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

SANA'A – REPUBLIC OF YEMEN

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND INDEPENDENT AUDITOR'S REPORT

CONTENTS

Hajar

Hajar & Co.
Certified Accountants
Libyan Trade Center
Eastern Tower
Algeria Street
P.O. Box 15500
Sana'a, Republic of Yemen
Tel: + 967 (0) 1 448 377
Fax: + 967 (0) 1 448 391
License No. 1686
www.hajarco.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Cooperative and Agricultural Credit Bank (Y.S.C.) ("the Bank") and its subsidiary company (together referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as modified by the Central Bank of Yemen for the recognition, measurement and disclosure of financial instruments.

Basis for Qualified Opinion

1. Other provisions, which are carried in the consolidated financial statements at 51,855,719 thousand (2020: YR 16,847,478 thousand), include a provision provided for in accordance with the CBY instructions against losses related to the exposure of foreign currencies of 51,000,000 thousand (2020: YR 16,000,000 thousand). This provision does not comply with the definition of a provision under IFRS (IAS 37 Provisions, Contingent Liabilities and Contingent Assets), which constitutes a departure from IFRSs. Accordingly, retained earnings are understated by an amount of 51,000,000 thousand (2020: YR 16,000,000 thousand) and the other provisions are overstated by the same amount.
2. Balances with banks, which are carried in the consolidated financial statements at YR 30,913,895 thousand (2020: YR 28,812,733 thousand), include an amount of YR 3,433,073 thousand (2020: YR 2,746,202 thousand) which we were unable to obtain sufficient appropriate audit evidence about its correctness and fairness, as those banks did not respond to the confirmation's requests. Consequently, we were unable to determine whether any adjustments were necessary to these balances.
3. As stated in Note No. (44) to the consolidated financial statements, the group's management was unable to carry out a comprehensive assessment of the financial impact resulting from the transactions carried out by the branches of the governorates of Aden and Lahj during the financial year ending December 31, 2021,

Basis for Qualified Opinion (continued)

resulted from the use of these branches of an separate accounting system for the purpose of opening current accounts and deposits, attracting funds and other transactions, and transferring SWIFT due to the political conditions that the country is going through. As a result of these events, we were unable to determine the future effects on the bank's position and its consolidated financial statements, and we were unable to measure the impact on the consolidated financial statements for the fiscal year ending on December 31, 2021 for debit and credit transactions not included in the group's banking system, consequently, we were unable to determine whether any adjustments were necessary to the balances and profit for the year and their impact on the consolidated financial statements of the group should the transactions of those branches were included in the group's records.

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

Emphasis of Matters

We draw attention to:

1. Note (44) to the group's consolidated financial statements which refers to:
   - The political unrest and the country's security situation, since March 2015, and the spread of the corona virus in the region continue to place challenges on the Group's ability to predict future cash flow patterns, timing and results.
   - The suspension of technical support by the company providing the bank with the banking system since August of the year 2019.
   - Subsequent events related to the bank's management addressed a letter No. (M S/ 23) to the Yemeni Banks Association, on January 28, 2021, in which the association was requested to address the banks in the Republic of Yemen to refrain from dealing with the so-called general management in Aden, and accordingly, the Yemeni Banks Association sent a letter No. (39/2021) on January 31, 2021 to all Yemeni banks to refrain from dealing with the so-called general management in Aden, and on March 15, 2021, management of the bank in Sana'a published an official announcement in Al-Thawra newspaper No. 20570 stipulating the following ("according to The Law of Establishing the Cooperative and Agricultural Credit Bank, the bank announces to its public and clients not to use any counterfeit services or unapproved systems that have nothing to do with the bank. It is, at a minimum, an attempt to imitate the bank's electronic wallet logo (Mobile Money) and an attempt to establish accounting or banking systems at one of the bank's branches in the city of Aden for the purpose of opening current accounts and deposits and attracting funds and other transactions,

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

Emphasis of Matters (continued)

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

Our opinion is not modified in respect of these matters.

2. Note (38) to the group's consolidated financial statements, which describes the exposure to the risks of fluctuations in foreign currency exchange rates. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other Legal and Regulatory Requirements

During our audit of the consolidated financial statements for the year ended 31 December 2021, we have not become aware of material violations of the Law No. (39) of 1982 of establishing the Cooperative and Agricultural Credit Bank, or Commercial bank's Law No. (38) of 1998, or Yemeni Commercial Companies Law No. (22) of 1997 and its amendments or Central Bank of Yemen instructions, which would have a material effect on the group's consolidated financial position, except for the following:

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

Hajar & Co., Certified Accountants

Hajar & Co. Certified Accountants
Hajar
License No. 1686
رقم الترخيص ١٦٨٦
حجر وشركاه محاسبون قانونيون

Hajar & Co., Certified Accountants
Sana'a, Republic of Yemen
9 March 2023
17 Shaaban 1444 AH

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	Notes	2021 YR'000	2020 YR'000
ASSETS			
Cash and balances with Central Bank of Yemen	5	**43,904,833**	41,055,625
Balances with banks	6	**132,096,879**	85,720,831
Held to maturity investments	7	**333,460,099**	346,526,058
Loans and advances to customers	8	**14,293,913**	16,760,216
Ijarah Muntahia Bittamleek	9	**165,898**	237,365
Available for sale investments	10	**510,000**	600,000
Investment in Islamic Sukuk	11	**-**	1,428,000
Investments in associates	12	**563,914**	718,091
Debit balances and other assets	13	**2,247,412**	2,152,578
Property and equipment	14	**1,762,133**	1,940,010
Right-of-use assets	15	**1,075,966**	1,469,063
Total assets		**530,081,047**	498,607,837
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks	16	**30,913,895**	28,812,733
Deposits from customers	17	**411,323,843**	407,002,717
Long term loans	18	**47,443**	51,037
Credit balances and other liabilities	19	**9,592,191**	21,193,714
Other provisions	20	**51,855,719**	16,856,213
Total liabilities		**503,733,091**	473,916,414
Shareholders' Equity			
Paid-up capital	21	**20,000,000**	20,000,000
Statutory reserve	22	**3,554,502**	3,306,022
General reserve		**845,337**	217,615
Retained earnings		**1,948,117**	1,167,786
Equity attributable to owners of the Bank		**26,347,956**	24,691,423
Non-controlling interests		**-**	-
Total shareholders' equity		**26,347,956**	24,691,423
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**530,081,047**	498,607,837
CONTINGENT LIABILITIES AND COMMITMENTS	23	**22,895,068**	29,760,979

Finance Manager	**Head of Support Operations Sector**	**Chief Executive Officer**	**Chairman**

مكتب الرئيس
بنك التسليف التعاوني والزراعي

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021**	2020
		YR'000	YR'000
Interest income from loans and advances and due from banks	24	**7,554,106**	6,541,414
Interest income from Held to maturity investments		**57,472,593**	58,423,721
Total interest income		**65,026,699**	64,965,135
Interest expense	25	**(19,860,406)**	(25,148,582)
Net interest income		**45,166,293**	39,816,553
Islamic financing and investment activities income	26	**167,856**	228,768
Return on unrestricted investments and saving accounts holders	27	**(398,643)**	(580,163)
Net interest income and from Islamic financing and investment activities		**44,935,506**	39,465,158
Fee and commission income	28	**1,220,891**	1,307,160
Net gain/(loss) from foreign exchange	29	**8,460,891**	(10,095,280)
Financial investment (loss)/income	30	**(128,385)**	52,121
Other income	31	**1,595,617**	1,441,419
Gross income		**56,084,520**	32,170,578
Net impairment loss on financial assets	32	**(37,836,032)**	(13,623,434)
Staff expenses	33	**(9,254,934)**	(9,314,839)
General and administrative expenses	34	**(5,211,856)**	(5,375,949)
Profit for the year before Zakat and income tax		**3,781,698**	3,856,356
Zakat expense	19-2	**(1,534,197)**	(2,288,377)
Income tax expense	19-1	**(590,968)**	(932,610)
Profit for the year		**1,656,533**	635,369
Other comprehensive income		**-**	-
Total Comprehensive Income for the year		**1,656,533**	635,369
Attributable to:			
Owners of the Bank		**1,656,533**	635,369
Non-controlling interests		**-**	-
Total		**1,656,533**	635,369
Earnings per share (Yemeni Rial)	35	**82.83**	31.77

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Paid-up Capital	Statutory Reserve	General Reserve	Retained Earnings	Total Equity (Equity Holders of the Bank)	Non-controlling Interests	Total
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
2021							
Balance at 1 January 2021	**20,000,000**	**3,306,022**	**217,615**	**1,167,786**	**24,691,423**	**-**	**24,691,423**
Profit for the year	-	-	-	**1,656,533**	**1,656,533**	-	**1,656,533**
Other comprehensive income for the year	-	-	-	-	-	-	-
	20,000,000	**3,306,022**	**217,615**	**2,824,319**	**26,347,956**	**-**	**26,347,956**
Transfer to statutory reserves	-	**248,480**	-	**(248,480)**	-	-	-
Transfer to general reserves*	-	-	**627,722**	**(627,722)**	-	-	-
Balance at 31 December 2021	**20,000,000**	**3,554,502**	**845,337**	**1,948,117**	**26,347,956**	**-**	**26,347,956**
2020							
Balance at 1 January 2020	20,000,000	3,210,717	217,615	627,722	24,056,054	-	24,056,054
Profit for the year	-	-	-	635,369	635,369	-	635,369
Other comprehensive income for the year	-	-	-	-	-	-	-
	20,000,000	3,210,717	217,615	1,263,091	24,691,423	-	24,691,423
Transfer to statutory reserves	-	95,305	-	(95,305)	-	-	-
Transfer to general reserves	-	-	-	-	-	-	-
Balance at 31 December 2020	20,000,000	3,306,022	217,615	1,167,786	24,691,423	-	24,691,423

