English Translation of the Original Arabic Text

COOPERATIVE AND AGRICULTURAL CREDIT BANK
(YEMENI JOINT STOCK COMPANY)

Sana'a, Republic of Yemen

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 AND INDEPENDENT AUDITOR'S REPORT

English Translation of the Original Arabic Text

COOPERATIVE AND AGRICULTURAL CREDIT BANK (YEMENI JOINT STOCK COMPANY)

Sana'a, Republic of Yemen

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 AND INDEPENDENT AUDITOR'S REPORT

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English Translation of the Original Arabic Text

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF
COOPERATIVE AND AGRICULTURAL CREDIT BANK**
Sana'a, Republic of Yemen

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Cooperative and Agricultural Credit Bank (YJSC) (the Bank), and its subsidiary company (together referred to as the "Group") which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and instructions issued by Central Bank of Yemen, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

English Translation of the Original Arabic Text

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and instructions issued by Central Bank of Yemen.

Report on Other Legal and Regulatory Requirements

We have obtained from management the information and clarifications that we deemed necessary for our audit. The Group keeps proper books of account, and the accompanying consolidated financial statements are in agreement with these books. We are not aware of any violations of Yemen Commercial Companies Law No. 22 of 1997 and its amendments, Banking Law No. 38 of 1998 and Law No. 39 of 1982 concerning the establishment of Cooperative and Agricultural Credit Bank having occurred during the year which might have had a material effect on the consolidated financial statements as at December 31, 2013.

KPMG
YEMEN
MEJANNI & CO.
Public Accountants
License No.307

M. Zohdi Mejanni
Associated Accountant

Sana'a, March 29, 2014

English Translation of the Original Arabic Text
COOPERATIVE AND AGRICULTURAL CREDIT BANK (YJSC)
Sana'a, Republic of Yemen

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	Note	2013 YR 000's	2012 YR 000's
ASSETS			
Cash on hand and reserve balances with Central Bank of Yemen	7	44,117,640	31,748,959
Due from banks	8	51,444,486	33,154,650
Loans, advances and Islamic financing activities (net)	9	38,603,027	31,210,340
Investment securities	12	305,372,153	201,188,668
Investments in Islamic Sukuk	16	8,000,000	2,000,000
Investments in associates	17	474,547	408,540
Debit balances and other assets (net)	18	5,606,371	6,460,084
Property and equipment (net)	20	2,832,174	3,021,816
TOTAL ASSETS		456,450,398	309,193,057
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institutions	21	14,864,798	24,933,661
Customers' deposits	22	413,856,580	262,891,367
Long-term loans	23	137,251	170,846
Credit balances and other liabilities	24	7,948,761	6,415,804
Other provisions	25	2,490,000	391,192
Total Liabilities		439,297,390	294,802,870
EQUITY	26		
Share capital	26-a	11,900,000	11,000,000
Legal reserve	22-b	2,169,787	1,626,364
General reserve		3,823	35,726
Retained earnings		3,079,398	1,728,097
Total Equity Attributable to Equity Holders of the Bank		17,153,008	14,390,187
Non-Controlling Interest		-	-
Total Equity		17,153,008	14,390,187
TOTAL LIABILITIES AND EQUITY		456,450,398	309,193,057
Contingent liabilities and commitments (net)	27	38,907,536	39,119,154

The attached notes on pages 8 to 61 are an integral part of these consolidated financial statements.
Independent auditor's report is set out on pages 1 and 2.

Monasser Saleh Al Quaiti
Chairman

Salah Sadek Basha
Chief Executive Officer

Anaam Al Shahary
Deputy Chief Eecutive Officer

Mohammed Al Maqtari
Finance Manager

English Translation of the Original Arabic Text
COOPERATIVE AND AGRICULTURAL CREDIT BANK (YJSC)
Sana'a, Republic of Yemen

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 YR 000's	2012 YR 000's
Interest income	28	47,326,404	36,691,275
Less: interest expense	29	(27,785,226)	(21,764,994)
Net interest income		19,541,178	14,926,281
Islamic financing and investments activities income	30	508,592	422,179
Less: Return of unrestricted investment and saving accounts holders	31	(348,723)	(157,344)
Net income from Islamic financing and investment activities		159,869	264,835
Net income from interest and Islamic financing and investments activities		19,701,047	15,191,116
Fee and commissions income	32	1,763,655	1,725,072
Gain of foreign currency transactions	33	197,279	518,185
Income from investment securities	34	91,758	200,838
Other operating income	35	54,768	91,836
Operating income		21,808,507	17,727,047
Less:			
Impairment loss on investment securities	15-1	(489,174)	-
Provisions	36	(3,606,678)	(4,308,153)
Staff cost	37	(7,152,190)	(5,687,415)
Depreciation of property and equipment	20	(801,296)	(997,834)
Other expenses	38	(4,494,374)	(4,174,985)
Net profit for the year before income tax		5,264,795	2,558,660
Less: Income tax expenses for the year	24-a	(1,597,825)	(570,014)
Less: Income tax expenses of previous years	46	(44,149)	-
Net profit for the year after tax		3,622,821	1,988,646
Other comprehensive income		-	-
Total comprehensive income for the year		3,622,821	1,988,646
Attributable to:			
Equity holders of the bank		3,622,821	1,988,646
Non-controlling interest		-	-
Earnings per share	39	YR 312	YR 181

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COOPERATIVE AND AGRICULTURAL CREDIT BANK (YJSC)
Sana'a, Republic of Yemen

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

	Share Capital YR 000's	Legal Reserve YR 000's	General Reserve YR 000's	Retained Earnings YR 000's	Total Equity Attributable to Equity Holders of the Bank YR 000's	Non – Controlling Interest YR 000's	Total YR 000's
Year 2013							
Balance at January 1, 2013	11,000,000	1,626,364	35,726	1,728,097	14,390,187	-	14,390,187
Total comprehensive income for the year							
Net profit for the year	-	-	-	3,622,821	3,622,821	-	3,622,821
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,622,821	3,622,821	-	3,622,821
Transactions with owners, recorded directly in equity							
Transfer to capital increase (bonus share)	900,000	-	(31,903)	(868,097)	-	-	-
Dividends to equity holders	-	-	-	(860,000)	(860,000)	-	(860,000)
Transfer to legal reserve (proposed)	-	543,423	-	(543,423)	-	-	-
	900,000	543,423	(31,903)	(2,271,520)	(860,000)	-	(860,000)
Balance at December 31, 2013	11,900,000	2,169,787	3,823	3,079,398	17,153,008	-	17,153,008
Year 2012							
Balance at January 1, 2012	11,000,000	1,328,067	35,726	37,748	12,401,541	-	12,401,541
Total comprehensive income for the year							
Net profit for the year	-	-	-	1,988,646	1,988,646	-	1,988,646
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,988,646	1,988,646	-	1,988,646
Transactions with owners, recorded directly in equity							
Transfer to legal reserve	-	298,297	-	(298,297)	-	-	-
	-	298,297	-	(298,297)	-	-	-
Balance at December 31, 2012	11,000,000	1,626,364	35,726	1,728,097	14,390,187	-	14,390,187

The attached notes on pages 8 to 61 are an integral part of these consolidated financial statements.
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COOPERATIVE AND AGRICULTURAL CREDIT BANK (YJSC)
Sana'a, Republic of Yemen

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 YR 000's	2012 YR 000's
Cash flows from operating activities			
Net profit for the year before income tax		5,264,795	2,558,660
Adjustments for:			
Depreciation of property and equipment	20	801,296	997,834
Provisions provided during the year	36	3,606,678	4,308,153
Provisions used during the year		(592,595)	(395,132)
Retranslation differences of provisions in foreign currencies		763	17,168
Loss foreign currency translation (unrealized)		682	137,908
Provisions reversed	35	(15,415)	(25,221)
Net share in (profit) of investments in associates		(80,192)	(20,812)
Impairment loss on incvestment securities		489,174	-
Net (profit) on sale of property and equipment		(1,849)	(1,262)
Operating profit before changes in assets and liabilities used in operating activities		9,473,337	7,577,296
Changes in:			
Reserve balances with Central Bank of Yemen		(12,296,661)	(4,406,382)
Treasury bills due after 3 months		(104,486,315)	(29,903,197)
Loans, advances and financing activities		(8,145,991)	25,015,339
Debit balances and other assets		710,708	(867,364)
Due to banks and financial institutions		(10,069,538)	20,852,190
Customers' deposits		150,760,953	53,804,646
Credit balances and other liabilities		505,146	2,579,122
Income tax paid		(614,163)	(319,755)
Net cash from operating activities		25,837,476	74,331,895
Cash flows from investing activities			
Acquisition of property and equipment		(649,285)	(641,420)
Proceeds from the sale of property and equipment		39,480	190,719
Acquisition of investment securities		(430,043)	-
Acquisition of investments in Islamic Sukuk		(6,000,000)	(2,000,000)
Acquisition of investments in associates		-	(42,000)
Cash dividends received from associates		12,685	11,396
Proceeds from sale of investments in associates		1,500	-
Net cash (used in) investing activities		(7,025,663)	(2,481,305)

English Translation of the Original Arabic Text
COOPERATIVE AND AGRICULTURAL CREDIT BANK (YJSC)
Sana'a, Republic of Yemen

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 YR 000's	2012 YR 000's
Cash flows from financing activities			
(Decrease) in long term loans		(33,595)	(63,595)
Dividends paid		(860,000)	-
Net cash (used in) financing activities		(893,595)	(63,595)
Net change in cash and cash equivalents		17,918,218	71,786,995
Cash and cash equivalents at the beginning of the year		177,439,123	105,466,912
Effect on exchange rate fluctuations on cash held		199,939	185,216
Cash and cash equivalents at the end of the year		195,557,280	177,439,123
Cash and cash equivalents at the end of the year consist of			
Cash on hand and reserve balances with CBY	7	44,117,640	31,748,959
Due from banks	8	51,444,486	33,154,650
Treasury bills (net)	13	299,037,666	194,795,050
		394,599,792	259,698,659
Less: Reserve balances with Central Bank of Yemen	7	(30,931,742)	(18,635,081)
Less: Treasury bills due after 3 months (net)		(168,110,770)	(63,624,455)
		195,557,280	177,439,123

The attached notes on pages 8 to 61 are an integral part of these consolidated financial statements.
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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 license no. 5391.

