  
 Mr. Mohammed S. Allai

See accompanying notes to the consolidated financial statements



## Consolidated Statement of Comprehensive Income

For the year ended December 31,

	Notes	2016 YR 000s	2015 YR 000s
Interests income	28	44,387,848	48,554,863
Less: interests expense	29	(21,103,363)	(25,994,837)
<b>Net interests income</b>		<b>23,284,485</b>	<b>22,560,026</b>
Islamic financing and investments activities income	30	1,278,487	1,301,152
Less: Return of unrestricted investment and saving accounts holders	31	(333,255)	(317,125)
<b>Net income from Islamic financing and investment activities</b>		<b>945,232</b>	<b>984,027</b>
<b>Net income from interests and Islamic financing and investment activities</b>		<b>24,229,717</b>	<b>23,544,053</b>
Fee and commissions income	32	2,335,587	1,872,153
Loss from foreign currency transactions	33	(10,358,672)	(102,921)
Income from investments securities	34	669	17,094
Other operating income	35	1,121,219	384,002
<b>Net operating income</b>		<b>17,328,520</b>	<b>25,714,381</b>
Less: Impairment loss on investments securities	1.15	-	(1,177,802)
Less: Provisions	36	(1,403,845)	(6,170,978)
Less: Staff cost	37	(8,740,465)	(9,348,388)
Less: Depreciation of property and equipment	20	(704,976)	(724,972)
Less: Other expenses	38	(4,104,717)	(4,768,705)
<b>Net profit for the year before taxes</b>		<b>2,374,517</b>	<b>3,523,536</b>
Less: Income tax for the year	1.24	(201,133)	(1,172,117)
<b>Net profit for the year after taxes</b>		<b>2,173,384</b>	<b>2,351,419</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>2,173,384</b>	<b>2,351,419</b>
Attributable to:			
Equity holders of the bank		2,173,384	2,351,419
Non-controlling interest		-	-
		<b>2,173,384</b>	<b>2,351,419</b>
<b>Earnings per share</b>	39	<b>114 YR</b>	<b>138 YR</b>

Finance Manager

Mr. Mohammed K. Al-Maqtari

Deputy of  
Chief Executive Officer

Mr. Abdullah A. Al-Daylami

Chief Executive Officer

Mr. Salah S. Basha

Chairman

Mr. Mohammed S. Alhai

See accompanying notes to the consolidated financial statements

## Consolidated Statement of Changes in Equity

For the year ended December 31,

2016	Share Capital YR 000s	Statutory reserve YR 000s	General reserve YR 000s	Retained earning YR 000s	Total Equity Attributable to equity holders of the Bank YR 000s	Non- controlling Interests YR 000s	Total YR 000s
<b>Balance at January 1, 2016</b>	<b>17,000,000</b>	<b>2,887,060</b>	<b>47,151</b>	<b>2,000,618</b>	<b>21,934,829</b>	-	<b>21,934,829</b>
Net profit for the year after taxes	-	-	-	2,173,384	2,173,384	-	2,173,384
Other comprehensive income	-	-	-	-	-	-	-
Taxes for previous years	-	-	-	(797,094)	(797,094)	-	(797,094)
	<b>17,000,000</b>	<b>2,887,060</b>	<b>47,151</b>	<b>3,376,908</b>	<b>23,311,119</b>	-	<b>23,311,119</b>
<b>Changes in equity holders, recorded directly in equity</b>							
Transfer to capital	2,000,000	-	-	(2,000,000)	-	-	-
Dividends paid	-	-	-	-	-	-	-
Transfer to general reserve	-	-	206,652	(206,652)	-	-	-
Transfer to statutory reserve	-	206,444	-	(206,444)	-	-	-
	<b>2,000,000</b>	<b>206,444</b>	<b>206,652</b>	<b>(2,413,096)</b>	-	-	-
<b>Balance at December 31, 2016</b>	<b>19,000,000</b>	<b>3,093,504</b>	<b>253,803</b>	<b>963,812</b>	<b>23,311,119</b>	-	<b>23,311,119</b>

See accompanying notes to the consolidated financial statements



## Consolidated Statement of Changes in Equity (Continued)

For the year ended December 31,

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

Finance Manager

Mr. Mohammed K. Al-Maqtari

Deputy of  
Chief Executive Officer

Mr. Abdullah A. Al-Daylami

Chief Executive Officer

Mr. Salah S. Basha

Chairman

Mr. Mohammed S. Allal



See accompanying notes to the consolidated financial statements

## Consolidated Statement of Cash Flows

For the year ended December 31,

	Notes	2016 YR 000s	2015 YR 000s
<b>Cash flows from operating activities</b>			
Net profit for the year before taxes		2,374,517	3,523,536
Adjustments for:			
Depreciation of property and equipment	20	704,976	724,972
Provisions provided during the year	36	1,403,845	6,170,978
Provisions used during the year		(1,462,314)	(2,317,816)
Retranslation differences of provisions in foreign currencies		1,263,409	(3,222)
Taxes for previous years		(797,094)	-
Decrease in available for sale investment		-	1,177,802
Provisions reversed	35	(1,104,965)	(354,512)
Net share in profit of investments in associates		(669)	(14,039)
(Gain) loss on sale of property and equipment		(9,276)	8,299
<b>Operating profit before changes in assets and liabilities used in operating activities</b>		<b>2,372,429</b>	<b>8,915,998</b>
Changes in:			
(Increase) decrease in Reserve balances with Central Bank of Yemen		(2,622,934)	7,292,743
Treasury bills due after 3 months		70,311,761	61,599,834
Decrease in loans, advances and financing activities		2,094,820	21,472,913
Decrease (increase) in debit balances and other assets		1,280,620	(819,004)
Increase (decrease) in due to banks and financial institutions		3,032,551	(7,292,503)
Increase (decrease) in customers' deposits		23,512,120	(114,831,270)
Decrease in credit balances and other liabilities		(743,936)	(319,484)
Income tax paid		(1,173,066)	(1,310,944)
<b>Net cash from (used in) operating activities</b>		<b>98,064,365</b>	<b>(25,291,717)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		(434,507)	(876,893)
Proceeds from sale of property and equipment		11,781	13,058
Increase in investments in Islamic Sukuk		5,833,000	(2,667,000)
<b>Net cash from (used in) investing activities</b>		<b>5,410,274</b>	<b>(3,530,835)</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in long term loans		437,352	(33,594)
<b>Net cash from (used in) financing activities</b>		<b>437,352</b>	<b>(33,594)</b>
Net change in cash and cash equivalents during the year		103,911,991	(28,856,146)
Cash and cash equivalents at the beginning of the year		197,580,785	226,436,931
<b>Cash and cash equivalents at the end of the year</b>		<b>301,492,776</b>	<b>197,580,785</b>



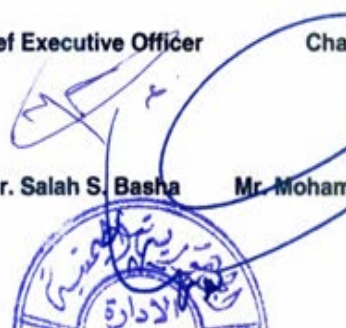

See accompanying notes to the consolidated financial statements



## Consolidated Statement of Cash Flows (Continued)


For the year ended December 31,

	Notes	2016 YR 000s	2015 YR 000s
<b>Cash and cash equivalents at the end of the year consist of:</b>			
Cash on hand and reserve balances with Central Bank of Yemen	7	41,165,652	29,999,735
Due from banks	8	49,396,830	17,945,773
Treasury bills, net	13	238,625,287	245,019,097
		<b>329,187,769</b>	<b>292,964,605</b>
<b>Less: Reserve balances with Central Bank of Yemen</b>		<b>(25,811,842)</b>	<b>(23,188,908)</b>
<b>Less: Treasury bills due after 3 months, net</b>		<b>(1,883,151)</b>	<b>(72,194,912)</b>
		<b>301,492,776</b>	<b>197,580,785</b>

Finance Manager  
 Deputy of Chief Executive Officer  
 Chief Executive Officer  
 Chairman

Mr. Mohammed K. Al-Maqtari  
 Mr. Abdullah A. Al-Daylami  
 Mr. Salah S. Basha  
 Mr. Mohammed S. Allai



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

### 1. Background Information

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

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

The Bank operates through its head office in Sana'a and 41 branches (49 branches in 2015) spread all over the governorates of the Republic of Yemen, in addition to its subsidiary unit in the Republic of Yemen (together referred as the "Group") as follows:

Subsidiary Unit Name	Main Operating Activity	Share Capital YR 000's	Year of corporation	Ownership %	
				2016	2015
CAC Services for Security and Maintenance (Sana'a, Republic of Yemen)	Security and cleaning	10,000	2011	100%	100%

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

#### 2.1 Statement of compliance

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

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

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

The effect of these deviations is immaterial on the consolidated financial statements of the Group as at December 31, 2016.

- The subsidiary financial statements are prepared and presented in accordance with International Financial Reporting Standards (IFRS).
- The consolidated financial statements were approved by the Board of Directors on April 27, 2017.



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<b>2.2 Basis of measurements</b>		<b>• Provision for impairment of investments available-for-sale</b>	
The consolidated financial statements have been prepared on the historical cost basis except for non-trading investments classified as available - for - sale investments are measured at fair value.		The Group exercises judgment to consider impairment on the investments available-for-sale. This includes determination of significant or prolonged decline in the fair value below its cost. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, the Group considers the impairment were appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operating and financing cash flows.	
<b>2.3 Functional and presentation currency</b>		<b>• Useful lives of property and equipment</b>	
The consolidated financial statements are presented in Yemeni Rials, which is the functional currency of the Group, and all values are rounded to the nearest one thousand Yemeni Rial except when otherwise indicated.		The Group uses estimates of useful lives of property and equipment for depreciating these assets.	
<b>2.4 Significant accounting judgments and estimates</b>		<b>• Contingent liability arising from litigations</b>	
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.		Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.	
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.		<b>3. Significant Accounting Policies</b>	
Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in notes 3.5, 3.9, 3.10, 3.11, 5, 10, 12, 19, 20, 24 and 25.		The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.	
The judgments, estimates and assumptions applied by the Group presented in these consolidated financial statements as follows:		<b>3.1 Basis of consolidation</b>	
<b>a. Critical accounting judgments in applying the Group’s accounting policies include:</b>		3. 1. 1 IFRS 10 establishes a single control of model that applies to all entities including special purpose entities or structured entities. The definition of control is such that an investor controls an investee when it is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:	
<b>• Financial asset and liability classification</b>		<ul style="list-style-type: none"><li>• The investor has power over an investee.</li><li>• the investor has exposure to, or rights, to variable returns from its involvement with the investee; and</li><li>• the investor has the ability to use its power over the investee to affect the amount of the investor’s returns.</li></ul>	
The Group's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances:		3. 1. 2 The consolidated financial statements include both the separate financial statements of Cooperative and Agricultural Bank comprising all balances of assets, liabilities and results of operations of Cooperative and Agricultural Credit Bank – Islamic Branch and its subsidiary unit after eliminating all balances and transactions and the statement of comprehensive income items resulting from intra - transactions.	
In classifying financial assets, “held-to-maturity” or “available-for-sale”, the Group has determined it meets the description as set out in accounting policy No (3.3).		a. Subsidiary Company	
<b>• Determination of fair value hierarchy of financial instruments</b>		Subsidiary company is investee that controlled by the Group. The Group control the investee if it meet the control criteria discussed in note (3.1). The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.	
The Group's determination of fair value hierarchy of financial instruments is discussed in note 5.		The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.	
<b>b. Key sources of estimation uncertainty</b>			
<b>• Provision for impairment of assets</b>			
The Group exercises judgment in the estimation of provision for impairment of assets. The methodology for the estimation of the provision is provided in the impairment of financial assets and non-financial assets which is shown in the significant accounting policies below.			