(*) During the year 2021, a transfer of 627,722 thousand was made from retained earnings according to the AGM resolusion on 28 April 2021.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	YR'000	YR'000
Cash flows from operating activities		
Profit for the year	**1,656,533**	635,369
Adjustments for profit:		
Zakat expense recognised in profit or loss	**1,534,197**	2,288,377
Income tax expense recognised in profit or loss	**590,968**	932,610
(Loss)/gain on investments in associates	**128,385**	(52,121)
Depreciation of property and equipment	**396,826**	455,762
Depreciation on right-of-use assets	**467,918**	538,306
Impairment provisions provided during the year	**37,836,032**	13,623,434
Impairment provisions used during the year	**(60,688)**	(23,495)
Net foreign exchange revaluation on provisions	**(2,256)**	2,864
Debit interest on lease contracts liabilities	**82,836**	97,906
Impairment provisions reversed during the year	**(1,550,402)**	(1,231,364)
Gain on disposal of property and equipment	**(7,383)**	(993)
	41,072,966	17,266,655
Changes in working capital:		
(Increase)/decrease in balances with Central Bank under reserve's percentages	**(1,319,373)**	3,975,943
Decrease/(increase) in HTM investment due more than 3 months	**146,868**	(209,979)
Decrease in loans and advances	**3,725,757**	359,793
Decrease in ijarah muntahia bittamleek	**71,467**	181,236
(Increase)/decrease in debit balances and other assets	**(75,957)**	452,779
Increase in balances due to banks	**2,101,162**	5,925,706
Increase/(decrease) in customers' deposits	**4,321,126**	(23,044,395)
(Decrease)/increase in credit balances and other liabilities	**(7,798,753)**	6,031,633
Net cash generated from operations	**42,245,263**	10,939,371
Income tax paid (Note 19-1)	**(1,733,279)**	(45,412)
Zakat paid (Note 19-2)	**(3,814,161)**	(602,500)
Net cash generated by operating activities	**36,697,823**	10,291,459
Cash flows from investing activities		
Payments to acquire property and equipment (Note 14)	**(219,068)**	(545,706)
Proceeds from sale of property and equipment	**7,502**	2,477
Decrease in AFS investments	**-**	505,910
Decrease/(increase) in investments in Islamic Sukuk	**1,428,000**	(1,428,000)
Net cash inflow from associates	**25,792**	27,309
(Increase) in restricted time deposits with banks	**-**	(186,775)
Net cash generated from/(used in) investing activities	**1,242,226**	(1,624,785)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	YR'000	YR'000
Cash flows from financing activities		
Decrease in long-term loans	**(3,594)**	(3,595)
Payments to creditors of leased assets	**(538,152)**	(563,683)
Net cash used in financing activities	**(541,746)**	(567,278)
Net change in cash and cash equivalents during the year	**37,398,303**	8,099,396
Cash and cash equivalents at 1 January	**443,429,966**	435,330,570
Cash and cash equivalents at 31 December	**480,828,269**	443,429,966

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

	2021	2020
	YR'000	YR'000
Cash and balances with Central Bank	**43,904,833**	41,046,625
Balances with banks	**139,672,701**	90,894,142
Held to maturity investments	**328,999,233**	342,065,192
Restricted time deposits with banks	**(487,988)**	(487,988)
Balances with the Central Bank under reserve's percentages	**(31,061,910)**	(29,742,537)
HTM investments due after more than 3 months (net)	**(198,600)**	(345,468)
Cash and cash equivalents at 31 December	**480,828,269**	443,429,966

1. GENERAL OVERVIEW

The Cooperative and Agricultural Credit Bank (the Bank) was established in Sana'a in accordance with law no. 39 of 1982, as a result of merging the Agricultural Credit Bank (ACB) (which was established in 1975) and the National Co-operation Development Bank (NCDB), (which was established in 1979). The Bank is registered with the Ministry of Industry and Trade under commercial registration no. (21/4491).

The Bank operates through its head office in Sana'a and in 43 branches (2020: 43 branches) spread all over the governorates of the Republic of Yemen. The Bank also provides Islamic banking services through its Islamic branch in conformity with the Islamic Sharia' and under the supervision of Sharia' Board. On March 29, 2010, the Bank obtained the initial approval from Central Bank of Yemen (CBY) and obtained the final approval on April 16, 2011.

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

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

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
• Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), finalizing the response to the ongoing reform of interest rate benchmarks. The amendments aim to assist entities to provide investors with useful information about the effects of the reform on their financial statements. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).	January 2021 (Except what has been delayed according to the instructions of Central Bank of Yemen)

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

New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 9 Financial Instruments	January 2021 (according to the instructions of Central Bank of Yemen)
• Amendment "COVID-19 -Related Rent Concessions (Amendment to IFRS 16)" The amendment adds a practical expedient to IFRS 16 "Leases" which provides relief for lessees in assessing whether specific COVID-19 rent concessions are considered to be lease modifications. Instead, if this practical expedient is applied, these rent concessions are treated as if they are not lease modifications. There are no changes for lessors in this amendment.	June 2021
• References to the Conceptual Framework – Amendment to IFRS 3 Business Combinations. The amendment Adds a new exception to the recognition principle to make sure that the accounting remains unchanged.	January 2022
• Proceeds before Intended Use - Amendment to IAS 16 "Property, Plant and Equipment". The amendment prohibit deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.	January 2022
• Onerous Contracts – Cost of Fulfilling a Contract – Amendment to IAS 37. The Amendment specifies which costs an entity includes when assessing whether a contract will be loss-making.	January 2022
• Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41).	January 2022
• Definition of Accounting Estimates - Amendments to IAS 8. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	January 2023
• IFRS 17 Insurance Contracts. Revised effective date to be January 1, 2023.	January 2023
• Classification of Liabilities as Current or Non-current – Amendment to IAS 1. The amendment on whether a liability should be classified as either current or non-current.	January 2023

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

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

New IFRS and relevant amendments	**Effective for annual periods beginning on or after**
• Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.	January 2023
• Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense).	January 2023
• Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.	Effective date deferred indefinitely

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared on going concern basis and in accordance with International Financial Reporting Standards ("IFRS") and the amendments of Central Bank of Yemen in respect of recognition, measurement, disclosure of financial instruments, according to the circular of the Central Bank of Yemen, addressed to all banks operating in the Republic of Yemen, which states that "defer the implementation of IFRS 9 (Financial Instruments) to the beginning of the year 2022", and the requirements of the relevant Yemeni laws and regulations.

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

Therefore, general risk provisions calculated on performing loans and advances and contingent liabilities provision are to be recognised in other provisions, rather than in shareholders' equity.

Basis of preparation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

Significant accounting policies are as follows:

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

Financial instruments

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

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

Financial assets

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

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

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

<u>Held to maturity</u>

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity, examples include debt securities held to maturity dates, which represents debt securities held-to-maturity, and represent debt securities issued by the Central Bank of Yemen on behalf of the Ministry of Finance in the Republic of Yemen, with different rates of return.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Held to maturity (continued)

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

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

Loans and receivables

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Loans and receivables (continued)

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

Available for sale investments

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

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

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

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Effective interest method (continued)

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

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

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

Impairment of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (continued)

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (continued)

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

Provision for loans and advances to customers and contingent liabilities

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

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

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

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

Derecognition of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Cash and cash equivalents

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

Property and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

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

Impairment of tangible assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent liabilities and commitments

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

Provisions

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

Offsetting

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

Revenue recognition

Net interest income

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

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

Net fee and commission income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Dividends income

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

Murabaha financing, Istisna'a and construction transactions

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

Investment in Mudaraba and Musharaka contracts

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

Investments in sukuk

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

Ijarah Muntahia Bittamleek

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

Investments in associates

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

Leasing

The Bank as a lessee

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Bank as a lessee (continued)

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

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

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

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

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

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

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

The Bank as a lessor

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

When the Bank is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

End of service benefits

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

Income Tax

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

Current income tax

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

Deferred income tax

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

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

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

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

Zakat

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

Shari'a board

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

Consigned assets

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

Segment information

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

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

In the application of the Group's accounting policies, as described in Note (3), for preparation of the consolidated financial statements, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities and changes in the fair values during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Classification of investments

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

Available for sale investments

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

Held to maturity investments

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

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

Fair value estimation

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

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

Impairment losses on loans and advances

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

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

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

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

Impairment losses on loans and advances *(Continued)*

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

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

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

Impairment losses on AFS investments

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

Useful lives of property and equipment

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

Assessing whether the right-of-use asset is impaired

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

Determine the appropriate discount rate for rent payments

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

5. CASH AND BALANCES WITH CENTRAL BANK OF YEMEN

	2021	2020
	YR'000	YR'000
Cash on hand and ATMs		
Local currency balances	**7,544,572**	4,473,434
Foreign currencies' balances	**5,298,351**	6,839,654
	12,842,923	11,313,088
Mandatory reserves at Central Bank of Yemen		
Local currency balances	**21,540,148**	20,477,031
Foreign currencies' balances	**9,521,762**	9,265,506
	31,061,910	29,742,537
	43,904,833	41,055,625

In accordance with regulation of the Central Bank of Yemen, a mandatory reserve is maintained with the CBY calculated as 10% of the total customers' deposits in foreign currencies and 7% of total customers' deposits in local currency (2020: 10% and 7% of the total customers' deposits in foreign currency and on total customer deposits in local currency respectively). The Bank does not get any interest income on mandatory reserve balances with CBY.