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

The Bank operates through its head office in Sana'a and 53 branches spread all over the governorates of the Republic of Yemen, in addition to the subsidiary company in Yemen as follows:

Subsidiary Name	Company Main Operating Activity	Share Capital YR 000's	Year of Incorporation	Ownership % 2013	Ownership % 2012
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:

  a. The adoption of minimum fixed percentages for loan provisions in accordance with Central Bank of Yemen circular No. 6 of 1996 and No. 5 of 1998,

  b. The recording of provision for general risks calculated on performing loans under "loans provision" and not under equity,

  c. 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, 2013.

- 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 March 29, 2014.

2.2 Basis of measurements

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

2.3 Functional and presentation currency

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

2.4 Significant accounting judgments and estimates

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

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

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

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

a) Provision for impairment of assets

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

b) Provision for impairment of investments available-for-sale

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

c) Useful lives of property and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

- IFRS 10 establishes a single control of model that applies to all entities including special purpose entities and replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation-Special Purpose Entities. IFRS 10 changes the definition of control 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:

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

  Based on management's analysis, IFRS 10 had no significant impact on the consolidation of investments held by the Group.

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

  a. Subsidiary Company

     Subsidiary company is an entity controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

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

  b. Loss of control

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

c. Non-controlling interest and transactions therewith

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

d. Transactions eliminated on consolidated financial statements

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency transactions

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

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

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

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

3.3 Financial assets and financial liabilities

a. Recognition and Initial Measurement

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

b. Classification

- **Financial assets**

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

1. *Loans and receivables*

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

2. *Held–to-maturity financial assets*

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

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

3. *Available-for-sale investments*

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

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

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

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

- **Financial liabilities**

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

c. Derecognition

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

d. Offsetting financial assets and liabilities

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

e. Measurement principles
Financial assets are measured by amortized cost or fair value.

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

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

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

  In the absence of a reliable measure of fair value, the investment is carried at cost.

f. Identification and measurement of impairment

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

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

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

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

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

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income as a reclassification adjustment. 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 profit or loss and other comprehensive income statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

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

3.4 Revenue recognition

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

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

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

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

- Profits on Murabaha and Istisna'a contracts are recorded on the accrual basis as all profits at the completion of Murabaha contracts are recorded as deferred revenues and taken to the statement of comprehensive income depending on the finance percentage, using the straight line method over the term of the contract. In accordance with CBY instructions the Group does not accrue the profit on non-performing Murabaha and Istisna'a contracts in the statement of profit or loss and other comprehensive income.

- Ijarah Muntahia Bittamleek revenues are recorded over the term of the lease contract.

- Revenue from investments in Islamic Sukuk is recognized in profit or loss and other comprehensive income statement on a time proportionate basis using the rate of return declared by the issuing institutions.

- Revenue from investments in associates is recorded based on the Group's share in the equity of these companies in accordance with the approved financial statements of these companies.

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

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

- In accordance with CBY instructions, the reversed provisions, no longer required provisions, are recorded in the statement of profit or loss and other comprehensive income under "other operating income".

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

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

In order to comply with CBY circular No. 6 of 1996 and No. 5 of 1998 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:

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

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

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

3.6 Contingent liabilities and commitments

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

3.7 Statement of cash flows

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

3.8 Cash and cash equivalent

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalent consist of cash on hand, due from banks other than reserve balances and treasury bills - held to maturity which are due within three months from the issuance date.

3.9 Property, equipment and depreciation

a. Recognition and measurement

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

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

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

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

b. Subsequent costs

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

c. Depreciation

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

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

The estimated useful lives are as follows:

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

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

3.10 Impairment of non-financial assets

The Group reviews the carrying amounts of the assets, according to their materiality, at each financial statements date to determine whether there is any indication of impairment, if any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

The Group's corporate assets that do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in the profit or loss and other comprehensive income statement. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rate basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.11 Other provisions

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

3.12 Valuation of assets whose titles have been transferred to the Group as a repayment of loans

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

3.13 Lease contracts

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under these leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease.

3.14 Valuation of investments in associates

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

3.15 Murabaha and Istisna'a Financing

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

3.16 Return to unrestricted investments and saving accounts holders

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

3.17 Ijarah Muntahia Bittamleek

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.

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

3.18 Taxation

- Corporate tax is calculated in accordance with the prevailing laws and regulations in the Republic of Yemen.

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

3.19 *Social security provision*

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

3.20 *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.

3.21 *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.

3.22 *Comparatives*

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

3.23 *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.

3.24 *Shari'a board*

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

3.25 Parent bank financial information

Statement of financial position and statement of profit or loss and other comprehensive income of the Parent bank as disclosed in the supplementary information to the consolidated financial statements are prepared following the same accounting policies as mentioned above except for investment in subsidiaries which are not consolidated and carried at cost.

4. NEW STANDARDS AND INTERPRETATIONS AND AMENDMENTS TO STANDARDS

4.1 The following amendments to IFRS and new IFRSs have been applied by the Group in preparation of these financial statements which are effective from January 1, 2013.

- IAS 1 – Financial statement presentation (Amendment), regarding other comprehensive income.
- IFRS 7 – Financial instruments: Disclosures (Amendment).
- IFRS 10 – Consolidated financial statements.
- IFRS 13 – Fair Value Measurement.

The adoption of the above did not result in any changes to previously reported net profit or equity. However, the above resulted in additional disclosures.

4.2 Standard issued but not yet effective.

For the avoidance of doubt, the following applicable new standards, amendments to standards and interpretations, which were issued by IASB before December 31, 2013 and are not yet in effect, have not been early adopted.

- IAS 32, Financial Instruments, – (*Amendments to IAS 32 Offsetting financial assets and financial liabilities):* clarifies the offsetting criteria by explaining when an entity has a legal and enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective on or after January 1, 2014.
- IFRS 9, Financial Instruments' is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets amortized cost and fair value.

  The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015.

The Group is currently assessing the impact of these standards on future periods.

5. FINANCIAL INSTRUMENTS AND THEIR RELATED RISKS MANAGEMENT

5.1 Financial instruments

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

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

b. Fair value hierarchy

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

Level 1: Fair values are based on quoted prices (unadjusted) in active markets for identical assets.

Level 2: Fair values are based on inputs other than quoted prices included within level 1 that are observable for the assets either directly (i.e. as price) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Fair values are based on valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable input have a significant impact on the instrument's valuation.

The fair values for available-for-sale investments comprise YR 1,873,621 thousand as at December 31, 2013 (YR 1,932,752 thousand as at December 31, 2012) under the level 3 category. There are no investments qualifying for levels 1 and 2 fair value disclosures.

c. Financial instruments for which fair value approximates carrying value

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

d. Fair value of financial instruments

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

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

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

	Held to Maturity YR 000s	Loans and Advances YR 000s	Available-For-Sale YR 000s	Other Amortized Cost YR 000s	Total Carrying Amount YR 000s	Fair Value YR 000s
At 31 December 2013						
Financial assets						
Cash on hand and reserve balances with CBY	-	-	-	44,117,640	44,117,640	44,117,640
Due from banks	-	-	-	51,444,486	51,444,486	51,444,486
Loans, advances and Islamic financing activities (net)	-	38,603,027	-	-	38,603,027	38,603,027
Investment securities:						
Measured at fair value	-	-	1,873,621	-	1,873,621	1,873,621
Measured at amortized cost	303,498,532	-	-	-	303,498,532	303,498,532
Investments in Islamic Sukuk	8,000,000	-	-	-	8,000,000	8,000,000
	311,498,532	38,603,027	1,873,621	95,562,126	447,537,306	447,537,306
Financial Liabilities						
Due to banks	-	-	-	14,864,798	14,864,798	14,864,798
Customers' deposits	-	-	-	413,856,580	413,856,580	413,856,580
Long term loans	-	-	-	137,251	137,251	137,251
	-	-	-	428,858,629	428,858,629	428,858,629
At 31 December 2012						
Financial assets						
Cash on hand and reserve balances with CBY	-	-	-	31,748,959	31,748,959	31,748,959
Due from banks	-	-	-	33,154,650	33,154,650	33,154,650
Loans, advances and Islamic financing activities (net)	-	31,210,340	-	-	31,210,340	31,210,340
Investment securities:						
Measured at fair value	-	-	1,932,752	-	1,932,752	1,932,752
Measured at amortized cost	199,255,916	-	-	-	199,255,916	199,255,916
Investments in Islamic Sukuk	2,000,000	-	-	-	2,000,000	2,000,000
	201,255,916	31,210,340	1,932,752	64,903,609	299,302,617	299,302,617
Financial Liabilities						
Due to banks	-	-	-	24,933,661	24,933,661	24,933,661
Customers' deposits	-	-	-	262,891,367	262,891,367	262,891,367
Long term loans	-	-	-	170,846	170,846	170,846
	-	-	-	287,995,874	287,995,874	287,995,874

5.2 *Risk management of financial instruments*

- 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 Group is accountable for the risk exposures relating to his or her responsibilities.