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<div>b. Loss of control</div> <div>Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non- controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the statement of comprehensive income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.</div> <div>c. Non-controlling interest and transactions therewith</div> <div>Non-controlling interests represent the portion of profit and loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statement of comprehensive income and under equity in the consolidated statement of financial position, separately from the Bank shareholders' equity.</div> <div>d. Transactions eliminated on consolidated financial statements</div> <div>The carrying amounts of the Bank's investment in subsidiary and the equity of subsidiary is eliminated an consolidation. The intra-group balances, also income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.</div> <div>3. 2 Foreign currency transactions</div> <div>The Group (the Bank and its subsidiary unit) maintains its book of account in Yemeni Rial, which the Group's functional currency. Transactions in other currencies are translated to the respective functional currency during the financial year at the prevailing exchange rates at the date of transaction. Balances of monetary assets and liabilities in other currencies at the end of the financial year are translated at the prevailing exchange rates on that date. Gains or losses resulting from translation are taken to the statement of comprehensive income.</div> <div>The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the year. Foreign currency differences arising on retranslation are recognized in the statement of comprehensive income.</div> <div>Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.</div> <div>The Group does not deal in forward or options contracts, except to the extent to cover the Group needs or the customers’ transactions with the Group in foreign currencies, which are settled in short term periods.</div> <div>3. 3 Financial assets and financial liabilities</div> <div>a. Recognition and Initial Measurement</div> <div>The Group initially recognizes loan and advances to customers, due from or to banks, customer's deposits and other borrowings on the date at which they are originated. Also other financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument with other party.</div>	<div>b. Classification</div> <div><div>Financial assets</div><div>At inception financial assets are classified in one of the following categories:</div><div><div>1. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell it immediately or in the near future. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.</div><div>2. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Treasury bills held to maturity are considered part of these investments and are recorded at face value and the balance of unearned discount is recorded under credit balances and other liabilities. Treasury bills are presented in the statement of financial position net of the balance of unearned discount outstanding at the consolidated financial statements date according to the instructions of the Central Bank of Yemen.</div><div>Held-to-maturity investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.</div><div>3. Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities are carried at cost less impairment, and all other available-for-sale investments are carried at fair value.</div><div>Interest income is recognized in statement of comprehensive income using the effective interest method. Dividend income is recognized in comprehensive income statement when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in the statement of comprehensive income.</div><div>Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to the statement of comprehensive income as a reclassification adjustment.</div><div>A non-derivative financial asset is reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loan and receivables and if the Group had the intention and ability to hold that financial asset for the foreseeable future or until maturity.</div></div><div><div>Financial liabilities</div><div>The Group has classified and measured its financial liabilities at amortized cost.</div></div><div>c. Derecognition</div><div><div>Financial assets are derecognized when the contractual rights related to the financial instruments have expired which ordinarily coincide with the sale or transfer of the contractual right to receive cash flows related to the asset to an independent party.</div><div>Financial liabilities are derecognized when they extinguished, that is when the contractual obligation is discharged, canceled or expired.</div></div></div>		



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d.	<p><b><u>Offsetting financial assets and liabilities</u></b></p> <p>Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the comprehensive income statement unless required or permitted by any accounting standard or interpretation.</p> <p>e. <b><u>Measurement principles</u></b></p> <p>Financial assets are measured by amortized cost or fair value.</p> <ul style="list-style-type: none"><li>– <b>Amortized cost measurement:</b> the amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment loss. The calculation of effective interest rate includes all fees paid or received that are an integral part of the effective interest rate.</li><li>– <b>Fair value measurement:</b> fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk.</li></ul> <p>The Group measures the fair value of listed investments at the market closing price for the investment. For unlisted investments, the Group recognizes any increase in the fair value, when they have reliable indicators to support such an increase. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between desirous and informed parties who do not have any reactions which might affect the price. In the absence of a reliable measure of fair value, the investment is carried at cost.</p> <p>f. <b><u>Identification and measurement of impairment</u></b></p> <p>At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.</p> <p>Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.</p> <p>The Group consider evidence of impairment loss for loans and advances to customers and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances to customers and held-to- maturity investment securities are assessed for specific impairment. All individually significant loans and advances to customers and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investment securities with similar risk characteristics.</p>	<p>Impairment losses on assets carried at amortized costs are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. Impairment losses are recognized in statement of comprehensive income and reflected in an allowance account against loans and advances to customers.</p> <p>For listed investments, a decline in the market value by 20% from cost or more, or for a continuous period of 9 months or more, are considered to be indicators of impairment.</p> <p>Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income as a reclassification adjustment in the statement of comprehensive income. The cumulative loss that is reclassified from other comprehensive income is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in the statement of comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.</p> <p>In subsequent periods, the appreciation of fair value of an impaired available-for-sale investment security is recorded in fair value reserves.</p> <p><b>3. 4 Revenue recognition</b></p> <ul style="list-style-type: none"><li>– Interest income and expenses for all interest bearing financial instruments are recognized in the statement of comprehensive income using the effective interest rate method except for interest on non-performing credit facilities, in order to comply with the requirements of CBY circular No. 6 of 1996, the Group does not accrue interest on non-performing loans and advances. When an account is treated as non-performing loan, all uncollected interest relating to the three months prior to categorizing the loan as non-performing is reversed from income and transferred to other credit balances as suspense interest.</li></ul> <p>The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.</p> <p>The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate.</p> <p>The effective interest rate is a method of calculating the amortized costs of financial assets and financial liabilities and of allocating the interest income and expenses over the relevant period.</p> <ul style="list-style-type: none"><li>– Profits on Murabaha and Istisna'a contracts are recorded on the accrual basis as all profits at the completion of Murabaha contracts are recorded as deferred revenues and taken to the statement of comprehensive income depending on the finance percentage, using the straight line method over the term of the contract. In accordance with CBY instructions the Group does not accrue the profit on non- performing Murabaha and Istisna'a contracts in the statement of comprehensive income.</li><li>– Profit on Mudaraba contracts, which are initiated and terminated during the financial year, are recorded in the comprehensive income statement at the disposing date of Mudaraba contracts. Profit on Mudaraba contracts which last for more than one financial year, are recognized, based on the cash dividends received on these transactions during the year.</li><li>– Ijarah Muntahia Bittamleek revenues are recorded over the term of the lease contract.</li><li>– Revenue from investments in Islamic Sukuk is recognized in statement of comprehensive income on a time proportionate basis using the rate of return declared by the issuing institutions.</li><li>– Revenue from investments in associates is recorded based on the Group’s share in the equity of these companies in accordance with the approved financial statements of these companies.</li></ul>	



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Income from held to maturity investment securities is recognized based on the effective interest rate method.

–

Dividends income is recognized when the right to receive income is established.

–

In accordance with CBY instructions, the reversed provisions, no longer required provisions, are recorded in the statement of comprehensive income under “other operating income”.

–

Fee and commissions income are recognized when the related services are performed.

3. 5

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

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

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

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

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

3. 6

Contingent liabilities and commitments

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

3. 7

Statement of cash flows

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

3. 8

Cash and cash equivalent

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

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3. 9

Property, equipment and depreciation

a.

Recognition and measurement

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

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

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

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

b.

Subsequent costs

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

c.

Depreciation

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

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

The estimated useful lives are as follows:

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

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



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<p><b>3. 10 Impairment of non-financial assets</b></p> <p>The carrying amounts are reviewed at each reporting date for indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in the consolidated statement of comprehensive income to the extent that carrying values do not exceed the recoverable amounts.</p> <p><b>3. 11 Other provisions</b></p> <p>A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.</p> <p><b>3. 12 Valuation of assets whose titles have been transferred to the Group as a repayment of loans</b></p> <p>According to CBY instructions, assets whose titles have been transferred to the Group are presented in the statement of financial position under debit balances and other assets at the acquired values, less any impairment in their values, if any, at the consolidated financial statements date. Impairment losses are charged to the statement of comprehensive income.</p> <p><b>3. 13 Lease contracts</b></p> <p>Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under these leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.</p> <p><b>3. 14 Valuation of investments in associates</b></p> <ul style="list-style-type: none"> <li>– An associate is an entity over which the Group exerts significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Bank holds between 20 to 50 percent of the voting power of the associate.</li> <li>– Investments in associates are recorded at the acquisition cost. At the financial statements date, the values of these investments are adjusted according to the Group's share in the equity in the associate based on the approved financial statements of these companies. Such changes are reflected in the consolidated statement of comprehensive income.</li> </ul> <p><b>3. 15 Islamic financing and investing contracts</b></p> <p>The Group engages in Shari'ah compliant Islamic banking activities through various Islamic instruments such as, Murabaha, Istisna'aMudaraba and Ijarah. The note no (3.4) presented the revenue recognition related to these instruments.</p> <p>a. <b><u>Murabaha and Istisna’a Financing</u></b></p> <p>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.</p>		<p>Istisnaa's is an agreement between the Group and a customer whereby the Group sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price. Debts related to Murabaha financing and Istisna'a transactions, whether short or long- term, are recorded at cost plus agreed-upon profits.</p> <p>b. <b><u>Mudaraba</u></b></p> <p>A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible for all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.</p> <p>c. <b><u>Ijarah Muntahia Bittamleek</u></b></p> <p>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.</p> <p>The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation, the timing of rental payment and responsibilities of both parties during the lease term. The customer (lessee) provides the Bank (lessor) with an undertaking to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.</p> <p>At the end of the lease term, title of leased assets passes to the lessee, provided that all Ijarah installments are settled by the lessee.</p> <p>Assets acquired for Ijarah Muntahia Bittamleek are recorded at historical cost less accumulated depreciation and impairment losses. They are depreciated, except for land, over the term of the Ijarah contract.</p> <p><b>3. 16 Return to unrestricted investments and saving accounts holders</b></p> <p>Return due on unrestricted investments and saving accounts is determined on the basis of Mudarba contract, which determines profit (loss) sharing basis during the period.</p> <p><b>3. 17 Taxation</b></p> <ul style="list-style-type: none"> <li>– Corporate tax is calculated in accordance with the prevailing laws and regulations in the Republic of Yemen.</li> <li>– Up to December 31, 2009, the Group was not subject to commercial and industrial profits tax and Income Tax, in accordance with Article (21) of Law No. (39) of 1982, concerning the establishment of the Bank, Income Tax Law No. (31) of 1991 and its subsequent amendments by Republican Decree No. (12) of 1999 and the provisions of Article No. (85) of Law No. (38) of 1998 related to banks.</li> <li>– Starting from the year 2010, in accordance with Article (160) of Income Tax Law No. (17) of 2010, the net income for the Bank for the year 2010 is subject to income tax at the rate of 20%.</li> <li>– Due to the characteristics of the tax accounting in Yemen, application of International Accounting Standard on Income Taxes does not usually result in deferred tax liabilities. In the case that deferred tax assets have resulted from the application of this standard, these assets are not booked unless there is assurance that these assets will be realized in the near future.</li> </ul>	



3.18 Social security provision

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

3.19 Dividends on ordinary shares

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

3.20 Earnings per share

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

3.21 Comparatives

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

3.22 Zakat due on shareholders

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

3.23 Shari’aboard

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

3.24 Parent bank financial information

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

4. Changes in Accounting Policies

4.1 New and revised standards that are effective for annual periods beginning on or after January 1, 2016

The standards and amendments that are effective for the first time in 2016 (for entities with a December 31, 2016 year-end) are:

1. 'Annual Improvements to IFRSs' 2012-2014 cycle
2. 'Disclosure Initiative' (Amendments to IAS 1)
3. 'Clarification of Acceptable Methods of Depreciation and Amortization' (Amendments to IAS 16 and IAS 38)
4. 'Agriculture: Bearer Plants' (Amendments to IAS 16 and IAS 41)
5. 'Accounting for Acquisitions of Interests in Joint Operations' (Amendments to IFRS 11)
6. 'Equity Method in Separate Financial Statements' (Amendments to IAS 27)
7. 'Investment Entities: Applying the Consolidation Exception' (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments do not have a significant impact on these financial statements. Accordingly, the Group has made no changes to its accounting policies in 2016.