6. BALANCES WITH BANKS

	2021	2020
	YR'000	YR'000
Balances with local banks		
- Current accounts	**4,921,863**	6,325,927
- Time deposits	**44,247,985**	39,766,790
	49,169,848	46,092,717
Balances with foreign banks		
- Current accounts	**4,627,067**	4,349,053
- Time deposits	**538,687**	524,114
	5,165,754	4,873,167
Balances with Central Bank of Yemen		
- Local currency balances	**73,558,160**	28,475,998
- Foreign currencies' balances	**11,778,939**	11,443,260
	85,337,099	39,919,258
Total balances with banks	**139,672,701**	90,885,142
Less:		
Impairment provision on balances with banks (Note 6-1)	**(7,575,822)**	(5,164,311)
	132,096,879	85,720,831

Time deposits with foreign and local banks carry variable interest rates, while current accounts with such banks do not carry any interest. The restricted time deposits with foreign banks amounted to YR 487,988 thousand as at 31 December 2021 (2020: YR 487,988 thousand).

6.1 Impairment provision on balances with banks

	2021	2020
	YR'000	YR'000
Balance as at 1 January	**5,164,311**	4,042,176
Provided during the year	**2,413,781**	1,122,135
Reversed during the year	**(2,270)**	-
Balance as at 31 December	**7,575,822**	5,164,311

7. HELD TO MATURITY INVESTMENTS

	2021	2020
	YR'000	YR'000
Mature within 31 to 90 days	339,576,270	352,898,890
Mature within 91 to 180 days	101,720	240,000
Mature within 181 to 364 days	110,000	124,600
	339,787,990	353,263,490
Deduct: Unearned discount	(10,788,757)	(11,198,298)
	328,999,233	342,065,192
Government bonds (unquoted)	4,460,866	4,460,866
	4,460,866	4,460,866
	333,460,099	346,526,058

As explained in Note (20), based on the signed commitment to the CBY during the month of January 2019, a restriction of the Central Bank of Yemen has been implemented over debt securities amounting to YR 82.6 billion, in addition to income from such debt securities, until the foreign currencies positions of the Bank are corrected, in addition to the Bank's commitment to allocate the income from these restricted debt securities to form a provision or reduce the exposed positions of foreign currencies, the restriction shall not be released except by the final correction of the position of foreign currencies or by an amount equal to the reduction in the overdrawn position by its equivalent in foreign currencies and at the official exchange rate announced by CBY and at sufficient provision formed to meet the realized and potential losses.

In accordance with the Council of Ministers' Resolution No. (145) of 2006 dated April 11, 2006, in which a decision was taken that Ministry of Finance purchased the agricultural credit portfolio due to the Cooperative and Agricultural Credit Bank as at 31 December 2005 and based on the agreement reached between the Ministry of Finance and the Bank, the Central Bank of Yemen, on behalf of the Ministry of Finance, issued government bonds maturing on April 11, 2016 according to the letter No. (180-130) dated May 10, 2016 sent by the Ministry of Finance to the Governor of the Central Bank of Yemen. These bonds have been extended for one year starting from April 11, 2016 and according to bond No. (7) dated April 4, 2017 which is sent by Central Bank of Yemen based on letter No. (62-130) dated March 22, 2017 of the Ministry of Finance addressed to the Governor of the Central Bank of Yemen, these bonds were renewed for one year starting from April 10, 2017 and according to bond No. (10) dated April 11, 2018 which was sent by Central Bank of Yemen based on the letter No. (42-130) dated March 20, 2018 from the Ministry of Finance addressed to the Governor of the Central Bank of Yemen, these bonds were renewed for one year starting from April 9, 2018 and based on bond No. (11) dated April 8, 2019 and sent by the Central Bank of Yemen based on a memorandum of the Ministry of Finance addressed to the Governor of the Central Bank of Yemen No. (130-131) dated March 24, 2019, these bonds were renewed for a period of one year starting from April 8, 2019.

Return on government bonds was stopped according to the Prime Minister Resolution No. (30) dated 27 July 2019 startign from 1 August 2019 and the letter No. (661/110 MW) dated October 28, 2019, from the Ministry of Finance, according to Bank Letter No. (77) on August 30, 2020, and the letter No. (769/110 MW) dated September 12, 2020, from the Ministry of Finance, the value of government bonds should be recorded in the current bank account at the Central Bank of Yemen, but up to date the amount has not been recorded in the current account.

These bonds bear an average interest rate of three months as debt securities and the CBY records the interest of these bonds to the Group's account every three months.

8. LOANS AND ADVANCES TO CUSTOMERS

	2021 YR'000	2020 YR'000
Trading & Agricultural Loans and Advances		
Financing accounts - Overdrafts	**31,391,664**	30,386,200
Loans to customers	**31,268,459**	31,752,604
Agricultural loans	**731,324**	730,435
Letters of credit facilities	**18,733**	18,733
Total credit facilities	**63,410,180**	62,887,972
Less:		
Impairment provision on credit facilities-performing and non-performing (Note 8-1)	**(20,640,670)**	(21,391,763)
Uncollected interest (Note 8-2)	**(29,478,273)**	(27,637,953)
	13,291,237	13,858,256
Islamic Financing Activities Balances		
Istisna'a transactions financing	**39,950**	3,234,370
Murabaha transactions financing	**737,357**	921,567
Musharka financing	**628,273**	-
Agricultural financing	**17,538**	17,550
Other financing	**837,771**	549,853
	2,260,889	4,723,340
Less:		
Impairment provision on Islamic financing activities (Note 8-3)	**(1,197,368)**	(1,705,729)
Uncollected revenue	**(8,106)**	(75,035)
Deferred revenue	**(52,739)**	(40,616)
	1,002,676	2,901,960
	14,293,913	16,760,216

As at 31 December 2021, non-performing loans and advances were amounting to YR 52,562,454 thousand (2020: YR 54,525,498 thousand). The Bank maintains a variety of good guarantees in the form of real estate and cash guarantees against loans and advances granted to customers. Cash securities against credit and other facilities represent the amount of YR 13,051,753 thousand as at 31 December 2021 (2020: YR 16,067,857 thousand).

8. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Below the balances of loans, facilities, finances, cash margins, uncollected interests, deferred revenues, and provisions according to classification as of 31 December 2021: (Amounts in Thousands Yemeni Riyal)

	Total loans, facilities, finances			**Margins**			**Uncollected interest**			**Deferred revenues**			**Provision**		
	Local	**Foreign**	**Total**	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**
Sub standard	**3,581**	**642,530**	**646,111**	**-**	**-**	**-**	**7**	**-**	**7**	**368**	**537**	**905**	**481**	**96,299**	**96,780**
Doubtful	**4,051**	**76,440**	**80,491**	**-**	**-**	**-**	**104**	**-**	**104**	**155**	**583**	**738**	**1,706**	**34,136**	**35,842**
Bad	**27,987,346**	**23,848,506**	**51,835,852**	**644,133**	**-**	**644,133**	**17,971,717**	**11,514,551**	**29,486,268**	**35**	**-**	**35**	**12,323,691**	**9,381,725**	**21,705,416**
	27,994,978	**24,567,476**	**52,562,454**	**644,133**	**-**	**644,133**	**17,971,828**	**11,514,551**	**29,486,379**	**558**	**1,120**	**1,678**	**12,325,878**	**9,512,160**	**21,838,038**
Good	**749,059**	**12,102,975**	**12,852,034**	**12,336,239**	**66,921**	**12,403,160**	**-**	**-**	**-**	**30,909**	**468**	**31,377**	**4,734**	**3,616**	**8,350**
Watchlist	**139,325**	**117,256**	**256,581**	**4,460**	**-**	**4,460**	**-**	**-**	**-**	**15,508**	**4,176**	**19,684**	**2,387**	**2,262**	**4,649**
Total	**28,883,362**	**36,787,707**	**65,671,069**	**12,984,832**	**66,921**	**13,051,753**	**17,971,828**	**11,514,551**	**29,486,379**	**46,975**	**5,764**	**52,739**	**12,332,999**	**9,518,038**	**21,851,037**

Below the balances of loans, facilities, finances, cash margins, uncollected interests, deferred revenues, and provisions according to classification as of 31 December 2020: (Amounts in Thousands Yemeni Riyal)

	Total loans, facilities, finances			Margins			Uncollected interest			Deferred revenues			Provision		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Sub standard	73,313	111,158	184,471	-	-	-	-	-	-	-	-	-	10,997	16,673	27,670
Doubtful	171,579	12,178	183,757	3,981	-	3,981	-	-	-	-	-	-	75,419	5,480	80,899
Bad	27,152,180	27,005,090	54,157,270	922,984	2,491,758	3,414,742	16,520,774	11,192,214	27,712,988	31,417	9,199	40,616	12,872,814	10,116,109	22,988,923
	27,397,072	27,128,426	54,525,498	926,965	2,491,758	3,418,723	16,520,774	11,192,214	27,712,988	31,417	9,199	40,616	12,959,230	10,138,262	23,097,492
Good	1,054,710	11,952,654	13,007,364	12,644,698	-	12,644,698	-	-	-	-	-	-	4,406	2,849	7,255
Watchlist	71,213	7,237	78,450	1,937	2,499	4,436	-	-	-	-	-	-	1,385	95	1,480
Total	28,522,995	39,088,317	67,611,312	13,573,600	2,494,257	16,067,857	16,520,774	11,192,214	27,712,988	31,417	9,199	40,616	12,965,021	10,141,206	23,106,227

8. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	2021	2020
	YR'000	YR'000
Balance as at 1 January	**21,391,763**	20,477,498
Provided during the year	**-**	1,530,437
Used during the year	**(53,972)**	(10,345)
Recovered during the year	**(696,238)**	(606,520)
Foreign currencies revaluation difference	**(883)**	693
Balance as at 31 December	**20,640,670**	21,391,763

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

In accordance with the instructions of the Central Bank of Yemen, provisions are classified into specific and non-specific (general provision for debts and facilities). Based on the instructions of the Central Bank of Yemen, a 1% provision is provided for all performing direct credit facilities and indirect facilities after deducting related cash margins.