- 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.

- 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 is willing to accept, with additional emphasis on selected industries.

  Information compiled from all businesses is examined and processed in order to analyze, control and identify early risks.

  The Group is exposed to credit risk, liquidity risk, market risk (which include interest rate risk and currency risk), operating risk and other risk.

a. 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 qualit 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**	**2013 YR 000s**	**2012 YR 000s**
1 - 2	Performing and watchlist	30,595,072	19,306,766

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:

	2013 YR 000's	2012 YR 000's
Cash on hand and reserve balances with CBY (excluding cash on hand and ATM)	30,931,742	18,635,081
Due from banks	51,444,486	33,154,650
Loans, advances and financing activities (net)	38,603,027	31,210,340
Investments securities	305,372,153	201,188,668
Investments in Islamic Sukuk	8,000,000	2,000,000
Investments in associates	474,547	408,540
Debit balances and other assets after deducting the advance payment (net)	5,252,514	5,894,650
	440,078,469	292,491,929
Contingent liabilities and commitments	52,430,993	52,236,097
Total credit risk exposure	492,509,462	344,728,026

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:

	2013		2012	
	Gross Maximum Exposure YR 000's	Net Maximum Exposure YR 000's	Gross Maximum Exposure YR 000's	Net Maximum Exposure YR 000's
Government	352,543,027	-	217,970,098	-
Finance	43,363,634	10,447,177	35,305,114	2,286,745
General trade	15,763,848	6,620,816	12,077,922	3,827,450
Industry	4,799,505	2,447,748	6,784,285	5,150,796
Service	300,771	126,324	184,600	184,600
Individuals	11,728,778	11,259,627	9,268,210	6,696,276
Contractors	4,280,205	2,140,103	4,586,801	3,038,704
Others	7,298,701	7,006,752	6,314,899	5,895,043
	440,078,469	40,048,547	292,491,929	27,079,614
Contingent liabilities and commitments	52,430,993	38,907,536	52,236,097	40,612,197
	492,509,462	78,956,083	344,728,026	67,691,811

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.

b. 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, 2013 was 84.6% (at December 31, 2012 was 78%).

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

	2013				
	Less than 3 months YR 000s	**From 3 to 6 months YR 000s**	**From 6 months to 1 year YR 000s**	**Over 1 year YR 000s**	**Total YR 000s**
Liabilities					
Due to banks	14,864,798	-	-	-	14,864,798
Customers' deposits	413,559,321	145,954	151,305	-	413,856,580
Long term loans	-	-	-	137,251	137,251
Credit balances and other liabilities	6,912,455	1,036,306	-	-	7,948,761
Total liabilities	435,336,574	1,182,260	151,305	137,251	436,807,390

	2012				
	Less than 3 months YR 000s	**From 3 to 6 months YR 000s**	**From 6 months to 1 year YR 000s**	**Over 1 year YR 000s**	**Total YR 000s**
Liabilities					
Due to banks	24,933,661	-	-	-	24,933,661
Customers' deposits	246,933,439	13,370,774	2,587,154	-	262,891,367
Long term loans	-	-	-	170,846	170,846
Credit balances and other liabilities	5,845,790	570,014	-	-	6,415,804
Total liabilities	277,712,890	13,940,788	2,587,154	170,846	294,411,678

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

c. 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 has no trading positions in equity and the main source of market risk for the Group is its foreign exchange exposure and interest rate gap.

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.

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 repricing bands. The Asset and Liability Committee (ALCO) is the monitoring body for compliance with these limits and is assisted by Bank Central Treasury 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.

	2013							
	Less than 3 months YR 000s	From 3 months to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s	Non-interest sensitive YR 000s	Total YR 000s	Average interest rates Local Currency %	Average interest rates Foreign Currency %
Assets								
Cash on hand and reserve balances with CBY	-	-	-	-	44,117,640	44,117,640	-	-
Due from banks	6,354,198	-	-	-	45,090,288	51,444,486	-	0.15
Loans and advances and financing activities (net)	22,270,765	9,860,508	3,123,472	3,348,282	-	38,603,027	25	8
Investment securities	179,837,310	72,161,113	47,039,243	4,460,866	1,873,621	305,372,153	16	-
Investments in Islamic Sukuk	-	-	-	8,000,000	-	8,000,000	15	-
Investments in associates	-	-	-	-	474,547	474,547	-	-
Debit balances and other assets (net)	-	-	-	-	5,606,371	5,606,371	-	-
Property and equipment (net)	-	-	-	-	2,832,174	2,832,174	-	-
Total Assets	208,462,273	82,021,621	50,162,715	15,809,148	99,994,641	456,450,398		
Liabilities and Equity								
Due to banks	14,140,478	-	-	-	724,320	14,864,798	15.46	4.09
Customers' deposits	249,919,214	221,933	157,019	-	163,558,414	413,856,580	15.26	4.2
Long term loans	-	-	-	137,251	-	137,251	4	-
Credit balances and other liabilities	-	-	-	-	7,948,761	7,948,761	-	-
Other provisions	-	-	-	-	2,490,000	2,490,000	-	-
Shareholders' equity	-	-	-	-	17,153,008	17,153,008	-	-
Total Liabilities and Equity	264,059,692	221,933	157,019	137,251	191,874,503	456,450,398		
Interest rate sensitivity gap	(55,597,419)	81,799,688	50,005,696	15,671,897	(91,879,862)	-		
Cumulative interest rate sensitivity gap	(55,597,419)	26,202,269	76,207,965	91,879,862	-	-		

	2012						Average interest rates	
	Less than 3 months YR 000s	From 3 months to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s	Non-interest sensitive YR 000s	Total YR 000s	Local Currency %	Foreign Currency %
Assets								
Cash on hand and reserve balances with CBY	-	-	-	-	31,748,959	31,748,959	-	-
Due from banks	4,568,010	-	-	-	28,586,640	33,154,650	19.58	0.15
Loans and advances and financing activities (net)	25,215,893	2,907,307	989,084	2,098,056	-	31,210,340	25	8
Investment securities	131,170,595	28,491,474	35,132,981	4,460,866	1,932,752	201,188,668	-	-
Investments in Islamic Sukuk	-	-	2,000,000	-	-	2,000,000	15	-
Investments in associates	-	-	-	-	408,540	408,540	-	-
Debit balances and other assets (net)	-	-	-	-	6,460,084	6,460,084	-	-
Property and equipment (net)	-	-	-	-	3,021,816	3,021,816	-	-
Total Assets	160,954,498	31,398,781	38,122,065	6,558,922	72,158,791	309,193,057		
Liabilities and Equity								
Due to banks	24,933,661	-	-	-	-	24,933,661	20	-
Customers' deposits	246,933,439	13,370,774	2,587,154	-	-	262,891,367	20	2
Long term loans	-	-	-	170,846	-	170,846	4	-
Credit balances and other liabilities	-	-	-	-	6,415,804	6,415,804	-	-
Other provisions	-	-	-	-	391,192	391,192		
Shareholders' equity	-	-	-	-	14,390,187	14,390,187	-	-
Total Liabilities and Equity	271,867,100	13,370,774	2,587,154	170,846	21,197,183	309,193,057		
Interest rate sensitivity gap	(110,912,602)	18,028,007	35,534,911	6,388,076	50,961,608	-		
Cumulative interest rate sensitivity gap	(110,912,602)	(92,884,595)	(57,349,684)	(50,961,608)	-	-		

Note no. 40 to the financial statements shows the average interest rates on financial assets and liabilities applied during this year compared with last year.