The information on the new standards that could be applicable to the Group is presented below:

1. ‘Annual Improvements to IFRSs’ 2012-2014 cycle:

This publication is a collection of amendments to IFRSs resulting from issues that were discussed by the IASB during the project cycle for making annual improvements that began in 2012 and which were included in an Exposure Draft published in December 2013. The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of any other project. By presenting the amendments in a single document rather than as a series of piecemeal changes, the IASB aims to ease the burden of change for all concerned. A summary of the issues addressed is set out in the table:

Standard affected	Subject
IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’	Change in methods of disposal
IFRS 7 ‘Financial Instruments: Disclosures’	Servicing contracts
IAS 19 ‘Employee Benefits’	Discount rate: regional market issue
IAS 34 ‘Interim Financial Reporting’	Disclosure of information ‘elsewhere in the interim financial report’

The amendments are effective for annual periods beginning on or after January 1, 2016, although entities are permitted to apply them earlier. The amendments are effective on a retrospective basis, except for the amendments to IFRS 5 which are to be applied prospectively.

2. ‘Disclosure Initiative’ (Amendments to IAS 1):

The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.



3. ‘Clarification of Acceptable Methods of Depreciation and Amortization’ (Amendments to IAS 16 and IAS 38):

The amendments stem from concerns regarding the use of a revenue-based method for depreciating an asset. By way of background, the two Standards require that a depreciation or amortization method should reflect the expected pattern of consumption of the future economic benefits of the asset. The amendments result from a request to clarify the meaning of the term „consumption of the expected future economic benefits of the asset’.

- The Amendments to IAS 16 (Property, plant and equipment)

The Amendments to IAS 16 prohibit the use of a revenue-based depreciation method for property, plant and equipment because:

- A. a depreciation method which is based on revenue allocates the asset's depreciable amount based on revenue generated in an accounting period as a proportion of total expected revenue during the asset's useful life.
- B. revenue reflects a pattern of economic benefits that are generated from operating the business rather than the economic benefits that are being consumed through use of the asset.

- The Amendments to IAS 38(Intangible Assets)

The Amendments to IAS 38 present a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons set out above. This rebuttable presumption can be overcome, ie a revenue-based amortization method might be appropriate, only in two limited circumstances:

- A. the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold, or
- B. when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

4. ‘Accounting for Acquisitions of Interests in Joint Operations’ (Amendments to IFRS 11):

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

5. ‘Equity Method in Separate Financial Statements’ (Amendments to IAS 27):

These amendments allow the use of the equity method to account for investments in subsidiaries, joint ventures and associates. Entities are required to apply the same accounting for each category of investments. No transitional provisions have been included as the IASB believes entities should be able to use information that is already available to them in applying the amendments.

6. ‘Investment Entities: Applying the Consolidation Exception’ (Amendments to IFRS 10, IFRS 12 and IAS 27):

The publication introduces three narrow-scope amendments to IFRS 10 and IAS 28 addressing the accounting for interests in investment entities and applying the consolidation exemption:

- Exemption from preparing consolidated financial statements.
- A subsidiary that provides services that relate to the parent's investment activities.
- Application of the equity method by a non-investment entity investor to an investment entity investee.

These amendments only affect certain specific situations involving investment entities.

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

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

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

1. Disclosure Initiative (Amendments to IAS 7)

The amendments respond to requests from investors for improved disclosures about an entity's financing activities. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). This amendment is for annual reporting periods beginning on or after January 1, 2017.

2. Annual Improvements to IFRSs 2014-2016 Cycle

This publication is a collection of amendments to IFRSs resulting from issues that were discussed by the IASB during the project cycle for making annual improvements that began in 2014 and which were included in an Exposure Draft published in November 2015. The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of any other project. By presenting the amendments in a single document rather than as a series of piecemeal changes, the IASB aims to ease the burden of change for all concerned. A summary of the issues addressed is set out below:

Standard affected	Subject
IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’	Deletion of short-term exemptions for first-time adopters
IFRS 12 ‘Disclosure of Interests in Other Entities’	Clarification of the scope of the Standard
IAS 28 ‘Investments in Associates and Joint Ventures’	Measuring an associate or a joint venture at fair value

The amendments are effective as follows:

- IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ – for annual periods beginning on or after January 1, 2018
- IFRS 12 ‘Disclosures of Other Entities’ – retrospectively in accordance with IAS 8 for annual periods beginning on or after January 1, 2017
- IAS 28 ‘Investments in Associates and Joint Ventures’ – retrospectively in accordance with IAS 8 for annual periods beginning on or after January 1, 2018, however early application is permitted.

3. IFRS 15 Revenue from Contracts with Customers

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

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.



126	Cooperative and Agricultural Credit Bank (Yemeni Joint Stock Company)	Cooperative and Agricultural Credit Bank (Yemeni Joint Stock Company)	127
<b>4. IFRS 9 ‘Financial Instruments’ (2014)</b> The IASB recently released IFRS 9 „Financial Instruments' (2014), representing the completion of its project to replace IAS 39 „Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new „expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The group has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. IFRS 9 (2014) introduces a new mandatory effective date for the Standard of accounting periods beginning on or after January 1, 2018		<b>4. Financial Instruments and Their Related Risks Management</b>	
<b>5. Transfers of Investment Property</b>  The IASB has published "Transfers of Investment Property (Amendments to IAS 40)' which clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments are effective for accounting periods on or after January 1, 2018.		<b>5.1 Financial instruments</b>  <b>a. Financial instruments</b>  The Group’s financial instruments are represented in financial assets and liabilities. Financial assets include cash balances, due from banks, investment securities, loans, advances and financing activities to customers and other financial assets. Financial liabilities include customers' deposits, due to banks and financial institutions, long- term loans and other financial liabilities. Also, financial instruments include rights and obligations stated in contingent liabilities and commitments.  Note (3) to the consolidated financial statements includes significant accounting policies applied for recording and measuring significant financial instruments and their related revenues and expenses.	
<b>6. IFRIC 22 Foreign Currency Transactions and Advance Consideration</b>  The IFRS Interpretations Committee (IFRIC) has issued ‘IFRIC 22 Foreign Currency Transactions and Advance Consideration’ It looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018.		<b>b. Fair value hierarchy</b>  The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements: <ul style="list-style-type: none"><li>• Level 1: Fair values are based on quoted prices (unadjusted) in active markets for identical assets.</li><li>• Level 2: Fair values are based on inputs other than quoted prices included within level 1 that are observable for the assets either directly (i.e. as price) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.</li><li>• Level 3: Fair values are based on valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable input have a significant impact on the instrument's valuation.</li></ul> The fair values for available-for-sale investments comprise YR 744,371 thousand as at December 31, 2016 (YR 744,371 thousand as at December 31, 2015) under the level 3 category. There are no investments qualifying for levels 1 and 2 fair value disclosures.	
<b>7. IFRS 16 ‘Leases’</b>  IFRS 16 will replace IAS 17 and three related Interpretations: <ul style="list-style-type: none"><li>• IFRIC 4 ‘Determining whether an Arrangement contains a Lease’</li><li>• SIC 15 ‘Operating Leases-Incentives’ and</li><li>• SIC 27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’).</li></ul> It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.  IFRS 16 is effective for annual periods beginning on or after January 1, 2019.		<b>c. Financial instruments for which fair value approximates carrying value.</b>  For financial assets and financial liabilities that are liquid or having a term maturity of less than three months, the carrying amounts approximate to their fair value.  <b>d. Fair value of financial instruments</b>  The fair value of financial assets traded in organized financial markets is determined by reference to quoted market bid prices on a regulated exchange at the close of business on the year-end date. For financial assets where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same. Where it is not possible to arrive at a reliable estimate of the fair value, the financial assets are carried at cost until sometime reliable measure of the fair value is available.  Based on valuation bases of the Group’s assets and liabilities stated in the notes to the consolidated financial statements, the fair value of financial instruments does not differ fundamentally from their book value at the consolidated financial statements date.	



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

	2016					Fair Value YR 000s
	Held to Maturity	Loans and Advances	Available- for Sale	Other Amortized Cost	Total Carrying Amount	
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	
<b>Financial Assets</b>						
Cash on hand and reserve balances with CBY	-	41,165,652	-	-	41,165,652	41,165,652
Due from banks	-	49,396,830	-	-	49,396,830	49,396,830
Loans, advances and financing activities, net	-	34,957,302	-	-	34,957,302	34,957,302
<b>:Investments securities</b>						
Measured at fair value	-	-	744,371	-	744,371	744,371
Measured at amortized cost	243,086,153	-	-	-	243,086,153	243,086,153
Investments in Islamic Sukuk	8,834,000	-	-	-	8,834,000	8,834,000
	<b>251,920,153</b>	<b>125,519,784</b>	<b>744,371</b>	<b>-</b>	<b>378,184,308</b>	<b>378,184,308</b>
<b>Financial Liabilities</b>						
Due to banks and financial institutions	-	-	-	17,114,359	17,114,359	17,114,359
Customers' deposits	-	-	-	333,089,889	333,089,889	333,089,889
Long-term loans	-	-	-	3,193,540	3,193,540	3,193,540
	<b>-</b>	<b>-</b>	<b>-</b>	<b>353,397,788</b>	<b>353,397,788</b>	<b>353,397,788</b>

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

5. 2 Risk management of financial instruments

a. Risk management frame work

Risk is inherent in the Group’s activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group’s continuing profitability and each individual within the Groups accountable for the risk exposures relating to his or her responsibilities.

b. Risk management structure

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

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

c. Risk measurement

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

d. Credit risk

Loans and credit facilities to customers and banks, current accounts and deposits with banks and rights and obligations from others are considered as financial assets exposed to credit risk. Credit risk represents the inability of these parties to meet their obligations when they fall due.