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

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

8.2 Uncollected Interest

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

	2021	2020
	YR'000	YR'000
Balance as at 1 January	**27,637,953**	24,819,640
Uncollected interest written off or collected during the year	**(297,634)**	(584,412)
Increased during the year	**2,137,954**	3,399,664
Exchange rate revaluation difference	**-**	3,061
Balance as at 31 December	**29,478,273**	27,637,953

8. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

8.3 Impairment Provision on Islamic Financing Activities

	2021	2020
	YR'000	YR'000
Balance as at 1 January	**1,705,729**	1,374,948
Provided during the year	**228,754**	441,467
Used during the year	**-**	-
Recovered during the year	**(737,115)**	(110,694)
Foreign currencies revaluation difference	**-**	8
Balance as at 31 December	**1,197,368**	1,705,729

8. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Below is the distribution of loans and advances to customers according to economic sectors as of 31 December 2021: (Amounts in million Yemeni Riyals)

Commercial			Industrial			Agriculture			Bulding & Construction			Services			Financial			Others			Total		
Local	**Foreign**	**Total**	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**	**Local**	**Foreign**	**Total**
2,875	**25,212**	**28,087**	**4,002**	**2,812**	**6,814**	**1,200**	**2,309**	**3,509**	**5,341**	**2,397**	**7,738**	**296**	**1,735**	**2,031**	**57**	**-**	**57**	**15,112**	**2,323**	**17,435**	**28,883**	**36,788**	**65,671**

Below is the distribution of loans and advances to customers according to economic sectors as of 31 December 2020: (Amounts in million Yemeni Riyals)

Commercial			Industrial			Agriculture			Bulding & Construction			Services			Financial			Others			Total		
Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
2,767	24,800	27,567	3,501	3,040	6,541	1,147	2,086	3,233	5,083	5,426	10,509	277	1,635	1,912	53	-	53	15,695	2,101	17,796	28,523	39,088	67,611

Distribution of loans and advances to customers according to geographical location:

All loans and advances provided to customers which are outstanding as of the end of the fiscal years 2021 and 2020 are in the Republic of Yemen.

9. IJARAH MUNTAHIA BITTAMLEEK

	2021 YR'000	2020 YR'000
Cost		
Balance as at 1 January	**2,209,495**	2,583,118
Additions during the year	**49,298**	40,140
Desposals during the year	**(280,414)**	(413,763)
Balance as at end of year	**1,978,379**	2,209,495
Depreciation		
Balance as at 1 January	**1,972,130**	2,164,517
Additions during the year	**69,091**	37,591
Desposals during the year	**(228,740)**	(229,978)
Balance as at end of year	**1,812,481**	1,972,130
Carrying amount	**165,898**	237,365

10. AVAILABLE FOR SALE INVESTMENTS

	2021 YR'000	2020 YR'000
Asas Real Estate Company Limited	**1,049,802**	1,049,802
General Company for Real Estate Investment Limited	**600,000**	600,000
Y-Telecom Company	**430,043**	430,043
Yemeni Financial Services	**97,073**	97,073
Yemen Company for Manufacturing Pumps	**15,750**	15,750
Dates Factory Al Tahiti	**11,834**	11,834
Yemen Hotels Company	**2,500**	2,500
Yemen Company for Marketing Agricultural Products	**1,350**	1,350
Yemen British Investment Company	**125**	125
CAC International Bank - Djibouti	**69,178**	69,178
	2,277,655	2,277,655
Less: impairment of AFS investments (Note 10-1)	**(1,767,655)**	(1,677,655)
	510,000	600,000

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

10. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

10.1 Impairment of Available for Sale Investments

	2021	2020
	YR'000	YR'000
Balance as at 1 January	**1,677,655**	1,589,389
Charged during the year	**90,000**	88,266
Recovered during the year	**-**	-
Balance as at 31 December	**1,767,655**	1,677,655

11. INVESTMENT IN ISLAMIC SUKUK

	2021		2020	
	Number of Sukuk	**Value of Sukuk**	Number of Sukuk	Value of Sukuk
		YR'000		YR'000
Investment in Islamic Sukuk – Gov restricted	**-**	**-**	1,428	1,428,000
	-	**-**	1,428	1,428,000

The nominal value of Sukuk is YR 1,000,000, issued by the Unit of Islamic Sukuk at CBY. The Yemeni Government represented by the Ministry of Finance guarantees such Sukuk at the maturity dates and authorizes the Central Bank of Yemen to deduct such dues from the Ministry of Finance account with the Central Bank of Yemen at the maturity dates.

The investment in the Islamic Sukuk, which are restricted in investments in Islamic Sukuk in favor of the customers of the Bank. The value of the sukuk and its return is payable in full on maturity and its non-tradeable.

12. INVESTMENT IN ASSOCIATES

	2021		2020	
	Share		Share	
	YR'000	**%**	YR'000	%
Mareb Poultry Company	**364,589**	27.32	492,974	27.32
CAC Insurance Company	**199,325**	22.50	225,117	22.50
	563,914		718,091	

Following are the details of the movements during the year:

	2021	2020
	YR'000	YR'000
Balance as at 1 January	**718,091**	693,279
Bank net share of (loss)/profits	**(128,385)**	52,121
Cash dividends received during the year	**(25,792)**	(27,309)
Balance as at 31 December	**563,914**	718,091

12. INVESTMENT IN ASSOCIATES (CONTINUED)

As of 31 December 2021, the total assets of Mareb Poultry Company were amounting to YR 2,024,690 thousand (2020: YR 2,230,031 thousand), while the total liabilities were amounting to YR 690,178 thousand (2020: YR 425,589 thousand). Mareb Poultry Company realized a net loss of YR 427,331 (2020: net profit YR 30,591 thousand) according to the last audited financial statements for the year ended 31 December 2021 (2020: audited financial statements for the year ended 31 December 2020).

The audited financial statements for the year ended 31 December 2021 have not yet been issued, according to the last audited financial statements for the year ended 31 December 2020, the total assets of CAC Insurance Company were amounting to YR 4,498,413 thousand (2019: YR 3,927,433 thousand), while the total liabilities were amounting to YR 3,497,893 thousand (2019: YR 2,945,118 thousand). CAC Insurance realized a net profit of YR 183,064 thousand (2019: YR 155,555 thousand) according to the last audited financial statements for the year ended 31 December 2020. During the year ended 31 December 2020, the bank's shareholding in CAC Insurance Company was modified from 21% to 22.5% as a result of the amendment in the percentage of shareholders' ownership in the company as some shareholders did not contribute their shares of the company's capital increase.

13. DEBIT BALANCES AND OTHER ASSETS

	2021	2020
	YR'000	YR'000
Assets transferred to the Group's ownership as repayment of debts	**3,583,414**	3,583,414
Prepaid expenses	**641,730**	394,759
Accrued interests and income	**603,085**	665,924
Projects in process (advances)	**107,256**	47,330
Advances to employees	**106,666**	111,266
Other debit balances	**2,049,262**	2,212,763
	7,091,413	7,015,456
Less:		
Doubtful debits provision (Note 13-1)	**(4,844,001)**	(4,862,878)
	2,247,412	2,152,578

Assets transferred to the Group's ownership as a repayment of debts of some customers expected to be sold within 12 months from financial position date are considered available for sale assets.

13.1 Doubtful Debits Provision for Debit Balances and Other Assets

	2021	2020
	YR'000	YR'000
Balance as at 1 January	**4,862,878**	5,381,930
Charged during the year	**10,213**	-
Used during the year	**(6,716)**	(13,150)
Reversed during the year	**(22,066)**	(506,251)
Foreign currencies revaluation difference	**(308)**	349
Balance as at 31 December	**4,844,001**	4,862,878

14. PROPERTY AND EQUIPMENT

	Lands & Buildings	Furniture & Fixtures	Motor Vehicles	Leasehold Improvements	Total
	YR'000	YR'000	YR'000	YR'000	YR'000
Cost					
At 1 January 2020	1,066,446	8,002,616	872,679	1,482,682	11,424,423
Additions	326	351,587	402	193,391	545,706
Disposals	-	(74,488)	-	(1,247)	(75,735)
Reclassifications	-	(2,811)	-	2,811	-
At 1 January 2021	**1,066,772**	**8,276,904**	**873,081**	**1,677,637**	**11,894,394**
Additions	**-**	**211,677**	**76**	**7,315**	**219,068**
Disposals	**-**	**(4,026)**	**(4,861)**	**-**	**(8,887)**
Reclassifications	**-**	**-**	**-**	**-**	**-**
At 31 December 2021	**1,066,772**	**8,484,555**	**868,296**	**1,684,952**	**12,104,575**
Accumulated Depreciation					
At 1 January 2020	354,320	7,036,443	844,928	1,337,182	9,572,873
Charge for the year	19,691	318,192	14,114	103,765	455,762
Disposals during the year	-	(73,004)	-	(1,247)	(74,251)
Reclassification	10	(2,943)	2,936	(3)	-
At 1 January 2021	**374,021**	**7,278,688**	**861,978**	**1,439,697**	**9,954,384**
Charge for the year	**19,470**	**294,942**	**8,205**	**74,209**	**396,826**
Disposals during the year	**-**	**(3,907)**	**(4,861)**	**-**	**(8,768)**
Reclassifications	**-**	**-**	**-**	**-**	**-**
At 31 December 2021	**393,491**	**7,569,723**	**865,322**	**1,513,906**	**10,342,442**
Carrying Amount					
At 31 December 2021	**673,281**	**914,832**	**2,974**	**171,046**	**1,762,133**
At 31 December 2020	692,751	998,216	11,103	237,940	1,940,010
Depreciation rates used	**0% - 2%**	**10% - 20%**	**20%**	**Lower of 10% Or lease term**	

