

# ANNUAL REPORT 2017



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**IN THE NAME OF ALLAH  
THE MOST GRACIOUS THE MOST MERCIFUL**





**REPUBLIC OF YEMEN  
(COAT OF ARMS)**





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## CACBANK'S ESTABLISHMENT

The Cooperative Agricultural Credit Bank was established pursuant to Law No. 9 for 1982, as a result of a merger between Agricultural Credit Bank, set up in 1975 and National Cooperative Development Bank, founded in 1979. As a consequence of the economic reform programs adopted by the Government in line with the requirements of globalization, the amalgamated Cooperative Agricultural Credit Bank has entered the banking industry market, reorganizing its structure, transforming the Bank by orderly stages, providing material and technological resources and selecting capable and qualified human cadres. All of this has been reflected in the development of the Bank's business to include more comprehensive banking services thus widening the size and activities of the Bank.

CACBANK has embarked on financing both economic and productive sectors in their entirety. Furthermore, the Bank has kept abreast of international developments and adopted policies and strategies enabling it to provide the best banking services, guaranteeing for it the top rank in the local banking arena. The Bank has also kept abreast international banking developments related to financial institutions. It has offered nonbank services and diversified employment activities concerning fund resources as well as insurance, enabling it to enter the global banking competitiveness with merit and its continuation to be in the top rank among its competitors in the local banking and financial market during the last several consecutive years. This fact has been reinforced by the Bank's wide geographic reach and its owning the widest local banking network as well as being connected by an excellent banking partnership with a network of correspondent banks all over the world.

## OUR VISION

The Pioneering Financial Institution

## OUR MISSION

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

## OUR FUNDAMENTAL VALUES

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



Begin with us

SHARE OUR PIONEERING SPRIT

[www.cacbank.com.ye](http://www.cacbank.com.ye)

VISA

Enjoy Privileges of  
International VISA Card

كارت  
موبايلي  
CAC MOBILY

Manage you accounts and  
settle your obligations

eBanking

Perform Your Banking  
Transactions While At  
Your Office

كارت  
للاين  
CAC ONLINE

Review Your Accounts and  
Implement Your Transactions  
Online Through the Bank's  
Website



Ria for Money Transfer



Al-Sari'e Mobile  
Transfer money through  
your mobile



AMERICAN EXPRESS  
international card



Al-Sari'e for TRANSFERS  
Most widespread . Least cost



Advantages of International  
CARDS with Less Cost



Money Transfer Through the  
Largest Number of Point of  
SALE in the World



## ORGANIZATIONAL STRUCTURE







**Board of Directors'  
Chairman & Members**

Chairman's Office

Assets & Liabilities  
Committee

Secretariat

Audit Committee

Risk Management &  
Compliance Committee

Nomination, Remuneration  
& Governance Committee

High Credit Committee

Internal Audit Department

**Chief  
Executive  
Officer  
(CEO)**

Credit Review  
& Analysis Department

**Business Development  
Sector**

**Investment Sector**

Investment Department

Financial Intermediation &  
Stock Exchange Department

**Bank Operations Sector**

Central Operations Department

International Relations Department

Information Technology  
Department

Money Transfer  
Department

Cards Center

Systems Development Department

International Operations Department

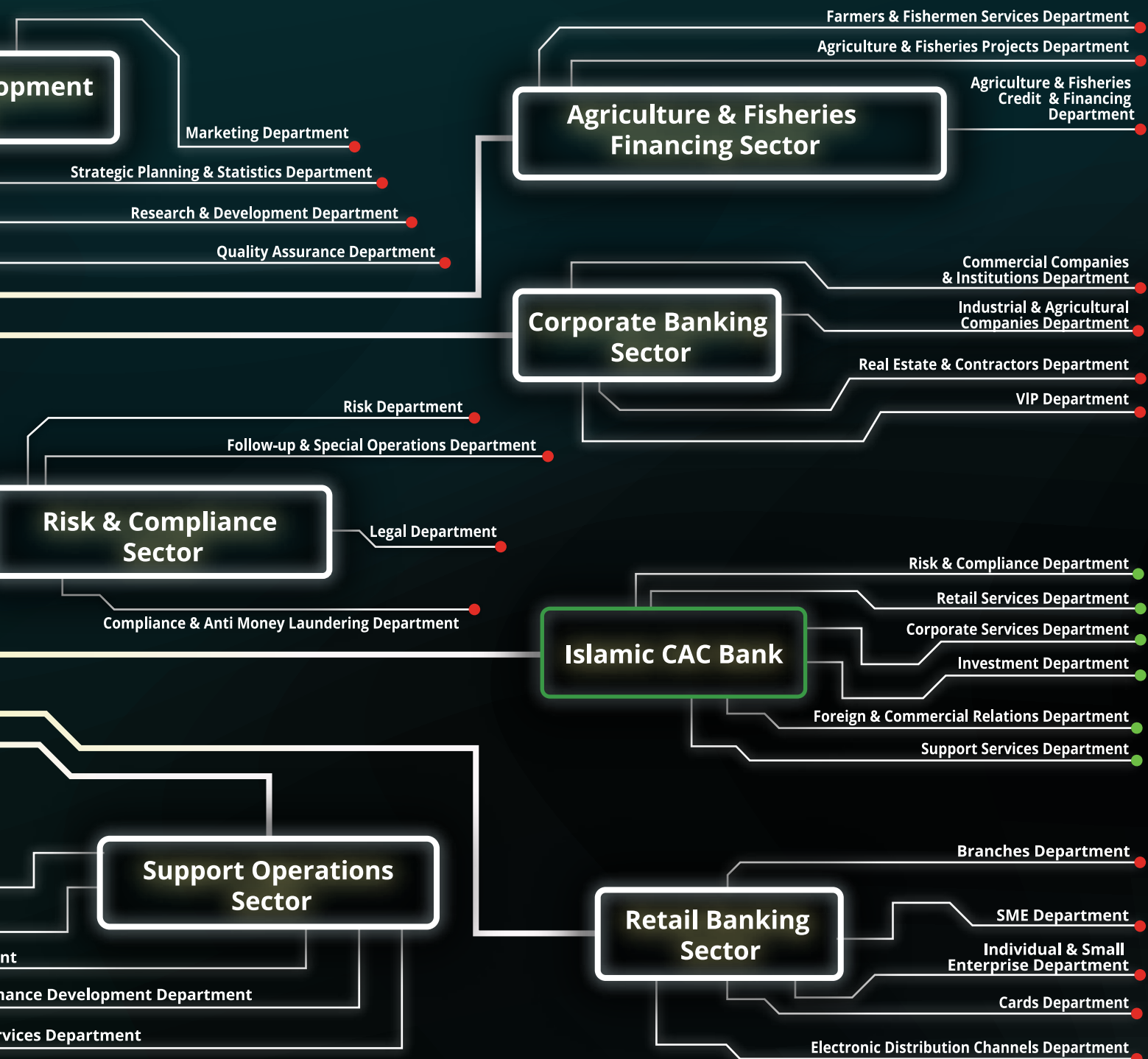
Secretariat  
Department

Human Resources  
Department

Finance Department

Training & Performance  
Department

Administrative Services  
Department





## CAC BANK A PROCESS OF GIVING AND RENEWAL

We bid farewell to a financial year full of banking and financial variables and challenges unprecedented in the history of finance and banking in Yemen. The effects of the extraordinary circumstances and challenges facing our country have been reflected on the economic reality in general and the financial system in particular, almost overwhelming the financial and banking institutions. But our institution has stood firm and proven its solidified and strong financial position and its resilience and merit in facing these challenges, overcoming obstacles, maintaining acceptable banking stability in such circumstances and achieving growth in revenues (48%) and deposits (14%) over what was achieved in 2016.

The Bank has been able to continue its pioneering role in financial and banking business, providing banking services to all segments of society, attracting many international institutions and organizations and preserving and maintaining its banking relations with the international financial institutions. In addition to enhancing customer confidence, the Bank has managed efficiently to provide foreign exchange to meet customer's needs and the Bank's foreign obligations as well as find multiple sources of foreign exchange and local currency, in light of the suffocating liquidity crisis witnessed by our country, in accordance with professional frameworks and standards to ensuring continuity of performance and maintenance and safeguarding of customers.

In terms of quality and quantity, the year 2017 witnessed a qualitative leap in the modernization and development of many of the Bank's products, providing new quality services, in line with the rapid technological developments in the world and in response to the desires of customers and the needs of the market.

In view of the exceptional circumstances and unexpected rapid changes on the financial and banking front, CAC Bank has adopted balanced strategies in crisis management, maintained its financial and banking position within the banks of the first row and rank and followed effective administrative and banking policies to enhance the Bank's activity and business. Furthermore, the Bank has diversified its revenue sources and rationalized its expenditures, in line with all variables in the business environment and its commitment to the requirements of sound professional practice in banking and the principles of corporate governance, as well as compliance with international laws and standards and the instructions of the Central Bank of Yemen.

Today, we are bidding farewell to a financial year. We are proud of what has been achieved during that year. We are receiving a new year with readiness and preparedness, derived from the financial, human and technological capabilities at the disposal of the Bank.

Undoubtedly, this report and the data and details contained in it represent the best evidence and witness of the transparency in the presentation of data, enabling specialists and those interested in economic affairs in general and banking in particular to read and analyze the reports' indicators and appreciate the immense efforts exerted by all the Banks staff members.

In conclusion, I would like to express my sincere thanks and appreciation to the Bank's esteemed customers for their support and confidence and to the Bank's staff at all levels for their extraordinary efforts under this circumstance to achieve success and accomplishments.

Thanks are also extended to the members of the Board of Directors for their honorable efforts and fruitful cooperation in order to continue the Banks march towards leadership and excellence.

**MOHAMMED SALEH ALLAI**  
CHAIRMAN



## BOARD OF DIRECTORS' MEMBERS



**Mohamed Saleh Alla'i**  
Chairman



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



**Mohamed A. Abdul Qadir**  
Aviation & Metrology Public  
Authority Representative



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



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



**Mohamed M. Basheer**  
Cooperative Agricultural  
Federation Representative



**Abbas Issa Al Zabidi**  
Fisheries Ministry  
Representative



**Hamoud Mohamed Al Salahi**  
Independent Member



**Abdulla Hassan Al Shatir**  
Independent Member



**Abdu Mahdi Al Adlah**  
Independent Member



**Saleem Nasir Al Shahtari**  
Independent Member



**Salim Mohamed Salman**  
Independent Member









## **BANKING EXCELLENCE**

The qualitative leap forward launched by CAC Bank's leadership in the past years has represented a basic foundation for establishing a competitive and excellent banking business on the domestic as well as international fronts. Right from the start of this venture, CAC Bank has emphasized its commitment to anti-money laundering and terrorist financing laws, in full coordination with the domestic and international banks, particularly the updates issued by international financial institutions and recommendations emanating from the consultative meetings and regional conferences of international finance institutions in light of the prevalent circumstances. This commitment has resulted in the Bank receiving numerous international awards and certificates from these institutions in recognition of the its application of the best monetary policies and relevant regulatory standards.

The core values of CAC Bank remain the principles that help and encourage us to take measures that take into account the moral dimension in business and control of the conduct of executive management and all sectors of the Bank. The most prominent of these principles is the adoption of the Code of Conduct and the application of the governance system with the highest standards and professional procedures and activation of the business of supervisory committees emanating from the resolutions of the Bank's General Assembly and Board of Directors. These measures represent one of the pillars of success as well as make the Bank proud of being one of the banking and financial institutions, which apply these regulations, especially the governance system, which contributes significantly to the promotion of the principle of control and supervision, with the aim of achieving the highest level of integrity and transparency in the management of banking and financial operations.

Thanks to these policies, which have been applied at all levels, the year 2017 witnessed the launch of many electronic services and products to the Bank's valued customers, despite the surrounding conditions and instability in the region in general and Yemen in particular. Furthermore, the Bank's continuation to provide its banking and electronic services represents a success for its cadres to overcome difficulties, supported by a marketing policy which encourages competence and innovative ideas as well as meeting the financial requirements, in addition to looking forward to a promising future entitled «Banking Excellence».

**SALAH SADIQ BASHA**  
CEO



## EXECUTIVE MANAGEMENT

**SALAH SADIQ BASHA**  
CEO



**YAHYA MOHAMED AL KIBSI**  
Deputy CEO,  
Risk & Compliance



**IBRAHIM AHMED AL HOOTHI**  
Deputy CEO,  
Business Development



**ABDUL JABBAR AHMED SALAMA**  
Deputy CEO,  
Investment



**IBRAHIM MOHAMED NAJAD**  
Deputy CEO,  
Banking Operations



**NASIR MUHSIN AL MURQAAB**  
Deputy CEO,  
Retail Banking



**ABDULLA ALI AL DAILAMI**  
Deputy CEO,  
Support Services



**MUNIR MOHAMED AL HAKIMI**  
Deputy CEO,  
Corporate Banking



**RIYADH ABAAS AL GIRSHI**  
Deputy CEO,  
Agricultural and Fisheries  
Finance





## GOVERNANCE MANUAL

The Cooperative and Agricultural Credit Bank is keen to keep abreast of best practices and international governance recommendations, taking into account the need to develop strong risk management systems, which protect the rights of shareholders and depositors and thus maintain the strength of the Bank's financial system. This approach reflects positively on the national economy. The Bank, represented by its Board of Directors, has continued on this approach during 2017 and paid great attention to sound corporate governance and commitment to apply the highest standards of professional performance to all its activities. Furthermore, the Bank abides by implementing all the controls and instructions issued by the Central Bank of Yemen, in accordance with its circular No. 3 of 2013. In this regard, the Central Bank has adopted the recommendations of the Basel Committee on Corporate Governance, as well as the relevant instructions on the principles of governance issued by the Organization for Economic Cooperation and Development (OECD).



The governance of banks is defined as the way in which the affairs and business of banks are regulated by their boards directors and executive management. It determines the correct methods in setting the goals and strategies of banks and their daily operations, in addition to achieving the principle of accountability to the shareholders and taking into account the rights and interests of connected parties. Furthermore, bank governance implies compliance with the rules and instructions issued by the supervisory authority and protecting the interests of depositors. All of these matters require the development of robust risk management systems.

The Bank has updated the Governance Manual in accordance with the requirements of the Governance Manual issued by the Central Bank of Yemen, Circular No. (3) of 2013, in line with its needs, policies and nature as a government bank (traditional and Islamic).

The Bank reviews, develops and adjusts the Governance Manual from time to time in order to keep abreast of the changes in its needs and expectations as well as those of the banking market. The Manual is approved by the Board of Directors and sanctioned by the Central Bank.

## I. The Board of Directors

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

**1** Ascertaining that the Bank's management is conducted in a prudent manner and within the framework of the relevant laws in force, instructions issued by the Central Bank and the internal policies of the Bank, in such a way as to ensure the safe and sound management of the Bank and safeguarding the rights of depositors and the interests of shareholders, creditors, employees and other connected parties.

**2** Ensuring the implementation of the Bank's approved governance system.

**3** Adopting and supervising internal control systems and reviewing their effectiveness annually or whenever it is deemed necessary.

**4** Ensuring the existence of an independent internal audit department and ascertaining the avoidance of any type of influence on it on the part of the executive management, by being directly responsible and subordinate to the Board of Directors, which should be responsible for determining the salaries, incentives and bonuses of the audit department employees within the Bank's cadre. The Board shall also be responsible for evaluating and appraising their performance, ascertaining the availability of an adequate number of them, the adequacy of their qualifications, experience and professional skills, their continuous development and the provision of all the necessary requirements to fulfill these objectives.

**5** Forming committees or delegating the executive management or any other body to perform some functions of the Board of Directors with the assurance that this does not absolve it of its responsibilities in accordance with the relevant laws in force.

**6** Implanting the principle of commitment of each member of the Board of Directors towards the Bank and representing all shareholders. The member must commit himself/herself to acting in the best interests of the Bank and the interests of depositors and other stakeholders and not just of a specific group.

**7** Protecting the Bank from illegal or inappropriate acts of major shareholders with negative effects on the interests of the Bank and / or the rest of the shareholders.

**8** Developing a policy that regulates and identifies transactions with connected parties and the interests related to them in terms of knowing, monitoring and determining all approved and unapproved transactions and operations. The Board should also ensure that the implementa-

tion of any transaction for any of the connected parties and interests related to them is done fairly and without preference and disclosed there and then in an instantaneous and proper manner.

**9** Setting in place a written policy on conflict of interests, ensuring that policies that assist in detecting potential conflicts of interest exist and are applied.

**10** Ensuring that members of the Board of Directors do not participate in making decisions, where there is any conflict of interests preventing them from performing their role in protecting the Bank's interests in a proper manner.

**11** Understanding and appreciating the supervisory and surveillance roles of Board members and their commitment to loyalty towards the Bank, its shareholders, other stakeholders and towards the community in general.

**12** Ensuring that sufficient attention and time are devoted by the members of the Board of Directors in carrying out their duties and assuming their responsibilities in an effective manner.

## II. Chairman of the Board of Directors

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

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

■ Establishing a constructive relationship between the Board of Directors and the Executive Management of the Bank.

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

### III. Meetings of the Board

**A** In order to ensure the comprehensiveness of the topics presented at the meetings of the Board, the following topics are addressed:

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

**B** Secretary of the Board of Directors

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

sions.

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

### IV. The Code of Business Ethics and Conflict of Interests

The Board always ensures that the Bank enjoys high integrity in the conduct of its business. This is done through the availability of conflict of interest policies and the Code of Business Ethics, which include a definition of conflicts of interest and transactions undertaken by employees of the Bank for their personal benefit, based on internal information about the Bank obtained as a result of the powers given to them. These policies and the Code of Business Ethics have been circulated to all employees of the Bank and members of the Board of Directors. The Board of Directors approved the Code of Conduct and Business Ethics in its latest updates in 2017 and circulated it to all employees of the Bank.