• Management of credit risk

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

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



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

Grade	Classification	2016	2015
		YR 000s	YR 000s
1-2	Performing and watch-list	34,495,279	39,358,563

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

- Preparing credit studies on customers and banks before dealing with them and determining their related credit risk rates.
- Obtaining sufficient collaterals to minimize the credit risk exposure which may result from financial problems facing customers or banks.
- Following up and periodical reviews of customers and banks in order to evaluate their financial positions, credit rating and the required provision for non-performing loans.
- Distributing credit portfolio and balances with banks over diversified sectors to minimize concentration of credit risk.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation by the use of collateral agreements:

	2016	2015
	YR 000s	YR 000s
(Cash on hand and reserve balances with CBY (excluding cash on hand and ATM	25,811,842	23,188,908
Due from banks	49,396,830	17,945,773
Loans, advances and financing activities, net	34,957,302	38,138,851
Investments securities	243,830,524	250,224,334
Investments in Islamic Sukuk	8,834,000	14,667,000
Investments in associates	633,657	632,988
Debit balances and other assets after deducting the advance payment, net	1,928,352	3,553,618
	<b>365,392,507</b>	<b>348,351,472</b>
Contingent liabilities and commitments	42,178,593	44,838,045
<b>Total credit risk exposure</b>	<b>407,571,100</b>	<b>393,189,517</b>

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

	2016		2015	
	Gross Maximum Exposure	Net Maximum Exposure	Gross Maximum Exposure	Net Maximum Exposure
	YR 000s	YR 000s	YR 000s	YR 000s
Government	277,731,995	-	293,420,417	-
Finance	64,750,640	63,749	13,238,586	2,551,387
General trade	18,891,567	2,680,795	23,759,789	1,443,776
Industry	3,092,078	2,759	443,709	138,210
Service	5,759,765	3,796,447	2,686,108	219,319
Individuals	6,290,497	5,669,143	9,929,794	8,015,005
Contractors	563,625	9,302	585,760	81,256
Others	1,737,798	48,364	4,287,309	120,883
<b>Total</b>	<b>378,817,965</b>	<b>12,270,559</b>	<b>348,351,472</b>	<b>12,569,836</b>
Contingent liabilities and commitments	42,178,593	34,310,942	44,838,045	36,061,444
	<b>420,996,558</b>	<b>46,581,501</b>	<b>393,189,517</b>	<b>48,631,280</b>

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

e.     **Liquidity risk**

Liquidity risk arises from cash flows generated by assets and liabilities, not being matched in currency, size and term, thereby creating financing needs which potentially cannot be met without incurring substantially higher costs or at any cost at all. Liquidity risk is the risk that the Group will be unable to meet its obligations when they fall due and other risks related to sufficient liquidity without incurring losses on timely basis.

•     **Management liquidity risk**

The Group's management in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis and has arranged diversified funding sources.

The Central Bank of Yemen circular No. 3 of 1997 requires that the liquidity ratio be 25% as a minimum. The liquidity ratio at December 31, 2016 was 85.23% (at December 31, 2015 was 83.73 %).



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

	2016				
	Due within 3 months YR 000s	Due within 3 to 6 months YR 000s	Due within 6 months to 1 year YR 000s	Due over 1 year YR 000s	Total YR 000s
<b>Liabilities</b>					
Due to banks and financial institutions	17,114,359	-	-	-	17,114,359
Customers’ deposits	323,307,292	236,478	47,587	9,498,532	333,089,889
Long-term loans	-	-	-	3,193,540	3,193,540
Credit balances and other liabilities	4,242,187	-	-	2,886,680	7,128,867
<b>Total liabilities</b>	<b>344,663,838</b>	<b>236,478</b>	<b>47,587</b>	<b>15,578,752</b>	<b>360,526,655</b>

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

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

f. Market risk

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

- Management of market risk

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

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

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

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

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

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

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

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

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



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

	2016						Average interest rates	
	Less than 3 months	From 3 months to 6 months	From 6 months to 1 year	Over 1 year	Non-interest sensitive	Total		
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	Local	Foreign
<b>Assets</b>								
Cash on hand and reserve balances with CBY	-	-	-	-	41,165,652	41,165,652	-	-
Due from banks	8,898,274	-	2,887,500	-	37,611,056	49,396,830	15.00%	1.15%
Loans and advances and financing activities, net	18,487,504	8,895,488	2,069,068	5,505,242	-	34,957,302	22.00%	12.00%
Investments securities	238,211,122	4,460,866	414,165	-	744,371	243,830,524	16.60%	-
Investments in Islamic Sukuk	334,000	-	3,000,000	5,500,000	-	8,834,000	12.00%	-
Investments associates	-	-	-	-	633,657	633,657	-	-
Debit balances and other assets, net	-	-	-	-	2,618,741	2,618,741	-	-
Property and equipment, net	-	-	-	-	2,927,891	2,927,891	-	-
<b>Total assets</b>	<b>265,930,900</b>	<b>13,356,354</b>	<b>8,370,733</b>	<b>11,005,242</b>	<b>85,701,368</b>	<b>384,364,597</b>	-	-
<b>Liabilities and equity</b>								
Due to banks and financial institutions	16,052,494	-	-	-	1,061,865	17,114,359	15.00%	5.00%
Customers' deposits	178,166,973	236,478	47,587	9,498,532	145,140,319	333,089,889	15.07%	3.94%
Long-term loans	-	-	-	3,193,540	-	3,193,540	-	2.00%
Credit balances and other liabilities	-	-	-	-	7,128,867	7,128,867	-	-
Other provisions	-	-	-	-	526,823	526,823	-	-
Shareholders' equity	-	-	-	-	23,311,119	23,311,119	-	-
<b>Total liabilities and equity</b>	<b>194,219,467</b>	<b>236,478</b>	<b>47,587</b>	<b>12,692,072</b>	<b>177,168,993</b>	<b>384,364,597</b>	-	-
<b>Interest rate sensitivity gap</b>	<b>71,711,433</b>	<b>13,119,876</b>	<b>8,323,146</b>	<b>(1,686,830)</b>	<b>(91,467,625)</b>	-	-	-
<b>Cumulative interest rate sensitivity gap</b>	<b>71,711,433</b>	<b>84,831,309</b>	<b>93,154,455</b>	<b>91,467,625</b>	-	-	-	-

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



136	Cooperative and Agricultural Credit Bank (Yemeni Joint Stock Company)			137
<ul style="list-style-type: none"> <li>Interest rate sensitivity</li> </ul>	<div> <div> <div>2016</div> <div>The effect of increase in interest rate 2%</div> </div> <div> <div>Cumulative Interest Rate Sensitivity Gap</div> <div>YR 000s</div> </div> <div> <div>Sensitivity of Net Interest Income (Statement of Comprehensive Income)</div> <div>YR 000s</div> </div> <div> <div>Sensitivity of Equity</div> <div>YR 000s</div> </div> </div>			
	Currency			
	Yemeni Rials	144,869,457	2,897,389	2,317,911
	US Dollars	(51,974,663)	(1,039,493)	(831,595)
	Saudi Rials	130,212	2,604	2,083
	Euro	124,415	2,488	1,991
	Other	5,035	101	81
	<div> <div>2016</div> <div>The effect of decrease in interest rate 2%</div> </div> <div> <div>Cumulative Interest Rate Sensitivity Gap</div> <div>YR 000s</div> </div> <div> <div>Sensitivity of Net Interest Income (Statement of Comprehensive Income)</div> <div>YR 000s</div> </div> <div> <div>Sensitivity of Equity</div> <div>YR 000s</div> </div>			
	Currency			
	Yemeni Rials	144,869,457	(2,897,389)	(2,317,911)
	US Dollars	(51,974,663)	1,039,493	831,595
	Saudi Rials	130,212	(2,604)	(2,083)
	Euro	124,415	(2,488)	(1,991)
	Other	5,035	(101)	(81)

Cooperative and Agricultural Credit Bank (Yemeni Joint Stock Company)	2015			137
	<div> <div>2015</div> <div>The effect of increase in interest rate 2%</div> </div> <div> <div>Cumulative Interest Rate Sensitivity Gap</div> <div>YR 000s</div> </div> <div> <div>Sensitivity of Net Interest Income (Statement of Comprehensive Income)</div> <div>YR 000s</div> </div> <div> <div>Sensitivity of Equity</div> <div>YR 000s</div> </div>			
	Currency			
	Yemeni Rials	150,740,446	3,014,809	2,411,847
	US Dollars	(17,412,816)	(348,256)	(278,605)
	Saudi Rials	184,890	3,698	2,958
	Euro	(12,620)	(252)	(202)
	Other	3,329	67	53
	<div> <div>2015</div> <div>The effect of decrease in interest rate 2%</div> </div> <div> <div>Cumulative Interest Rate Sensitivity Gap</div> <div>YR 000s</div> </div> <div> <div>Sensitivity of Net Interest Income (Statement of Comprehensive Income)</div> <div>YR 000s</div> </div> <div> <div>Sensitivity of Equity</div> <div>YR 000s</div> </div>			
	Currency			
	Yemeni Rials	150,740,446	(3,014,809)	(2,411,847)
	US Dollars	(17,412,816)	348,256	278,605
	Saudi Rials	184,890	(3,698)	(2,958)
	Euro	(12,620)	252	202
	Other	3,329	(67)	(53)

h. Exposure to exchange rate risk for foreign currency

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

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

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



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

	2016					Total YR 000s
	US Dollars YR 000s	Euro YR 000s	Saudi Rial YR 000s	Sterling Pound YR 000s	Others YR 000s	
Assets	77,448,075	2,992,586	4,504,785	68,441	159,348	85,173,235
Liabilities	(144,031,731)	(2,983,791)	(9,754,362)	(67,107)	(154,108)	(156,991,099)
<b>Net currency position</b>	<b>(66,583,656)</b>	<b>8,795</b>	<b>(5,249,577)</b>	<b>1,334</b>	<b>5,240</b>	<b>(71,817,864)</b>

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

**Effect of change in fair value for the currency (Foreign currencies sensitivity)**

Below are the average exchange rates for the major currencies at year-end:

	Closing rate as per Central Bank of Yemen		Average exchange rate as per parallel market	
	2016 Equivalent in YR	2015 Equivalent in YR	2016 Equivalent in YR	2015 Equivalent in YR
Dollar USA 1	250.25	214.89	309	249.85
Euro 1	261.78	234.91	323.24	273.13
Saudi Rial 1	66.7	57.15	82.36	66.45
Sterling Pound 1	306.39	318.61	378.32	370.44
AED 1	68.14	58.52	84.14	68.04

\*These rates were based on the average exchange rates in the parallel market used by the Group's Management in the last foreign currencies transactions.

On December 29, 2016, the Central Bank of Yemen issued instructions to all banks and financial institutions working in the Republic of Yemen that the closing rate for US Dollar should be 250.25 Yemeni Rial to 1 US Dollar and therefore their financial positions should be evaluated at the end of December 2016 in this rate. Accordingly, the Group’s Management used the closing rates of December 2016 that has been issued on December 29, 2016 to evaluate the foreign currencies positions as at December 31, 2016.