15. RIGHT-OF-USE ASSETS

This item consists of the following as of December 31:

	2021 YR'000	2020 YR'000
Cost		
At 1 January	**2,312,823**	1,953,616
Added right-of-use assets during the year	**87,543**	718,995
Expired right-of-use assets during the year	**(156,896)**	(359,788)
	2,243,470	2,312,823
Accumulated depreciation		
At 1 January	**843,760**	494,208
Depreciation for the year	**467,918**	538,306
Depreciation for expired right-of-use assets	**(144,174)**	(188,754)
	1,167,504	843,760
Net right-of-use assets	**1,075,966**	1,469,063

16. DUE TO BANKS

	2021 YR'000	2020 YR'000
Current Accounts		
Balances in local currency	**9,793,099**	8,815,708
Balances in foreign currencies	**1,640,589**	1,136,534
	11,433,688	9,952,242
Time Deposits		
Balances in local currency	**6,175,327**	6,057,862
Balances in foreign currencies	**13,304,880**	12,802,629
	19,480,207	18,860,491
Total balances due to banks	**30,913,895**	28,812,733

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

17. DEPOSITS FROM CUSTOMERS

	2021 YR'000	2020 YR'000
Current accounts	**267,100,610**	257,062,357
Time deposits	**121,576,419**	123,289,644
Savings accounts	**14,336,690**	14,872,569
Cash, LC and LG margins	**7,685,605**	8,758,239
Other deposits	**624,519**	3,019,908
	411,323,843	407,002,717

Time deposits and saving accounts bear fixed interest rates during the deposit period, while other current accounts, cash margins, and other deposits earn no interest.

18. LONG TERM LOANS

	2021	2020
	YR'000	YR'000
Mahra Rural Development Project	**39,625**	42,795
Tehama Development Project - III	**5,271**	5,271
Raimah Development Project	**2,547**	2,971
	47,443	51,037

Mahra rural development project

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

Tehama development project – III

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

Raimah development project

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

19. CREDIT BALANCES AND OTHER LIABILITIES

	2021	2020
	YR'000	YR'000
Income tax (19.1)	**464,518**	1,606,829
Zakat provision (19.2)	**1,762,818**	4,042,782
Interest payable	**728,945**	1,524,596
Lease contracts liabilities (19.3)	**1,161,097**	1,541,592
Accrued expenses	**1,268,847**	1,313,814
Insurance and guarantees from clients	**2,756,952**	3,086,735
Unearned revenue	**31,106**	32,196
Forward contracts commitments	**-**	6,895,000
Other credit balances and liabilities	**1,417,908**	1,150,170
	9,592,191	21,193,714

19.1 Income Tax

Income tax is provided at 20% (2020: 20%) of the annual amended profit for tax purposes. The table below shows the movement of income tax provision:

	2021	2020
	YR'000	YR'000
Balance at 1 January	**1,606,829**	719,631
Provided during the year (*)	**590,968**	932,610
Paid during the year	**(1,733,279)**	(45,412)
Balance at 31 December	**464,518**	1,606,829

19. CREDIT BALANCES AND OTHER LIABILITIES (CONTINUED)

19.1 Income Tax (continued)

(*) Amount provided during the year 2021 includes an amount of YR 69,656 thousand for fines of delaying tax returns for previous years.

Tax position

Commercial and Industrial Income Tax

- In accordance with Article (21) of Law No. (39) of 1982, concerning the establishment of the Bank, the bank's profit was not subject to income tax. The Bank was not subject to Income Tax Law No. (31) of 1991 and its subsequent amendments by Republican Decree No. (12) of 1999 and the provisions of Article No. (85) of Law No. (38) of 1998 related to banks until 31 December 2009.
- Income tax is cleared for the years until 2016.
- Tax declarations were submitted for the year 2017, 2018, and 2019 and the amounts due were paid based on the declarations.
- The bank was informed of the additional assessments for the years 2017 and 2018 on income, salaries, wages and the independent base taxes and the dues of the skills development fund amounting to YR 4,076,889 thousand and YR 2,549,251 thousand, respectively. The bank objected to these additional assessments within the legal period, and the file was referred to the settlement committee, which has not issued its decision to date.
- The bank was informed in 2022 of the additional assessments for the year 2019 on income, salaries, wages and the independent base taxes amounting to YR 404,983 thousand, the bank partially objected before the Appeal Committee, the decision of the Appeal Committee issued an additional assessment of YR 34,364 thousand. After that, the bank and the tax authority submitted a petition to challenge the decision issued by the Appeal Committee at the primary Tax Court, which has not issued its decision to date.
- A fine for late submission of tax return for the year 2019 amounting to YR 27,500 thousand was paid during the year 2021, and an amount of YR 55,650 thousand paid during the year 2022.
- The tax return for the year 2020 has been submitted, and the field examination is underway by the Tax Authority, and the bank has not been informed of any additional assessment. A delay fine for the tax return for the year 2020 amounted to YR 197,724 thousand was paid during the year 2022.
- The bank paid YR 1,000,000 advances in account of the income tax during the year 2021.
- The bank paid YR 1,100,000 advances in account of the income tax during the year 2022.
- The bank paid YR 300,000 advances in account of the income tax during the year 2023.

Payroll Tax

- Payroll tax was paid for the year 2009 as per tax return and no settlement was reach between the bank and tax authority to date.
- Tax settlement has been finished for the payroll tax until 2016.
- Payroll tax for the years 2017 to 2021 was paid based on the monthly submitted returns.
- Field inspection for the year 2019 was complete and the bank agreed on the additional assessment.
- Field inspection for the year 2020 is still in orogress and the bank did not receive any additional assessment to date.

19. CREDIT BALANCES AND OTHER LIABILITIES (CONTINUED)

19.1 Income Tax (continued)

Tax position *(continued)*

Others

- A fine on sales and under-account tax and property tax for the year 2017 and 2018 amounted to YR 28,478 thousand, which was paid during the year 2019.
- A fine on sales and under-account tax for the year 2019 and paid with fines in a total amount of YR 93,899 thousand during the year 2021.
- A fine on sales and under-account tax for the year 2020 were paid with fines in a total amount of YR 72,379 thousand during the year 2022.
- A fine on sales and under-account tax for the year 2021 were paid with fines in a total amount of YR 48,597 thousand during the year 2022.

19.2 Zakat Provision

Zakat Position

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

	2021	2020
	YR'000	YR'000
Balance at 1 January	**4,042,782**	2,356,905
Provided during the year	**1,534,197**	2,288,377
Paid during the year	**(3,814,161)**	(602,500)
Balance at 31 December	**1,762,818**	4,042,782

- The Group submitted its zakat declaration and payment until the end of the year 2017 according to its financial statements based on receipts granted by the head office branches in all governorates, and has not been informed of any additional assessment notification from the Zakat General Authority.
- The Group submitted its zakat declaration and payment for the year 2018 according to its financial statements in accordance with the receipts granted by the head office and its branches in all governorates, and it has been informed during 2020 of additional assessments amounting to YR 744,227 thousand which were paid during 2021 and a final clearance was obtained regarding Zakat for the year 2018.
- The Group submitted its zakat declaration and payment for the year 2019 according to its financial statements in accordance with the receipts granted by the head office and its branches in all governorates, and it has been informed during 2022 of additional assessments amounting to YR 103,682 thousand which were paid during 2023.
- The Group submitted its zakat declaration and payment for the year 2020 according to its financial statements in accordance with the receipts granted by the head office and its branches in all governorates and has not been informed of any additional assessment notification from the Zakat General Authority.
- The Group submitted a "preliminary" Zakat return for the year 2021 according to its unaudited financial statements and payment was made of an amount YR 1,475,998 thousand through the CBY.