Interest rate sensitivity

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

December 31,2013

		The effect of increase in interest rate 2%	
Currency	**Cumulative Interest Rate Sensitivity Gap YR 000s**	**Sensitivity of Net Interest Income (Statement of Profit or Loss and other Comprehensive Income) YR 000s**	**Sensitivity of Equity YR 000s**
Yemeni Rials	105,215,268	2,104,305	1,683,444
US Dollars	(30,818,909)	(616,378)	(493,103)
Saudi Rials	270,372	5,407	4,326
Euro	1,560,799	31,216	24,973
Other Currencies	(19,565)	(391)	(313)

		The effect of decrease in interest rate 2%	
Currency	**Cumulative Interest Rate Sensitivity Gap YR 000s**	**Sensitivity of Net Interest Income (Statement of Profit or Loss and other Comprehensive Income) YR 000s**	**Sensitivity of Equity YR 000s**
Yemeni Rials	105,215,268	(2,104,305)	(1,683,444)
US Dollars	(30,818,909)	616,378	493,103
Saudi Rials	270,372	(5,407)	(4,326)
Euro	1,560,799	(31,216)	(24,973)
Other Currencies	(19,565)	391	313

December 31,2012

		The effect of increase in interest rate 2%	
Currency	**Cumulative Interest Rate Sensitivity Gap YR 000s**	**Sensitivity of Net Interest Income (Statement of Profit or Loss and other Comprehensive Income) YR 000s**	**Sensitivity of Equity YR 000s**
Yemeni Rials	3,701,555	74,031	59,225
US Dollars	(53,931,624)	(1,078,632)	(862,906)
Saudi Rials	(2,437,181)	(48,744)	(38,995)
Euro	(4,605,421)	(92,108)	(73,687)
Other Currencies	(77,013)	(1,540)	(1,232)

		The effect of decrease in interest rate 2%	
Currency	**Cumulative Interest Rate Sensitivity Gap YR 000s**	**Sensitivity of Net Interest Income (Statement of Profit or Loss and other Comprehensive Income) YR 000s**	**Sensitivity of Equity YR 000s**
Yemeni Rials	3,701,555	(74,031)	(59,225)
US Dollars	(53,931,624)	1,078,632	862,906
Saudi Rials	(2,437,181)	48,744	38,995
Euro	(4,605,421)	92,108	73,687
Other Currencies	(77,013)	1,540	1,232

d. Exposure to exchange rate risk for foreign currency

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

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

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

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

	2013					
	US Dollars YR 000s	**EURO YR 000s**	**Saudi Rial YR 000s**	**Sterling Pound YR 000s**	**Others YR 000s**	**Total YR 000s**
Assets	82,783,629	5,146,420	6,504,798	232,058	286,954	94,953,859
Liabilities	(133,178,460)	(5,134,054)	(4,240,419)	(241,618)	(164,874)	(142,959,425)
Net currency position	(50,394,831)	12,366	2,264,379	(9,560)	122,080	(48,005,566)

	2012					
	US Dollars YR 000s	**EURO YR 000s**	**Saudi Rial YR 000s**	**Sterling Pound YR 000s**	**Others YR 000s**	**Total YR 000s**
Assets	63,894,023	4,743,220	7,474,852	116,877	172,224	76,401,196
Liabilities	(80,268,183)	(4,624,107)	(2,918,482)	(115,358)	(80,330)	(88,006,460)
Net currency position	(16,374,160)	119,113	4,556,370	1,519	91,894	(11,605,264)

<u>Effect of change in fair value of currency</u>

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

	Effect on Statement of Profit or Loss and other Comprehensive Income	
Change in currency rate (1%)	**2013 YR 000s**	**2012 YR 000s**
US$	503,948	163,742
Euro	124	1,191
Saudi Rials	22,644	45,564
Sterling Pound	96	15
Other Currencies	1,221	919

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

e. 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.

f. 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, the rules and ratio established by the Basel Committee on banking supervision 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 the guidelines of CBY compares the Bank core and supplementary capital with the risk weighted total assets and liabilities at the financial statements date, as follows:

	2013 YR Million	**2012 YR Million**
Core capital	17,013	14,181
Supplementary capital	475	492
Total capital	17,488	14,673
Risk-weighted assets and contingent liabilities and commitments:		
Total assets	30,757	32,646
Contingent liabilities and commitments	22,080	28,277
Total risk-weighted assets and contingent liabilities and commitments	52,837	60,923
Capital adequacy ratio	33.1%	24.1%

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

	2013 YR 000's	2012 YR 000's
Cash on hand and at ATM – local currency	4,771,672	4,092,465
Cash on hand and at ATM – foreign currency	8,414,226	9,021,413
	13,185,898	13,113,878
Mandatory reserve with CBY – local currency	18,752,851	11,849,285
Mandatory reserve with CBY – foreign currency	12,178,891	6,785,796
	30,931,742	18,635,081
	44,117,640	31,748,959

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

8. DUE FROM BANKS

	2013 YR 000's	2012 YR 000's
Central Bank of Yemen		
Current accounts – local currency	7,640,518	2,408,944
Current accounts – foreign currency	8,598,614	2,124,220
	16,239,132	4,533,164
CBY certificates of deposit maturing within 3 months	-	2,000,000
	16,239,132	6,533,164
Local banks		
Current accounts	6,663,076	206,225
Foreign banks		
Current accounts – foreign currency	26,774,528	23,847,251
Short-term deposits – foreign currency	1,767,750	2,568,010
	28,542,278	26,415,261
	51,444,486	33,154,650

- Short-term deposits with foreign banks carry variable interest rates while current accounts with CBY, local and foreign banks do not carry any interest.
- The certificates of deposit carry an interest rate between 19.58% and 19.75% during the year 2013 (interest rate between 19.58% and 19.75% during the year 2012).

9. LOANS, ADVANCES AND ISLAMIC FINANCING ACTIVITIES (NET)

9.1 Loans, advances and Islamic financing activities by type

a. Trading and agricultural loans and advances

	Note	2013 YR 000's	2012 YR 000's
Overdraft		27,050,997	15,994,730
L/Cs financing		1,796,417	2,869,436
Loans to customers		25,908,682	29,051,773
Agricultural loans		361,013	184,921
		55,117,109	48,100,860
Less:			
Provision for loans and advances	10,1.a	(12,812,466)	(12,054,848)
Uncollected interest	11	(8,936,975)	(6,960,605)
		33,367,668	29,085,407

b. Islamic financing activities balances:

	Note	2013 YR 000's	2012 YR 000's
Murabaha transactions financing		1,928,992	292,359
Istisna'a transactions financing		2,264,574	229,998
Ijarah Muntahia Bittamleek		2,027,188	2,071,412
		6,220,754	2,593,769
Less:			
Provision for financing activities	10, 1.b	(28,223)	(28,223)
Uncollected revenue		(6,395)	(2,723)
Deferred revenue		(103,450)	(12,177)
Accumulated depreciation for Ijarah Muntahia Bittamleek		(847,327)	(425,713)
		5,235,359	2,124,933
		38,603,027	31,210,340

- 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 15,036,024 thousand as at December 31, 2013 after deducting uncollected interest and revenue by amount of YR 8,943,370 thousand and balances secured by cash deposits by amount of YR 15,706,767 thousand. As at December 31, 2012, the non-performing loans, advances and financing activities amounted to YR 15,860,161 thousand after deducting uncollected interest and revenue by amount of YR 6,963,328 thousand and balances secured by cash deposits by amount of YR 15,527,702 thousand. The break-up of the above amount is as follows:

	2013 YR 000's	2012 YR 000's
Substandard loans, advances and financing activities	2,274,666	2,785,471
Doubtful loans, advances and financing activities	638,481	2,753,806
Bad loans, advances and financing activities	12,122,877	10,320,784
	15,036,024	15,860,061

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9.2 Loans, advances and financing activities by sector

	2013					
	Overdraft YR 000's	**L/C finance YR 000's**	**Loans to customers YR 000's**	**Agricultural loans YR 000's**	**Financing activities YR 000's**	**Total YR 000's**
Agricultural	1,315,704	-	51,485	361,013	53,555	1,781,757
Trading	15,596,362	869,760	10,568,355	-	1,538,385	28,572,862
Industry	2,419,561	552,983	4,835,662	-	-	7,808,206
Service	1,198,328	212,555	776,546	-	-	2,187,429
Finance	19,596	-	-	-	-	19,596
Individuals and others	6,501,446	161,119	9,676,634	-	4,628,814	20,968,013
	27,050,997	1,796,417	25,908,682	361,013	6,220,754	61,337,863

	2012					
	Overdraft YR 000's	**L/C finance YR 000's**	**Loans to customers YR 000's**	**Agricultural loans YR 000's**	**Financing activities YR 000's**	**Total YR 000's**
Agricultural	592,231	1,212,945	19,080	184,921	145,304	2,154,481
Trading	9,220,186	833,517	13,208,208	-	445,220	23,707,131
Industry	1,295,738	655,054	6,089,703	-	-	8,040,495
Service	572,303	127,545	492,152	-	-	1,192,000
Finance	-	-	-	-	-	-
Individuals and others	4,314,272	40,375	9,242,630	-	2,003,245	15,600,522
	15,994,730	2,869,436	29,051,773	184,921	2,593,769	50,694,629