### V. Committees of the Board

#### General Provisions

- The committees emanating from the Board of Directors and in accordance with the latest approved version of the Governance Manual shall carry out the tasks assigned to them, activate their role and submit periodic reports to the Board.
- The committees are responsible for their actions before the Board of Directors, but this does not relieve the Board of Directors of its responsibility for the work of these committees.
- The attendance of the members of the committees at their meetings shall be nec-

essary for the continuation of their membership. A quorum shall be required for the meeting to be valid. Decisions shall be taken by a majority of the votes of the members. In the event of a tie, the side on which the committee's chairman votes succeeds. The votes (opinions) of the other side shall be recorded in the minutes of the meeting with emphasis that delegation of voting rights is not allowed. The Chairman of any committee shall not be allowed to delegate his powers to any other person.

- Each committee has its own system of work, which has been approved by the Board of Directors and which clearly defines its powers, functions and responsibilities.

- The minutes of the meetings of the committees are duly documented and classified.

- A members shall not be a member in more than two committees and a member shall only be chairman of one committee. A chairman's powers and authority shall not be delegated to another person.

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

Board of Directors Committees	Committee Name	Audit Committee	Nomination Remuneration & Governance	Risk Management & Compliance Committee	High Credit Committee
	Board of Directors Committees Formed Pursuant To	Board Resolution No. 2 dated 11/02/2013	Board Resolution No. 7 dated 17/06/2015 & Board Resolution No. 9 dated 23/07/2017 merging Governance Committee with Nomination & Remuneration Committee	Board Resolution No. 7 dated 17/06/2015	Board Resolution No. 7 dated 17/06/2015

## 1- The Audit Committee

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

The Audit Committee is composed of five non-executive members, the majority of whom are independent members. All of its records and minutes are documented. The Board of Directors appoints the chairman and members of the Audit Committee for a period of three years, renewable as a maximum for two terms. The Committee shall have the right to seek external expertise after approval by the Board of Directors.

## 1- Objectives of the Committee:

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

## 2. Powers and Functions of the Committee:

- The Audit Committee shall have the authority to obtain any information for conducting its business. The Committee may also invite any person with experience or competence to attend its meetings to seek his guidance and opinions, as well as invite any member of the Board of Directors or the Executive Management to attend the Committee's meetings. Furthermore, it has the right to invite the Manager of Internal Audit to attend the meetings of the Committee. The Committee may also request meeting with the External Auditor.
- Review the periodic financial statements before presenting them to the Board of Directors, recommending them to the Board of Directors, and following up the accounting issues that have a material impact on the financial statements, in order to ensure the fairness and transparency of the financial reports and statements.
- The Audit Committee assesses the effectiveness and adequacy of the internal control and control systems. The Committee's responsibility includes what follows:
  - Evaluate the effectiveness and adequacy of the internal audit function and ensure compliance with the applicable instructions issued by the relevant authorities.
  - Evaluate the effectiveness and adequacy of the internal audit scope and pro-

grams.

- Review the results of the internal audit reports and ensure that the necessary relevant actions have been taken.
- Review and approve the audit plans proposed by the Internal Audit.
- Recommend to the Board of Directors to appoint, transfer, dismiss and evaluate the performance of the Manager and staff of the Internal Audit Department.
- The Committee shall have the authority to directly contact the External Auditor and to meet with him without the attendance of Management. The Committee's responsibility in this regard shall include:
  - Recommend to the Board of Directors regarding the appointment and removal of the External Auditor, the determination of his fees and evaluation of his performance.
  - Evaluate the objectivity and independence of the external auditor.
  - Review and accept the letter of appointment.
  - Review the results of external audit reports and reports of the Central Bank and ensure that the necessary relevant procedures have been taken.
  - The Committee reviews the operations with connected parties and informs the Board of Directors accordingly.
  - The Committee shall ascertain the extent to which the Bank complies with the applicable laws in force, the laws

regulating the banking business, the instructions issued by the Central Bank and the extent of compliance with the Bank's policies and internal regulations.

- The Committee shall hold periodic meetings with the External Auditor at least once a year and at least twice with the Internal Auditor. The Internal Auditor and the External Auditor shall also be entitled to request a meeting with the Committee whenever business requirements deem it necessary.
- The Committee shall receive all communications submitted by employees regarding any potential violations in financial or legal fields in strict confidence in accordance with the Infringement Reporting Program approved by the Board of Directors.

## 2- Risk Management and Compliance Committee

Members	Status
Harith Abdul Bari Saleh	Chairman
Mohamed Mohamed Basheer	Member
Abdu Mahdi Al Adlah	Member

### 1. Objectives of the Committee:

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

### 2. Powers and functions of the Committee:

- The Committee shall review risk management strategies and policies before they are approved by the Board of Directors and ensure the implementation of these strategies and policies.
- Ascertaining the availability of adequate resources and systems for risk management and ensuring the independence of risk management personnel from the activities which result in the Bank being

exposed to risks.

- Recommending to the Board of Directors regarding the appointment of the Director of Risk and Compliance Sector, the Manager of Risk Management and the Manager of Compliance Department and their transfer, dismissal and evaluation of their performance.
- Reviewing the organizational structure of the Risk Management and Compliance Sector and making recommendations thereon before it is approved by the Board of Directors.
- Reviewing the periodic reports on the nature and size of the risks to which the Bank is exposed and the activities of the Risks and Compliance Sector.
- Monitoring the compliance of the Risks and Compliance Sector with the standards and criteria of the Basel Risk Management Committee related to credit risk, market risk, operational risk and risk of non-compliance.
- The Committee reports periodically to the Board of Directors and provides statistics on the risks to which the Bank is exposed, changes and developments in risk management and instructions issued by the Central Bank.
- Reviewing and giving an opinion to the Board of Directors on the limits and ceilings of risks and exceptional cases that arise and to which they are subjected.
- The Committee holds periodic meetings with the Risk Sector to discuss and evaluate the risks to which the Bank is exposed, the adequacy of the methods of their treatment and presenting recommendations thereon.

## 3- Nomination, Remuneration and Governance Committee

Members	Status
Mohamed Abdul Qadir	Chairman
Jamal Ali Al Maliki	Member
Harith Abdul Bari Saleh	Member

### 1. Objectives of the Committee:

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

### 2. Powers and Functions of the Committee:

- Monitoring supervision of implementation of the governance system, its review and proposing any update or amendment as deemed necessary, such as the issue of new resolutions or regulations, requiring amendment of the governance system, in particular following up what is issued by the Basle Committee and submitting it to the Central Bank of Yemen.
- Coordination with the Audit Committee to ascertain compliance with the governance system.
- Providing the Board of Directors annually as a minimum with reports and recommendations, in accordance with the results and conclusions reached during the Committee's work and exercise of its functions and duties.
- Setting minimum standards and conditions for the expertise, qualifications and skills required for membership of the Board of Directors and for the position of Chief Executive Officer, including determining the time to be allocated by the member to the business of the Board



of Directors, which must approve these standards and conditions.

- Adopting objective criteria to evaluate the effectiveness of the Board of Directors as a whole, the performance of each member of the Board of Directors and each of its committees, as well as evaluate the performance of the Executive Directors. On presenting to the Board of Directors the performance appraisal of the Board of Directors as a whole and the Executive Management, consideration must be given to the performance of other similar institutions. Compliance with supervisory requirements should also be taken into account and the Board of Directors must approve the evaluation criteria and standards.
- Ensuring that members of the Board of Directors receive continuous training and rehabilitation, through programs designed for this purpose, in order to keep abreast of recent developments in the financial services industry. The Committee also provides information on some important issues in the Bank to the members of the Board of Directors upon request.
- Setting in place the conditions and criteria for appointing senior executive management, evaluating their performance and preparing a plan for their replacement.
- Recommending to the Board of Directors to cancel the appointment / dismissal of any senior executive management personnel, if proven ineffective and deficient in the performance of his/her duties and responsibilities, including, but not limited to the Finance Manager.
- Conducting the annual review of the conditions required for membership of the Board of Directors and Chief Executive Officer, in order to ensure compliance with the provisions of laws and regulations in force and instructions issued by the Central Bank.
- Ensuring the existence of clear remuneration and compensation policies for Board members and executive directors commensurate with their experience and

qualifications approved by the Board of Directors and reviewed annually by the Committee. There must be a balance in determining the remuneration and dues, so as to motivate the recruitment of qualified persons but not exaggerated. The ladder of such remuneration and dues shall be within the range determined by the Bank's policy and not linked to performance in the short term, with a view to avoiding risk encouragement beyond acceptable limits.

- The mechanism for determining remuneration for executive and non-executive members should be disclosed in the annual report of the Bank. (Preferably to be deleted)

## 4- High Credit Committee

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

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

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

### Responsibilities:

- Reviewing Bank's Credit strategy and policy before approval by the Board, in addition to evaluating their effectiveness

on a constant basis.

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

## VI. Environment of Internal Control and Supervision

### 1. Internal Audit Function

The Bank has a permanent and effective internal audit function, reporting directly to the Board of Directors, which is fully independent, with the appointment by the Board of Directors of the Manager and staff of the Internal Audit Department following the recommendation of the Audit Committee. The Internal Audit staff must not be entrusted with carrying out any executive duties or responsibilities. The following are the most important tasks of the Internal Audit Department:

- Ensuring compliance with the policies and procedures approved by the Board of Directors and the laws governing banking business and instructions issued by the Central Bank.

- Ensuring the application and implementation of the Bank's rules and by laws and its internal regulations and proposing to address deficiencies and shortcomings in the financial, administrative and technical systems.

- Documenting the functions, powers and responsibilities of the Internal Audit Department within the Internal Audit Charter approved by the Board of Directors.

- Submitting internal audit reports to the Board of Directors or Audit Committee.

- Ensuring the adequacy of internal control and supervision systems and risk management systems and their effectiveness.

- Present proposals and recommendations aiming at improving the efficiency of the internal control systems of the Bank to the Board of Directors or Audit Committee.

- Assisting the Board of Directors in carrying out its responsibilities fully by providing it with analyses, evaluations and recommendations on the activities reviewed by the Audit Department.

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

- All departments, sections and branches of the Bank and all activities and risks, to be in the form of periodic and continuous review during the year, in addition to the review of financial statements and final accounts.
- The internal audit process should be carried out in accordance with comprehensive and appropriately professional review programs, which abide by the latest international internal auditing standards and guidelines, in addition to providing the necessary techniques and exerting efforts to evaluate and develop these programs to suit the development of the Bank's work and business.

- Keeping its reports and working documents in a systematic and safe manner which can be consulted and ready for review by the External Auditor, the Audit Committee and the Central Bank inspectors.

## 2. Compliance Function

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

- Permanent follow-up of the Bank's compliance with all relevant laws and laws governing banking business and instructions issued by the Central Bank, which must be followed and adhered to. The Compliance Function also ensures that the Bank complies with its by laws and regulations as well as with the norms and sound banking practices and rules, criteria and standards issued by local and international regulators.

- Follow-up on the extent of compliance with the Bank's governance system.

- Receiving and investigating Bank employees' reports on illegal or immoral practices.

- Measuring the expected impact in the event of any changes taking place in the legal framework to which the Bank is subjected.

- Ensuring that any products or procedures developed by the Bank comply with the applicable relevant laws in force and the laws governing banking business and instructions issued by the Central Bank.

- Ensuring that the Bank is sufficiently aware of the risks of non-compliance, which are the risks of legal, regulatory or supervisory penalties or the possibility of exposure to financial losses or reputation risks, as a result of the Bank's non-compliance with the applicable laws in force and the laws regulating banking business and instructions issued by the Central Bank, in addition to international laws governing international banking relations between banks.

- Submitting compliance reports to the Board of Directors with a copy to the Executive Management.

## 3. Risk Management

The Bank has a permanent and effective risk management function which is fully independent. The following represent the most important risk management functions:

- The Risk Management Department in the Bank submits its reports through the Director of the Sector to the Risk Management and Compliance Committee. As far as the day-to-day operations are concerned, the Department is associated with and comes under the authority of the Deputy Chief Executive Officer for Risks and Compliance.

- The responsibilities of the Bank's Risk Management Department include:

- Analysis of all risks including credit risk, market risk, liquidity risk and operational risk.
- Development of measurement and control methodologies for each type of risk.
- Recommendation to the Risk Committee concerning risk limits, approvals, reporting, and recording exceptions to the risk management policy.
- Provide the Board of Directors and Executive Management with information in respect of risk measurement at the Bank (the Board reviews the Bank's qualitative and quantitative risk statistics on a regular basis at each Board meeting).
- Provide risk information regarding risks to which the Bank is exposed, so that they may be used for disclosure purposes to the public.

- The executive committees of the Bank, such as the Credit, Assets and Liabilities Management and Collections Committees, assist the Risk Management Department in carrying out its functions, in accordance with the specific powers vested in these committees.

- The annual report of the Bank should include information on the Risk Management Department regarding its structure, nature of operations and developments it has undergone.

## 4. External Audit

The Bank has a governance system which ensures the realization of the following:

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

mitted to the Board of Directors / Audit Committee and then transferred to the Executive Management for responding to them. The Board of Directors shall issue its instructions to deal with these observations.

- The External Auditor is responsible to the shareholders and stakeholders, as well as to the Board of Directors and the Bank for performing due professional diligence and care, in accordance with the relevant international auditing criteria and standards, thus ensuring the integrity and soundness of the audit procedures in the Bank.

## 5. Sharia'a Supervisory Board

The Bank's governance system includes adherence to Islamic Shari'a rules and principles within the framework of providing Islamic financial services in the Islamic Sector.

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

### 1. Members of the Sharia Supervisory Board

- Dr. Saeed Ali Al Himiari as President
- Dr. Lutf Mohamed Al Sarhi

The Sharia Supervisory Board has met 5 times during the year. The Board does not include managers of the Bank. It also does not include shareholders who own 5% of the Bank's capital or more.

### 2. Functions of the Sharia Supervisory Board

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

- Review and approve contracts, agreements, transactions, policies, systems, mechanisms and programs of work or business, in addition to approval of products and services.
- Review and approve the policies and procedures manual in connection with their compliance with the provisions and principles of Islamic Sharia.

- Submit an annual report to the General Assembly of shareholders indicating the extent of the Bank's compliance with the provisions of the Islamic Sharia for the period covered by the report, as well as its observations and recommendations. The Board's report should be included in the Annual Report of the Bank.

- Perform the tasks and duties of planning and implementing the Sharia review procedures and preparation of the annual report. The fees obtained by the Sharia Supervisory Board should be dedicated to carrying out the Fatwa and Audit tasks, which include all work and business related to the legal field review and follow-up, as well as the Board's meetings relating to the review duties and tasks. The fees should also cover the studying of the Sharia observations, dealing with them and preparing the Board's annual report.

- The Board also has the right, if necessary, to consult an external auditor (legal if available) in its performance of the above tasks and duties.

- Provide advice on request to parties providing services to the Bank such as external auditors, legal counsel and consultants.

- Ensure the adequacy and effectiveness of the system of internal Sharia supervision and control and ascertain its effectiveness.

- Provide advice and guidance to the internal Shariah audit department on the scope of Sharia review required and look at the summary of the internal Sharia audit department reports and the responses of management thereon, to ensure the adequacy and effectiveness of the Internal Sharia Audit Department.

- Coordinating with the Nomination, Remuneration and Governance Committee and the Audit Committee to ensure compliance with the provisions and principles of Islamic Sharia.

- Review all reports including the review of compliance with the provisions of Islamic Sharia and its principles, as well as the reports of the Central Bank, the External Auditor and the Management's responses

to those reports, in order to assess the efforts made to ensure compliance with the provisions and principles of Islamic Sharia and taking them into consideration on planning the external Sharia audit work and the Sharia Supervisory Board.

- Proposing the legal (Sharia) training programs for employees in the Bank in light of the need that is estimated.
- The right to have full and unrestricted access to all records, documents, transactions and information from all sources, including reference to the relevant professional consultants and staff of the Bank.
- The right to seek assistance and use external experts to advise the Sharia Advisory Board, specifically on legal and financial issues, at the expense of the Bank after taking the approval of the Board of Directors.

## VII. Social Responsibilities

The Cooperative and Agricultural Credit Bank believes that the Big Bank has a special responsibility in supporting the economic and social growth in this dear country and homeland and thus:

- Helps companies to increase and improve their competitiveness, develop their business abroad and strengthen their principles.
- Plays a major and prominent role in stabilizing the exchange rates of foreign currencies against the national currency the Yemeni Riyal.
- Applies the best internationally recognized standards, criteria and guiding principles in the assessment of social impacts in the financing of projects, especially projects in the agricultural and commercial sectors.
- Support for educational institutions, charitable foundations and societies and other cases worthy of support.
- Setting in place new mechanisms in the

field of agricultural finance to keep pace with development and change and in order to achieve the objectives of rural development.

## VIII. Conflict of interests

The Bank has not entered into any contracts that exist or existed, which involve a fundamental interest for any of the members of the Board of Directors or any person related or connected to any of them. In the ordinary course of business, the Bank carries out transactions with some members of the Board of Directors, senior managers and their families and companies in which they own 5% or more of their capital and which were the Bank's customers during the year. The terms of these transactions are approved by the Bank's Board of Directors.

Loans and advances granted to related and connected parties during the year 2017 amounted to 309,192 Thousand Yemeni Riyals. These are repayable or have been paid in accordance with contracts signed with them. Loans and advances are usually provided to the related and connected parties against guarantees of the related or connected party's salaries and cash deposits. Note No. 45 clarifies all facilities granted to parties with financial relations.

## IX. Shareholders' Equity and Relationship with Them

- 1- The Bank shall protect the shareholders' equity and rights imposed by the relevant laws in force and the instructions issued by the Central Bank.
- 2- Discussing the work and business on the agenda of the General Assembly and directing inquiries to the members of the Board of Directors, the Executive Management and the External Auditor.
- 3 - Shareholders are urged to attend the Bank's General Assembly meeting and the date and place of the meeting are arranged in such a way as to facilitate and

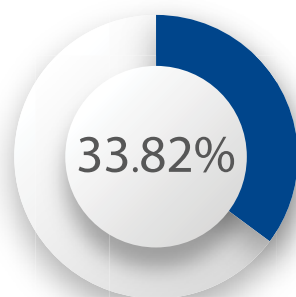
encourage them to attend the activity.