Taking into account the average of exchange rates in the parallel market and the conditions experienced by the country during the current period, the following table illustrates the sensitivity for decrease of the Yemeni Rial exchange rate against other related foreign currencies and the expected impact on the statement of comprehensive income and equity with all other factors remaining constant:

	Effect on Statement of Comprehensive Income and Equity	
	2016 YR 000s	2015 YR 000s
Dollar USA	(15,631,527)	(646,008)
Saudi Rial	(1,232,509)	(33,024)
Euro	2,065	(20,490)
Sterling Pound	313	(1,431)
Others	1,230	(6,163)

Note 44 to the consolidated financial statements illustrates the major foreign currencies positions at the consolidated financial statements date compared with the last year.

i. **Operational risk**

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

j. **Other risks**

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

## 6. Capital Management

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

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

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

	2016 YR Million	2015 YR Million
Core capital	23,091	21,716
Supplementary capital	70	663
<b>Total capital</b>	<b>23,161</b>	<b>22,379</b>
<b>Risk-weighted assets and contingent liabilities and commitments:</b>		
Total assets	49,799	27,318
Contingent liabilities and commitments	28,648	29,241
<b>Total risk-weighted assets and contingent liabilities and commitments</b>	<b>78,447</b>	<b>56,559</b>
<b>Capital adequacy ratio</b>	<b>29.5%</b>	<b>39.6%</b>

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



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

This item consists of the following as of December 31:

	2016 YR 000s	2015 YR 000s
Cash on hand and at ATM - local currency	9,688,383	3,665,840
Cash on hand and at ATM - foreign currency	5,665,427	3,144,987
	<b>15,353,810</b>	<b>6,810,827</b>
Mandatory reserve with CBY - local currency	14,085,127	14,691,083
Mandatory reserve with CBY - foreign currency	11,726,715	8,497,825
	<b>25,811,842</b>	<b>23,188,908</b>
	<b>41,165,652</b>	<b>29,999,735</b>

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

8. Due from Banks

This item consists of the following as of December 31:

	2016 YR 000s	2015 YR 000s
<b>Central Bank of Yemen</b>		
Current accounts - local currency	8,221,207	5,204,132
Current accounts - foreign currency	965,731	136,043
	<b>9,186,938</b>	<b>5,340,175</b>
<b>Local banks</b>		
Current accounts - local currency	3,616	158
Current accounts - foreign currency	408	36
Short-term deposits - local currency	11,701,606	9,222,019
	<b>11,705,630</b>	<b>9,222,213</b>
<b>Foreign banks</b>		
Current accounts - local currency	830,456	832,034
Current accounts - foreign currency	27,589,638	2,479,372
Short-term deposits - foreign currency	84,168	71,979
	<b>28,504,262</b>	<b>3,383,385</b>
	<b>49,396,830</b>	<b>17,945,773</b>

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

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

9.1 Loans, advances and Islamic financing activities by type

This item consists of the following as of December 31:

	Note	2016 YR 000s	2015 YR 000s
<b>Trading &amp; Agricultural Loans and Advances</b>			
Overdraft		30,308,519	32,838,126
L/Cs financing		18,766	517,476
Loans to customers		30,390,219	28,202,459
Agricultural loans		435,597	425,869
		<b>61,153,101</b>	<b>61,983,930</b>
<b>Less:</b> Provision for loans and advances (trading & agricultural)	<b>(10.1-a)</b>	(17,875,325)	(16,552,561)
<b>Less:</b> Uncollected interest	<b>(11)</b>	(13,989,446)	(11,890,022)
		<b>29,288,330</b>	<b>33,541,347</b>
<b>Islamic financing activities balances</b>			
Murabaha transactions financing		1,938,815	1,738,377
Istisna'a transactions financing		3,185,290	2,660,299
Ijarah Muntahia Bittamleek		2,902,775	2,773,591
Agricultural financing		45,773	46,196
		<b>8,072,653</b>	<b>7,218,463</b>
<b>Less:</b> Provision for financing activities	<b>(10.1-b)</b>	(609,639)	(845,674)
<b>Less:</b> Uncollected revenue		(101,191)	(123,734)
<b>Less:</b> Deferred revenue		(69,843)	(248,102)
<b>Less:</b> Accumulated depreciation for Ijarah Muntahia Bittamleek		(1,623,008)	(1,403,449)
		<b>5,668,972</b>	<b>4,597,504</b>
		<b>34,957,302</b>	<b>38,138,851</b>

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

Non-performing loans, advances and financing activities amounted to YR 19,803,679 thousand as at December 31, 2016 after deducting uncollected interest and revenue by amount of YR 14,090,637 thousand and balances secured by cash deposits by amount of YR 836,158 thousand. As at December 31, 2015, the non- performing loans, advances and financing activities amounted to YR 17,674,111 thousand after deducting uncollected interest and revenue by amount of YR 12,013,756 thousand and balances secured by cash deposits by amount of YR 1,195,821 thousand. The break-up of the above amount is as follows:

	2016 YR 000s	2015 YR 000s
Substandard loans, advances and financing activities	152,953	880,045
Doubtful loans, advances and financing activities	3,570,815	759,092
Bad loans, advances and financing activities	16,079,911	16,034,974
	<b>19,803,679</b>	<b>17,674,111</b>



9. 2    Loans, advances and financing activities by sector

	L/C		2016	Agricultural	Financing	Total
	Overdraft	finance	Loans to			
	YR 000s	YR 000s	customers	loans	activities	YR 000s
			YR 000s	YR 000s	YR 000s	
Agricultural	1,928,549	-	-	435,597	45,773	2,409,919
Trading	11,637,677	18,766	13,080,213	-	1,266,979	26,003,635
Industry	5,484,486	-	2,286,647	-	-	7,771,133
Service	3,660,273	-	877,522	-	3,185,289	7,723,084
Finance	65,972	-	7,857	-	-	73,829
Individuals and others	7,531,562	-	14,137,980	-	3,574,612	25,244,154
	30,308,519	18,766	30,390,219	435,597	8,072,653	69,225,754

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

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

10.    Provision for Loans, Advances and Financing Activities (Performing and Non-Performing)

10. 1    Provision for loans, advances and financing activities by type

a.        Provision for trading and agricultural loans and advances

	Note	2016			2015		
		Specific	General	Total	Specific	General	Total
		YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
Balance at beginning of the year		16,443,259	109,302	16,552,561	13,694,685	112,816	13,807,501
Retranslation differences of provision in foreign currencies		1,194,132	1,842	1,195,974	(985)	-	(985)
<b>Add:</b> Provided during the year	36	950,293	-	950,293	2,994,156	-	2,994,156
<b>Less:</b> Provision reversed		(791,434)	-	(791,434)	-	(94,908)	(94,908)
<b>Less:</b> Used during the year		(32,069)	-	(32,069)	(153,203)	-	(153,203)
Transferred from general to specific Provision		63,325	(63,325)	-	(91,394)	91,394	-
<b>Balance at end of the year</b>		<b>17,827,506</b>	<b>47,819</b>	<b>17,875,325</b>	<b>16,443,259</b>	<b>109,302</b>	<b>16,552,561</b>

b.        Provision for financing activities

	Note	Specific	2016		Specific	2015	
			General	Total		General	Total
		YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
Balance at beginning of the year		652,840	192,834	845,674	49,251	43,443	92,694
Retranslation differences of provision in foreign currencies		7,657	5,716	13,373	-	-	-
Add: provided during the year	36	52,134	1,145	53,279	603,589	149,391	752,980
<b>Less:</b> provision reversed		(248,962)	-	(248,962)	-	-	-
Transferred from general to specific provision		177,154	(177,154)	-	-	-	-
Reclassified to doubtful debits provision		(53,725)	-	(53,725)	-	-	-
		587,098	22,541	609,639	652,840	192,834	845,674

10. 2    Provision for loans, advances and financing activities by sector

a.        Provision for trading and agricultural loans and advances

	2016			
	Corporate	Small	Residential	Total
	Lending	Business	Mortgage	
	YR 000s	Lending	YR 000s	YR 000s
		YR 000s		
Balance at beginning of the year	13,325,155	3,226,325	1,081	16,552,561
Retranslation differences of provision in foreign currencies	1,195,974	-	-	1,195,974
<b>Add:</b> Provided during the year	-	950,293	-	950,293
<b>Less:</b> Used during the year	(16,255)	(15,814)	-	(32,069)
<b>Less:</b> Provision reversed	(604,983)	(186,451)	-	(791,434)
<b>Balance at end of the year</b>	<b>13,899,891</b>	<b>3,974,353</b>	<b>1,081</b>	<b>17,875,325</b>

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

b.        Provision for financing activities

	2016			
	Corporate	Small	Residential	Total
	Lending	Business	Mortgage	
	YR 000s	Lending	YR 000s	YR 000s
		YR 000s		
Balance at beginning of the year	578,591	267,083	-	845,674
Retranslation differences of provision in foreign currencies	13,373	-	-	13,373
<b>Add:</b> Provided during the year	53,279	-	-	53,279
<b>Less:</b> used during the year	-	-	-	-
<b>Less:</b> provision reversed	(248,962)	-	-	(248,962)
Reclassified to doubtful debits provision	(53,725)	-	-	(53,725)
<b>Balance at end of the year</b>	<b>342,556</b>	<b>267,083</b>	<b>-</b>	<b>609,639</b>

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



11.   Uncollected Interest

This item consists of the following as of December 31:

	2016 YR 000s	2015 YR 000s
Balance at beginning of the year	11,890,022	9,603,755
Uncollected interest written off or collected during the year	(3,874,994)	(2,410,193)
Increase during the year	5,657,288	4,696,460
Retranslation differences of provision in foreign currencies	317,130	-
<b>Balance at end of the year</b>	<b>13,989,446</b>	<b>11,890,022</b>

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

12.   Investment Securities

This item consists of the following as of December 31:

	Note	2016 YR 000s	2015 YR 000s
<b><u>Held to maturity investments</u></b>			
(Treasury bills (net	13	238,625,287	245,019,097
Government bonds	14	4,460,866	4,460,866
		<b>243,086,153</b>	<b>249,479,963</b>
Available for sale investments	15	744,371	744,371
		<b>243,830,524</b>	<b>250,224,334</b>

13.   Treasury Bills (Net)

This item consists of the following as of December 31:

	2016 YR 000s	2015 YR 000s
Treasury bills maturing within 90 days	244,549,370	178,494,580
Treasury bills maturing within 180 days	500,000	44,000,000
Treasury bills maturing within 360 days	1,460,000	33,700,000
	<b>246,509,370</b>	<b>256,194,580</b>
Unearned discount balance	(7,884,083)	(11,175,483)
	<b>238,625,287</b>	<b>245,019,097</b>

The treasury bills carry an interest rate between 15.8% and 16.1% during the year 2016 (between 15.8% up to 16.1% during the year 2015). In accordance with the Central Bank of Yemen instructions, treasury bills which mature within a period not exceeding three months are considered as a part of cash and cash equivalents.

14.   Government Bonds

	2016 YR 000s	2015 YR 000s
Government bonds (non-registered)	4,460,866	4,460,866
	<b>4,460,866</b>	<b>4,460,866</b>

In accordance with the Council of Ministers' Resolution No. (145) of 2006 dated April 11, 2006, Ministry of Finance should purchase the agricultural credit portfolio due to the Bank as at December 31, 2005 and according to the agreement reached between Ministry of Finance and the Bank, the Central Bank of Yemen, on behalf of the Ministry of Finance, issued government bonds maturing on April 11, 2016 according to the letter No. (180-130) dated May 10, 2016 sent by the Ministry of Finance to the Governor of the Central Bank of Yemen, these bonds have been extended for one year starting from April 11, 2016 and according to bond No (7) dated April 4, 2017 which sent by Central Bank of Yemen based on the letter No. (62-130) dated March 22, 2017 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 10, 2017 and bear an interest rate at the average rate of three months of treasury bills and the CBY records the interest of these bonds to the Group's accountevery three months.