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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

	2013			2012		
	Specific YR 000's	General YR 000's	Total YR 000's	Specific YR 000's	General YR 000's	Total YR 000's
Balance at beginning of the year	11,954,280	100,568	12,054,848	8,237,183	203,553	8,440,736
Revaluation differences of provision in foreign currencies	476	-	476	15,418	656	16,074
Add: provided during the year (Note 36)	1,339,947	-	1,339,947	3,955,211	-	3,955,211
Less : Used during the year	(582,805)	-	(582,805)	(357,173)	-	(357,173)
Transferred from general to specific provision	28,955	(28,955)	-	103,641	(103,641)	-
Balance at end of the year	12,740,853	71,613	12,812,466	11,954,280	100,568	12,054,848

b. Provision for financing activities

	2013			2012		
	Specific YR 000's	General YR 000's	Total YR 000's	Specific YR 000's	General YR 000's	Total YR 000's
Balance at beginning of the year	23,538	4,685	28,223	20,184	14,103	34,287
Revaluation differences of provision in foreign currencies	-	-	-	91	60	151
Add: provided during the year (Note 36)	-	-	-	3,263	171	3,434
Less : Provision reserved (Note 35)	-	-	-	-	(9,649)	(9,649)
Transferred from general to specific provision	(12,998)	12,998	-	-	-	-
Balance at end of the year	10,540	17,683	28,223	23,538	4,685	28,223

10.2 Provision for loans, advances and financing activities by sector

a. Provision for trading and agricultural loans and advances

	2013				2012			
	Corporate Lending YR 000's	Small business Lending YR 000's	Residential Mortgage YR 000's	Total YR 000's	Corporate Lending YR 000's	Small business Lending YR 000's	Residential Mortgage YR 000's	Total YR 000's
Balance at beginning of the year	9,339,478	2,714,289	1,081	12,054,848	7,054,637	1,385,018	1,081	8,440,736
Revaluation differences of provision in foreign currencies	476	-	-	476	10,162	5,912	-	16,074
Add: provided during the year	1,038,198	301,749	-	1,339,947	2,500,484	1,454,727	-	3,955,211
Less: Used during the year	(582,805)	-	-	(582,805)	(225,805)	(131,368)	-	(357,173)
Balance at end of the year	9,795,347	3,016,038	1,081	12,812,466	9,339,478	2,714,289	1,081	12,054,848

b. Provision for financing activities

	2013				2012			
	Corporate Lending YR 000's	Small business Lending YR 000's	Residential Mortgage YR 000's	Total YR 000's	Corporate Lending YR 000's	Small business Lending YR 000's	Residential Mortgage YR 000's	Total YR 000's
Balance at beginning of the year	24,070	4,153	-	28,223	30,266	4,021	-	34,287
Revaluation differences of provision in foreign currencies	-	-	-	-	39	112	-	151
Add: provided during the year	(6,656)	6,656	-	-	896	2,538	-	3,434
Less: Provision reversed	-	-	-	-	(7,131)	(2,518)	-	(9,649)
Balance at end of the year	17,414	10,809	-	28,223	24,070	4,153	-	28,223

11. UNCOLLECTED INTEREST

	2013 YR 000s	2012 YR 000s
Balance at beginning of the year	6,960,605	4,427,110
Uncollected interest written off or collected during the year	(3,930,454)	(634,045)
Increase during the year	5,906,824	3,167,540
Balance at end of the year	8,936,975	6,960,605

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

		Note	2013 YR 000s	2012 YR 000s
a.	Held to maturity investments			
	- Treasury bills (net)	13	299,037,666	194,795,050
	- Government bonds	14	4,460,866	4,460,866
			303,498,532	199,255,916
b.	Available for sale investments	15	1,873,621	1,932,752
			305,372,153	201,188,668

13. TREASURY BILLS (net)

	2013 YR 000s	2012 YR 000s
Treasury bills maturing within 90 days	134,600,000	135,434,470
Treasury bills maturing within 180 days	78,899,710	30,032,940
Treasury bills maturing within 360 days	99,953,560	38,675,780
	313,453,270	204,143,190
Unearned discount balance	(14,415,604)	(9,348,140)
	299,037,666	194,795,050

- The treasury bills carry an interest rate between 16.5% and 22.2% during the year 2013 (between 19.4% and 22.9 during the year 2012). 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.
- The treasury bills maturing within 360 days as at December 31, 2013 include amount of YER 5,791,000 thousand pledged with Central Bank of Yemen against credit facilities, unearned discount relating to these bills in the amount of YER 391,944 thousand (amount of YR 5,000,000 thousand as at December 31, 2012, unearned discounts relating to these bills in the amount of YR 446,885 thousand).

14. GOVERNMENT BONDS

	2013 YR 000s	2012 YR 000s
Government bonds (non-registered)	4,460,866	4,460,866

In accordance with the Council of Ministers' Resolution no. 145 of 2006 dated 11 April 2006, Ministry of Finance should purchase the agricultural credit portfolio due to the Bank as at 31 December 2005 and according to the agreement reached between Ministry of Finance and the Bank, the Central Bank of Yemen, on behalf of the Ministry of Finance, issued government bonds maturing on 11 April 2016. These bonds earn interest at the average rate of three months of treasury bills and the CBY adjusts the interest to the group account every three months.

15. AVAILABLE FOR SALE INVESTMENTS

		2013 YR 000s	2012 YR 000s
a. Financing investments - local			
Asas Real Estate Company Limited		1,001,250	1,001,250
President Saleh Housing Project		852,401	852,401
Y-Telecom		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
		2,374,384	1,944,341
b. Financing investments - foreign			
CAC International Bank Djibouti		19,970	19,970
		2,394,354	1,964,311
Less: Impairment for available for sale investment	15.1	(520,733)	(31,559)
		1,873,621	1,932,752

15.1 Impairment for available-for-sale investments

	2013 YR 000s	2012 YR 000s
Balance at beginning of the year	31,559	31,559
Add: impairment during the year	489,174	-
Balance at end of the year	520,733	31,559

- 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

	2013			2012		
	Maturity Date	**Number of Sukuk**	**Value of Sukuk YR 000's**	**Maturity Date**	**Number of Sukuk**	**Value of Sukuk YR 000's**
Investment in Governmental Islamic Sukuk	21.11.2018	8,000	8,000,000	1.4.2013	2,000	2,000,000

- The nominal value of Suk is 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.

17. INVESTMENTS IN ASSOCIATES

	2013 YR 000's	**Share %**	**2012 YR 000's**	**Share %**
Mareb Poultry Company	333,187	27.32	255,076	27.32
CAC Insurance Company	139,860	21.00	150,464	21.00
CAC Information Technology Company – under liquidation	1,500	30.00	1,500	30.00
CAC Marketing and Advertisement Company	-	-	1,500	30.00
	474,547		408,540	

The breakup of the above amount is as follows:

	2013 YR 000s	**2012 YR 000s**
Balance at beginning of January	408,540	357,124
Net share in profit	80,192	20,812
Increase in investment during the year	-	42,000
Cash distributions received during the year	(12,685)	(11,396)
Derecognized Investment during the year	(1,500)	-
Balance at December 31	474,547	408,540

The total of assets of Mareb Poultry Company and CAC Insurance Company amounted to YR 2,037,565 thousand and YR 1,565,465 thousand respectively (December 31, 2012 YR 1,912,500 thousand and YR 1,142,123 thousand respectively). Moreover, the total liabilities amounted to YR 817,992 thousand and YR 899,465 thousand respectively (December 31, 2012 YR 978,838 thousand and YR 601,960 thousand respectively). Each of Mareb Poultry Company and CAC Insurance Company has realized a net profit to amount to YR 252,613 thousand and YR 79,980 thousand respectively (December 31, 2012 YR 41,257 thousand and YR 70,950 thousand respectively) according to the last audited financial statements.