4. The Chairmen of the Audit Committee, the Nomination, Remuneration and Governance Committee and any other committees emanating from the Board of Directors shall attend the annual meeting of the Bank's General Assembly.
5. Representatives of the external auditors shall attend the annual meeting of the Bank's General Assembly, in order to answer any questions that might arise and be posed regarding the audit and the auditor's report.
6. Voting shall be conducted separately on each issue raised during the annual meeting of the Bank's General Assembly.
7. Following and at the end of the annual meeting of the Bank's General Assembly, a report shall be prepared to inform the shareholders of the observations made during the meeting and the results, including the results of the voting, the questions raised by the shareholders and the responses of the Executive Management thereon.

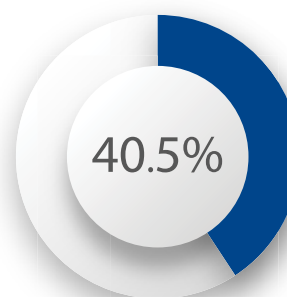
## X. Relationship with investment account holders

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

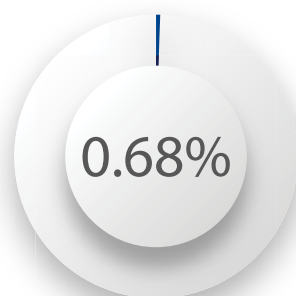
## XI. CACBANK's Shareholders



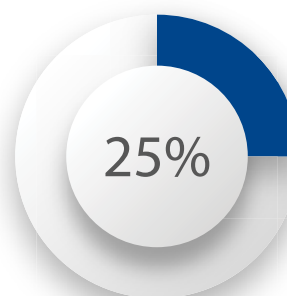
**MINISTRY OF FINANCE**



**AGRICULTURE & FISHERIES  
PRODUCTION SUPPORT FUND**



**GENERAL FEDERATION OF THE NATIONAL  
COOPERATIVE SOCIETY**



**CIVIL AVIATION & METEOROLOGY  
GENERAL AUTHORITY**





## FINANCIAL PERFORMANCE

The ongoing crisis in Yemen has led to the emergence of a severe and critical economic crisis, which has affected adversely the performance of financial and monetary policies. The economic activities have witnessed a noticeable recession manifested in the considerable decline of real GDP, mainly owing to the cessation of oil and gas production and exports, as well as the halt of foreign loans, assistance and grants. Expatriate remittances have also declined. On the side of financial and external balances, the budget has experienced large cash deficits during the years of war, despite the interruption of disbursement of public sector payroll salaries, in addition to a significant deterioration of the balance of payments. Despite all these circumstances, the Bank has continued to provide services to all its customers, leading to an increase of its deposits and capital.

Despite the challenges facing the country and the severity of the crisis in the country's banking industry and the resulting weakening of confidence in banking business, CACBANK has been able to avoid these negative effects thanks to its flexible policies. The Bank has taken a number of measures to restore customer confidence by means of meeting their needs according to future visions serving the status quo, thus maintaining the stability of customer deposits and even increasing them, besides focusing on the harmonization and reconciliation of liquidity and profit. Furthermore, the Bank has provided foreign exchange to oil importers, which takes a high proportion on the import bill to alleviate the pressure on the Yemeni rial exchange rate against foreign currencies, in addition to its reinforcing the use of its conservative strategy in employing its funds.

## FIRST: FINANCIAL INDICATORS

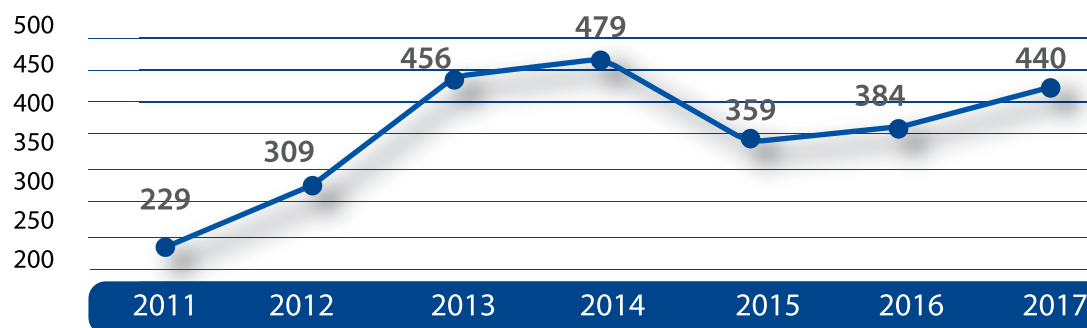
### > Total Assets:

Total assets at the end of 2017 increased by YR 56 billion or 15% to YR 440 billion compared to 2016, and in the year 2016 they increased by YR 25 billion or 7% compared to the year 2015.

In comparison to The banking sector, the Bank contributed 14% of the total assets in the banking sector in Yemen, which is the same rate achieved the previous year. The Bank's assets are distributed as follows:

Item	2017	Ratio	2016	Ratio
Profitable assets	358,393	81%	300,041	78%
Non-profitable assets	81,774	19%	84,323	22%
Total assets	440,167	100%	384,365	100%

**Total Assets deposits during 2011-2017 (YR Billion)**



## ➤ Loans, Facilities & Financing Activities

The offering of credit, facilities and financing during the period of war and siege in Yemen is tantamount a great adventure, owing to the difficulty, turbulence and instability experienced during the period and permeating all political and economic aspects. These elements reflected the Bank's prudent and cautious policy vis-à-vis the risks of credit expansion, leading to a substantial decline in CAC Bank's activities in this area, as a result of the high risks involved and similar to the trend adopted by the other banks. However, during this period the Bank sought to collect customers' previous debts, achieving good results except for some loans granted to some business sectors, especially the contractors' sector, the debts of which became nonperforming as a result of the Government's failure to settle its outstanding obligations. The outcome was a heavy burden of debt, leading to the bankruptcy of a number of customers, because of the large debts owed to banks and the burden of servicing them, as represented by the accumulation of interest arrears for several years. The banks had to bear the burden of provisions for those debts at the expense of realized profitability as well as the cost of opportunity lost as a result of such funds remaining without employment.

The Bank makes necessary provisions for non-performing loans (out of its annual realized profits), in accordance with the Central Bank instructions and International Accounting Standards. The ratio of outstanding provisions and suspended interest amounted to 71% of the total portfolio of loans, facilities and financing activities. Accordingly, all nonperforming debts are considered covered in full with the provisions set aside.

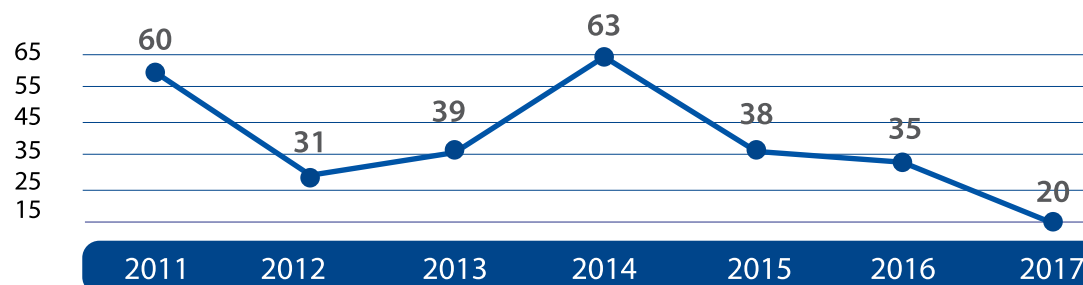
In 2017, the Bank also managed to collect many debts in conjunction with its strong reservation on granting loans and facilities as shown in the following table.

Item	2017 YR	2016 YR	Change
<b>Total loan and financing portfolio</b>	67,061	67,533	(1)%
<b>Total allocations</b>	(29,324)	(18,485)	59%
<b>Total interest set aside</b>	(18,034)	(14,091)	28%
<b>Net Portfolio</b>	19,703	34,957	(44)%

The Bank is always keen to take a range of sufficient guarantees on granting credit to companies, institutions and individuals, which ensure for the Bank recovery of its funds in the event of the customer's failure to repay his/her due obligations without any losses incurred by the Bank. The balances of cash guarantee against direct and indirect credit facilities at the end of 2017 amounted to 24 billion rials compared to 30 billion rials at the end of 2016.



## Net Loans, Facilities & Financing Activities during 2011-2017 (YR Billion)

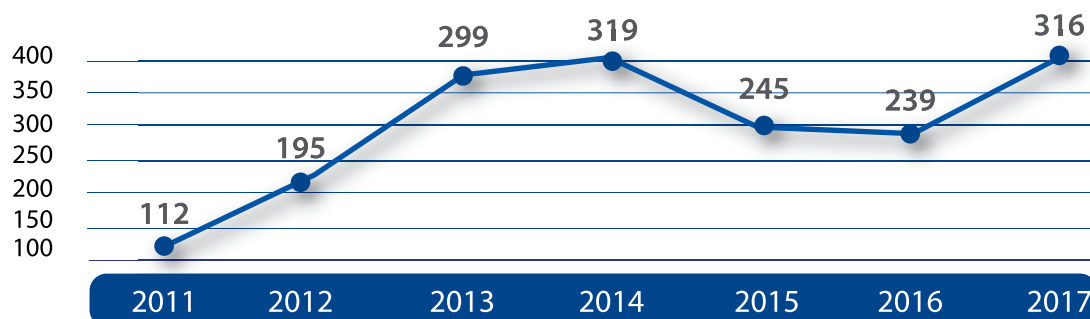


## > Investment in Treasury Bills

On granting loans and employing funds, the Bank places importance on reconciling and harmonizing between liquidity and profitability. The successive crises that have plagued the country during the past period, as well as the environment of war and instability in which we are living have stood in the way of investments, especially long-term ones because of the high risks they impose. Yet these investments are among the Bank's priorities for its knowledge of the importance of credit and finance in economic development and the added value they represent to GDP.

However, the environment and the risks associated with real investments have forced the Banks to invest in treasury bills as an optimal option during this period, because of their safety and high degree of liquidity at low cost and low risk. By doing so, the Bank has realized two objectives, namely safe and guaranteed profitability and taking part in the financing of the budget deficit through noninflationary means. The Bank has taken into account the avoidance of loss, because 57% of the Bank's customers' deposits are expensive when they are left without investment. The Bank's net cumulative investment in treasury bills at the end of 2017 amounted to 316 billion rials, which constitutes about 51% of the share of the banking sector in these bills during 2017 and ranking first among the traditional Yemeni banks, as shown in the following diagram:

## Net Treasury Bills during 2011-2017 (YR BILLION)



## > Savings Portfolio

The crisis and the ongoing war have resulted in a shortage of cash liquidity , which has led to the inability of banks to meet their obligations to customers, reflecting on the weakening of confidence in the banking sector and in turn the withdrawal by many customers of their deposits from banks. These deposits are one of the most important and safest sources of domestic savings and economic development financing in our country. The Bank's policy has been to attract local savings. Accordingly, it has taken many measures to restore customer confidence by means of meeting their needs, in accordance with visions and priorities which serve the current circumstances.

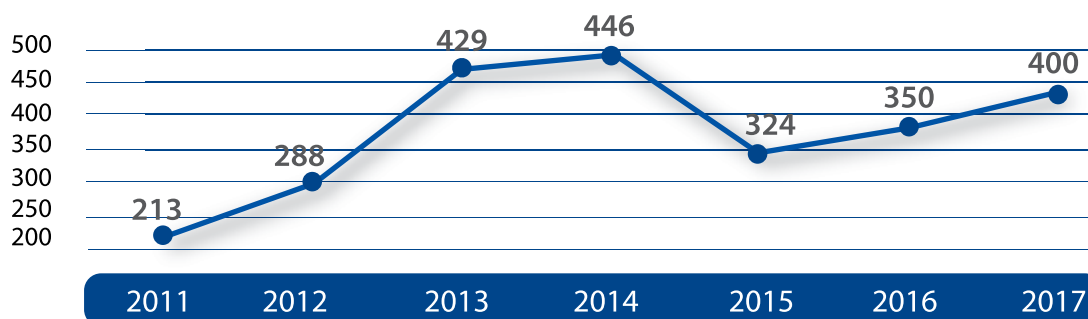
This has led to stabilizing customer deposits, which have even gradually resumed their upward trend in a continuous and-positive manner. Indeed total deposits of customers, including banks stood at the end of 2017 at about 400 billion rials, representing an increase of 50 billion rials or 14%, compared with the year 2016, while in that year they increased by 26.5 billion rials or 8% , compared with 2015.

### Total depositors' funds (customers including banks) in million Yemeni rials

Item	2017	2016	Change	in percent
Total nonbank customer deposits	380,324	333,090	47,234	14%
Total deposits of customer banks	19,570	17,114	2,456	14%
Grand total	399,894	350,204	49,690	14%

In comparison, the Bank contributed 17% of the total deposits of the banking sector by the end of 2017, compared to 15% at the end of 2016.

### customer deposits during 2011-2017 in billion Yemeni Rials



## ➤ PROPRIETARY Rights

The banking sector is facing great challenges, owing to the country's instability in all security and economic aspects for a long time. This causes banks to face high risks, the most important of which is intensification of the deterioration in the Yemeni rial exchange rate against other currencies and the likelihood of the collapse of some banks as a result of the continuation of the acute liquidity crisis.

All these risks make bank managements follow with concern developments of the crises, which are beyond their control. They figure possible solutions and remedies to avoid being exposed to those risks and preserve the reputation of the banking sector and safeguard it from collapse.

As one of the pillars of the banking sector and one of the banks that are entrusted with the task of managing this crises, the Bank has sought to propose many effective solutions and measures to manage it, one of the most important of which is strengthening the capital base to face any potential losses in the event of such risks materialize.

The Bank's capital is raised annually from its net realized profits. The Bank's capital at the end of 2017 amounted to 20 billion Yemeni rials compared to 19 billion at the end of 2016.

## ➤ Capital Adequacy

The Bank has always maintained a balanced capital adequacy relationship in accordance with Basel requirements. The following is a table for the calculation of the capital adequacy ratios during the past seven years 2011-2017 according to the rules and standards stipulated in the Basel Regulations:

Item	2017	2016	2015	2014	2013	2012	2011
<b>Basic capital / risk weighted assets</b>	54.8%	29%	38%	21%	32%	23.30%	14.90%
<b>Capital adequacy ratio</b>	54.8%	29.50%	39.60%	22.20%	33.1%	24.10%	15.6%



# risk



## RISK MANAGEMENT

In recent years, interest has increased in connection with the risks related to the banking business, owing to their significant impact on the returns generated and the survival and continuity of banks, as well as their effects on the national economy, especially in the developing countries including ours. In view of CACBANK's perception of the multiplicity of risks facing banking business in Yemen, which have been imposed by the crisis since 2015, the Bank has continued to pay attention to risk management policies considering them as part of its strategy and basis, owing to its conviction that the optimal use of risk management policies not only achieves the highest profit rates but also the highest levels of safety. The result has been CACBANK's outstanding and excellent performance in 2017.

The Bank has therefore recorded positive and strong results through the implementation of its conservative strategy, This would not have been achieved without the existence of an efficient, sound, comprehensive and successful management, comprising a successful risk management strategy at the Bank. The Risk Management Department also reports to the Board of Directors and top management in addition to supervising and assessing the main risks, which are divided into:

## > First: Credit Risk

Credit risk is the risk that the borrower will lose or the other party fails to meet and honor its obligations, thereby exposing the Bank to credit risk, but it reduces credit risk through the diversity of its customer base including companies, institutions and individuals. Under the umbrella of risk management, the Credit Risk Section has four units: the Retail Credit Risk Monitoring Unit, the Corporate Credit Risk Monitoring Unit, the Documentation Unit and the Investigation Unit, which review on a continuous basis the likelihood of facilities becoming nonperforming. The Department is also keen to maintain a well diversified portfolio in terms of customer base, geographical distribution, Industry, orientation, currency type and product. The Bank's Investigation Unit also responds to credit queries and identifies and specifies customer lists according to Central Bank updates.

The main objective of the Risk Management Team in the Credit Risk Section is to assess the potential risks of the lending portfolio, using qualitative and quantitative analysis, with the aim of building a strong and sound portfolio which will help enhance the Bank's leadership and pioneering position and attain adequate protection. Furthermore, the objective of the exercise is to provide strong monitoring and support for ensuring full coverage of the portfolio. This is achieved through continuous analysis, monitoring and close follow up of the portfolios. Additionally, the Section carries out periodic performance assessments to detect early signs of potential losses or the likelihood of deterioration in performance, in order to take necessary measures to rectify the course and inform the concerned parties to address the potential risks of default losses.

## > Second: Market Risk

Market risk is the risk of loss resulting from negative movements in the value of financial instruments, owing to changes in the level of interest rates, foreign exchange rates and prices of commodities, stocks and securities in all their forms. Despite the volatility in the Yemeni market, CACBANK has maintained sufficient levels of risk tolerance in the market.

Liquidity risk is the risk that the Bank will be unable to meet and honor its normal trading obligations and regulatory liquidity requirements. CACBANK has a comprehensive liquidity policy and an emergency funding plan, which supports the diversification of sources of finance and the maintenance of adequate liquidity reserves with a wide range of liquid assets. To measure and monitor liquidity, CACBANK uses gap analysis, stress tests, net fixed (stable) financing, liquidity coverage ratios and regulatory and internal liquidity ratios. Despite the current conditions, the Bank has maintained good and sound liquidity ratios.

## > Third: Operational Risks

Operational risks are losses arising from the inadequacy or failure of any of the following: internal processes, individuals, operating systems, or external events which affect the operating ability of the Bank. CACBANK is developing a comprehensive framework for operational risks, policies and processes in order to provide a well-controlled and sound environment. The framework uses the following indicators to measure and monitor operational risks: a loss database, a risk control self-assessment (RCSA) and key risk indicators. (KRIs).