19. CREDIT BALANCES AND OTHER LIABILITIES (CONTINUED)

19.3 Lease Contracts Liabilities

	2021	2020
	YR'000	YR'000
Balance at 1 January	**1,541,592**	1,464,347
Provided during the year	**74,821**	543,022
Debt interest	**82,836**	97,906
Paid during the year	**(538,152)**	(563,683)
Balance at 31 December	**1,161,097**	1,541,592

20. OTHER PROVISIONS

2021

	Provision for contingent liabilities (a)	**Provision for contingent claims**	**Foreign currencies fluctuation provision and the effect on overdrawn foreign currencies positions (b)**	**General provision on loans and (c) advances**	**Total**
	YR'000	**YR'000**	**YR'000**	**YR'000**	**YR'000**
Balance as at 1 January	**297,609**	**549,869**	**16,000,000**	**8,735**	**16,856,213**
Provided during the year (Note 32)	**18,087**	**63,901**	**35,000,000**	**11,296**	**35,093,284**
Used during the year	**(85,681)**	**-**	**-**	**(7,032)**	**(92,713)**
Foreign currencies revaluation	**(1,065)**	**-**	**-**	**-**	**(1,065)**
Balance as at 31 December	**228,950**	**613,770**	**51,000,000**	**12,999**	**51,855,719**

2020

	Provision for contingent liabilities (a)	Provision for contingent claims	Foreign currencies fluctuation provision and the effect on overdrawn foreign currencies positions (b)	General provision on loans and (c) advances	Total
	YR'000	YR'000	YR'000	YR'000	YR'000
Balance as at 1 January	243,337	323,228	5,840,000	14,604	6,421,169
Provided during the year (Note 32)	53,394	226,641	10,160,000	1,094	10,441,129
Used during the year	(936)	-	-	(6,963)	(7,899)
Foreign currencies revaluation	1,814	-	-	-	1,814
Balance as at 31 December	297,609	549,869	16,000,000	8,735	16,856,213

20. OTHER PROVISIONS (CONTINUED)

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

b) As described in note (38), and in accordance with the instructions issued by the Central Bank of Yemen to all banks operating in the Republic of Yemen, which stated that foreign currencies sensitivity analysis should be performed and presented regarding the effect of foreign currencies fluctuations on the financial statements, based on the exchange rate of the parallel market and stating the effect of such change on the statement of profit or loss and comprehensive income, and banks holding short foreign currencies financial positions should create a provision for losses related to the exposure of the difference between the value of the foreign currencies short positions according to the closing rates as per CBY instructions and the average parallel market exchange rate.

   During the year ended 31 December 2021, the bank created a provision against expected losses related to foreign currencies overdrawn positions.

   The bank has signed a commitment to CBY during January 2019, including the bank's commitment to correct its foreign currencies exposed position gradually and reach to the allowed limits in accordance with the relevant instructions issued in this regard. The commitment also included giving the authority to CBY to implement a restriction over debt securities in the amount of YR 82.6 billion, in addition to income from such debt securities, until the foreign currencies positions is finally corrected, and a commitment from the bank to allocate the income from these restricted debt securities to create a provision or to reduce the foreign currencies exposed positions. The restriction shall not be released except by the final correction of the position of foreign currencies or by an amount equal to the reduction in the overdrawn position by its equivalent in foreign currencies and at the official exchange rate announced by the Central Bank and with the sufficiency of the provision formed to meet the realized and potential losses.

c) Based on the instructions of the Central Bank of Yemen, a provision of 2% is taken from all regular direct credit facilities, after deducting cash deposits.

21. PAID-UP CAPITAL

As at 31 December 2021, the paid up capital amounted to YR 20 billion (2020: YR 20 billion) divided into 20 million shares of YR 1,000 par share according to the General Assembly meeting No. 1 held on 29 July 2017 regarding the increase of capital by amount of YR 1,000,000 thousand as follows:

	No. of Shares	**Percentage**	**2021**	2020
		%	**YR'000**	YR'000
Agricultural Promotion Fund	**8,100,000**	**40.50**	**8,100,000**	8,100,000
Government represented by the Ministry of Finance	**6,764,000**	**33.82**	**6,764,000**	6,764,000
Civil Aviation and Metrology Authority	**5,000,000**	**25.00**	**5,000,000**	5,000,000
General Confederation of Agriculture	**136,000**	**0.68**	**136,000**	136,000
	20,000,000	**100**	**20,000,000**	20,000,000

22. STATUTORY RESERVE

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

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

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

23. CONTINGENT LIABILITIES AND COMMITMENTS

	2021			2020		
	Total commitment	**Collateral**	**Net commitment**	Total commitment	Collateral	Net commitment
	YR'000	**YR'000**	**YR'000**	YR'000	YR'000	YR'000
Letters of credit	**4,059,804**	**(165,796)**	**3,894,008**	5,022,471	(468,793)	4,553,678
Letters of guarantee	**25,378,082**	**(6,377,022)**	**19,001,060**	30,952,459	(5,745,158)	25,207,301
	29,437,886	**(6,542,818)**	**22,895,068**	35,974,930	(6,213,951)	29,760,979

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

	2021	2020
	YR'000	YR'000
Interest income from loans and advances to customers	**469,943**	387,030
Interest income from due from banks	**7,084,163**	6,154,384
	7,554,106	6,541,414

25. INTEREST EXPENSE

	2021	2020
	YR'000	YR'000
Interest expense on customers' deposits:		
- Time deposits	**16,523,022**	21,643,568
- Saving accounts	**2,053,458**	1,908,598
	18,576,480	23,552,166
Interest expense on balances due to banks and loans:		
- Deposits from banks	**1,282,790**	1,595,186
- Long terms loans	**1,136**	1,230
	1,283,926	1,596,416
	19,860,406	25,148,582

26. ISLAMIC FINANCING AND INVESTMENT ACTIVITIES INCOME

	2021	2020
	YR'000	YR'000
Income from Islamic Sukuk	**53,257**	150,233
Income from financing Murabaha transactions	**27,693**	30,383
Income from Ijarah Muntahia Bittamleek	**15,360**	34,731
Income from agricultural financing	**1,557**	9,707
Income from Musharakah transactions	**1,441**	-
Income from Istisna'a transactions	**68,548**	3,714
	167,856	228,768

27. RETURN OF UNRESTRICTED INVESTMENTS AND SAVING ACCOUNTS HOLDERS

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

	2021		2020	
	YR %	**Foreign Currencies %**	YR %	Foreign Currencies %
Investment deposits	**7.00%**	**2.00%**	9.90%	3.50%
Saving accounts	**3.50%**	**1.00%**	5.00%	1.80%

28. FEES AND COMMISSION INCOME

	2021	2020
	YR'000	YR'000
Letters of credit commissions	**-**	984
Letters of guarantee commissions	**155,484**	158,027
Inward transfers commissions	**490,913**	429,310
Other commissions	**574,494**	718,839
	1,220,891	1,307,160

29. NET GAIN/(LOSS) FROM FOREIGN EXCHANGE

	2021	2020
	YR'000	YR'000
Loss on cash supply (*)	**(11,728,234)**	-
Gain/(loss) from foreign currencies transactions	**20,270,157**	(10,147,293)
(Loss)/gain from revaluation of foreign currencies	**(81,032)**	52,013
	8,460,891	(10,095,280)

(*) Amount represents losses incurred by the bank against the increase in the purchase price over the prevailing market price of cash supplied to the Bank, in return for payment from the bank's non-cash current accounts with other banks.

30. FINANCIAL INVESTMENT (LOSS)/INCOME

	2021 YR'000	2020 YR'000
Financial assets at FVTOCI	-	-
(Loss)/income Investments in associates	**(128,385)**	52,121
	(128,385)	52,121

31. OTHER INCOME

	2021 YR'000	2020 YR'000
Provisions reversed	**1,550,402**	1,231,364
Rent revenue	**4,740**	6,000
Other income	**40,475**	204,055
	1,595,617	1,441,419

32. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2021 YR'000	2020 YR'000
Impairment provision on loans and advances to customers performing and non-performing (Note 8-1)	-	1,530,437
Impairment provision for financing activities (Note 8-3)	**228,754**	441,467
Doubtful provision for debit balances and other assets (Note 13-1)	**10,213**	-
Other provisions (Note 20)	**35,093,284**	10,441,129
Impairment provision on balances with banks (Note 6-1)	**2,413,781**	1,122,135
Impairment provision on AFS investments (Note 10-1)	**90,000**	88,266
	37,836,032	13,623,434

33. STAFF EXPENSES

	2021 YR'000	2020 YR'000
Salaries and wages (*)	**7,760,758**	7,684,028
Social security contributions (**)	**301,145**	459,505
Medical expenses	**1,193,031**	1,171,306
	9,254,934	9,314,839

(*) includes an amount of YR 310,016 thousand (2020: YR 281,541 thousand) for the salaries of retired and deceased employees, as a result of the group not being informed for those employees by the General Authority for Insurance and Pensions.

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

34. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	YR'000	YR'000
Depreciation of property and equipment (Note 14)	**396,826**	455,762
Depreciation of right-of-use assets (Note 15)	**467,918**	538,306
Finance cost on right-of-use assets (Note 19.3)	**82,836**	97,906
Rent	**579,014**	648,248
Fees and subscriptions	**430,394**	436,694
Maintenance	**509,914**	482,138
Stationery and office supplies	**73,072**	86,093
Communications	**362,127**	317,605
Security and guarding	**447,484**	493,088
Water and electricity	**423,019**	338,168
Advertising and publishing	**143,759**	133,116
Transportation	**393,142**	344,480
Insurance	**291,011**	304,867
Training	**38,114**	29,269
Courier	**120,683**	206,193
Professional and legal fees	**103,616**	96,202
Other miscellaneous expenses	**348,927**	367,814
	5,211,856	5,375,949

35. EARNINGS PER SHARE

	2021	2020
	YR'000	YR'000
Profit per share attributable to Bank's equity holders	**1,656,533**	635,369
Number of shares (thousand shares)	**20,000**	20,000
Earnings per share (Yemeni Rial)	**82.83**	31.77

36. RELATED PARTY TRANSACTIONS

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

	2021	2020
	YR'000	YR'000
Deposits		
Balance at 1 January	**6,368,309**	12,584,994
Added during the year	**1,055,780**	-
Deducted during the year	**-**	(6,216,685)
Balance at 31 December	**7,424,089**	6,368,309

	2021	2020
	YR'000	YR'000
Loans and financing		
Balance at 1 January	**154,706**	1,157,016
Added during the year	**-**	-
Deducted during the year	**(50,066)**	(1,002,310)
Balance at 31 December	**104,640**	154,706

36. RELATED PARTY TRANSACTIONS (CONTINUED)

	2021	2020
	YR'000	YR'000
Interests		
Interest and commission income	**3,037**	17,467
Interest expenses	**(24,847)**	(63,128)

Compensation of key management personnel:

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

	2021	2020
	YR'000	YR'000
Salaries, bonuses and allowances	**196,337**	199,498

37. FAIR VALUE INFORMATION

Based on the evaluation method described below, the Group considers the fair value of all financial instruments shown in the statement of financial position and off-balance sheet items as of 31 December 2021 are not materially different from their carrying values.