18. DEBIT BALANCES AND OTHER ASSETS (NET)

	Note	2013 YR 000s	2012 YR 000s
Accrued income and interest		89,034	258,995
Advances to employees		325,150	277,316
Prepaid expenses		300,596	253,325
Projects in process (advances)		53,261	312,109
Assets transferred to the Group's ownership		3,782,493	3,708,713
Other debit balances		2,355,060	2,805,844
		6,905,594	7,616,302
Less: Provision for doubtful debts	19	(1,299,223)	(1,156,218)
		5,606,371	6,460,084

19. PROVISION FOR DOUBTFUL DEBITS

	Note	2013 YR 000s	2012 YR 000s
Balance at beginning of the year		1,156,218	853,650
Add: Provision provided during the year	36	152,634	340,573
Less: Provision used during the year		(9,790)	(37,959)
Retranslation differences of provision in foreign currencies		161	(46)
Balance at end of the year		1,299,223	1,156,218

20. PROPERTY AND EQUIPMENT (NET)

	2013					
	Land, Buildings and Constructions YR 000's	Furniture and Equipment YR 000's	Points of Sale and ATMs YR 000's	Motor Vehicles YR 000's	Leasehold Improvements YR 000's	Total YR 000's
Cost						
Balance at beginning of the year	963,618	4,224,705	1,264,123	558,257	1,079,910	8,090,613
Additions during the year	50,655	329,665	18,818	203,302	46,845	649,285
Disposals during the year	-	(38,081)	-	(374)	(3,218)	(41,673)
Adjustment during the year	(709)	(120,431)	126,105	(547)	(4,418)	-
Balance at end of the year	1,013,564	4,395,858	1,409,046	760,638	1,119,119	8,698,225
Accumulated depreciation						
Balance at beginning of the year	200,078	2,586,310	1,080,122	409,081	793,206	5,068,797
Depreciation	21,007	498,247	111,036	63,843	107,163	801,296
Disposals	-	(1,938)	-	(374)	(1,730)	(4,042)
Adjustment during the year	355	4,242	(85)	(868)	(3,644)	-
Balance at end of the year	221,440	3,086,861	1,191,073	471,682	894,995	5,866,051
Net book value						
December 31, 2013	792,124	1,308,997	217,973	288,956	224,124	2,832,174

	2012					
	Land, Buildings and Constructions YR 000's	**Furniture and Equipment YR 000's**	**Points of Sale and ATMs YR 000's**	**Motor Vehicles YR 000's**	**Leasehold Improvements YR 000's**	**Total YR 000's**
Cost						
Balance at beginning of the year	964,276	4,332,699	1,175,304	544,791	1,028,613	8,045,683
Additions during the year	-	461,712	88,831	38,164	52,713	641,420
Disposals during the year	(658)	(569,706)	(12)	(24,698)	(1,416)	(596,490)
Adjustments during the year	-	-	-	-	-	-
Balance at end of the year	963,618	4,224,705	1,264,123	558,257	1,079,910	8,090,613
Accumulated depreciation						
Balance at beginning of the year	179,621	2,365,391	933,738	363,065	636,181	4,477,996
Depreciation	20,457	609,994	146,396	63,834	157,153	997,834
Disposals	-	(389,075)	(12)	(17,818)	(128)	(407,033)
Adjustments during the year	-	-	-	-	-	-
Balance at end of the year	200,078	2,586,310	1,080,122	409,081	793,206	5,068,797
Net book value						
December 31, 2012	763,540	1,638,395	184,001	149,176	286,704	3,021,816

21. DUE TO BANKS AND FINANCIAL INSTITUTIONS

		2013 YR 000's	2012 YR 000's
a.	Local banks		
	Current accounts – foreign currency	3,902	867,949
	Current accounts – local currency	44,372	1,447,026
	Time deposits – local currency	14,140,478	17,921,744
		14,188,752	20,236,719
b.	Foreign banks		
	Current accounts – foreign currency	19,254	171,088
	Current accounts – local currency	612,485	4,511,991
		631,739	4,683,079
c.	Financial institutions		
	Current accounts – foreign currency	37,630	13,863
	Current accounts – local currency	6,677	-
		44,307	13,863
		14,864,798	24,933,661

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

22. CUSTOMERS' DEPOSITS

a. Customers' deposits by type

	2013 YR 000's	2012 YR 000's
Current and demand accounts	136,318,117	110,685,400
Time deposits	239,254,823	125,955,633
Saving accounts	9,739,911	7,028,409
Margins of LCs, LGs	13,523,457	13,116,943
Other deposits	15,020,272	6,104,982
	413,856,580	262,891,367

Customer deposits as at December 31, 2013 include YR 30,232 million of margins held for direct and indirect facilities (YR 33,635 million as of December 31, 2012).

b. Customers' deposits by sector

	2013 YR 000's	2012 YR 000's
Public and mixed sectors	206,843,549	104,462,493
Individuals	97,243,908	76,863,887
Corporations	81,236,326	57,361,614
Others	28,532,797	24,203,373
	413,856,580	262,891,367

23. LONG TERM LOANS

	Note	2013 YR 000s	2012 YR 000s
Tehama Development Project – III	23.1	5,271	5,271
Raimah Development Project	23.2	6,793	6,793
Mahra Rural Development Project	23.3	65,187	68,782
Agricultural and Fisheries Production Promotion Fund	23.4	60,000	90,000
		137,251	170,846

23.1 Tehama Development Project – III

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

23.2 Raimah Development Project

On December 15, 1997, the government received the 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 Bank 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 the 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 Bank is executing the project through an agreement with the Ministry of Finance.

23.4 Agricultural and Fishery Production Promotion Fund

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

24. CREDIT BALANCES AND OTHER LIABILITIES

	Note	2013 YR 000s	2012 YR 000s
Corporate tax for the year	24.a	1,597,825	570,014
Salary tax payable		61,873	20,907
Accrued interest payable		1,949,124	2,035,649
Accrued expenses		947,006	901,010
Unearned income		66,686	372,363
Other credit balances		3,326,247	2,515,861
		7,948,761	6,415,804

24.a Corporate tax for the year

	Note	2013 YR 000s	2012 YR 000s
Balance at beginning of the year		570,014	319,755
Less: Paid during the year		(570,014)	(319,755)
Add: Provided during the year		1,597,825	570,014
Balance at end of the year	46	1,597,825	570,014

25. OTHER PROVISIONS

	2013				
	Balance at 1/1/2013 YR 000's	Retranslation differences of provision in foreign currencies YR 000's	Provided during the year YR 000's	Reversed provision YR 000's	Balance at 31/12/2013 YR 000's
Provisions for contingent liabilities	391,192	126	9,097	(15,415)	385,000
Provisions for contingent claims	-	-	2,105,000	-	2,105,000
	391,192	126	2,114,097	(15,415)	2,490,000

	2012				
	Balance at 1/1/2012 YR 000's	Retranslation differences of provision in foreign currencies YR 000's	Provided during the year YR 000's	Reversed provision YR 000's	Balance at 31/12/2012 YR 000's
Provisions for contingent liabilities	396,840	989	8,935	(15,572)	391,192

Provision for general risk on 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

a. Share capital

As at December 31, 2013 the share capital represents amounts of YR 11.9 billion divided into 11.9 million shares of YR 1,000 par value (December 31, 2012: YR 11 billion) according to the Board of Directors meeting held on April 24, 2013 regarding to increase the capital by amount of YR 900,000 thousand (bonus shares) by transferring an amount of YR 868,097 thousand from retained earnings and YR 31,903 thousand from general reserve.

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

	2013		
	Number of Shares	Percentage of holding %	Value of Shares YR 000's
Agricultural Promotion Fund	4,819,500	40.50	4,819,500
Government represented by the Ministry of Finance	4,024,580	33.82	4,024,580
Civil Aviation and Metrology Authority	2,975,000	25.00	2,975,000
General Confederation of Agriculture	80,920	00.68	80,920
	11,900,000	100.00	11,900,000

	2012		
	Number of Shares	Percentage of holding %	Value of Shares YR 000's
Agricultural Promotion Fund	4,455,000	40.50	4,455,000
Government represented by the Ministry of Finance	3,720,200	33.82	3,720,200
Civil Aviation and Metrology Authority	2,750,000	25.00	2,750,000
General Confederation of Agriculture	74,800	00.68	74,800
	11,000,000	100.00	11,000,000

b. Legal 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 legal 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 legal reserve, in accordance with Law No. (22) of 1997 regarding the commercial companies in the Republic of Yemen.
- Legal reserve comprises an amount of YR 500,000 thousand in the form of premium in excess of par value during the year 2008.

27. CONTINGENT LIABILITIES AND COMMITMENTS (NET)

	2013		
	Gross commitment YR 000's	**Margin held YR 000's**	**Net commitments YR 000's**
Letters of credit	10,392,704	(3,322,547)	7,070,157
Letters of guarantee	42,038,289	(10,200,910)	31,837,379
	52,430,993	(13,523,457)	38,907,536

	2012		
	Gross commitment YR 000's	**Margin held YR 000's**	**Net commitments YR 000's**
Letters of credit	10,266,488	(4,935,163)	5,331,325
Letters of guarantee	41,969,609	(8,181,780)	33,787,829
	52,236,097	(13,116,943)	39,119,154

28. INTEREST INCOME

	2013 YR 000's	**2012 YR 000's**
Interest on loans and advances to customers	3,717,403	5,380,225
Interest on due from banks	368,563	124,999
Interest on treasury bills	42,518,172	30,223,024
Interest on Government Bonds	722,266	963,027
	47,326,404	36,691,275

29. INTEREST EXPENSE

	2013 YR 000's	**2012 YR 000's**
Interest on customers' deposits		
Interest on time deposits	23,595,809	18,382,473
Interest on saving accounts and current accounts	1,713,538	1,349,224
	25,309,347	19,731,697
Interest on balances due to banks		
Interest paid to banks	2,473,182	2,031,314
Interest paid to long term loans	2,697	1,983
	2,475,879	2,033,297
	27,785,226	21,764,994