The Operational Risk Section, which includes the Operational Risk Unit, identifies, determines, measures and controls market risk, operational risk, reputation risk, strategic and political risk and liquidity risk through the Bank's policies, at the same time ensuring the implementation of Central Bank and Basel Committee requirements. Risk analyses are carried out appropriately and to the extent possible and according to the resources available. Case reports are submitted regularly to top management and the Board of Directors for taking appropriate action at the appropriate time.





## COMPLIANCE AND AML/CFT REQUIREMENTS

The phenomenon of money laundering is considered one of the most serious financial crimes in the modern economy. This phenomenon has been prevalent since the 1980s, so it has become an urgent priority in the affairs causing concern for the countries of the world. However, Yemen is considered to be a late comer in the area of combating money laundering, As the first law dealing with this crime was only issued The Central Bank has taken a strong interest in this regard by playing an active role in the national efforts to provide a legislative foundation, which complies with international standards and has shown to be in line with some FATF recommendations. CACBANK is one of the first banks to adopt compliance and adhere to the best local and international standards. CACBANK has also directed all offices, branches and subsidiary or affiliate companies to comply with local AML / CFT laws, procedures and regulations as well as the relevant international recommendations, which may be even more stringent.



This Department has been directly involved in the project of restructuring the bank at various stages since beginning of the restructuring and until its approval and activation.

The role of planning in the follow-up of the preparation of strategic and operational plans for the sectors and departments focuses on monitoring their implementation periodically. As the work progresses and the need to reach the advanced stages of planning and implementation becomes essential, the role of monitoring and evaluation is activated in a better way through the distribution and restructuring of the department function in order to achieve the objectives for which they have been established.

In the light of scientific studies, the Balanced Scorecard Methodology has been adopted as bank-based cause and effect. This has been adopted within the strategy of the bank for period 2013-2017 and strategies rearranged and activated accordingly in the business environment.

CACBANK management's has shown deep concern to participate in local and international efforts to combat money laundering and terrorist financing and in the belief of the importance of making all efforts in this regard, a program has been developed that includes policies and procedures at all levels of the Bank to combat money laundering and terrorist financing, derived from the laws and regulations of the Republic of Yemen and Central Bank of Yemen's instructions and regulations aiming at combating money laundering, as well as adherence to international practices such as the recommendations of the FATF.

The Bank has realized many successes and achievements in this regard, because it considers the function of compliance and confronting the crime of money laundering one of the main objectives, which must be pursued in order to preserve the institution and enhance its role, with the aim of achieving the continuity of the Bank, according to an institutional methodology serving the interest of the Bank and thus avoid being subjected to economic sanctions. This fact reflects positively on the desired aim of continuing the Bank's economic role of financing economic and social development.

## THE MOST IMPORTANT ACHIEVEMENTS OF THE BANK IN THESE ASPECTS ARE THE FOLLOWING:

### > Good governance:

What the Compliance Department has done in this aspect is of great importance to the organization of the Bank's work according to the best local and international banking practices, by applying the highest standards of professional performance in all activities of the Bank. This is in compliance with the instructions of the Central Bank and international recommendations such as the decisions of the Basel Committee and the Organization for Economic Cooperation and Development (OECD) as well as the standards issued by the Islamic Financial Services Board, in pursuit of enhancing the Bank's reputation, establishing good practices and good governance and enhancing the confidence of stakeholders and recipients of the Bank's services.

### As such the Bank has:

- 1 Adopted the governance manual and distributed it to the committees of the Board of Directors.
- 2 Adopted the Conflict of Interest Policies.
- 3 Adopted the Code of Ethics and Conduct of Banking Business.
- 4 Adopted the Bank Compliance Policy.

## > AML / CFT requirements:

The Bank is keen on this aspect in view of its realization of the importance of combating money laundering and the financing of terrorism in a profound manner, both domestically and internationally. It also seeks to be one of the most important banking models which reinforce this role and reflect a positive image of the Bank's progress in particular and the country in general. As an expression of its keenness to strengthen this role, it has implemented a program to combat money laundering and financing of terrorism, encompassing procedures and policies aiming at strengthening the combatting of money laundering and terrorist financing, for the purpose of maintaining the reputation of the Bank and the safety and soundness of its procedures.

### As an example, the Bank has achieved the following:

- 1 Updating and adopting the AML / CFT policy in line with the latest international laws and recommendations.
- 2 Appointing a compliance officer at the Bank.
- 3 Establishing a special department to monitor the Bank's compliance.
- 4 Appointing liaison officers in branches.
- 5 Applying Know Your Customer (KYC) mechanism.
- 6 Acting in accordance with due diligence and enhanced due diligence, pursuant to international laws and recommendations.
- 7 Developing procedures for assessing the risks of money laundering and financing of terrorism and using the risk-based approach in assessing the Bank's operations and products.
- 8 Keeping abreast of the best international and advanced systems, which assist the Bank in detecting financial crimes and stopping them at an early stage, in accordance with local laws and international standards. SAS System has been adopted. This is considered one of the best financial and international systems for analyzing AML / CFT operations. CAC Bank is the only bank in Yemen to introduce such system into its financial system. Furthermore, the system of boycott lists OFAC has also been linked to the Bank, especially in the international operations associated with the SWIFT, Sarie' and other systems.
- 9 Based on the vision of the Bank and its senior leadership that investing in human resources is one of the most important factors of success, a continuous and comprehensive training plan has been adopted for all employees of the Bank, including members of the Board of Directors and senior management. As such, the number of employees who have been trained has reached about 1345 employees, which is regarded a major achievement for the Bank. The Bank has also worked to spread the culture of the requirements of combating money laundering and terrorism financing by conducting weekly educational flash messages via e-mail sent to all employees of the Bank, backed by the latest technical techniques reflecting the information and topics of combating money laundering and terrorism financing.
- 10 An independent internal audit function has been established to monitor the requirements of AML / CFT and assess the Bank's compliance with the requirements of this function, thus enhancing the integrity and soundness of the Bank's procedures.
- 11 Establishing the principle that compliance is the responsibility of all CAC Bank employees.



## ➤ Working according to the following international and domestic banking legislation:

- 1 Local laws and those issued by the Central Bank in relation to combating money laundering and terrorist financing and due diligence pursued to identify customers, their operations and the limits and ceilings imposed on remittances.
- 2 Corporate legislation dealing with money transfer companies, such as KYA laws dealing with global remittance companies, e.g. Western Union and RIA.
- 3 International legislation dealing with customers, such as KYC "Know Your Customer" and compliance with obtaining sufficient data from customers.
- 4 The Bank also excels in providing internally developed systems which assist it in complying with international standards, legislation and regulations such as FATCA, which complies with the requirements of the US Tax Administration.
- 5 The Bank is obliged to provide all data to the competent authorities according to the laws, in terms of monitoring the movement of traffic through electronic systems which send data directly to the Central Bank of Yemen regarding the systems developed within the Bank and through the Development Department, including the Sarie', e-banking and Expatriate Rahhal Systems .

## ➤ The Bank is committed to provide correspondent banks with the following:

The Bank works with its correspondent banks in accordance with the partnership principle, which enhances continuity with a banking and professional vision thus enforcing mutual trust with banks and reflecting the common interest in the banking sphere, Despite the dire circumstances being experienced by Yemen, the Bank has been keen to pay all its obligations and commitments to correspondent banks on their due dates without incurring any delay or default in payment. The Bank has achieved the following:

- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>1 Filling out and mailing back questionnaires sent by all foreign banks.</li> <li>2 Submitting to our correspondent banks all required documents related to AML / CFT, such as W8BEN - WOLFSBREG - Corporate Governance Manual - GIIN Number and CRS (Common Reporting Standard) and other internationally recognized application forms.</li> <li>3 Follow-up and audit of all banking operations (remittances, transfers, reimbursements and documentary credits and guarantees) and their conformity with applicable international standards and laws.</li> <li>4 Ensuring that banking transactions are carried out within</li> </ol> | <p>the conditions, criteria and standards imposed by our correspondent banks, in line with due diligence and international banking norms and conventions</p> <ol style="list-style-type: none"> <li>5 Updating the AML / CFT lists immediately after their being issued by the list provider.</li> <li>6 Ensuring the stability of SWIFT system and working in accordance with all the unified international standards and their latest versions.</li> <li>7 Ensuring the stability of the encryption system and constantly updating it in conformity with its latest international versions.</li> </ol> |
|---|--|

## ➤ Information systems according to international standards:

In the areas of information systems, the Bank also specializes in providing services in line with international standards for information systems, data security and related policies that are compatible with the legislators of these policies and procedures, for example, but not limited to:

- PCI standards in card systems and operations, in line with the services provided by credit and prepaid card companies VISA and Union Pay.
- Protection of banking data in accordance with international standards and criteria to ensure the conduct of customer data with complete secrecy and accuracy, perhaps the most important of these standards are COBIT and ISO27001, ITIL.



## **STRATEGIC PLANNING IN CAC BANK**

Strategic planning has emerged as the most recent form of planning in organizations of all kinds. This type of planning has led to a change in how organizations plan to develop their strategies and implement them, based on relevant information and data. Strategic management has become an essential tool for organizations to evolve and develop, if they want to formulate and achieve a state of excellence and respond effectively to increasing and rapidly accelerating global changes.

CACBANK management has felt the importance of the strategic planning impact on the quality of banking services by building a solid and sound foundation for all its components, such as planning policies and systems, developing structures, planning operations, attracting savings, investing resources and developing material and human resources, in order to achieve the Bank's service and development objectives. Furthermore, this will provide it with the ability to conduct an organizational and institutional analysis for achiev-



ing comprehensive institutional development within a framework of integrated performance flexibility aimed at continuous development and improvement.

CACBANK embarked on the establishment of the Department of Strategic Planning and Statistics in the Business Development Sector in 2008 within the updated and modernized structure of the Bank.

This Department has been directly involved in the project of restructuring the bank at various stages since beginning of the restructuring and until its approval and activation.

The role of planning in the follow-up of the preparation of strategic and operational plans for the sectors and departments focuses on monitoring their implementation periodically. As the work progresses and the need to reach the advanced stages of planning and implementation becomes essential, the role of monitoring and evaluation is activated in a better way through the distribution and restructuring of the department function in order to achieve the objectives for which they have been established.

In the light of scientific studies, the Balanced Scorecard Methodology has been adopted as bank-based cause and effect. This has been adopted within the strategy of the bank for period 2013-2017 and strategies rearranged and activated accordingly in the business environment.

## ► Strategic Plan Building Project 2018 - 2020

In order to develop the application of the planning methodology with the balanced performance card in the strategy of the Bank 2018-2020, the strategic plan team was formed from all sectors of the Bank and subjected to special training related to the planning and analytical process of the surrounding environment and rehabilitated to follow up the plans and directions in the relevant sectors in the Bank. Workshops were held at the leadership level to come up with the new strategic directives, in accordance with which work should be undertaken in the updated strategic and operational plans.

- Holding special workshops for Bank leadership and various related administrative levels to analyze the internal and external environment for preparation and adoption of the strategic plan 2018-2020.
- Holding a workshop for the Bank's top management to consider and adopt the strategic issues of the strategic plan 2018-2020.
- Holding workshops for department Managers and division heads to prepare the operational plan using the balanced performance card.
- Completion of the draft Strategic Plan 2018-2020.



## ➤ The Remote Sensing System in CAC Bank

The remote sensing system has been implemented in the system of statistics, planning, monitoring and evaluation in order to make the appropriate decisions efficiently and effectively. With the aim of building the integrated (Statistics) Data Warehouse System, the information network was established, through which the Bank's activities and systems are linked to the system of monitoring all banking activities and issuing reports. Based on the remote sensing system the following has been done:

- Distribution of points of sale.
- Classification of medium and small enterprises by size.
- Locating sites of all activities in the capital's secretariat related to the activities of the Bank with a view to enhancing customer service in various fields (industrial, commercial, tourism, educational, health and banking).
- Connecting the two largest systems at the Bank, the Phoenix and the Power Card to the database system of the information network, in order to increase the effectiveness of monitoring and evaluation of performance.

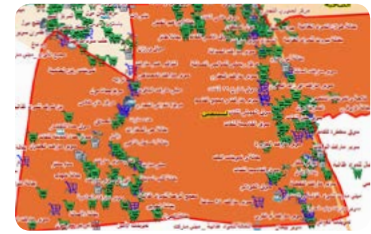
Geographic Information System (GIS) location of services and commercial sectors in the capital secretariat (Sana'a).



Capital Secretariat (Sana'a)



Markets and POS terminals in Azal district



Markets and POS terminals in Al Sabe'en district

Geographic Information System (GIS) location of Bank's Branches, Offices and ATMs



CAC Bank Branches



CAC Bank ATMs



CAC Bank Offices





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

from any CAC Bank Branch  
through **Ria** Network

**Ria** <sup>®</sup> **Money  
Transfer**



## ELECTRONIC BANKING SERVICES

Electronic systems and their banking products cause changes in the way people, businesses and individuals deal, as well as in the method of accessing banking services and information. The digital economy has become an extremely important engine for economic growth, investment and job creation. Ultimately, the reliance of conventional industries on those services and systems is vital for improving productivity and opening up to new markets.

The Bank is the leading local bank in this field and has been in the forefront for twelve years, becoming an example to be followed. This has encouraged and helped the rest of the banks and companies to engage in e-business and benefit from our Bank's long experience in this field. The Bank is keen to continue to develop and update the electronic systems through its specialized and qualified team, in order to keep abreast of the latest electronic systems in the field of banking and maintain its leadership and pioneering spirit in e-banking business at the local level.



## A SAFER, Faster and Easier Service



The service enables you to view your accounts from any place and at any time through the Bank's website by clicking on the window of CAC Online. The client can get the service by visiting the nearest branch and submitting the service request a message will be sent via the mobile through the user's name (USER) and password (PASSWORD). Then you can access your account page and view any data you need regarding your different accounts.

### Service Benefits:

- You can use the service 24 hours a day.
- You can use the service from anywhere with an Internet service.
- The service is free and there are no fees or commissions charged to it.
- Ability to extract statements in PDF format and according to the time period specified by the client.
- Data and banking operations are highly secure.
- For easy access to the service, the customer can visit the nearest branch to apply for the service and after the subscription he/she will receive a message on his/her mobile containing the user name (USER) and password (PASSWORD).

### Conditions and documents required to obtain the service:

- The customer should have one or more accounts to which the service can be connected.
- Provide personal identification (valid identity card or passport).
- Fill in the application form by visiting the nearest branch or office of the Bank.



## CAC Mobily Product

Is considered one of the largest and most important electronic systems provided to customers offering a variety of services, including payment of mobile phones for all telecommunication companies, landline, the internet and water and electricity companies, as well as immediate and instantaneous charging services. The product also provides banking services, including the transfer between accounts as well as transfer from account to cash through the Sar'ea Mobily and other services such as advice of account movements and «remind me» service. The latest updates to the product have been installed through smartphones and the iPhone (Android - IOS) and other services which have attracted new customers and segments to the Bank. It has achieved revenues over the past years, as CAC Mobily recorded nearly 22 million SMS messages in 2017.

### Distinguishing Features of CAC Mobily

- You can manage your accounts effectively and efficiently from anywhere and at any time by using your mobile.
- Save time and effort.
- You can settle your monthly dues: mobile, landline, water, electricity, ADSL and internet bills.
- CAC Mobile includes a wide collection of banking services offered through SMS technology and mobile application.
- The service is offered to all CACBANK customers all over Yemen as well as abroad and by means of all local mobile service providers
- You can add all your accounts to the service by means of a single subscription application.
- You can add more than one mobile number to be connected to this service as requested by customer.
- You can print an advice for any transaction effected through CAC Mobile by means of the reference number sent to your mobile after execution of the transaction.

Manage your accounts & settle  
your obligations & dues by  
means of your  
**MOBILE**



An electronic program used by means of the mobile through which a customer can send SMS directly to the communications company with which he/she deals in order to manage his/her accounts and pay his/her dues by means of a touch of a button.

**The application can be downloaded from Play  
Store & App Store on any mobile.**

## E-Banking :

In line with the requirements of the technological and banking age, CAC Bank has introduced the E-Banking product, which is a product that distinguishes CAC Bank from its competitors. The product is an integrated banking system designed specifically for customers with a high account balance, such as companies, organizations and foreign missions in Yemen. The customer is given the ability to manage his/her accounts, transfer of funds and perform commercial transactions such as international purchases, letters of guarantee and other banking services, which can be implemented from anywhere in the world and at any time via the Internet in accordance with authority and regulations of very advanced aspects of confidentiality and security.

During the year 2017, the product cadre sought to enhance the value added to its customers through the development of the product and solving all problems or obstacles which may face customers with a view to meeting their aspirations and ambitions and keep pace with the technology, developments and changes in the banking market.

### Services:

- Issuing external and local letters of guarantee
- External Transfer Service
- Opening documentary credits
- Account to account transfer service
- Settlement (Electricity, Water, landline, Mobile Phone)
- Review of accounts and exchange rates
- You can carry out all banking and financial services including opening letters of credit, external transfers and external guarantees.

### CAC Bank E-Banking Service Distinguishing Features

- The service is free with no fees or commissions.
- You can implement banking operations from anywhere at any time.
- The service comes with high secrecy and an international data cyphering system





## **We accompany you wherever you go**

E-Banking is an electronic banking service targeted at the segment of VIP customers, companies, institutions, organizations and foreign embassies and permanent legations in Yemen. This service enables you to conduct many of the banking services easily and with high speed through the Bank's Website without the need to visit the Bank.



## Sari'e Transfer

This is a service provided by CAC Bank enabling customers to transfer and receive their funds in Yemen and abroad through a modern and safe automated system, by which a transfer is implemented in a few moments from any point (branch, office or agent). A transfer may be sent and received from/by "Speed" points which are spread all over the Republic (CAC Bank branches and offices as well as offices of agent money changers) as well as abroad in Gulf states, Jordan and Djibouti.

This system was installed by the Bank's Systems Development team and subjected to constant development, so as to become one of the most important systems in the Bank. The system has assisted a lot in providing to the Bank foreign exchange, the most important of which is the US dollar.