(a) Estimating the fair values

Loans and advances granted to customers

The fair value is calculated based on the expected future cash flows discounted for the principal and interest. It was assumed that loan repayments took place in the due dates as per agreement when applicable. For loans that have no specific repayment dates or those that are subject to collection risks, repayment is estimated based on previous periods experience when interest rates were at levels similar to current interest rates levels, adjusted for any changes in the expected interest rate.
Estimation of future cash flows is developed taking into consideration the associated credit risk and any indications of impairment. An estimate of future cash flows for any similarly classified loans on a portfolio basis and are discounted at current rates for similar loans available to new borrowers with similar credit profiles. The estimated fair values reflect the changes in the credit position from the date of granting the loans, they also reflect changes in interest rates in case of fixed interest rates loans.

Investments

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

Current accounts balances due to\from banks

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

Deposits at banks and customers' deposits

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

37. FAIR VALUE INFORMATION (CONTINUED)

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

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

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

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

(d) Fair value compared to carrying value

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

2021	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
	YR'000	**YR'000**	**YR'000**	**YR'000**	**YR'000**
Assets					
Balances with banks	**132,096,879**	-	**132,096,879**	-	**132,096,879**
Held to maturity investments	**333,460,099**	-	**333,460,099**	-	**333,460,099**
AFS investments	**510,000**	**510,000**	-	-	**510,000**
Investment in Islamic Sukuk	-	-	-	-	-
Loans and advances to customers	**14,293,913**	-	**14,293,913**	-	**14,293,913**
Ijarah muntahia bittamleek	**165,898**	-	**165,898**	-	**165,898**
Liabilities					
Due to banks	**30,913,895**	-	**30,913,895**	-	**30,913,895**
Customers' deposits	**411,323,843**	-	**411,323,843**	-	**411,323,843**

2020	Carrying Value	Level 1	Level 2	Level 3	Total
	YR'000	YR'000	YR'000	YR'000	YR'000
Assets					
Balances with banks	85,729,831	-	85,729,831	-	85,729,831
Held to maturity investments	346,526,058	-	346,526,058	-	346,526,058
AFS investments	600,000	600,000	-	-	600,000
Investment in Islamic Sukuk	1,428,000	-	1,428,000	-	1,428,000
Loans and advances to customers	16,760,216	-	16,760,216	-	16,760,216
Ijarah muntahia bittamleek	237,365	-	237,365	-	237,365
Liabilities					
Due to banks	28,812,733	-	28,812,733	-	28,812,733
Customers' deposits	407,002,717	-	407,002,717	-	407,002,717

38. RISK MANAGEMENT

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

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

Credit risk

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

In this context, the Group strengthens institutional frameworks governing the management of credit through the modernization and development of policies and procedures on an on-going basis.

The bank also applies the instructions of the Central Bank of Yemen of circular No. (10) of 1997 on credit risk. The management is committed to a minimum set of standards for credit risk management. Procedures for managing and mitigating credit risk include the following:

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

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

Concentration by customers

	Assets		Liabilities	
	Balances with banks	Loans and advances	Due to banks	Customers' deposits
	YR'000	YR'000	YR'000	YR'000
31 December 2021				
Individuals	**-**	**652,034**	**-**	**91,763,996**
Corporate	**-**	**13,641,879**	**-**	**319,559,847**
Banks	**132,096,879**	**-**	**30,913,895**	**-**
	132,096,879	**14,293,913**	**30,913,895**	**411,323,843**
31 December 2020				
Individuals	-	441,985	-	93,994,341
Corporate	-	16,318,231	-	313,008,376
Banks	85,720,831	-	28,812,733	-
	85,720,831	16,760,216	28,812,733	407,002,717

38. RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Industry Sector

	2021			2020		
	Assets	**Liabilities**	**Contingent Liabilities and Commitments**	Assets	Liabilities	Contingent Liabilities and Commitments
	YR'000	**YR'000**	**YR'000**	YR'000	YR'000	YR'000
Industrial & Commercial	**12,567,826**	**155,299,315**	**10,072,753**	12,979,686	172,865,719	8,986,690
Services	**484,947**	**149,045,691**	**544,760**	989,019	141,654,711	666,395
Financial	**509,678,625**	**33,933,809**	**6,689,569**	474,969,791	28,812,733	14,099,533
Others	**4,511,550**	**165,454,276**	**5,587,986**	6,260,268	130,583,251	6,008,361
Total	**527,242,948**	**503,733,091**	**22,895,068**	495,198,764	473,916,414	29,760,979

Credit risk without taking into consideration the collaterals

	2021	2020
	YR'000	YR'000
Consolidated Statement of Financial Position		
Balances at banks	**132,096,879**	85,720,831
Available for sale investments	**510,000**	600,000
Investments in associates	**563,914**	718,091
Loans and advances to customers	**14,293,913**	16,760,216
Ijarah muntahia bittamleek	**165,898**	237,365
Other debit balances and assets	**2,247,412**	2,152,578
Off balance sheet items	**22,895,068**	29,760,979

Liquidity risk

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

38. RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the bank's financial assets and liabilities at 31 December 2021 was as follows:

	Due within 3 Months	Due within 4 to 6 Months	Due within 6 months to One year	Due after One Year	Total
	YR'000	YR'000	YR'000	YR'000	YR'000
Assets					
Cash and balances at CBY	43,904,833	-	-	-	43,904,833
Balances with banks	132,096,879	-	-	-	132,096,879
HTM investments	333,261,499	97,382	101,218	-	333,460,099
Investments in Islamic Sukuk	-	-	-	-	-
AFS Investments	-	-	-	510,000	510,000
Investments in associates	-	-	-	563,914	563,914
Loans and advances	13,102,685	35,175	82,139	1,073,914	14,293,913
Ijarah muntahia bittamleek	-	-	-	165,898	165,898
	522,365,896	132,557	183,357	2,313,726	524,995,536
Liabilities					
Due to banks	30,913,895	-	-	-	30,913,895
Customers' deposits	402,118,121	3,619,666	655,753	4,930,303	411,323,843
Long term loans	-	-	-	47,443	47,443
	433,032,016	3,619,666	655,753	4,977,746	442,285,181

38. RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

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

	Due within 3 Months	Due within 4 to 6 Months	Due within 6 months to One year	Due after One Year	Total
	YR'000	YR'000	YR'000	YR'000	YR'000
Assets					
Cash and balances at CBY	41,055,625	-	-	-	41,055,625
Balances with banks	85,720,831	-	-	-	85,720,831
HTM investments	346,180,590	230,236	115,232	-	346,526,058
Investments in Islamic Sukuk	-	1,428,000	-	-	1,428,000
AFS Investments	-	-	-	600,000	600,000
Investments in associates	-	-	-	718,091	718,091
Loans and advances	13,869,752	-	-	2,890,464	16,760,216
Ijarah muntahia bittamleek	-	-	-	237,365	237,365
	486,826,798	1,658,236	115,232	4,445,920	493,046,186
Liabilities					
Due to banks	28,812,733	-	-	-	28,812,733
Customers' deposits	390,616,039	8,479,951	480,391	7,426,336	407,002,717
Long term loans	-	-	-	51,037	51,037
	419,428,772	8,479,951	480,391	7,477,373	435,866,487

38. RISK MANAGEMENT (CONTINUED)

Market risk

Market risk includes foreign currency risk and interest rates risk.

Foreign currency risk

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

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

	2021		2020	
	Surplus / (deficit)	**Percentage to equity**	Surplus / (deficit)	Percentage to equity
	YR'000	**%**	YR'000	%
US Dollars	**(64,692,618)**	**(262.25%)**	(52,389,592)	(219.35%)
Euro	**767,795**	**3.11%**	917,135	3.84%
Saudi Riyals	**(1,001,328)**	**(4.06%)**	(868,401)	(3.63%)
Sterling Pound	**28,083**	**0.11%**	25,522	0.11%
UAE Dirham	**(528,102)**	**(2.14%)**	(71,098)	(0.30%)
Other currencies	**12,230**	**0.05%**	12,125	0.05%
Net	**(65,413,940)**	**(265.18%)**	(52,374,309)	(219.28%)
Position (Short)	**(66,222,048)**	**(268.45%)**	(53,329,091)	(223.28%)

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

Foreign currency sensitivity analysis:

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

	Closing rates according to CBY announcement		**Average rates in the parallel market***	
	2021	2020	**2021**	2020
	YR	YR	**YR**	YR
US Dollars	**250.25**	250.25	**602**	603.36
EURO	**283.55**	307.71	**671**	675.76
Saudi Riyals	**66.66**	66.72	**158**	158.09
Sterling Pound	**337.43**	340.99	**790**	730.06
UAE Dirham	**68.13**	68.13	**162.04**	162.04

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

38. RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Foreign currency risk (continued)

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

	Impact on net income increase/(decrease)	
	2021	2020
	YR'000	YR'000
US Dollars	**(90,931,583)**	(73,923,232)
EURO	**1,049,135**	1,096,979
Saudi Riyals	**(1,372,057)**	(1,189,236)
Sterling Pound	**37,665**	29,121
UAE Dirham	**(727,932)**	(98,001)
Others	**17,004**	17,109
	(91,927,768)	(74,067,260)

In accordance with the instructions issued by the Central Bank of Yemen to all the banks operating in the Republic of Yemen, which states that sensitivity analysis for the effect of foreign currencies fluctuation on the financial statements should be performed and presented, based on the exchange rate of the parallel market and stating the effect of the change in the statement of profit or loss and other comprehensive income, and banks holding short financial positions for foreign currencies should create a provision for losses related to the exposure of the difference between the value of the short positions of the foreign currencies according to the closing rates of CBY instructions and the average market exchange rate.