15.   Available for Sale Investments

This item consists of the following as of December 31:

	Note	2016 YR 000s	2015 YR 000s
<b>Financing investments – local</b>			
Asas Real Estate Company Limited		1,049,802	1,049,802
President Saleh Housing Project		252,401	852,401
General Company for Real Estate Investment Limited		600,000	-
Y-Telecom		430,043	430,043
Yemeni Financial Services		59,131	59,131
Yemen Company for Manufacturing Pumps		15,750	15,750
Dates Factory in Al Tahiti		11,834	11,834
Yemen Hotels Company		2,500	2,500
Yemen Company for Marketing Agricultural Products		1,350	1,350
Yemen British Investment Company		125	125
		<b>2,422,936</b>	<b>2,422,936</b>
<b><u>Financing investments - foreign</u></b>			
CAC International Bank - Djibouti		19,970	19,970
		<b>2,442,906</b>	<b>2,442,906</b>
<b>Less:</b> Impairment for available for sale investments	<b>15.1</b>	(1,698,535)	(1,698,535)
		<b>744,371</b>	<b>744,371</b>



15.1 Impairment for available-for-sale investments

	2016 YR 000s	2015 YR 000s
Balance at beginning of the year	1,698,535	520,733
<b>Add: impairment during the year</b>	-	1,177,802
<b>Balance at end of the year</b>	<b>1,698,535</b>	<b>1,698,535</b>

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

16. Investment in Islamic Sukuk

This item consists of the following as of December 31:

		2016		2015		Value of Sukuk YR 000s
		Maturity Date	Number of Sukuk	Maturity Date	Number of Sukuk	
Investment in Governmental Islamic Sukuk	March 27, 2017	334	334,000	March 27, 2017	1,000	667,000
Investment in Governmental Islamic Sukuk	August 19, 2017	1,000	1,000,000	Nov. 21, 2018	8,000	8,000,000
Investment in Governmental Islamic Sukuk	November 21, 2018	4,000	4,000,000	August 19, 2017	1,000	1,000,000
Investment in Governmental Islamic Sukuk – restricted	August 19, 2017	2,000	2,000,000	Dec. 19, 2018	3,000	3,000,000
Investment in Governmental Islamic Sukuk – restricted	December 19, 2018	1,500	1,500,000	August 19, 2017	2,000	2,000,000
		<b>8,834</b>	<b>8,834,000</b>		<b>15,000</b>	<b>14,667,000</b>

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

17. Investments in Associates

	2016		2015	
	YR 000s	Share %	YR 000s	Share %
Mareb Poultry Company	472,363	27.32	472,363	27.32
CAC Insurance Company	161,294	21.00	160,625	21.00
	<b>633,657</b>		<b>632,988</b>	

The breakup of the above amount is as follows:

	2016 YR 000s	2015 YR 000s
Balance at beginning of January1, Net share in profit	632,988 669	618,949 14,039
Cash distributions received during the year	-	-
Derecognized Investments during the year	-	-
<b>Balance at December 31,</b>	<b>633,657</b>	<b>632,988</b>

The total assets of CAC Insurance Company amounted to YR 2,643,827 thousand for the year 2015(compared with YR 2,295,951 thousand for year 2014). Moreover, the total liabilities amounted to YR 1,875,757 thousand for the year 2015 (compared with YR 1,531,069 thousand for the year 2014).

CAC Insurance Company has realized a net profit of YR 6,931 thousand for the year 2015 (compared with YR 38,650 thousand for the year 2014) according to the last audited financial statements and the audited financial statements for the year 2016 have not been issued. The total assets of Mareb Poultry Company amounted to YR 4,394,249 thousand for the year 2014, and the total liabilities amounted to YR 2,665,249 thousand for the year 2014. Mareb Poultry Company has realized a net profit of YR 39,287 thousand for the year 2014 according to the last audited financial statements, and the audited financial statements for the years 2015 & 2016 have not been issued.

18. Debit Balances and Other Assets, Net

This item consists of the following as of December 31:

	Note	2016 YR 000s	2015 YR 000s
Assets transferred to the Group's ownership		3,631,629	3,821,262
Accrued income and interest		614,430	582,361
Prepaid expenses		373,876	389,558
Projects in process (advances)		316,513	410,776
Advances to employees		159,001	184,373
Other debit balances		2,859,878	3,847,617
		<b>7,955,327</b>	<b>9,235,947</b>
<b>Less: Provision for doubtful debts</b>	<b>19</b>	<b>(5,336,586)</b>	<b>(4,881,995)</b>
		<b>2,618,741</b>	<b>4,353,952</b>

19. Provision for Doubtful Debts

This item consists of the following as of December 31:

	Note	2016 YR 000s	2015 YR 000s
Balance at beginning of the year		4,881,995	2,653,352
<b>Add: Provision provided during the year</b>	<b>36</b>	<b>400,273</b>	<b>2,253,883</b>
<b>Less: Provision used during the year</b>		<b>(6,405)</b>	<b>(24,905)</b>
Reclassified from financing activities provision		53,725	-
Retranslation differences of provision in foreign currencies		6,998	(335)
<b>Balance at end of the year</b>		<b>5,336,586</b>	<b>4,881,995</b>



20. Property and Equipment, Net

This item consists of the following as of December 31:

	2016									
	Balance at January 1, 2016	Addition during the year	Disposals during the year	Balance at December 31, 2016	Accumulated depreciation at January 1, 2016	Reclassification	Depreciation during the year	Disposals during the year	Accumulated depreciation at December 31, 2016	Net book value as at December 31, 2016
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
Land, Buildings and Constructions	1,056,570	-	-	1,056,570	266,453	-	18,873	-	285,326	771,244
Furniture and Equipment	5,505,111	251,292	(14,809)	5,741,594	3,865,580	-	435,536	(13,053)	4,288,063	1,453,531
Point of Sale and ATMs	1,532,768	14,166	-	1,546,934	1,364,388	-	75,127	-	1,439,515	107,419
Motor Vehicles	819,288	18,482	-	837,770	644,356	-	68,748	-	713,104	124,666
Leasehold Improvements	1,458,821	150,567	(55,069)	1,554,319	1,030,916	-	106,692	(54,320)	1,083,288	471,031
Total	10,372,558	434,507	(69,878)	10,737,187	7,171,693	-	704,976	(67,373)	7,809,296	2,927,891

	2015									
	Balance at January 1, 2015	Addition during the year	Disposals during the year	Balance at December 31, 2015	Accumulated depreciation at January 1, 2015	Reclassification	Depreciation during the year	Disposals during the year	Accumulated depreciation at December 31, 2015	Net book value as at December 31, 2015
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
Land, Buildings and Constructions	1,056,570	-	-	1,056,570	244,784	(720)	22,389	-	266,453	790,117
Furniture and Equipment	5,165,532	446,912	(107,333)	5,505,111	3,485,022	2,413	467,624	(89,479)	3,865,580	1,639,531
Point of Sale and ATMs	1,485,685	47,083	-	1,532,768	1,277,464	170	86,754	-	1,364,388	168,380
Motor Vehicles	803,830	21,691	(6,233)	819,288	562,531	388	84,169	(2,732)	644,356	174,932
Leasehold Improvements	1,108,222	361,207	(10,608)	1,458,821	979,737	(2,251)	64,036	(10,606)	1,030,916	427,905
Total	9,619,839	876,893	(124,174)	10,372,558	6,549,538	-	724,972	(102,817)	7,171,693	3,200,865

21. Due to Banks and Financial Institutions

This item consists of the following as of December 31:

	2016 YR 000s	2015 YR 000s
<b>Local banks</b>		
Current accounts - foreign currency	105,713	82,971
Current accounts - local currency	380,085	20,388
Time deposits - foreign currency	11,913,693	8,992,244
	<b>12,399,491</b>	<b>9,095,603</b>
<b>Foreign banks</b>		
Current accounts - foreign currency	156,230	835,491
Current accounts - local currency	58	896
Time deposits - local currency	4,138,801	3,829,182
	<b>4,295,089</b>	<b>4,665,569</b>
<b>Foreign financial institutions</b>		
Current accounts - foreign currency	419,617	318,729
Current accounts - local currency	162	1,907
	<b>419,779</b>	<b>320,636</b>
	<b>17,114,359</b>	<b>14,081,808</b>

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

22. Customers’ Deposits

a. Customers’ deposits by type

This item consists of the following as of December 31:

	2016 YR 000s	2015 YR 000s
Time deposits	176,998,775	150,198,088
Current and demand accounts	122,051,254	121,627,791
Margins of LCs and LGs	17,237,605	20,768,673
Saving accounts	10,965,226	10,035,489
Time deposits - restricted	3,500,000	5,000,000
Other deposits	2,337,029	1,947,728
	<b>333,089,889</b>	<b>309,577,769</b>

As at December 31, 2016 customer deposits include YR 30,076 million of margins held for direct and indirect facilities (YR 26,378 million as at December 31, 2015).

b. Customers’ deposits by sector

This item consists of the following as of December 31:

	2016 YR 000s	2015 YR 000s
Corporations	76,383,416	99,337,136
Individuals	92,497,999	105,247,018
Public and mixed sectors	142,058,037	82,277,214
Others	22,150,437	22,716,401
	<b>333,089,889</b>	<b>309,577,769</b>



23. Long Term Loans

This item consists of the following as of December 31:

	Note	2016	2015
		YR 000s	YR 000s
Tehama Development Project - III	23.1	5,271	5,271
Raimah Development Project	23.2	4,670	5,094
Mahra Rural Development Project	23.3	55,474	59,699
Arab Fund for Economic and Social Development	23.4	3,128,125	2,686,124
		3,193,540	2,756,188

23.1 Tehama Development Project - III

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

23.2 Raimah Development Project

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

23.3 Mahra Rural Development Project

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

23.4 Arab Fund for Economic and Social Development

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

24. Credit Balances and Other Liabilities

This item consists of the following as of December 31:

	Note	2016	2015
		YR 000s	YR 000s
Accrued interest payable		1,886,723	1,654,868
Income taxes for previous years		727,919	21,622
Accrued expenses		718,540	538,780
Unearned income		582,178	48,907
Income tax for the year	24.1	201,133	1,173,066
Salary tax payable		125,696	96,075
Other credit balances		2,886,678	5,311,418
		7,128,867	8,844,736

24.1 Income taxes for the year

This item consists of the following as of December 31:

	Note	2016	2015
		YR 000s	YR 000s
Income taxes for the year		1,173,066	1,311,893
Less: Paid during the year		(1,173,066)	(1,310,944)
Add: Provided during the year		201,133	1,172,117
Balance at end of the year	46	201,133	1,173,066

25. Other Provisions

This item consists of the following as of December 31:

	2016					
	Balance at Jan. 1, 2016 YR 000s	Retranslation Differences of provision in foreign currencies YR 000s	Provided during the year YR 000s	Used during year YR 000s	Reversed provision YR 000s	Balance at Dec. 31, 2016 YR 000s
Provisions for contingent liabilities	360,614	47,064	-	-	(64,569)	343,109
Provisions for contingent claims	1,607,554	-	-	(1,423,840)	-	183,714
	1,968,168	47,064	-	(1,423,840)	(64,569)	526,823

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

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



26. Shareholders’ Equity

26.1 Share capital

As at December 31, 2016, the share capital represents amounts of YR 19 billion (December 31, 2015: YR 17 billion) divided into 19 million shares of YR 1,000 par value according to the General Assembly meeting held on August 13, 2016 regarding to increase the capital by amount of YR 2,000,000 thousand (bonus shares).  
The break-up of the above amount is as follows:

	Number of Shares	2016 Percentage of holding %	Value of Shares YR 000s
Agricultural Promotion Fund	7,695,000	40.50	7,695,000
Government represented by the Ministry of Finance	6,425,800	33.82	6,425,800
Civil Aviation and Metrology Authority	4,750,000	25.00	4,750,000
General Confederation of Agriculture	129,200	0.68	129,200
	<b>19,000,000</b>	<b>100</b>	<b>19,000,000</b>