The Systems Development team has striven to create new ideas in the system and converting it from a local system to an international one competing with the other money transfer systems. The system is characterized by the ability to be offered to agents who have no financial systems so as to become a system belonging to the agent. Furthermore, the agent can enter into agreements with another agent inside or outside Yemen, with the two parties operating through the Sari'e Transfer System and the Bank laying down the agreements and fixing the commissions between the parties. Additionally every agent can manage its users, branches and reports in an extremely easy manner.



### Western Union:

Western Union money transfer service at CACBANK is a top notch service which meets the needs of the Bank's customers for executing their international transfers.


Western Union is considered the most widespread service among all money transfer companies in the world. It is characterized by its presence in more than two hundred thousand branches around the world. It is located in most countries of the world at a relatively lower cost. We CACBANK excel by the presence of branches in all governorates of the country, where you can receive your transfer from any branch or office of CABANK in US dollars.



### RIA Money Transfer Service:

Is a service provided by CACBANK as an exclusive service partner. This service enables customers to send and receive their money internally and externally in more than 150 countries and 300 thousand points of sale (POS) through a modern automated and secure system within moments from any point or terminal (branch - office - agent) which are spread throughout the Republic.

**In 2017 Domestic and Foreign Transfers increased dramatically compared with 2016 by the following Rates**

**119 %** 

**Number of Transfers**

**29 %** 

**Total Amount**





**MOST WIDESPREAD  
WITH LEAST COST**

**Distinguishing Features:**

- You can effect a transfer from your account through any bank branch, agent or CAC Mobily app to any person and receive the transfer in cash.
- Competitive commissions.
- Fast, easy and safe.
- Widespread network of correspondents abroad in the Gulf states, Jordan, the Horn of Africa and China.



## TRANSFER YOUR FUNDS THROUGH YOUR MOBILE

The Al Sari'e Mobily service enables you to send a money transfer from your current account whereby the beneficiary receives it in cash from one of our accredited points (CAC Bank branches or agencies)

**In 2017 Transfers effected through Al Sari'e Mobily Service increased tremendously compared with 2016 by the following Rates**

**44 % ^**

Number of Transfers

**26 % ^**

Total Amount





***SEND***  
**YOUR COLLECTIVE (BATCH)**  
**TRANSFERS FROM YOUR OFFICE**

## Distinguishing Features of Collective (batch) Transfer Service

- The possibility of the party to carry out remittances from any place through the Internet.
- The possibility of the entity to view the movement of its remittances through the Internet and a link to monitor the movement of delivery of remittances.
- Ease of transfer procedures.
- Speed in the implementation of remittances in moments.
- Competitive transfer commissions.
- The possibility of receiving transfers from 400 service points spread throughout the various governorates of the Republic.
- Ability of the Bank to pay remittances and provide liquidity at any point of payment.
- High speed and efficiency in providing after sale services.

**In 2017 Collective Transfers effected increased compared with 2016 by the following Rates**

**20 % ^**

Number of Transfers

**31 % ^**

Total Amount





كك مشتريات  
Cac Purchasing

## BUY WITH EASE & PAY WITH EASE

### DISTINGUISHING FEATURES OF THE SERVICE:

- Safer and more secure
- No need to carry cash
- Reduction of cost of money transactions
- Many POS terminals spread all over Yemen

### CONDITIONS OF THE SERVICE:

- Customer must have a current account with the Bank
- Availability of a bank card (CAC Bank card or VISA card)



PRODUCT DESIGNED WITH DIVERSIFIED COLORS AIMED AT LADIES AND THEIR UNIQUE AND SPECIAL CHARACTERISTICS AND PERSONALITY.  
IT IS DESIGNED TO OFFER LADIES A MULTIPLICITY OF SERVICES INCLUDING DEPOSITS, SAVINGS, PURCHASES, CREDIT CARDS, LOANS, FACILITIES ETC.

## Electronic Cards



### CAC Card:

CAC Card is an electronic card type issued by CACBANK. It is a prepaid card bearing an EMV smart chip and used in cash withdrawals. The card is also one of the latest technologies in the field of banking services and smart cards.



### Visa Cards:

Is a debit card linked to the current account of the customer in the branch and used to withdraw cash from all over the world and pay the value of purchases through the VISA global network in any currency, regardless of the type of currency account which is linked to the card. The Bank also provides VISA classic, VISA Gold Credit Cards and VISA Net services.



### Union Pay cards:

Union Pay cards are issued through the Chinese Global Network and are widely known for providing our customers with more than 1.5 million ATMs and more than 60 million points of sale POS in 150 countries around the world.



### American Express Cards

American Express is a leader in elite payment solutions and services and is unique in the international card collection. This flexible payment tool, issued in US dollars, is designed for business people to achieve the highest standards of luxury and lifestyle.





## TRAVELLER PACKAGE

### Your Bank Across the Border

This service is offered to meet the needs of Bank customers outside the homeland, in order to implement their banking operations with ease and comfort by means of a package of Bank services.

### Al Sarie Transfers

**"Most widespread with least cost"**

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

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

### CAC Mobily

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

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

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

- Transfer money from your account to another at the Bank with the possibility of exchanging Yemeni Rials and US dollars.
- Transfer money from your account to another person in cash through our branches, which are spread all over the Republic.
- Settle your mobile phone or another

mobile phone bills by debit to your current account at the Bank.

- Settle all bills in Yemen: landline phone, electricity, water, internet, etc.
- A message is sent for any debit or credit entry to your account.
- Knowing your current account balance at CACBANK at any time at your place.
- Message of foreign exchange rates is sent to you periodically on a regular basis at a time of your choice.

### CAC Online...

**We are with you wherever you are.**

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

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

### VISA Traveler Card

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

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

Visa traveler card provides you with the

following advantages:

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

### Traveler Savings ...

**Your savings are safe and secure**

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

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





## Package Benefits

- You can open an account at the Bank from outside the country.
- You can deposit funds in your account or the account of someone you love in a couple of minutes by means of Al Sarie Transfer Service.
- Save your funds in your homeland beginning with US dollars 100 or their equivalent in other currencies and earn lucrative yields.
- Use the Bank's electronic services at any time from any place.
- Manage your accounts and settle your obligations from outside the homeland through CAC Mobily Service.
- You can apply for VISA Traveler Card and withdraw from your account from any place in the world by means of VISA International Network.
- You can apply for an ATM card for a family member and set a monthly ceiling on withdrawals from your account.



## AGRICULTURE AND FISHERIES SERVICES

When strategic CACBANK proceeded to develop its activities and diversify its investments in all the productive and service sectors, it did not neglect the implementation of its business plan to continue its specialized tasks. During 2017 it continued to provide diversified development services to the agricultural and fisheries sector with high quality in appreciation of its importance. The improvement of this sector can be one of the most powerful tools to combat poverty, because it provides more employment opportunities than any other sector in our country, as it is the case in many countries in the world. The agricultural and fisheries sector in our country is one of the main pillars of the national economy and is considered the second productive sector after oil, contributing about 18.2% of GDP. More importantly, it employs more than 54% of the labor force in the Republic of Yemen and it is associated with about 70% of the population.

Therefore, this sector has taken an important aspect of CACBANK management's priorities in the field of development. The Bank has remained the first if not the only provider

of finance to the segment of farmers and fishermen, despite the conditions of war and siege on our country and the great challenges facing the Yemeni banking sector. The Bank has however continued to finance individual and collective projects, besides extending concessionary loans to the sector. Total loans since the establishment of the agricultural and fisheries finance sector in 2013 amounted to \$ 2 million. The Bank has also proved that there are agricultural and fish financing products of economic feasibility and high returns at the agricultural and fisheries level in the country, which lead to the improvement of the level of livelihood of the segment of workers in this sector and contribute to the development of the local economy.

The Bank also has a strategic plan, including the opening of future horizons for the agricultural and fisheries sector by attracting funds from international organizations and foreign projects and diversifying financing activities to include integrated rural development. This is part of the future strategic efforts aimed at reducing dependence on the outside world for importing essential foodstuffs, thus enhancing efforts promoting self-sufficiency in agricultural products, as Yemen is an agricultural country, in addition to the possibility of strengthening capacities to diversify agricultural exports in the future.

## PRODUCTS AND PROJECTS LAUNCHED



ري Rei

بأقة خدمات تمويل مشاريع الري  
الحديث

### ➤ Solar Power Pumps Product

This program will provide solar power pump financing (loans), free of interest after the State through the Agricultural and Fish Production Promotion Fund has borne the burden of banking service fees. It has also borne the burden of supporting the farmers with a portion of the value of these pumps to encourage them to repay what they owe without delay. The purpose is to provide these pumps to all farmers which fit the nature and specifications of their wells with the capacity and ability of this type of pumps.





## ➤ Food Services Package (Greenhouse Financing Product)



غيثا Ghitha

The cost of greenhouse technology production has represented a hindrance to many farmers, especially the qualified ones. The Bank has therefore adopted this financial product in order to participate in the achievement of sustainable agricultural and fisheries development, in particular as the various financial feasibility indicators show that many agricultural crops can be cultivated using this technique thus achieving the goal of reducing costs and doubling revenue from agricultural crops. Furthermore, feasibility and technical experiments assert that agricultural crops resulting from the technology of greenhouses are healthier and of a better quality, in addition to allowing farmers control the crop and provide the specifications required in the regional and international markets.

The Cooperative and Agricultural Credit Bank will offer green house financing loans in partnership with the Ministry of Agriculture and specialized companies and organizations interested in agricultural development and conservation of water resources.

## ➤ Honey Production Financing Product



شاهد Shahd

The aim is to expand the field of bee breeding in Yemen and to provide additional employment opportunities and the availability of pasture and diversity in the flowering seasons to ensure access to sufficient time to graze bees. This product offers simplified and rapid procedures and easy repayment installments without interest to raise the level of revenue by increasing the number of cells to reach their economic quantity, increase the amount of honey produced by financing modern cells and raise the level of profitability of beekeepers by at least 30%, where funding covers the costs of the project of beekeeping, honey production and provision of agricultural support during the project period.



شاهد Shahd



بحار Bihar



بُن Bun



أنعام Ana'am



ري Rei



غذاء Ghitha





# CAC Innovation

## Enriching Banking Industry with New Financial Products

### > Banking Creativity with CACBANK

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

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

### > CAC Innovation?

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

### > CAC Innovation Objectives

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



## IDEAS System

With the appearance of the element of “ideas” as a new source of management, the Bank has selected the “Ideas” System, which is based on scientific foundations and principles and uses the best methods to encourage employees to contribute with their ideas and thoughts.

The “Ideas” System is designed to receive the new ideas and thoughts relating to the updating of bank services and products, the introduction of new ones, development of systems and procedures or marketing suggestions, which ensure the achievement of any of the Bank’s strategic or operational objectives, particularly those associated with increasing profits, cost reduction, raising the Bank’s market share and increasing customer satisfaction. After that, those ideas are assessed and their feasibility and possibility of implementation investigated.

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

The system aims at the continuous development of the Bank and its distinction, by adopting the ideas of employees, who are actively pursuing their duties, encouraging them and providing the appropriate environment for the development and continuation of thinking and creativity. The system is also meant to relieve work pressures, diversification of daily functions and the building of firm and constant channels for the embracing of ideas and implementing them. The “ideas” system is considered a new and important standard for the appraisal of the employee’s and management’s contribution to the development and improvement of the Bank. The “ideas” system is also considered a guarantee for providing services and products commensurate with the current demands and expectations to meet our customers’ present and future requirements and desires, in addition to representing a supportive tool for directing efforts and output application from the negative to the positive.



## TRAINING AND PERFORMANCE DEVELOPMENT

In the belief that investing in human resources through the development of skills and capabilities is one of the most important determinants of growth and success of policies, CACBANK's management is certain that the Bank's employees are the most valuable assets from which it derives its strength and reputation. Accordingly, the Bank pays great attention to this matter. As such, the Training and Performance Development Department has carried out during 2017 a number of important projects and several activities related to the strengthening of the Bank's performance, as well as bolstering the Bank's responsibility towards the community through the building of skills and capabilities.

## > **Implementation of the Project to analyze and identify training needs in the Bank for the period 2017 - 2020**

The training needs were analyzed and identified through a specific methodology which focused on dealing with training needs as a system of inputs, processes and outputs, each with its core components leading to the integration of these elements. The methodology of the analysis also focused on the correlation between measurement levels of training needs, in the framework of which the Inputs included a review of the various basic data and information available in the Bank's reports, references and databases at each level according to a prior classification. This led to the development of tables, manual templates and electronic forms through which the necessary data were collected and compiled, with their good quality ascertained by the relevant specialists

The methodology also included working through the principle of participation and transfer of experience, where a task force was formed and trained to carry out various tasks of analysis and identification of needs and requirements. The details of the work methodology can be determined by the following:

### **1 Work Force:**

The mission was carried out through a task force of the Bank, along with a specialized consultant, covering the various Concerned departments and divisions concerned in the Bank, so that the active participation in the implementation of the mission is achieved and its success ensured.

### **2 Levels of Identification of Training Needs and Comparison Classifications Adopted:**

The task of analyzing and identifying training needs was carried out on the basis of the determinants contained in the Bank's sanctioned policy packages. The Bank's policies divide training requirements into the following three levels:

- Training needs at the institutional level.
- Training needs at the functional (job) level.
- Training needs at the individual level.

### **3 Ensuring Data quality:**

A mechanism has been put in place to achieve adequate data consistency and good quality as follows:

- Involving concerned managers and stakeholders from the various institutional components of the relevant bank, which are the source of the required data.
- After unloading the available data, they were checked by the technical supervision team, their credibility verified and random samples picked up to ensure the accuracy and soundness of unloading by each subgroup.
- The results of the preliminary analysis were presented to the entire team and evaluated on a collective basis.

#### 4 The following recommendations were adopted

150 training programs have been adopted which represent the Bank's urgent priorities for the next three years presented by the Human Resources Committee and the Bank's leadership.

- Adoption of the training matrix for the period 2017-2020.
- Automation of the matrix to improve the training data.

#### 5 Summary of Key Indicators for Analyzing the Bank's Training Needs:

- (11) A performance areas in which the training needs gap was focused at the institutional level.
- (46) Joint training programs at the individual level.
- (270) training programs representing training needs and requirements at the career (job) level.

### > Performance Appraisal

- In 2017, contribution was made to nationalizing the administrative decree by evaluating appointments in monitoring and leadership responsibilities.

### > In-House and outside the Bank Training for Bank Employees & Others

#### Total programs and courses held during 2017:

**(65)**  
**TRAINING GROUPS**

**(12)**  
**TRAINING PROGRAMS**

**(1736)**  
**TARGETED NUMBER  
OF EMPLOYEES**

Trainees:		Total participants
■ bank staff (headquarters & branches)		1104
■ security & maintenance co staff		115
■ cac insurance co staff		68
■ other bank's staff		33
■ University Students and Graduates		416
		<b>1736</b>



## ■ Programs Conducted for Bank Staff at Head Quarters and Branches

Programs	Total Participants
■ AML/CFT and combatting fraud	161
■ Tax Compliance Law (Fatica)	67
■ Foreign Transfers & FATF Law Requirements	18
■ Purchases Law Policies & Procedures for all Branch sub Committee Members	139
■ Staff Performance Appraisal Workshop for all Job Levels at Head Office	429
■ Strategic Plan 2018-2020 Strategic Analysis for Sector Representatives	45
■ Monitoring & Evaluation Workshop for Economic, Development & Project Activities (Sector Directors, Dept Managers & Division and Unit Heads)	203
	<b>1062</b>

## ■ Programs Conducted for Participants & Groups of Company & Agency Staff

Programs	Total Participants
■ Insurance from a Technical & Economic Perspective/CAC Insurance .	68
■ AML/CFT for Exchange Company Staff (Transfer Agencies)	42
■ Basic program for security & maintenance co.staff	53
■ Course on job success fundamentals for security & maintenance co.staff	20
■ Fung choi (workplace energy) human resources Bank staff	33
	<b>216</b>



## EXEMPLARY STAFF - 2017

CACBANK has been able to reach the pioneering status and top rank among domestic banks by means of its outstanding and excellent human cadres in the area of their skills and experience, as the Bank's management has been keen to rehabilitate and motivate them with incentives, in order to become the best staff in the domestic banking industry. With the aim of maintaining the importance of this staff, CACBANK's management has set the standards of career excellence and applied them to employees to evaluate their performance and honor and give merit to those who excel. The best employees from each department have been selected based on the criteria of evaluation and their names publicized, in recognition of their efforts and in order to motivate the rest of the staff to create more constructive competition and to improve their level of performance, with a view of winning honor and merit in the coming years.