During the year ended 31 December 2021, the bank created a provision against expected losses related to foreign currencies overdrawn positions at YR 35,000,000 thousand (2020: 10,160,000 thousand), the total provision as at 31 December 2021 at YR 51,000,000 thousand (2020: YR 16,000,000 thousand).

The bank has signed a commitment to CBY during January 2019, including the bank's commitment to correct its foreign currencies exposed position gradually and reach to the allowed limits in accordance with the relevant instructions issued in this regard. The commitment also included giving the authority to CBY to implement a restriction over debt securities in the amount of YR 82.6 billion, in addition to income from such debt securities, until the foreign currencies positions is finally corrected, and a commitment from the bank to allocate the income from these restricted debt securities to create a provision or to reduce the foreign currencies exposed positions. The restriction shall not be released except by the final correction of the position of foreign currencies or by an amount equal to the reduction in the overdrawn position by its equivalent in foreign currencies and at the official exchange rate announced by the Central Bank and with the sufficiency of the provision formed to meet the realized and potential losses.

38. RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Interest rates risk

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

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

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

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

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

Assuming a change in the interest rate by 5%, this change will have the following affect on profit or loss:

	Profit or loss	
	2021	2020
	YR'000	YR'000
Sensitivity of interest rate		
+ 5%	**3,914,848**	2,626,197
- 5%	**(601,782)**	(1,355,459)

Average interest rates applied during the year

The average interest rates on assets and liabilities during the year ended 31 December 2021 follows:

	YR	**US Dollar**	**EURO**	**SAR**
	%	**%**	**%**	**%**
Assets				
Time deposits with banks	**16.73**	**1.85**	**-**	**-**
Debt securities	**16.90**	**-**	**-**	**-**
Customer loans	**22**	**10**	**-**	**10**
Agricultural loans	**6**	**-**	**-**	**-**
Overdraft	**22**	**12**	**2.52**	**12**
Liabilities				
Customers' time deposits:	**15**	**2.50**	**-**	**2**
Saving accounts	**15**	**2**	**1**	**2**
Time deposits – Banks	**15**	**5**	**-**	**-**
Long term loans	**2.60**	**-**	**-**	**-**

38. RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Interest rates risk (continued)

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

	YR	US Dollar	EURO	SAR
	%	%	%	%
Assets				
Time deposits with banks	16.70	2.75	-	-
Debt securities	16.90	-	-	-
Customer loans	22	10	-	10
Agricultural loans	6	-	-	-
Overdraft	25	12	2.52	12
Liabilities				
Customers' time deposits:	15.01	3.87	-	1.78
Saving accounts	15	2	1.92	1.78
Time deposits - Banks	15	4.96	-	-
Long term loans	2.60	-	-	-

39. CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure its ability to continue as a going concern while maximizing the return to shareholders through the optimization of the shareholders' equity within acceptable frameworks to encounter the yield from such risks. The general bank policy did not change from that in the year 2020. The Bank's capital consists of paid-up capital, reserves and retained earnings.

40. CAPITAL ADEQUACY

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

	2021	2020
	YR Million	YR Million
Core and supplementary capital	**26,075**	24,390
Risk-weighted assets and liabilities		
Contingent liabilities and commitments	**14,686**	23,879
Total assets	**17,470**	17,622
Total risk-weighted assets and liabilities	**32,156**	41,501
Percentage of capital adequacy	**81.09%**	58.77%

The core capital consists of paid-up capital, reserves and retained earnings, after subtracting investments in local banks or financial companies, while supplementary capital consists of general provisions.

41. FINANCIAL REPORTING FOR INDUSTRY SEGMENTS

The Bank operates in the following three sectors:

A. Retail banking services - including banking services for individuals, current accounts and savings accounts, deposits, investment savings products, credit and debit cards, consumer loans and housing loans.

B. Banking services for corporates - including direct debit facilities, current accounts, deposits, loans, overdrafts and other credit facilities and foreign currency.

C. Treasury and Investments - Other activities are investment management and corporate finance, which do not represent an independent sector that must be reported.

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

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

42. CONTINGENT LIABILITIES

Certain legal cases have been filed against the Bank amounting to YR 250 million (2020: YR 551 million). No provision has been made based on the opinion of the legal department of the Bank, management believes that the outcomes of such legal proceedings will not affect the Bank's operations.

43. COMPARATIVE FIGURES

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

	Audited financial statements 2020	Reclassification amount	Reclassified balances 2020
	YR'000	YR'000	YR'000
Loans and advances to customers	16,988,846	(228,630)	16,760,216
Ijarah muntahia bittamleek	-	237,365	237,365
Debit balances and other assets	2,564,901	(412,323)	2,152,578
Credit balances and other liabilities	(21,606,037)	412,323	(21,193,714)
Other provisions	(16,847,478)	(8,735)	(16,856,213)
Other income	(1,433,849)	(7,570)	(1,441,419)
Net impairment loss on financial assets	13,615,864	7,570	13,623,434
	(6,717,753)	-	(6,717,753)

44. GOING CONCERN AND SUBSEQUENT EVENTS

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

Since August 2019, technical support has been suspended by the company providing the bank with the banking system (Core Bank), and no agreement has been reached with the company or any of its affiliated parties for the purpose of restoring technical support to the bank's system.

During the year ending on December 31, 2021, the Bank's management took a decision to adopt the option to purchase a new banking system, according to which the Banking System Project Committee was established, and the committee is still conducting periodic meetings to evaluate the current system and the problems associated with it until the date of approval of these consolidated financial statements for the group. Problems in the new banking system. The committee also identifies and studies the available systems to obtain and prepares the required technical conditions before submitting a request for proposals by the companies nominated to provide the bank with a new banking system. The bank's engineers at the Information Technology Department provide the necessary support for the banking system (Core Bank) until the date of approving these financial statements.

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

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

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

45. APPROVAL OF THE FINANCIAL STATEMENT

The consolidated financial statements were approved by the board of directors and authorized for issue on 9 March 2023, corresponding to 17 Shaaban 1444 AH.

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

STATEMENT OF FINANCIAL POSITION – STANDALONE
AT 31 DECEMBER 2021

	2021 **YR'000**	2020 YR'000
ASSETS		
Cash and balances with Central Bank of Yemen	**43,904,833**	41,055,625
Balances with banks	**132,096,162**	85,720,831
Held to maturity investments	**333,460,099**	346,526,058
Loans and advances to customers	**14,293,913**	16,760,216
Available for sale investments	**165,898**	237,365
Ijarah Muntahia Bittamleek	**510,000**	600,000
Investment in Islamic Sukuk	**-**	1,428,000
Investments in associates	**563,914**	718,091
Investments in subsidiaries	**10,000**	10,000
Debit balances and other assets	**2,317,677**	2,230,438
Property and equipment	**1,750,744**	1,925,828
Right-of-use assets	**1,075,966**	1,469,063
Total assets	**530,149,206**	498,681,515
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Due to banks	**30,913,895**	28,812,733
Deposits from customers	**411,490,872**	407,193,645
Long term loans	**47,443**	51,037
Credit balances and other liabilities	**9,485,763**	21,067,112
Other provisions	**51,852,972**	16,853,467
Total liabilities	**503,790,945**	473,977,994
Shareholders' Equity		
Paid-up capital	**20,000,000**	20,000,000
Statutory reserve	**3,554,502**	3,306,022
General reserve	**845,337**	217,615
Retained earnings	**1,958,422**	1,179,884
Total shareholders' equity	**26,358,261**	24,703,521
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**530,149,206**	498,681,515
CONTINGENT LIABILITIES AND COMMITMENTS	**22,895,068**	29,760,979

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

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
		YR'000	YR'000
Interest income from loans and advances and due from banks		**7,554,106**	6,541,414
Interest income from Held to maturity investments		**57,472,593**	58,423,721
Total interest income		**65,026,699**	64,965,135
Interest expense		**(19,881,827)**	(25,170,982)
Net interest income		**45,144,872**	39,794,153
Islamic financing and investment activities income		**167,856**	228,768
Return on unrestricted investments and saving accounts holders		**(398,643)**	(580,163)
Net interest income and from Islamic financing and investment activities		**44,914,085**	39,442,758
Fee and commission income		**1,220,891**	1,307,160
Net gain/(loss) from foreign exchange		**8,460,891**	(10,093,317)
Financial investment (loss)/income		**(128,385)**	52,121
Other income		**1,578,019**	1,414,196
Gross income		**56,045,501**	32,122,918
Net impairment loss on financial assets		**(37,836,032)**	(13,620,687)
Staff expenses		**(8,363,983)**	(8,430,307)
General and administrative expenses		**(6,067,645)**	(6,260,180)
Profit for the year before Zakat and income tax		**3,777,841**	3,811,744
Zakat expense		**(1,534,197)**	(2,288,377)
Income tax expense		**(588,904)**	(922,376)
Profit for the year		**1,654,740**	600,991
Other comprehensive income		**-**	-
Total Comprehensive Income for the year		**1,654,740**	600,991