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

26.2 Statutory Reserve

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

27. Contingent Liabilities and Commitments, Net

	2016 Gross Commitments YR 000s	Margin Held YR 000s	Net Commitments YR 000s
Letters of credit	8,536,884	(1,458,091)	7,078,793
Letters of guarantee - customers	33,641,709	(6,409,560)	27,232,149
	<b>42,178,593</b>	<b>(7,867,651)</b>	<b>34,310,942</b>

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

28. Interest Income

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

	2016 YR 000s	2015 YR 000s
Interest on treasury bills	38,919,325	41,288,732
Interest on loans and advances to customers	3,172,298	5,353,136
Interest on due from banks	1,557,259	1,194,906
Interest on Government Bonds	738,966	718,089
	<b>44,387,848</b>	<b>48,554,863</b>

29. Interest Expense

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

	2016 YR 000s	2015 YR 000s
<b>Interest on customers’ deposits:</b>		
Interest on time deposits	17,367,712	22,532,072
Interest on saving accounts and current accounts	1,356,809	1,328,573
	<b>18,724,521</b>	<b>23,860,645</b>
<b>Interest on balances due to banks:</b>		
Interest paid to banks	2,318,410	2,080,171
Interest paid to long term loans	60,432	54,021
	<b>2,378,842</b>	<b>2,134,192</b>
	<b>21,103,363</b>	<b>25,994,837</b>



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Cooperative and Agricultural Credit Bank (Yemeni Joint Stock Company)

30. Islamic Financing and Investement Activities Income

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

	2016	2015
	YR 000s	YR 000s
Income from Islamic Sukuk	939,308	870,868
Income from financing Murabaha transactions	112,433	247,047
Income from Ijarah Muntahia Bittamleek	99,627	118,543
Income from Istisna'a transaction	127,108	64,694
Income from agricultural financing	11	-
	1,278,487	1,301,152

31. Return of Unrestricted Investments and Saving Accounts Holders

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

	2016	2015		
	Local Currency %	Foreign Currencies %	Local Currency %	Foreign Currencies %
Investment deposits	7.65%	3.23%	7.74%	3.05%
Saving accounts	4%	1.5%	4.40%	1.73%

32. Fee and Commission Income

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

	2016	2015
	YR 000s	YR 000s
Commissions on letters of credit	731,853	762,788
Commissions on letters of guarantee	244,057	276,365
Commissions on transfer of funds	342,984	166,686
Other banking service charges	1,016,693	666,314
	2,335,587	1,872,153

33. Loss from Foreign Currency Transactions

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

	2016	2015
	YR 000s	YR 000s
Gain from foreign currencies transactions	3,413,157	412,334
Loss) from retranslation of foreign currencies)	(13,771,829)	(515,255)
	(10,358,672)	(102,921)

Cooperative and Agricultural Credit Bank (Yemeni Joint Stock Company)

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34. Income From Investment Securities

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

	2016	2015
	YR 000s	YR 000s
Income from available for sale investments	-	3,055
Income from investments in associates	669	14,039
	669	17,094

35. Other Operating Income

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

	2016	2015
	YR 000s	YR 000s
Provision reversed	1,104,965	354,512
Income from owned properties rental	1,900	2,408
Others	14,354	27,082
	1,121,219	384,002

36. Provisions

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

	Note	2016	2015
		YR 000s	YR 000s
Provision for loans and Advances	(10.1-a)	950,293	2,994,156
Provision for financing activities	(10.1-b)	53,279	752,980
Provision for doubtful debts	19	400,273	2,253,883
Other provisions	25	-	169,959
		1,403,845	6,170,978

37. Staff Cost

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

	2016	2015
	YR 000s	YR 000s
Salaries, allowances and incentives	7,781,978	8,600,233
Medical insurance	549,320	490,316
Social security	366,290	253,525
Others	42,877	4,314
	8,740,465	9,348,388



38. Other Expenses

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

	2016 YR 000s	2015 YR 000s
Operating leases	571,898	556,439
Zakat expenses	501,215	421,108
Maintenance and repairs	438,890	420,990
Travelling and transportation	321,734	563,004
Communications	306,993	227,634
Security and guarding	305,126	376,271
Fees and licenses	272,551	253,183
Transportation and post office	207,910	353,397
Insurance expenses	199,514	167,427
Advertisement and publicity	175,675	479,062
Stationery and printing supplies	138,520	121,555
Utilities	65,347	141,853
Consultancy and professional fees	59,247	48,190
Training expenses	53,041	65,244
Other expenses	487,056	573,348
	<b>4,104,717</b>	<b>4,768,705</b>

39. Earnings Per Share

This item consists of the following as of December 31:

	2016	2015
Net profit for the year (YR thousand)	2,173,384	2,351,419
Weighted average number of shares (Thousand shares)	19,000	17,000
<b>Earnings Per Share (YR)</b>	<b>114</b>	<b>138</b>

The weighted average number of shares have been calculated as follows:

	Thousand Shares	Thousand Shares
Number of shares at the beginning of the year	17,000	14,900
Effect of bonus shares during the year	2,000	2,100
	<b>19,000</b>	<b>17,000</b>

40. Maturities of Assets and Liabilities

The following table shows the maturity of assets and liabilities as at December 31, 2016:

	Due within 3 months YR 000s	Due within 3 to 6 months YR 000s	2016 Due within 6 months to 1 year YR 000s	Due over 1 year YR 000s	Total YR 000s
<b>Assets</b>					
Cash on hand & reserve balances with CBY	41,165,652	-	-	-	41,165,652
Due from banks	46,509,330	-	2,887,500	-	49,396,830
Loans, Advances and financing activities, net	18,487,504	8,895,488	2,069,068	5,505,242	34,957,302
Investments securities	238,211,122	4,460,866	414,165	744,371	243,830,524
Investment in Islamic Sukuk	334,000	-	3,000,000	5,500,000	8,834,000
Investments in associates	-	-	-	633,657	633,657
Debit balances and other assets	1,463,820	-	-	4,082,812	5,546,632
	<b>346,171,428</b>	<b>13,356,354</b>	<b>8,370,733</b>	<b>16,466,082</b>	<b>384,364,597</b>
<b>Liabilities</b>					
Due to banks and financial institutions	17,114,359	-	-	-	17,114,359
Customers' deposits	323,307,292	236,478	47,587	9,498,532	333,089,889
Long-term loans	-	-	-	3,193,540	3,193,540
Other liabilities and equity	4,242,189	-	-	26,724,620	30,966,809
	<b>344,663,840</b>	<b>236,478</b>	<b>47,587</b>	<b>39,416,692</b>	<b>384,364,597</b>
<b>Net</b>	<b>1,507,588</b>	<b>13,119,876</b>	<b>8,323,146</b>	<b>(22,950,610)</b>	<b>-</b>

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

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



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

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

	Saudi Rial %	Yemeni Rial %	2016 US Dollar %	Euro %
<b><u>Assets</u></b>				
Due from banks - time deposits	1.15	15	5	-
Treasury bills - held to maturity	-	16.6	-	-
Government bonds	-	16.60	-	-
Loans to customers	7.94	22	10	12
Agricultural loans	-	6	-	-
Overdrafts	-	25	12	2.5
<b><u>Liabilities</u></b>				
Customers - time deposits	1.72	15.07	3.94	-
Saving accounts	15	15	2	2.5
Banks - time deposits	-	15	5	-
Long term loans	-	2.6	2	-

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

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

				2016				
	Manufacturing	Agriculture	Trade	Building and	Finance	Tourism	Others	Total
	YR 000s	YR 000s	YR 000s	Construction	YR 000s	YR 000s	YR 000s	YR 000s
				YR 000s				
<b><u>Assets</u></b>								
Cash on hand and reserve balances with								
Central Bank of Yemen	-	-	-	-	41,165,652	-	-	41,165,652
Due from banks	-	-	-	-	49,396,830	-	-	49,396,830
Loans, advances and financing activities (net)	3,092,078	1,704,669	17,664,588	563,625	70,154	51,045	11,811,143	34,957,302
Investments securities	-	-	-	744,371	238,625,287	-	4,460,866	243,830,524
Investments in Islamic Sukuk	-	-	-	-	8,834,000	-	-	8,834,000
Investments in associates	-	472,363	-	-	161,294	-	-	633,657
<b><u>Liabilities</u></b>								
Due to banks and financial institutions	-	-	-	-	17,114,359	-	-	17,114,359
Customers' deposits	8,737,757	6,536,668	56,126,844	15,299,522	3,857,244	451,098	242,080,756	333,089,889
Long-term loans	-	-	-	-	3,193,540	-	-	3,193,540
Contingent liabilities and commitments, net	3,155,196	497,388	9,736,163	8,813,327	6,308,080	349,740	5,451,048	34,310,942



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

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

	2016					
	Republic of Yemen	America	Europe	Asia	Africa	Total
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
<b><u>Assets</u></b>						
Cash on hand and reserve balances with CBY	41,165,652	-	-	-	-	41,165,652
Due from banks	20,892,568	58,231	2,082,845	26,359,944	3,242	49,396,830
Loans, advances and financing activities, net	34,957,302	-	-	-	-	34,957,302
Investments securities	243,810,554	-	-	-	19,970	243,830,524
Investments in Islamic Sukuk	8,834,000	-	-	-	-	8,834,000
Investments in associates	633,657	-	-	-	-	633,657
<b><u>Liabilities</u></b>						
Due to banks and financial institutions	13,429,491	-	-	419,779	3,265,089	17,114,359
Customers' deposits	333,089,889	-	-	-	-	333,089,889
Long-term loans	3,193,540	-	-	-	-	3,193,540
Contingent liabilities and commitments, net	27,232,942	-	381,530	6,696,470	-	34,310,942

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

44. Significant Foreign Currencies’ Positions

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

	2016		2015	
	Surplus (deficit) YR 000s	% of capital & reserves	Surplus (deficit) YR 000s	% of capital & reserves
US Dollar	(66,583,656)	(298%)	(64,600,795)	%(295)
Saudi Rial	(5,249,577)	(24%)	(3,302,432)	%(15)
Euro	8,795	0.04%	(2,048,982)	%(9)
Sterling Pound	1,334	0.01%	(143,118)	%(1)
Others	5,240	0.02%	(616,344)	%(3)
<b>Net (deficit)</b>	<b>(71,817,864)</b>	<b>(321%)</b>	<b>(70,711,671)</b>	<b>%(323)</b>

The US Dollar exchange rate as at December 31, 2016 was YR 250.25 (as at December 31, 2015: US Dollar exchange rate was YR 214.89).