## ➤ EXEMPLARY STAFF 2017

No.	Name	Department/Branch
1	Isaac Abdulrazak Al- Sharafy	Strategic Planning & Statistics Department
2	Ayman Mohammed Al - Haymi	Individuals & Small Enterprises Department
3	Samah Ali Mohamed Al - Sayagi	Compliance Department
4	Bushra Abdulla Ali Al Fadhli	Research & Development Department
5	Samah Mohammed Ali Yasin Rajeh	Cards Department
6	Abu Bakr Fadl Al Amri	Investment Department
7	Wadah Qaid Ahmed Al Wi'el	Audit Department
8	Suad Mohammed Al Shawawif	Agricultural and Fisheries Finance Department
9	Samah Ali Abdulaziz Humeid	Money Transfer Department
10	Mohammed Abdullah Saleh Badawi	Administrative Services Department
11	Mohammed Ahmed Al - Humaidi	Private Banking Services Department
12	Kafiah Hussain Ahmed Al-Kuhlani	Secretarial & Documentation Department
13	Abdulmalek Hussein Ahmed Al-Jarf	Commercial Cos & Institutions Department
14	Mohammed Mohammed No'man	Industrial & Agricultural Cos Department
15	Yazid Mohammed Al Shawaifi	Real Estate Cos & Contractors Department
16	Hisham Faraj Omar Bal'eish	International Operations Department
17	Mohammed Hussein Al - Junaid	Central Operations Department
18	Mona Bajjash Al Shar'abi	Branches Department
19	Mujahid Mohsen Saad Salah	Follow up & special Transactions Department
20	Mohammed Naji Yahya Salah	Risk Management Department

No.	Name	Department/Branch
21	Ali Ali Abdu Al Rafeeq	Human Resource Department
22	Mohammed Amin al-Qirbi	Performance Development Dept (Training)
23	Wafa Mohammed Khamis	IT Department
24	Tahani Mohamed Ezzeldin	Quality Assurance Department
25	Ahmed Mohamed Abdo Al Absi	Farmers & Fishermen Services Dept
26	Nora Abdul Aleem Al - Junaid	Electronic Distribution Channels Dept
27	Sami Mohammed Ali Al-Adhi	Legal Department
28	Khaled Hussein Al Muraqqab	Finance Department
29	Ibtihal Mohamed Ahmed Taqi	Trading and Brokerage Room
30	Fathia Ahmed Lutf Al-Darwani	October 14 Branch
31	Saleem Abdullah Al Al Nashif	May 22 Branch
32	Mohammed Ali Al-Eryani	Ibb Branch
33	Mohamed Sagheer Al - Kholani	Al Beidha Branch
34	Ruqaiah Mohammed Abdo Jaber	Al Turbah Branch
35	Lubna Mohamed Abdu Faqeeh	Hodeida Branch
36	Mona Awadh Suleiman Ahmed	Commercial District Branch
37	Arwa Ahmed Yahya al-Kibsi	Al Zubairi Branch
38	Sheikh Hussein bin Al Sheikh Saad	Al - Shihr Branch
39	Emile Faisal Mohammed Hazeem	Sheikh Othman Branch
40	Rafidi Saeed Al-jaghmani	Al Dhal'e Branch

## > FOLLOWING EXEMPLARY STAFF 2017

No.	Name	Department/Branch	No.	Name	Department/Branch
41	Mohammed Abdo Dabwan Tahir	Al ' Udain Branch	58	Hamdan Taha Ahmed Al Jahmah	Rada'a Branch
42	Khaled Hameed Hamid Al - Jundabi	Al - Mahweet Branch	59	Mostafa Ali Mohamed Mohsen	Zabeed Branch
43	Ja'ood Abdullah Qasim Al Buraihi	Mokha Branch	60	Ikhlās Saeed Ahmed Al-Zouqari	Socotra branch
44	Nasser Saeed Ali Almasghiri	Mukalla Branch	61	Saleh Omar Saleh Al-Quaiti	Seyoun Branch
45	Fawaz Mohamed Al-Rassas	Queen Arwa Branch	62	Ra id Ali Saleh Mohammed	Mogadishu St Branch
46	Marina Obaid Salem Bin Dhubai'e	Mansoura Branch	63	Saba Mohammed Al - Humaidi	Jamal Street Branch
47	Aseel Naseeb Faraj bin Jowhar	Free Zone Branch	64	Saleh Ali Masoud Al-Khash'i	Shabwa Branch
48	Saeeda Mohamed Seda'i Ali	Al Mahara Branch	65	Ammar Yasin Abdu Hazza'	Saada Branch
49	Fadhl Ali Ali Dhafir Al'Ukaimi	Al Nadirah Branch	66	Dhaifullah Mohammed Ghallab	Sana'a Branch
50	Abdullah Mohammed Taweel	Bajil Branch	67	Abdullah Mhmd A. Al Mahbashi	Abs Branch
51	Ibrahim Lutf Qaid Al Usta	Baghdad Branch	68	Nour Al Huda Ali Abdu Al Rafeeq	Amran Branch
52	Mohamed Othman Maarouf	Beit Al Faqih Branch	69	Mohamed Ali Mohamed Subeihi	Crater Branch
53	Adeeb Abdu Saleh Ali Al Mushia'	Taiz Branch	70	Nares Ahmed Awadh Kharabah	Lahj Branch
54	Abdullah Abdullah Muqbil Jabr	Hajjah Branch	71	Nabil Farhan Mohamed Ul Deen	Yareem Branch
55	Samah Saleh Saleh Qatah	Haddah Branch	72	Abdullah Ali Mohammed Al-Khazzan	Cards Center
56	Najah by Issa Bakri Mabrouk	Haradh Branch	73	Abdul Wahhab Ahmed Al Badawi	Support Operations Sector
57	Mohamed Nasr Ahmed Almiflihi	Damt Branch	74	Yahya Abdullah Al Faqeeh	Office of the President



# حساب توفير البراعم

CHILDREN'S SAVINGS  
ACCOUNTS



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

#### ADVANTAGES

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

GUARANTEEING  
A BETTER  
FUTURE





## COMPANY INVESTMENTS

CAC BANK continues its role in the development of society and active participation in the growth of the national economy, in conjunction with keeping abreast of the global banking developments towards financial inclusion, which has been highlighted by global and regional developments and the great need to develop strategies to achieve the most comprehensive economic growth, with the aim of helping to address the problem of unemployment and promote social justice. The Bank, sensing the importance of this matter, has not overlooked investment in the financing of a number of companies. The Bank has been careful in directing funds by placing them in safe and optimal investments, which are characterized by a higher return than alternative investment opportunities. The Bank has therefore invested in CAC Insurance Company, which is a pioneer among Yemeni insurance companies, in spite of the insurance industry being still in its early stages in Yemen, as it is the case in most Arab countries. The Bank has also established CAC Company for Security and Maintenance Services, in addition to investing in Marib Poultry Company.



## CAC COMPANY FOR SECURITY AND MAINTENANCE SERVICES

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

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



EXECUTIVE DIRECTOR:  
**SALEEM HUNEISH**

### > Services Offered by the Company

- Property and installation protection and safety.
- Maintenance services and ATM replenishment operations
- Transporting and accompanying cash liquidity.
- Messenger services
- Cleaning services
- Entertainment services

BANK'S  
SHAREHOLDING

**100%**



EXECUTIVE DIRECTOR:  
**ABDULLA BASHEER**

## CAC INSURANCE COMPANY

Nearly eight years after the founding of CAC Insurance Company, it is today in the forefront of the Yemeni insurance companies as the most important and most prominent insurance company operating in Yemen. It would not have reached this level had it not been for the efforts and attention of everyone in the company, led by Mr. Abdullah Mohamed Bashir to make it successful and reach the forefront to become one of the largest and most important companies operating in Yemen. In 2017 the Company was able to win the confidence of the most important organizations operating in Yemen and was selected in most of the insurance tenders submitted by the organizations during the past year. Some of the most important of these organizations are:

- Mercy Corps Organization
- CARE International Organization
- Humanity and Integration Organization
- Adra Organization
- International Federation of the Red Cross
- International Relief Organization
- Zowa Organization
- Médecins du Monde

and many large organizations working in Yemen.

**BANK'S  
SHAREHOLDING**

**21%**

## > Major reinsurance companies with which CAC Insurance has relationships:

- Trust Re
- Barents-Re
- Africa Re
- GIC Of India
- Lloyds Organization
- ARAB - RE
- ARAB- RE- POOL
- MISR INSURANCE
- NEW HAMPSHIRE INSURANCE
- OMAN- RE
- TUNIS- RE

## > Major reinsurance brokers with which CAC Insurance has relationships:

- GRS
- C & G
- Robert Fleming
- JB BODA

## > Insurance services provided by the Company:

- Fire insurance and additional risks.
- Car insurance (comprehensive insurance / third party insurance).
- Life Insurance.
- Health insurance.
- Insurance of maritime, air and land transport.
- Ship structure insurance.
- General Civil Liability Insurance.
- Insurance of cash during transportation and during storage in the vaults.
- Breach of trust insurance.
- Insurance of glass panels.
- Comprehensive bank insurance.
- Engineering insurance of all types.
- Insurance of oil, gas and energy.
- Occupational Liability Insurance.
- Aviation insurance.
- Travel insurance.
- Insurance of personal accidents.
- Work injuries and employer liability.
- Takaful insurance for all types of insurance mentioned above.
- Other miscellaneous insurance according to customer needs and commensurate with their activities.





## MARIB POULTRY COMPANY

It is one of the pioneering companies in the area of poultry production both types chickens and eggs. Poultry farms and companies have been adversely affected by the events of 2017. Some of them have stopped production on a permanent basis. Marib Poultry Company has been naturally affected, but its management has hastened to implement accurate plans, resulting in the company's success to continue its activities, something which would not have happened were it not for CACBANK's coming to its aid by extending to it special care within its pioneering and constructive role in serving the national economy in general. It should be noted that the contributions of the Bank to the company are strong and effective in all banking areas, which is the positive element in the company's uninterrupted growth.



EXECUTIVE DIRECTOR:  
**MOHAMED ABDULLA HUMEID**

**BANK'S  
SHAREHOLDING**

**27.32%**

# VISA NET

SHOP AND MAKE YOUR  
PURCHASES EASILY THROUGH THE  
INTERNET



PREPAID CARD OFFERED BY CAC BANK  
DESIGNED PARTICULARLY FOR INTERNET  
SHOPPING, PROVIDES YOU WITH SAFETY  
AND FLEXIBILITY WHILE MAKING PURCHASES  
THROUGH THE INTERNET, IN ADDITION TO  
NUMEROUS OTHER ADVANTAGES

#### PREPAID CARD BENEFITS:

- Issued without need to open an account.
- Obtain the card immediately.
- Reduced fees.
- You can apply for the card from any CAC Bank branch or office.
- Replenish card when amount exhausted at any time.



## **SOCIAL RESPONSIBILITY**

CAC Bank has a strong relationship with the community through its continuous efforts to participate in social issues and provide assistance to society. Based on the humanitarian principle, social responsibility and the needs of society, the Bank has been interested since its inception in community service programs and participation in national development efforts, taking into account it is the first bank, which is keenly concerned with the service of society in many sectors, including health, education and social development, placing them as a priority for its success. The situation continued in 2017 despite the difficult conditions experienced by the banking sector, as the Bank has worked to enshrine the principle of community development, since it provides members of the community the ability to achieve projects and directing them in the right path to serve the community and thus seeking the achievement of the success of its strategy. CACBANK has spared no effort to support social activities, especially assistance in the areas of health and education.



CACBANK is a national institution which supports humanitarian projects that work to alleviate the scars and pains of society. The year 2017 was exceptional in the provision of grants and assistance to society, the most important of which are the following.

- The bank has participated in the implementation of numerous social activities to alleviate part of the suffering, by way of example but not limited to (looking after some orphanages, providing food assistance to needy families in some governorates , buying some medicines and drugs for some hospitals, etc.)
- Extending YR 40 million as support from the bank to the ministry of education in order to conduct the ministerial exams.
- Support the Cancer Treatment Center with cancer drugs and devices that serve the treatment and early detection and examination of cancer.
- Providing and supplying important medical solutions to perform thousands of daily tests required for patients in Al-Sabeen hospital.
- Provision and installation of spare parts for laboratory equipment for the Al-Sabeen hospital laboratory.
- Support the center of diseases and cardiac surgery in the military hospital through the provision of drugs needed by the Center.



## ➤ The responsibility of the Bank towards university students and graduates

In this context, the Bank has implemented through the Training and Performance Development Department 10 training groups aimed at training 416 university graduates in the framework of social responsibility and in light of the Bank's contribution to the development of youth capacities as well as providing them with the professional and practical expertise in the area of banking, in which CAC Bank excels. One of the most important objectives is to enhance the trainees' access to higher opportunities to obtain jobs in the labor market and to raise the trust of the Bank's training staff in their ability to document, transfer and develop knowledge continuously.

### ■ Areas of Training:

The following two main areas were identified according to the diversity of disciplines:

- Administrative and Banking Sciences
- IT Technology

Administrative and Banking Sciences is considered the most popular program, as the number of trainees reached 335 (both male and female), followed by the IT program. This program is very qualitative and reflects the ability of the Bank staff to provide specialized and advanced training. The number of trainees reached 81 (male and female).

### ■ Programs Implemented for University Students and Graduates:

Program	Attendees
■ Administrative and Banking Sciences	335
■ IT Technology	81
	<b>416</b>





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UNION** | |<sup>®</sup>

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any **CAC Bank** Branch through  
**WESTERN UNION** Network





كأك  
الاسلامي  
Islamic Finance - CacBank



## ISLAMIC CAC

In continuation of the successes achieved by the Cooperative and Agricultural Credit Bank in diverse spheres and in line with its follow-up and pursuit of the banking business developments based on the facts of reality, it has become evident to the Bank that there has been a trend towards the establishment of Islamic banks in the Yemeni arena, in accordance with the provisions of the Islamic Sharia. In order to contribute to the service of society, the Bank has therefore taken the initiative of setting up Islamic CAC as a financially and administratively independent sector in 2010 under the supervision of a Shari'a Supervisory Board, which ensures the safety and soundness of the implementation of business , as well as the preparation of a full-fledged organizational structure, guaranteeing the carrying out of business professionally and skillfully and promoting the improvement of performance.

Islamic CAC is committed to providing diverse Shari'a compliant banking services and products, which adhere to Islamic Shari'a, with the aim of enhancing customer satisfaction and supporting the development process in the country.

## VISION

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

## THE MESSAGE

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

## CORE VALUES

1. Adhering to the principles and provisions of Islamic Shari'a in the various activities offered by Islamic CAC.
2. Work in a team spirit.
3. Work efficiently and effectively to win customer confidence.
4. Customer satisfaction is our measure of success.
5. Consolidate and enhance the spirit of belonging.
6. Contribute to the process of economic and social development in society.



## DIVIDEND DISTRIBUTION

The dividend distribution ratios for the investment deposits of the customers for the year 2017 is shown in the following table:

**2.09%**

**DEPOSITS IN US DOLLARS**

**6.12%**

**DEPOSITS IN YEMENI RIALS**

### ➤ Strengthening and developing capacities

The attention to the staff and the development of their skills is particularly important for Islamic CAC, where a number of quality and specialized training courses were held during 2017, which included most aspects of banking activities, including but not limited to the following:

- Accounting standards for Islamic financial and banking institutions
- Electronic banking services
- Institutional strategic planning
- Governance in banks
- Management of portfolios and investment funds
- The scientific approach and methodology in the design, analysis and description of jobs
- Standardized application of letters of guarantee

Moreover, training courses on the subject of anti money laundering and combating terrorist financing were held, in order to enhance and strengthen the Bank's role in this field.

## ➤ Services and products

Islamic CAC provides a wide range of services and products which are in compliance with Shari'a rules and regulations, with a view to guaranteeing the satisfaction of its customers by offering a number of key services and products as shown in the following list:



### ◀ SAFETY PACKAGE ▶

includes several products of which the current account, savings account and investment deposit.



### ◀ LIFE PROGRAM ▶

which includes several products, of which a wish product (a product which allows the customer to acquire his/her requirements with repayment in concessional installments), as well as "my trips" product and "my home" product from Enmaa.



### ◀ TAYSEER PACKAGE ▶

includes several products of which debit cards, credit cards and "your salary is bigger" service.

Moreover, the following services and products related to international operations are offered: international trade remittances, documentary credits, Murabaha and international operations reporting by SMS and e-mail.

## > Agricultural Activity and Development Projects



■ A Solar Power Pump Project A Vineyard in Sana'a Governorate

**(30)**  
**PROJECTS**

**(122)**  
**BENEFICIARIES**

One of the main objectives of the Bank is to provide agricultural finance of various types, whether for the financing of tractors or solar pumps. This financing contributes directly to the setting in place alternative solutions to the problem of high diesel prices, which represents a heavy burden in the process of substantial operating costs in agricultural investment. The pumps are the best solution to this problem, in addition to encouraging the use of modern agriculture technology in greenhouses, as a result of its high agricultural yield and returns and the major role it plays in rationalizing water consumption.

Assistance was given to 30 agricultural development projects in the field of agricultural tractors, solar power pumps, greenhouses, poultry and broiler projects, and others benefiting about 122 beneficiaries, all within Arabia Felix's (Yemen's) program for agricultural finance.





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



**WITH US**  
**YOUR PROJECT IS SUCCESSFUL**



## > Social Responsibility of the Bank

**(66)**  
**EMPLOYED**

**(26)**  
**GRADUATES**

**(24)**  
**PROJECTS**

The interest in young people and the contribution to finding solutions and remedies to the problem of unemployment, especially unemployment among the educated, is of special concern to Islamic CAC. Hence, there is a program of integrating young graduates into the productive process, as a result of the joint efforts of development partners (Agriculture and Fisheries Production Promotion Fund, Ministry of Agriculture and Islamic CAC). The purpose of the program is to achieve practical solutions which help young graduates of agricultural and veterinary colleges and institutes in the setting up of small and medium projects, by providing them with the necessary funding, in accordance with credit appraisal studies in order to ensure the success of these projects.

From the beginning of 2014 until 2017 the implementation of projects for the target segment was conceived to contribute to an increase in agricultural production, thus assisting in the achievement of food security, through the activities and objectives carried out by means of the program in the field of cold storage, modern agriculture projects in protected houses, poultry and bee projects and veterinary clinics projects, etc. The total number of projects reached 24 benefiting about 26 graduates, while the number of persons employed in these projects has been nearly 66.



**PROGRAM OF INTEGRATING YOUNG GRADUATES IN  
THE PRODUCTIVE PROCESS**



A green tractor with large red wheels is shown in a field under a cloudy sky. The tractor is the central focus of the top section of the advertisement.

**WE HAVE FINANCED PROJECTS AMOUNTING**

**10000000**

**AND OUR PLAN IS TO CONTINUE**

A small green seedling with two leaves is growing out of a rolled-up US dollar bill. In the background, several other dollar bills are standing upright, creating a sense of growth and investment.

**A SAVINGS  
CURRENT  
ACCOUNT**

A man with a beard, wearing a white garment, is shown in profile with his hands raised in a gesture of prayer or supplication. The background is blurred with warm, bokeh lights.

**HAJJ "PILGRIMAGE"**

**To make your dream come true  
We are offering you Hajj  
SavingsProduct**





"HOOR"

A current  
account for  
**LADIES**







# CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

## COOPERATIVE AND AGRICULTURAL CREDIT BANK

### (YEMENI JOINT STOCK COMPANY)

#### DECEMBER 31, 2017



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# Grant Thornton

## An instinct for growth™ Independent Auditor's Report

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

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### Report on the Consolidated Financial Statements

#### Qualified Opinion

We have audited the accompanying consolidated financial statements of **Cooperative and Agricultural Credit Bank** (Yemeni Joint Stock Company) and its subsidiary unit (together referred to as the "Group") which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (1-52).