30. ISLAMIC FINANCING AND INVESTEMENT ACTIVITIES INCOME

	2013 YR 000's	2012 YR 000's
Revenues of financing Murabaha transactions	93,484	27,060
Revenues of Ijarah Muntahia Bittamleek	94,318	83,807
Revenues of Istisna'a	156,626	86,106
Revenues of Islamic Sukuk	164,164	225,206
	508,592	422,179

31. RETURN OF UNRESTRICTED INVESTMENTS AND SAVING ACCOUNTS HOLDERS

The investment return allocated between shareholders and customers is based on the percentage of their contribuation 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:

	2013		2012	
	Local Currency %	Foreign Currencies %	Local Currency %	Foreign Currencies %
Investment deposits	10.4	4.5	12.4	4.8
Saving accounts	7.1	3.0	7.6	3.0

32. FEE AND COMMISSION INCOME

	2013 YR 000's	2012 YR 000's
Commissions on letters of credit	324,520	269,098
Commissions on letters of guarantee	462,334	377,194
Commissions on transfer of funds	281,125	271,862
Other banking service charges	695,676	806,918
	1,763,655	1,725,072

33. GAIN OF FOREIGN CURRENCY TRANSACTIONS

	2013 YR 000's	2012 YR 000's
Gain from foreign currencies transactions	81,525	293,875
Gain from translation of foreign currencies	115,754	224,310
	197,279	518,185

34. INCOME FROM INVESTMENT SECURITIES

	2013 YR 000's	2012 YR 000's
Income from available for sale investments	11,566	180,026
Net profit on investments in associates	80,192	20,812
	91,758	200,838

35. OTHER OPERATING INCOME

	2013 YR 000's	2012 YR 000's
Provision reversed	15,415	25,221
Gain on sale of property and equipment	1,849	1,262
Others	37,504	65,353
	54,768	91,836

36. PROVISIONS PROVIDED DURING THE YEAR

	Note	2013 YR 000's	2012 YR 000's
Provision for loans and advances	10/1-a	1,339,947	3,955,211
Provision for Islamic financing activities	10/1-b	-	3,434
Provision for doubtful debts	19	152,634	340,573
Other provisions	25	2,114,097	8,935
		3,606,678	4,308,153

37. STAFF COST

	2013 YR 000's	2012 YR 000's
Wages, salaries and allowances	6,686,689	5,183,649
Social security	193,097	145,944
Medical insurance	223,302	149,308
Others	49,102	208,514
	7,152,190	5,687,415

38. OTHER EXPENSES

	2013 YR 000's	2012 YR 000's
Communications	664,002	684,836
Advertisement and publicity	572,271	518,894
Rent	496,331	434,635
Travelling and transportation	510,368	422,274
Maintenance and repairs	418,940	350,323
Insurance expenses	187,428	298,104
Zakat expenses	348,500	239,325
Security and guarding	110,633	197,232
Water and electricity	170,915	157,291
Consultancy and professional fees	159,457	149,038
Stationery and printing supplies	143,972	132,380
Training expenses	131,428	126,271
Fees and licenses	206,487	123,938
Other expenses	373,642	340,444
	4,494,374	4,174,985

39. EARNINGS PER SHARE

	2013 YR 000's	2012 YR 000's
Net profit for the year (YR thousand)	3,622,821	1,988,646
Weighted average number of shares (by thousand)	11,600	11,000
Earnings per share (YR)	312	181

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

Number of shares at the beginning of the year	11,000	11,000
Effect of bonus shares during the year	600	-
	11,600	11,000

40. MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

	2013				
Description	**Due within 3 months YR 000's**	**Due from 3 to 6 months YR 000's**	**Due from 6 months to one year YR 000's**	**Due after one year YR 000's**	**Total YR 000's**
a. Assets					
Cash on hand & reserve balances with CBY	44,117,640	-	-	-	44,117,640
Due from banks	51,444,486	-	-	-	51,444,486
Loans, advances and Islamic financing activities (net)	22,270,765	9,860,508	3,123,472	3,348,282	38,603,027
Investment securities	179,837,310	72,161,113	47,039,243	6,334,487	305,372,153
Investment in Islamic Sukuk	-	-	-	8,000,000	8,000,000
Investments in associates	-	-	-	474,547	474,547
Debit balances and other assets	-	-	-	8,438,545	8,438,545
	297,670,201	82,021,621	50,162,715	26,595,861	456,450,398
b. Liabilities					
Due to banks and financial institution	14,864,798	-	-	-	14,864,798
Customers' deposits	413,559,321	145,954	151,305	-	413,856,580
Long term loans	-	-	-	137,251	137,251
Other liabilities and equity	9,402,455	1,036,306	-	17,153,008	27,591,769
	437,826,574	1,182,260	151,305	17,290,259	456,450,398
Net	(140,156,373)	80,839,361	50,011,410	9,305,602	-

	2012				
Description	**Due within 3 months YR 000's**	**Due from 3 to 6 months YR 000's**	**Due from 6 months to one year YR 000's**	**Due after one year YR 000's**	**Total YR 000's**
a. Assets					
Cash on hand & reserve balances with CBY	31,748,959	-	-	-	31,748,959
Due from banks	28,856,850	4,297,800	-	-	33,154,650
Loans, advances and Islamic financing activities (net)	25,215,893	2,907,307	989,084	2,098,056	31,210,340
Investment securities	131,170,595	28,491,474	35,132,980	6,393,619	201,188,668
Investment in Islamic Sukuk	-	2,000,000	-	-	2,000,000
Investments in associates	-	-	-	408,540	408,540
Debit balances and other assets	-	-	-	9,481,900	9,481,900
	216,992,297	37,696,581	36,122,064	18,382,115	309,193,057
b. Liabilities					
Due to banks and financial institution	24,933,661	-	-	-	24,933,661
Customers' deposits	246,933,439	13,370,774	2,587,154	-	262,891,367
Long term loans	-	-	-	170,846	170,846
Other liabilities and equity	6,236,982	570,014	-	14,390,187	21,197,183
	278,104,082	13,940,788	2,587,154	14,561,033	309,193,057
Net	(61,111,785)	23,755,793	33,534,910	3,821,082	-

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:

	2013		
Description	**Yemeni Rial %**	**US Dollar %**	**EURO %**
Assets			
Due from banks – time deposits	-	0.15	0.1
Certificates of deposit with CBY	-	-	-
Treasury bills - held to maturity	16.47	-	-
Government bonds	16.23	-	-
Loans to customers	25.00	8.00	8.00
Agricultural loans	11.00	4.00	-
Overdrafts	25.00	12.00	12.00
Liabilities			
Customers - time deposits	15.24	4.13	2.00
Saving accounts	15.00	2.00	2.00
Banks - time deposits	15.46	4.09	4.00
Long term loans	4.00	-	-

	2012		
Description	**Yemeni Rial %**	**US Dollar %**	**EURO %**
Assets			
Due from banks – time deposits	-	0.15	0.15
Certificates of deposit with CBY	19.58	-	-
Treasury bills - held to maturity	21.60	-	-
Government bonds	21.59	-	-
Loans to customers	25.00	8.00	8.00
Agricultural loans	11.00	4.00	-
Overdrafts	29.25	12.00	12.00
Liabilities			
Customers - time deposits	19.70	4.20	2.00
Saving accounts	19.50	2.00	2.00
Banks - time deposits	21.20	-	-
Long term loans	4.00	-	-

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

As at December 31, 2013

	Manufacturing YR'000	Agriculture YR'000	Trade YR'000	Building and Construction YR'000	Finance YR'000	Tourism YR'000	Other YR'000	Total YR'000
ASSETS								
Cash on hand and reserve balances with Central Bank of Yemen	-	-	-	-	44,117,640	-	-	44,117,640
Due from banks	-	-	-	-	51,444,486	-	-	51,444,486
Loans, advances and Islamic financing activities (net)	4,799,505	1,489,983	15,762,348	2,406,584	18,420	300,771	13,825,416	38,603,027
Investment securities	-	-	-	1,853,651	299,057,636	-	4,460,866	305,372,153
Investments in Islamic Sukuk	-	-	-	-	8,000,000	-	-	8,000,000
Investments in associates	-	333,187	1,500	-	139,860	-	-	474,547
LIABILITIES								
Due to banks and financial institutions	-	-	-	-	14,864,798	-	-	14,864,798
Customers deposits	71,657,145	19,216,699	155,462,809	19,046,385	4,359,738	1,264,052	142,849,752	413,856,580
Long term loans	-	-	-	-	137,251	-	-	137,251
CONTINGENT LIABILITIES AND COMMITMENTS (NET)	5,513,874	791,094	18,286,963	12,685,080	357,295	599,263	673,967	38,907,536

English Translation of the Original Arabic Text
COOPERATIVE AND AGRICULTURAL CREDIT BANK (YJSC)
Sana'a, Republic of Yemen