45. Transactions with Related Parties

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

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

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

	2016 YR 000s	2015 YR 000s
Loans, advances and Islamic financing activities (net)	239,047	79,015
Current accounts and time deposits	1,037,313	1,176,403
Long term loans	-	-
Commissions and interest received	348	225
Interest paid	3,584	10,293
Salaries and benefits	217,859	233,814

46. Tax Status

- Up to December 31, 2009, the Bank is not subject to commercial and industrial profit tax and income tax, in accordance with Article (21) of Law no. (39) of 1982 concerning the establishment of the Bank, Income Tax Law No. (31) of 1991 and its subsequent amendments by Republican Decree No. (12) of 1999 and the provisions of Article No. (85) of Law No. (38) of 1998 concerning banks.
- Salary tax has been cleared up to the year 2008.
- The Group has paid the salary tax for the year 2009 based on the declaration but the reconciliation between the Group and the Tax Authority has not been completed yet.
- Profit and salary tax have been cleared for the year 2010.
- Profit and salary tax have been cleared for the year 2011.
- Profit and salary tax have been cleared for the year 2012 according to the reconciliation minutes signed on October 25, 2016 between the Group and Tax Authority.
- Profit and salary tax have been cleared for the year 2013.
- The Group has submitted the tax declaration for the year 2014 and paid the amount due within the legal deadline. The Group was notified on April 3, 2017 of additional profit tax assessment with an amount of YR 170,781 thousand (after deducting the taxes paid) and YR 92,591 thousand for salary tax, in addition to the amount of YR 1,545 thousand as tax differences on taxable income according to the form No. (3) and the Group is not intending to submit any objection.
- The Group has submitted the tax declaration for the year 2015 and paid the amount due within the legal deadline. The field inspection is in progress by Tax Authority and has not been completed yet, and the Group did not receive any additional tax notification from Tax Authority up to the issuance date of the consolidated financial statements.

47. Zakat

- The Group submits its Zakat declaration annually and remits the amount due based on the declaration.
- The Group has paid the Zakat up to the end of 2014 according to the Zakat declaration. No additional assessment notifications has been issued by the Zakat Department.
- The Group has paid the Zakat for the year 2015 according to the Zakat declaration, financial statements and supporting receipts from the Head Office and Branches. No additional assessment notifications has been issued by the Zakat Department.

48. Contingent Liabilities

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

49. Operating Lease

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

	2016 YR 000s	2015 YR 000s
Not later than one year	143,747	125,757
Later than one year and not later than five years	12,763	22,544
Later than five years	2,708	2,915
	<b>159,218</b>	<b>151,216</b>



50. Comparative Figures

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

51. Events in republic of Yemen

As a result of the events and the security situation happened in the Republic of Yemen during the years 2015, 2016 and 2017 which affected the business activities and economic situation of the country, it is difficult for management to predict the effects of these events until the issuance date of the consolidated financial statements for the year 2016. The management confirms that it will study the Group effects of this crisis in the short term and make the necessary precautions to ensure continuity.

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

1 Statement of Financial Position

	Dec. 31, 2016 YR 000s	Dec. 31, 2015 YR 000s
<b>Assets</b>		
Cash on hand and reserve balances with Central Bank of Yemen	41,165,652	29,999,735
Due from banks	49,396,830	17,945,773
Loans, advances and financing activities, net	34,957,302	38,138,851
Investments securities	243,830,524	250,224,334
Investments in Islamic Sukuk	8,834,000	14,667,000
Investments in associates	633,657	632,988
Investments in subsidiaries	10,000	10,000
Debit balances and other assets, net	2,657,297	4,386,103
Property and equipment, net	2,906,107	3,178,327
<b>Total assets</b>	<b>384,391,369</b>	<b>359,183,111</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Due to banks and financial institutions	17,114,359	14,081,808
Customers' deposits	333,338,361	309,661,436
Long-term loans	3,193,540	2,756,188
Credit balances and other liabilities	6,818,580	7,457,415
Other provisions	521,823	3,085,632
<b>Total Liabilities</b>	<b>360,986,663</b>	<b>337,042,479</b>
<b>Equity</b>		
Share capital	19,000,000	17,000,000
Statutory reserve	3,093,504	2,887,060
General reserve	253,803	47,151
Retained earnings	1,057,399	2,206,421
<b>Total Equity</b>	<b>23,404,706</b>	<b>22,140,632</b>
<b>Total liabilities and equity</b>	<b>384,391,369</b>	<b>359,183,111</b>
<b>Contingent liabilities and commitments, net</b>	<b>34,310,942</b>	<b>36,061,444</b>

## Separate Financial Statements for CAC Bank - Parent company (Continued)

## 2. Statement of Comprehensive Income for the years ended December 31,

	2016 YR 000s	2015 YR 000s
Interests income	44,387,848	48,561,883
<b>Less:</b> interests expense	(21,122,512)	(26,054,318)
<b>Net interests income</b>	<b>23,265,336</b>	<b>22,507,565</b>
Islamic financing and investments activities income	1,278,487	1,301,152
<b>Less:</b> Return of unrestricted investment and saving accounts holders	(333,255)	(317,125)
<b>Net income from Islamic financing and investment Activities</b>	<b>945,232</b>	<b>984,027</b>
<b>Net income from interests and Islamic financing and investments activities</b>	<b>24,210,568</b>	<b>23,491,592</b>
Fees and commission income	2,335,587	1,919,008
Loss from foreign currency transactions	(10,359,861)	(102,921)
Income from investment in securities	669	17,094
Other operating income	1,117,370	372,949
<b>Net operating income</b>	<b>17,304,333</b>	<b>25,697,722</b>
<b>Less:</b> Impairment loss on investments securities	-	(1,177,802)
<b>Less:</b> Provisions	(1,403,845)	(6,151,837)
<b>Less:</b> Staff cost	(7,770,596)	(8,266,152)
<b>Less:</b> Depreciation of property and equipment	(700,225)	(716,835)
<b>Less:</b> Other expenses	(5,333,075)	(5,653,845)
<b>Net profit for the year before income tax</b>	<b>2,096,592</b>	<b>3,731,251</b>
<b>Less:</b> Income tax for the year	(201,133)	(1,172,117)
<b>Net profit for the year after tax</b>	<b>1,895,459</b>	<b>2,559,134</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>1,895,459</b>	<b>2,559,134</b>
<b>Earnings per share</b>	<b>100 YR</b>	<b>151 YR</b>



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Branches



Offices



## CACBANK Network of Branches & Offices

Sana'a Governorate			
Branches & Offices	Phone	Fax	Address
Sana'a Branch	01 110 220	112 220 01 940 232 01	Saba Circle
Ardh Himyar Office	387119 01	985 384 01	Madhbah Office
Airport Office	271 348 01	272 348 01	Sana'a Intr'l Arpt
Daris Office			Airport Road Sana'a
Sana'a University Off			Commerce College
Haddah Branch	370 428 01/1	361 428 01/2	Hadda Street
Al Masilah Office	259 591 04	259 591 04	Al Masilah
Sama Mall Office			50 <sup>th</sup> Street
Al Zubairi Branch	801 538 01/2	832 538 01	Al Zubairi Street
Algiers Office			Baghdah Street
Movenpick Office	545868 01	545869 01	Dhahr Himyar, Nuqur
Dhahban Office	337996 01	337887 01	60 North Street
14 October Branch	551 634 01	234 634 01	Taiz Rd
Bab Al Salam Office	01 269569	586 269 01	Bab Al Salam
Baghdad Branch	01441404	441 01 407	Baghdad Street
Balhaf Office	05 211961	05 964 521	Balhaf
22 May Branch	230 627 01	236 627 01	Taiz Street
Asbahi Office	337 673 01	6 01237 27	40th Street
Mogadishu St Branch	01 884 537	01 959 537	Ring Rd West

Dhamar Governorate			
Branches & Offices	Phone	Fax	Address
Dhamar Branch	06509296	06509295	Al Manzil St
Dhamar Office	06509227	06509227	Sana'a/Taiz Street
Ma'abar Office	022 439 06	022 439 06	Ring Poad
Aanis Office	06455321	06455017	All Sharq City

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

Hajja Governorate			
Branches & Offices	Phone	Fax	Address
Hajja Branch	07222200	07222427	Al Salam St
Al Aman Off	07228116	07228118	Aman Market
	07228138	07242636	
Abs Branch	07242137/8	07242636	Main Street
Mahabisha Off	07230925	07230924	Main Street

Al Mahweet Governorate			
Branches & Offices	Phone	Fax	Address
Al Mahweet Branch	402626 07 07404354	07403357	Main Street

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

Marib Governorate			
Branches & Offices	Phone	Fax	Address
Marib Branch	06301331 06304193	06302205	Govt Complex

Al Jowf Governorate			
Branches & Offices	Phone	Fax	Address
Al Jowf Branch	06341081 06342014	06342014	Al Hazm

Al Baidha Governorate			
Branches & Offices	Phone	Fax	Address
Al Baidha Branch	06539320	06539321	Main Street
Sari' Office	06539326	06539326	Highway
Rada'a Branch	06559074/5	06559073	Main Street

TAIZ			
Branches & Offices	Phone	Fax	Address
Taiz Branch	04269110	04210482	Al Hureish
Al Hoban Office			Al Hoban
Jamal St Branch	04210481	04267946	Jamal Street
	04267961		
	04251888		
Mocha Branch	04362360	04362320	Mocha
	04362926		
Al Turbah Branch	04301289	04302007	Al Qiada St

IBB			
Branches & Offices	Phone	Fax	Address
Ibb Branch	04458039	04455665	Ring Road
Taiz St Office	04424602	04424603	Taiz Street
Ibb University			Ibb University
Arwa Branch	04421283/4	04421285	Al 'Udain St
Qa'ida City Off	04331138	04345188	Highway
Governorate Off	04408488	04401834	Jara'an Centre
Yareem Branch	04501133	04501721	Behind A'Rahman Clinic
Yareem Office			
'Udain Branch	04470105	04470107	Main Street
	04470505		
Al Nadira Branch	04541992	04541993	Main Street
Al Sadda Office			Main Street

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

Aden			
Branches & Offices	Phone	Fax	Address
Mansurah Branch	358 02160	02358157	Caltex Circle
Mansura Office	02358156	02303405	Caltex Circle
Crater Branch	02267541/9	02264400	Arwa Street
Mu'alla Office	02220416	02220416	Mu'alla Customs
Free Zone Branch	02398866	03262699	Free Zone
	02356340		Free Zone
Sheikh Othman Br	02306821/2		Sheikh Othman
Buraiqa Office	02306823/6		Buraiqa

Lahj			
Branches & Offices	Phone	Fax	Address
Lahj Branch	02510996/7		Main St

Abyan			
Branches & Offices	Phone	Fax	Address
Abyan Branch	02605594	02602109	Unity St, Zinjibar
	02604753		

Abyan			
Branches & Offices	Phone	Fax	Address
Mukalla Branch	05314899	05314898	Banks Street
	05352691		
Seyiun Branch	05404606	05400640	Algeria St
	05409937		
Al Qatn Office	05458341	05456555	Highway
Al Shihr Branch	05336443	05336440	Main Street
	05382333		

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

Shabwa			
Branches & Offices	Phone	Fax	Address
Beihan Branch	05270245	05270244	Al Tarbiah St
Shabwa Branch	05200534	05202526	Ataq City (?)
Balhaf Office	961 211 05	964 211 05	Balhaf Highway

Al Mahara			
Branches & Offices	Phone	Fax	Address
Al Mahara Branch	05611950	05612623	Thi Al Hajlah St
	05613205		
Al Ghaidha Office	05613700	05613701	Highway
Sayhoot Branch	05640590	05640591	Sayhoot
Sayhoot Office	05640710	05640713	Highway

Al Dhali'a			
Branches & Offices	Phone	Fax	Address
Al Dhali'a Branch	022/431491	02510996	Main Street
Al Dhali'a Branch	02431491/2	02431493	Main Street
Qa'taba Office	02451410	02451409	Highway
Damt Branch	02456962	02456963	Damt Main Rd
Juban Office	02461912	02461912	Public Street







**Dear Customers and employees:**

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

**Annual\_report@cacbank.com.ye**

Or the following phone number:

**+967 1 538918**

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