In our opinion, except for the possible effects of the matters described in the basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the "Group" as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and instructions of CBY and in according with the current Yemeni Laws and regulations.

#### Basis for Qualified Opinion

According to the CBY's instructions, the group's management created a provision with an amount of YR 5,840,000 thousand to face the losses related to the exposure of the foreign currencies position according to the results of the consolidated financial statements as at December 31, 2017 to reduce the risks, losses and the negative effects of the exposure of the foreign currencies position in light of extreme fluctuations in foreign currencies exchange rates, constitutes a departure from IFRS's (IAS 37 Provisions, Contingent Liabilities and Contingent Assets). Accordingly, shareholders' equity and comprehensive income were understated by an amount of YR 5,723,200 thousand, tax income was overstated by an amount of YR 29,200 thousand, Zakat is understated by an amount of YR 146,000 thousand and the other provisions was overstated by an amount of YR 5,840,000 thousand.

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





# Grant Thornton

An instinct for growth™

## Emphasis of Matters

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and instructions of CBY and in according with the current Yemeni Laws and regulations, and for such internal control as management determines which is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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





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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

**Grant Thornton Yemen**



Sana'a - Republic of Yemen  
July 5, 2018

**Chartered Accountants & Consultants**  
License No. 742  
Member of Grant Thornton International

## Consolidated Statement of Financial Position

	Notes	Dec. 31, 2017 YR 000s	Dec. 31, 2016 YR 000s
<b>Assets</b>			
Cash on hand and reserve balances with Central Bank of Yemen	7	55,555,959	41,165,652
Due from banks	8	36,878,821	49,396,830
Loans, advances and financing activities, net	9	19,703,329	34,957,302
Investments securities	12	321,146,965	243,830,524
Investments in Islamic Sukuk	16	1,500,000	8,834,000
Investments in associates	17	632,631	633,657
Debit balances and other assets, net	18	2,274,272	2,618,741
Property and equipment, net	20	2,475,615	2,927,891
<b>Total assets</b>		<b>440,167,592</b>	<b>384,364,597</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks and financial institutions	21	19,570,458	17,114,359
Customers' deposits	22	380,324,401	333,089,889
Long-term loans	23	2,364,120	3,193,540
Credit balances and other liabilities	24	8,290,359	7,128,867
Other provisions	25	6,322,948	526,823
<b>Total liabilities</b>		<b>416,872,286</b>	<b>361,053,478</b>
<b>Equity</b>	26		
Share capital	26.1	20,000,000	19,000,000
Statutory reserve	26.2	3,093,504	3,093,504
General reserve		217,615	253,803
Accumulated (losses) profits		(15,813)	963,812
<b>Total equity attributable to equity holders of the bank</b>		<b>23,295,306</b>	<b>23,311,119</b>
Non-controlling interests		-	-
<b>Total equity</b>		<b>23,295,306</b>	<b>23,311,119</b>
<b>Total liabilities and equity</b>		<b>440,167,592</b>	<b>384,364,597</b>
<b>Contingent liabilities and commitments, net</b>	27	<b>30,423,398</b>	<b>34,310,942</b>

Finance Manager

Mr. Mohammed K. Al-Maqtari

Deputy of  
Chief Executive Officer

Mr. Abdullah A. Al-Daylami

Chief Executive Officer

Mr. Salah S. Basha

Chairman

Mr. Mohammed S. Allai

see accompanying notes to the consolidated financial statements



## Consolidated Statement of Comprehensive Income

For the year ended December 31,

	Notes	2017 YR 000s	2016 YR 000s
Interests income	28	47,348,580	45,082,832
Less: interests expense	29	(23,657,775)	(21,103,363)
<b>Net interests income</b>		<b>23,690,805</b>	<b>23,979,469</b>
Islamic financing and investments activities income	30	595,977	1,278,487
Less: Return of unrestricted investment and saving accounts holders	31	(678,200)	(333,255)
<b>Net Islamic financing and investment activities</b>		<b>(82,223)</b>	<b>945,232</b>
<b>Net income from interests and Islamic financing and investment activities</b>		<b>23,608,582</b>	<b>24,924,701</b>
Fee and commissions income	32	1,325,227	1,640,603
Gain (loss) foreign currencies transactions	33	6,726,160	(10,358,672)
Income from investments securities	34	12,729	669
Other operating income	35	1,534,137	1,121,219
<b>Net operating income</b>		<b>33,206,835</b>	<b>17,328,520</b>
Less: Provisions	36	(18,232,034)	(1,403,845)
Less: Staff cost	37	(8,779,837)	(8,740,465)
Less: Depreciation of property and equipment	20	(677,702)	(704,976)
Less: Other expenses	38	(4,072,719)	(4,104,717)
<b>Net profit for the year before taxes</b>		<b>1,444,543</b>	<b>2,374,517</b>
Less: Income tax for the year	24.1	(1,380,295)	(201,133)
<b>Net profit for the year after taxes</b>		<b>64,248</b>	<b>2,173,384</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>64,248</b>	<b>2,173,384</b>
<b>Attributable to:</b>			
Equity holders of the bank		64,248	2,173,384
Non-controlling interest		-	-
		64,248	2,173,384
<b>Earnings per share</b>	39	<b>3 YR</b>	<b>114 YR</b>

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## Consolidated Statement of Changes in Equity

For the year ended December 31,

2017	Share Capital YR 000S	Statutory Reserve YR000s	General Reserve YR 000s	Accumulated Losses YR 000s	Total Equity Attributable to equity holders of the Bank YR 000s	Non- controlling Interests YR 000s	Total YR 000s
<b>Balance at January 1, 2017</b>	<b>19,000,000</b>	<b>3,093,504</b>	<b>253,803</b>	<b>963,812</b>	<b>23,311,119</b>	<b>-</b>	<b>23,311,119</b>
Net profit for the year after taxes	-	-	-	64,248	64,248	-	64,248
Other comprehensive income	-	-	-	-	-	-	-
Taxes for previous years	-	-	-	(80,061)	(80,061)	-	(80,061)
	<b>19,000,000</b>	<b>3,093,504</b>	<b>253,803</b>	<b>947,999</b>	<b>23,295,306</b>	<b>-</b>	<b>23,295,306</b>
<b>Changes in equity holders, recorded directly in equity</b>							
Transfer to capital	1,000,000	-	(36,188)	(963,812)	-	-	-
Dividends paid	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-
	<b>1,000,000</b>	<b>-</b>	<b>(36,188)</b>	<b>(963,812)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at December 31, 2017</b>	<b>20,000,000</b>	<b>3,093,504</b>	<b>217,615</b>	<b>(15,813)</b>	<b>23,295,306</b>	<b>-</b>	<b>23,295,306</b>

see accompanying notes to the consolidated financial statements



## Consolidated Statement of Changes in Equity (Continued)

For the year ended December 31,

2016	Share Capital YR 000S	Statutory Reserve YR000s	General Reserve YR 000s	Accumulated Losses YR 000s	Total Equity Attributable to equity holders of the Bank YR 000s	Non-controlling Interests YR 000s	Total YR 000s
<b>Balance at January 1, 2016</b>	17,000,000	2,887,060	47,151	2,000,618	21,934,829	-	21,934,829
Net profit for the year after taxes	-	-	-	2,173,384	2,173,384	-	2,173,384
Other comprehensive income	-	-	-	-	-	-	-
Taxes for previous years	-	-	-	(797,094)	(797,094)	-	(797,094)
	17,000,000	2,887,060	47,151	3,376,908	23,311,119	-	23,311,119
<b>Changes in equity holders, recorded directly in equity</b>							
Transfer to capital	2,000,000	-	-	(2,000,000)	-	-	-
Dividends paid	-	-	-	-	-	-	-
Transfer to general reserve	-	-	206,652	(206,652)	-	-	-
Transfer to statutory reserve	-	206,444	-	(206,444)	-	-	-
	2,000,000	206,444	206,652	(2,413,096)	-	-	-
<b>Balance at December 31, 2016</b>	19,000,000	3,093,504	253,803	963,812	23,311,119	-	23,311,119

Finance Manager

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see accompanying notes to the consolidated financial statements



## Consolidated Statement of Cash Flows

For the year ended December 31,

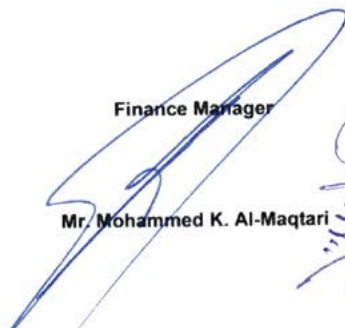
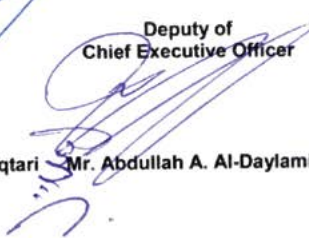

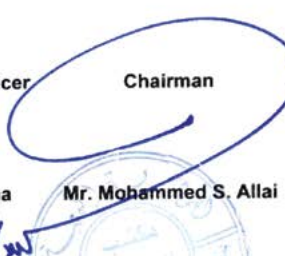
	Notes	2017 YR 000s	2016 YR 000s
<b>Cash flows from operating activities</b>			
Net profit for the year before taxes		<b>1,444,543</b>	2,374,517
<b>Adjustments for:</b>			
Depreciation	20	<b>677,702</b>	704,976
Provisions provided during the year	36	<b>18,232,034</b>	1,403,845
Provisions used during the year		<b>(446,728)</b>	(1,462,314)
Retranslation differences of provisions in foreign currencies		<b>3,574</b>	1,263,409
Taxes for previous years		<b>(80,061)</b>	(797,094)
Provisions reversed	35	<b>(1,495,946)</b>	(1,104,965)
Gain on investments in associates		<b>(5,613)</b>	(669)
Gain on available for sale investment		<b>(7,116)</b>	-
Gain on sale of property and equipment		-	(9,276)
<b>Operating profit before changes in assets and liabilities used in operating activities</b>		<b>18,322,389</b>	<b>2,372,429</b>
<b>Changes in:</b>			
Increase in reserve balances with Central Bank of Yemen		<b>(3,196,056)</b>	(2,622,934)
Treasury bills due after 3 months		<b>1,695,724</b>	70,311,761
Decrease in loans, advances and financing activities		<b>4,415,228</b>	2,094,820
Decrease in debit balances and other assets		<b>686,405</b>	1,280,620
Increase in due to banks and financial institutions		<b>2,456,099</b>	3,032,551
Increase in customers' deposits		<b>47,234,512</b>	23,512,120
Decrease in credit balances and other liabilities		<b>(17,670)</b>	(743,936)
Income tax paid		<b>(201,133)</b>	(1,173,066)
<b>Net cash from operating activities</b>		<b>71,395,498</b>	<b>98,064,365</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		<b>(225,426)</b>	(434,507)
Proceeds from sale of property and equipment		-	11,781
Increase in available for sale investment		<b>(49,208)</b>	-
Decrease in investments in Islamic Sukuk		<b>7,334,000</b>	5,833,000
Dividends received from associates		<b>6,639</b>	-
Dividends from available for sale investment		<b>7,116</b>	-
<b>Net cash from investing activities</b>		<b>7,073,121</b>	<b>5,410,274</b>
<b>Cash flows from financing activities</b>			
(Decrease) increase in long term loans		<b>(829,420)</b>	437,352
<b>Net cash (used in) from financing activities</b>		<b>(829,420)</b>	<b>437,352</b>
Net change in cash and cash equivalents during the year		<b>77,639,199</b>	103,911,991
Cash and cash equivalents at the beginning of the year		<b>301,492,776</b>	197,580,785
The effect of change in the exchange rate		-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>379,131,975</b>	<b>301,492,776</b>

see accompanying notes to the consolidated financial statements


## Consolidated Statement of Cash Flows (continued)

For the year ended December 31,

	Notes	2017 YR 000s	2016 YR 000s
<b>Cash and cash equivalents at the end of the year consist of:</b>			
Cash on hand and reserve balances with Central Bank of Yemen	7	55,555,959	41,165,652
Due from banks	8	36,878,821	49,396,830
Treasury bills, net	13	315,892,520	238,625,287
		<b>408,327,300</b>	<b>329,187,769</b>
<b>Less:</b> Reserve balances with Central Bank of Yemen		<b>(29,007,898)</b>	<b>(25,811,842)</b>
<b>Less:</b> Treasury bills due after 3 months, net		<b>(187,427)</b>	<b>(1,883,151)</b>
		<b>379,131,975</b>	<b>301,492,776</b>

**Finance Manager**      **Deputy of Chief Executive Officer**      **Chief Executive Officer**      **Chairman**  
**Mr. Mohammed K. Al-Maqtari**      **Mr. Abdullah A. Al-Daylami**      **Mr. Salah S. Basha**      **Mr. Mohammed S. Allai**



see accompanying notes to the consolidated financial statements

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 1. Background information

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

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

The Bank operates through its head office in Sana'a and in 43 branches (41 branches in 2016) spread all over the governorates of the Republic of Yemen, in addition to its subsidiary unit in the Republic of Yemen (together referred as the "Group") as follows:

Subsidiary Unit Name	Main Operating Activity	Share Capital YR 000's	Year of Incorporation	Ownership %	
				2017	2016
CAC Services for Security and Maintenance (Sana'a, Republic of Yemen)	Security and cleaning	10,000	2011	100%	100%

### 2. Preparation basis of the consolidated financial statements

#### 2.1 Statement of compliance

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

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

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

The effect of these deviations is immaterial on the consolidated financial statements of the Group as at December 31, 2017.

- The subsidiary financial statements are prepared and presented in accordance with International Financial Reporting Standards (IFRS).
- The consolidated financial statements were approved by the Board of Directors on July 4, 2018.



## 2.2 Basis of measurements

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

## 2.3 Functional and presentation currency

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

## 2.4 Significant accounting judgments and estimates

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

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

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

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

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

#### • Financial asset and liability classification

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

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

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

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

### b. Key sources of estimation uncertainty

#### • Provision for impairment of assets

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

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

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

- **Useful lives of property and equipment**

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

- **Contingent liability arising from litigations**

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

### 3. Significant accounting policies

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

#### 3.1 Basis of consolidation

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

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

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

#### a. Subsidiary company

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

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

**b. Loss of control**

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

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

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

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

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

**3.2 Foreign currency transactions**

The Group (the Bank and its subsidiary unit) maintains its book of account in Yemeni Rial, which the Group's functional currency. Transactions in other currencies are translated to the respective functional currency during the financial year at the average official exchange rates issued by the CBY at the date of transaction. Balances of monetary assets and liabilities in other currencies at the end of the financial year are translated the average official exchange rates issued by the CBY on that date. Gains or losses resulting from translation are taken to the statement of comprehensive income. Foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the average official exchange rates issued by the CBY at the end of the year. Foreign currency differences arising on retranslation are recognized in the statement of comprehensive income.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the average official exchange rates issued by the CBY at the time of the transaction.

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

**3.3 Financial assets and financial liabilities**

**a. Recognition and initial measurement**

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



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

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

1. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell it immediately or in the near future. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.
2. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Treasury bills held to maturity are considered part of these investments and are recorded at face value and the balance of unearned discount is recorded under credit balances and other liabilities. Treasury bills are presented in the statement of financial position net of the balance of unearned discount outstanding at the consolidated financial statements date according to the instructions of the Central Bank of Yemen.

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

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

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

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

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

**• Financial liabilities**

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

**c. Derecognition**

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



**d. Offsetting financial assets and liabilities**

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

**e. Measurement principles**

Financial assets are measured by amortized cost or fair value.

- **Amortized cost measurement:** the amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment loss. The calculation of effective interest rate includes all fees paid or received that are an integral part of the effective interest rate.
- **Fair value measurement:** fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk.

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

**f. Identification and measurement of impairment**

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

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

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

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

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

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

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

### 3.4 Revenue recognition

- Interest income and expenses for all interest bearing financial instruments are recognized in the statement of comprehensive income using the effective interest rate method except for interest on non-performing credit facilities, in order to comply with the requirements of CBY circular No. 6 of 1996, the Group does not accrue interest on non-performing loans and advances. When an account is treated as non-performing loan, interests on loans that are three months past due and not paid are charged to other account payable since they are outstanding interests. Also, those interests are not charged to the accounts receivable, nor they are added to the profit and loss account unless they have been collected along with the principle loans amount when the principal loans are collected. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. The effective interest rate is a method of calculating the amortized costs of financial assets and financial liabilities and of allocating the interest income and expenses over the relevant period.
- Profits on Murabaha and Istisna'a contracts are recorded on the accrual basis as all profits at the completion of Murabaha contracts are recorded as deferred revenues and taken to the statement of comprehensive income depending on the finance percentage, using the straight line method over the term of the contract. In accordance with CBY instructions the Group does not accrue the profit on non-performing Murabaha and Istisna'a contracts in the statement of comprehensive income.
- Profit on Mudaraba contracts, which are initiated and terminated during the financial year, are recorded in the comprehensive income statement at the disposing date of Mudaraba contracts. Profit on Mudaraba contracts which last for more than one financial year, are recognized, based on the cash dividends received on these transactions during the year.
- Ijarah Muntahia Bittamleek revenues are recorded over the term of the lease contract.
- Revenue from investments in Islamic Sukuk is recognized in statement of comprehensive income on a time proportionate basis using the rate of return declared by the issuing institutions.
- Revenue from investments in associates is recorded based on the Group's share in the equity of these companies in accordance with the approved financial statements of these companies.
- Income from held to maturity investment securities is recognized based on the effective interest rate method.
- Dividends income is recognized when the right to receive income is established.

- In accordance with CBY instructions, the reversed provisions, no longer required provisions, are recorded in the statement of comprehensive income under “other operating income”.
- Fee and commissions income are recognized when the related services are performed.