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

As at December 31, 2012

	Manufacturing YR'000	Agriculture YR'000	Trade YR'000	Building and Construction YR'000	Finance YR'000	Tourism YR'000	Other YR'000	Total YR'000
ASSETS								
Cash on hand and reserve balances with Central Bank of Yemen	-	-	-	-	31,784,959	-	-	31,748,959
Due from banks	-	-	-	-	33,154,650	-	-	33,154,650
Loans, advances and Islamic financing activities (net)	6,784,285	2,154,481	11,357,227	2,733,150	-	184,600	7,996,597	31,210,340
Investment securities	-	-	-	1,853,651	194,874,151	-	4,460,866	201,188,668
Investments in Islamic Sukuk	-	-	-	-	2,000,000	-	-	2,000,000
Investments in associates	-	255,076	3,000	-	150,464	-	-	408,540
LIABILITIES								
Due to banks and financial institutions	-	-	-	-	24,933,661	-	-	24,933,661
Customers deposits	14,888,583	16,261,226	122,860,301	17,223,242	9,562,333	1,863,231	80,232,451	262,891,367
Long term loans	-	-	-	-	170,846	-	-	170,846
CONTINGENT LIABILITIES AND COMMITMENTS (NET)	2,896,533	1,634,149	15,266,118	10,717,588	4,543,496	589,745	3,471,525	39,119,154

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

	2013					
	Republic of Yemen YR 000's	America YR 000's	Europe YR 000's	Asia YR 000's	Africa YR 000's	Total YR 000's
ASSETS						
Cash on hand and reserve balances with CBY	44,117,640	-	-	-	-	44,117,640
Due from banks	22,902,208	9,363,152	6,398,964	8,333,004	4,447,158	51,444,486
Loans, advances and Islamic financing activities (net)	38,603,027	-	-	-	-	38,603,027
Investment securities	305,352,183	-	-	-	19,970	305,372,153
Investments in Islamic Sukuk	8,000,000	-	-	-	-	8,000,000
Investments in associates	474,547	-	-	-	-	474,547
LIABILITIES						
Due to banks and financial institutions	14,188,752	-	-	620,386	55,660	14,864,798
Customers deposits	413,856,580	-	-	-	-	413,856,580
Long term loans	137,251	-	-	-	-	137,251
CONTINGENT LIABILITIES AND COMMITMENTS (NET)	31,837,379	5,902	383,458	6,680,797	-	38,907,536

	2012					
	Republic of Yemen YR 000's	America YR 000's	Europe YR 000's	Asia YR 000's	Africa YR 000's	Total YR 000's
ASSETS						
Cash on hand and reserve balances with CBY	31,748,959	-	-	-	-	31,748,959
Due from banks	7,655,621	8,074,873	7,472,653	5,306,452	4,645,051	33,154,650
Loans, advances and Islamic financing activities (net)	31,210,340	-	-	-	-	31,210,340
Investment securities	201,168,698	-	-	-	19,970	201,188,668
Investments in Islamic Sukuk	2,000,000	-	-	-	-	2,000,000
Investments in associates	408,540	-	-	-	-	408,540
LIABILITIES						
Due to banks and financial institutions	20,236,719	-	-	229,337	4,467,605	24,933,661
Customers deposits	262,891,367	-	-	-	-	262,891,367
Long term loans	170,846	-	-	-	-	170,846
CONTINGENT LIABILITIES AND COMMITMENTS (NET)	33,860,670	-	316,371	4,664,387	277,726	39,119,154

44. SIGNIFICANT FOREIGN CURRENCIES' POSITIONS

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

	2013		**2012**	
	Surplus (deficit) YR 000's	**% of capital & reserves**	**Surplus (deficit) YR 000's**	**% of capital & reserves**
US Dollar	(50,394,831)	(358.1%)	(16,374,160)	(129.3%)
Euro	12,366	0.1%	119,113	0.9%
Saudi Rial	2,264,379	16.1%	4,556,370	36.0%
Sterling Pound	(9,560)	(0.1%)	1,519	-
Others	122,080	0.9%	91,894	0.7%
Net (deficit) surplus	(48,005,566)	(341.1%)	(11,605,264)	(91.6%)

The US Dollar exchange rate as at December 31, 2013 was YR 214.89 (as at December 31, 2012: 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.

The following are the nature and balances of these transactions at the financial statements date:

	2013 YR 000's	**2012 YR 000's**
Loans, advances and Islamic financing activities (net)	310,090	272,538
Current accounts and time deposits	1,782,924	4,106,154
Long term loans	137,251	170,846
Commissions and interest received	2,042	1,826
Interest paid	4,312	4,696
Salaries and benefits	104,738	79,140

46. TAX STATUS

- The difference between accounting and tax profit for the year 2013 represents an additional amount for YR 2,724,330 thousand as a result of adjusting the accounting profit with provided provisions during the year which is subject to tax; provision used during the year and the income received from investments in companies which have been subject to tax on the basis of 20% tax rate.
- 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.
- The Group has submitted the tax declaration for the year 2010 on time and paid the amount due. The Bank was notified of differences in the corporate tax based on notification of form no. 3 amounting to YR 44,149 thousand (after deducting the taxes paid) and YR 29,025 thousand for salary tax and this had been reflected in consolidated financial statements as at December 31, 2013.
- The Bank has submitted the 2011 and 2012 profit tax declaration and paid the amount due. The Tax Authority has not performed any review for the years 2010 and 2011 nor has the Group received any notification of any assessment till now.
- Salary tax has been finalized up to 2008.
- The Group has paid the salary tax for the years 2009, 2011 and 2012 based on monthly declarations. The Tax Authority is currently conducting its review and no additional assessments has been received yet.

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 2012 according to the Zakat declaration. No additional assessment notifications has been issued by the Zakat Department.

48. CONTINGENT LIABILITIES

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

49. TRUST ACTIVITIES

The Group holds assets that have been invested for the benefit of their owners of restricted investment accounts within transactions Islamic branch amounting to YR 3,000,000 thousand as at December 31, 2013 (Nil as at December 31, 2012) and in accordance with the terms of agreement between the Group and owner of the account, the limited role of Group management, thus were excluded from the consolidated financial statements of the Group.

50. OPERATING LEASE

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

	2013 YR 000's	2012 YR 000's
Not later than one year	64,417	95,821
Later than one year and not later than five years	81,334	145,751
Later than five years	-	-
	145,751	241,572

51. COMPARATIVE FIGURES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

THE SEPARATED FINANCIAL STATEMENT FOR COOPERATIVE AND AGRICULTURAL CREDIT BANK – PARENT COMPANY

1. STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

ASSETS	**2013 YR 000's**	**2012 YR 000's**
Cash on hand and reserve balances with Central Bank of Yemen	44,117,640	31,748,959
Due from banks	51,444,486	33,154,650
Loans, advances and financing activities (net)	38,603,027	31,210,340
Investment Securities	305,372,153	201,188,668
Investments in Islamic Sukuk	8,000,000	2,000,000
Investments in associates	474,547	408,540
Investments in subsidiaries	10,000	10,000
Debit balances and other assets (net)	5,623,308	6,509,668
Property and equipment (net)	2,801,149	2,999,278
TOTAL ASSETS	456,446,310	309,230,103
LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks and financial institutions	14,864,798	24,933,661
Customers' deposits	414,008,541	262,961,077
Long-term loans	137,251	170,846
Credit balances and other liabilities	7,805,318	6,385,685
Other provisions	2,485,000	391,192
Total Liabilities	439,300,908	294,842,461
EQUITY		
Share capital	11,900,000	11,000,000
Legal reserve	2,168,322	1,625,982
General reserve	3,823	35,726
Retained earnings	3,073,257	1,725,934
Total Equity	17,145,402	14,387,642
TOTAL LIABILITIES AND EQUITY	456,446,310	309,230,103
Contingent liabilities and commitments (net)	36,428,378	37,959,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

THE SEPARATE FINANCIAL STATEMENT FOR COOPERATIVE AND AGRICULTURAL CREDIT BANK – PARENT COMPANY (continued)

2. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 YR 000's	2012 YR 000's
Interest income	47,326,404	36,691,275
Less: interest expense	(27,798,604)	(21,779,216)
Net interest income	19,527,800	14,912,059
Islamic financing and investments activities income	508,592	422,179
Less: Return of unrestricted investment and saving accounts holders	(348,723)	(157,344)
Net income from Islamic financing and investment activities	159,869	264,835
Net income from interest and Islamic financing and investments activities	19,687,669	15,176,894
Fees and commission income	1,763,655	1,725,072
Gain of foreign currency transactions	197,279	518,185
Net gain from investment securities	91,758	256,349
Other operating income	19,159	32,229
Net operating income	21,759,520	17,708,729
Less:		
Impairment loss on investment securities	(489,174)	-
Provisions	(3,599,130)	(4,293,692)
Staff cost	(6,512,549)	(5,277,350)
Depreciation	(795,006)	(990,841)
Other expenses	(5,109,782)	(4,553,348)
Net profit for the year before income tax	5,253,879	2,593,498
Less: Income tax for the current year	(1,594,133)	(562,987)
Less: Income tax for the previous year	(44,149)	-
Net profit for the year after tax	3,615,597	2,030,511
Other comprehensive income	-	-
Total comprehensive income for the year	3,615,597	2,030,511
Earnings per share	YR 312	YR 185