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

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

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

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

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

### 3.6 Contingent liabilities and commitments

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

### 3.7 Statement of cash flows

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

### 3.8 Cash and cash equivalent

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



### 3.9 Property, equipment and depreciation

#### a. Recognition and measurement

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

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

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

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

#### b. Subsequent costs

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

#### c. Depreciation

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

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

The estimated useful lives are as follows:

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

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



### 3.10 Impairment of non-financial assets

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

### 3.11 Other provisions

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

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

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

### 3.13 Lease contracts

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

### 3.14 Valuation of investments in associates

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

### 3.15 Islamic financing and investing contracts

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

**a. Murabaha and istisna'a financing**

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

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

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

**b. Mudaraba**

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

**c. Ijarah muntahia bittamleek**

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

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

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

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

**3.16 Return to unrestricted investments and saving accounts holders**

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

**3.17 Taxation**

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

### **3. 18 Social security provision**

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

### **3. 19 Dividends on ordinary shares**

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

### **3. 20 Earnings per share**

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

### **3. 21 Comparatives**

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

### **3. 22 Zakat due on shareholders**

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

### **3. 23 Shari'a board**

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

### **3. 24 Parent bank financial information**

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



#### 4. Changes in accounting policies

##### 4.1 New and revised standards that are effective for annual periods beginning on or after January 1, 2017

The standards and amendments that are effective for the first time in 2017 (for entities with a December 31, 2017 year-end) are:

1. Disclosure Initiative (Amendments to IAS 7)
2. Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
3. Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 12, "Disclosure of Interests in Other Entities")

These amendments do not have a significant impact on these financial statements. Accordingly, the Bank has made no changes to its accounting policies in 2017. The information on the new standards that could be applicable to the Group is presented below:

##### 1. "Disclosure Initiative" (Amendments to IAS 7)

The amendments respond to requests from investors for improved disclosures about an entity's financing activities. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes).

##### 2. Annual Improvements to IFRSs 2014-2016 Cycle

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

Standard Affected	Subject	Summary of Amendment
IFRS 12 "Disclosure of Interests in Other Entities"	Clarification of the scope of the Standard	<p>Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12.B17) apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.</p> <p>The amendments are to be applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" for annual periods beginning on or after January 1, 2017.</p>

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

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

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



Standard	Title of Standard or Interpretation	Effective Date
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9 (2014)	Financial Instruments	January 1, 2018
IFRS 1	Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 1)	January 1, 2018
IAS 28	Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IAS 28)	January 1, 2018
IAS 40	Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRS 9	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019

### 1. IFRS 15 “Revenue from Contracts with Customers”

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

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

### 2. IFRS 9 “Financial Instruments (2014)”

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

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information.

IFRS 9 (2014) introduces a new mandatory effective date for the Standard of accounting periods beginning on or after January 1, 2018.

### 3. Annual Improvements to IFRSs 2014-2016 Cycle

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

Standard Affected	Subject	Summary of Amendment
IFRS 1 “First-time Adoption of International Financial Reporting Standards”	Deletion of short-term exemptions for first-time adopters	A number of short-term exemptions have been deleted because the reliefs provided are no longer available or because they were relevant for reporting periods that have now passed. The amendments are effective for annual periods beginning on or after January 1, 2018.
IAS 28 “Investments in Associates and Joint Ventures”	Measuring an associate or a joint venture at fair value	Clarifies that a qualifying entity is able to choose between applying the equity method of measuring an investment in an associate or joint venture at fair value through profit or loss,

Standard Affected	Subject	Summary of Amendment
		<p>separately for each associate or joint venture at initial recognition of the associate or joint venture.</p> <p>Similar clarifications have been made for a reporting entity that is not an investment entity and that has an associate or a joint venture that is an investment entity. IAS 28 permits such a reporting entity the choice to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also made separately for each investment in an associate or joint venture that is an investment entity, at the later of the date on which:</p> <ul style="list-style-type: none"> <li>a. the investment entity associate or joint venture is initially recognized</li> <li>b. the associate or joint venture becomes an investment entity and</li> <li>c. the investment entity associate or joint venture first becomes a parent.</li> </ul> <p>The amendments are to be applied retrospectively in accordance with IAS 8 for annual periods beginning on or after January 1, 2018, however early application is permitted.</p>

#### 4. “Transfers of Investment Property” (Amendments to IAS 40)

The IASB has published 'Transfers of Investment Property (Amendments to IAS 40)' which clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence.

In addition to clarifying the principle above, the amendments also re-characterize the list of circumstances previously contained in IAS 40 'Investment Property'. This list was previously characterized as a definitive list of circumstances where it would be considered that there has been a change in use of a property. The amendments reposition the list as a non-exhaustive list of examples of evidence that a change in use has occurred. The IASB has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

The amendments are effective for accounting periods on or after January 1, 2018, however early application is permitted.

#### 5. IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The IFRS Interpretations Committee (IFRIC) has issued 'IFRIC 22 Foreign Currency Transactions and Advance Consideration'. It looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

#### 6. IFRIC 23 “Uncertainty over Income Tax Treatments”

The IFRS Interpretations Committee (IFRIC) has published a new Interpretation IFRIC 23 'Uncertainty over Income Tax Treatments', specifying how entities should reflect uncertainty in accounting for income taxes.

IFRIC 23 addresses uncertainty over how tax treatments should affect the accounting for income taxes. IFRIC had observed that there was diversity in practice for various issues on the recognition and measurement of a tax liability or asset in circumstances where there is uncertainty in the application of the tax law in concern.

## **7. IFRS 16 “Leases”**

IFRS 16 will replace IAS 17 and three related Interpretations:

- IFRIC 4 ‘Determining whether an Arrangement contains a Lease’,
- SIC 15 ‘Operating Leases-Incentives’
- SIC 27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’).

It completes the IASB’s long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

## **8. “Prepayment Features with Negative Compensation” (Amendments to IFRS 9)**

The International Accounting Standards Board (IASB) has published ‘Prepayment Features with Negative Compensation - Amendments to IFRS 9’ (the Amendments) that allow companies to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income - instead of measuring those assets at fair value through profit or loss.

The Amendments also include clarifications to the accounting for a modification or exchange of a financial liability that does not result in de-recognition.

The Amendments to IFRS 9 are effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. However, the text which has been added to clarify the accounting for a modification or exchange of a financial liability that does not result in de-recognition is effective for annual reporting periods beginning on or after January 1, 2018 (the effective date of IFRS 9 itself) as this text merely clarifies the existing Standard rather than amending it.

## **9. “Long-term Interests in Associates and Joint Ventures” (Amendments to IAS 28)**

The International Accounting Standards Board (IASB) has published amendments to IAS 28 ‘Investments in Associates and Joint Ventures’ clarifying that companies account for long-term interests in an associate or joint venture - to which the equity method is not applied - using IFRS 9 ‘Financial Instruments’. This includes long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture.

In the amendments to IAS 28, the IASB clarifies that the exclusion in IFRS 9 applies only to interests accounted for using the equity method. Therefore, a company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and which, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted.



## 5. Financial instruments and their related risks management

### 5.1 Financial instruments

#### a. Financial instruments

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

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

#### b. Fair value hierarchy

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

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

The fair values for available-for-sale investments comprise YR 793,579 thousand as at December 31, 2017 (YR 744,371 thousand as at December 31, 2016) stated in the notes No(12,15) under the level 3 category. There are no investments qualifying for levels 1 and 2 fair value disclosure.

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

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



**d. Fair value of financial instruments**

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

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

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

2017						
	Held to Maturity YR 000s	Loans and Advances YR 000s	Available- for Sale YR 000s	Other Amortized Cost YR 000s	Total Carrying Amount YR 000s	Fair Value YR 000s
<b>Financial Assets</b>						
Cash on hand and reserve balances with CBY	55,555,959	-	-	-	55,555,959	55,555,959
Due from banks	36,878,821	-	-	-	36,878,821	36,878,821
Loans, advances and financing activities, net	-	19,703,329	-	-	19,703,329	19,703,329
<b>Investments securities:</b>						
Measured at fair value	-	-	793,579	-	793,579	793,579
Measured at amortized cost	320,353,386	-	-	-	320,353,386	320,353,386
Investments in Islamic Sukuk	1,500,000	-	-	-	1,500,000	1,500,000
	<b>414,288,166</b>	<b>19,703,329</b>	<b>793,579</b>	<b>-</b>	<b>434,785,074</b>	<b>434,785,074</b>
<b>Financial Liabilities</b>						
Due to banks and financial institutions	-	-	-	19,570,458	19,570,458	19,570,458
Customers' deposits	-	-	-	380,324,401	380,324,401	380,324,401
Long-term loans	-	-	-	2,364,120	2,364,120	2,364,120
	<b>-</b>	<b>-</b>	<b>-</b>	<b>402,258,979</b>	<b>402,258,979</b>	<b>402,258,979</b>
2016						
	Held to Maturity YR 000s	Loans and Advances YR 000s	Available- for Sale YR 000s	Other Amortized Cost YR 000s	Total Carrying Amount YR 000s	Fair Value YR 000s
<b>Financial Assets</b>						
Cash on hand and reserve balances with CBY	41,165,652	-	-	-	41,165,652	41,165,652
Due from banks	49,396,830	-	-	-	49,396,830	49,396,830
Loans, advances and financing activities, net	-	34,957,302	-	-	34,957,302	34,957,302
<b>Investments securities:</b>						
Measured at fair value	-	-	744,371	-	744,371	744,371
Measured at amortized cost	243,086,153	-	-	-	243,086,153	243,086,153
Investments in Islamic Sukuk	8,834,000	-	-	-	8,834,000	8,834,000
	<b>342,482,635</b>	<b>34,957,302</b>	<b>744,371</b>	<b>-</b>	<b>378,184,308</b>	<b>378,184,308</b>
<b>Financial Liabilities</b>						
Due to banks and financial institutions	-	-	-	17,114,359	17,114,359	17,114,359
Customers' deposits	-	-	-	333,089,889	333,089,889	333,089,889
Long-term loans	-	-	-	3,193,540	3,193,540	3,193,540
	<b>-</b>	<b>-</b>	<b>-</b>	<b>353,397,788</b>	<b>353,397,788</b>	<b>353,397,788</b>

## 5.2 Risk management of financial instruments

### a. Risk management frame work

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

### b. Risk management structure

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

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

### c. Risk measurement

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

### d. Credit risk

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

#### • Management of credit risk

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

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

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

	Classification	2017 YR 000s	2016 YR 000s
1-2	Performing and watch-list	1,393,744	10,575,461

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

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

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

	2017 YR 000s	2016 YR 000s
Cash on hand and reserve balances with CBY (excluding cash on hand and ATM)	29,007,898	25,811,842
Due from banks	36,878,821	49,396,830
Loans, advances and financing activities, net	19,703,329	34,957,302
Investments securities	321,146,965	243,830,524
Investments in Islamic Sukuk	1,500,000	8,834,000
Investments in associates	632,631	633,657
Debit balances and other assets after deducting the advance payment, net	1,568,797	1,928,352
	<b>410,438,441</b>	<b>365,392,507</b>
Contingent liabilities and commitments	38,136,971	42,178,593
<b>Total credit risk exposure</b>	<b>448,575,412</b>	<b>407,571,100</b>



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

	2017		2016	
	Gross Maximum Exposure YR 000s	Net Maximum Exposure YR 000s	Gross Maximum Exposure YR 000s	Net Maximum Exposure YR 000s
Government	347,284,451	-	277,731,995	-
Finance	38,577,282	34,563	64,750,640	63,749
General trade	14,242,417	1,453,443	18,891,567	2,680,795
Industry	2,961,194	1,496	3,092,078	2,759
Service	2,122,764	2,058,315	5,759,765	3,796,447
Individuals	3,110,511	3,073,632	6,290,497	5,669,143
Contractors	405,580	5,043	563,625	9,302
Others	1,734,242	-	1,737,798	48,364
<b>Total</b>	<b>410,438,441</b>	<b>6,626,492</b>	<b>378,817,965</b>	<b>12,270,559</b>
Contingent liabilities and commitments	38,136,971	30,423,398	42,178,593	34,310,942
	<b>448,575,412</b>	<b>37,049,890</b>	<b>420,996,558</b>	<b>46,581,501</b>

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

#### e. Liquidity risk

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

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

#### f. Management liquidity risk

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

The Central Bank of Yemen circular No. 3 of 1997 requires that the liquidity ratio be 25% as a minimum. The liquidity ratio at December 31, 2017 was 92% (at December 31, 2016 was 85.23%).

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

	2017				
	Due within 3 months YR 000s	Due within 3 to 6 months YR 000s	Due within 6 months to 1 year YR 000s	Due over 1 year YR 000s	Total YR 000s
<b>Liabilities</b>					
Due to banks and financial institutions	19,570,458	-	-	-	19,570,458
Customers' deposits	366,539,005	204,410	173,316	13,407,670	380,324,401
Long-term loans	825,825	-	825,825	712,470	2,364,120
Credit balances and other liabilities	8,290,359	-	-	-	8,290,359
<b>Total liabilities</b>	<b>395,225,647</b>	<b>204,410</b>	<b>999,141</b>	<b>14,120,140</b>	<b>410,549,338</b>



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

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

**g. Market risk**

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

**• Management of market risk**

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

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

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

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

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

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

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

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

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

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

	Less than 3 months YR 000s	From 3 months to 6 months YR 000s	From 6 months to 1 year YR 000s	2017 Over 1 year YR 000s	Non- Interest Sensitive YR 000s	Total YR 000s	Average Interest Rates	
							Local	Foreign
<b>Assets</b>								
Cash on hand and reserve balances with CBY	-	-	-	-	55,555,959	55,555,959	-	-
Due from banks	12,010,456	-	3,420,752	-	21,447,613	36,878,821	15.49%	1.15%
Loans and advances and financing activities, net	15,937,202	542,338	695,674	2,528,115	-	19,703,329	22.00%	10.00%
Investments securities	294,907,504	25,400,843	45,039	-	793,579	321,146,965	16.62%	-
Investments in Islamic Sukuk	1,500,000	-	-	-	-	1,500,000	16.00%	-
Investments associates	-	-	-	-	632,631	632,631	-	-
Debit balances and other assets, net	-	-	-	-	2,274,272	2,274,272	-	-
Property and equipment, net	-	-	-	-	2,475,615	2,475,615	-	-
<b>Total assets</b>	<b>324,355,162</b>	<b>25,943,181</b>	<b>4,161,465</b>	<b>2,528,115</b>	<b>83,179,669</b>	<b>440,167,592</b>	-	-
<b>Liabilities and equity</b>								
Due to banks and financial institutions	13,598,531	-	-	-	5,971,927	19,570,458	16.00%	4.97%
Customers' deposits	192,021,766	204,410	173,316	13,407,670	174,517,239	380,324,401	15.02%	3.96%
Long-term loans	825,825	-	825,825	712,470	-	2,364,120	2.60%	2.00%
Credit balances and other liabilities	-	-	-	-	8,290,359	8,290,359	-	-
Other provisions	-	-	-	-	6,322,948	6,322,948	-	-
Shareholders' equity	-	-	-	-	23,295,306	23,295,306	-	-
<b>Total liabilities and equity</b>	<b>206,446,122</b>	<b>204,410</b>	<b>999,141</b>	<b>14,120,140</b>	<b>218,397,779</b>	<b>440,167,592</b>	-	-
<b>Interest rate sensitivity gap</b>	<b>117,909,040</b>	<b>25,738,771</b>	<b>3,162,324</b>	<b>(11,592,025)</b>	<b>(135,218,110)</b>	-	-	-
<b>Cumulative interest rate sensitivity gap</b>	<b>117,909,040</b>	<b>143,647,811</b>	<b>146,810,135</b>	<b>135,218,110</b>	-	-	-	-

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

- Interest rate sensitivity

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

	<u>2017</u>		
	<u>The effect of increase in interest rate 2%</u>		
	Cumulative Interest Rate Sensitivity Gap YR 000s	Sensitivity of Net Interest Income (Statement of Comprehensive Income) YR 000s	Sensitivity of Equity YR 000s
<b>Currency</b>			
Yemeni Rials	208,621,790	4,172,436	3,337,949
US Dollars	(62,043,855)	(1,240,877)	(992,702)
Saudi Rials	137,154	2,743	2,194
Euro	125,888	2,518	2,014
Other	(30,841)	(617)	(493)

	<u>2017</u>		
	<u>The Effect of Decrease in Interest Rate 2%</u>		
	Cumulative Interest Rate Sensitivity Gap YR 000s	Sensitivity of Net Interest Income (Statement of Comprehensive Income) YR 000s	Sensitivity of Equity YR 000s
<b>Currency</b>			
Yemeni Rials	208,621,790	(4,172,436)	(3,337,949)
US Dollars	(62,043,855)	1,240,877	992,702
Saudi Rials	137,154	(2,743)	(2,194)
Euro	125,888	(2,518)	(2,014)
Other	(30,841)	617	493



	2016		
	The Effect of Increase in Interest Rate 2%		
	Cumulative Interest Rate Sensitivity Gap YR 000s	Sensitivity of Net Interest Income (Statement of Comprehensive Income) YR 000s	Sensitivity of Equity YR 000s
<b>Currency</b>			
Yemeni Rials	144,869,457	2,897,389	2,317,911
US Dollars	(51,974,663)	(1,039,493)	(831,595)
Saudi Rials	130,212	2,604	2,083
Euro	124,415	2,488	1,991
Other	5,035	101	81

	2016		
	The Effect of Decrease in Interest Rate 2%		
	Cumulative Interest Rate Sensitivity Gap YR 000s	Sensitivity of Net Interest Income (Statement of Comprehensive Income) YR 000s	Sensitivity of Equity YR 000s
<b>Currency</b>			
Yemeni Rials	144,869,457	(2,897,389)	(2,317,911)
US Dollars	(51,974,663)	1,039,493	831,595
Saudi Rials	130,212	(2,604)	(2,083)
Euro	124,415	(2,488)	(1,991)
Other	5,035	(101)	(81)

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

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

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

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

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

	2017					
	US Dollars YR 000s	Euro YR 000s	Saudi Rial YR 000s	Sterling Pound YR 000s	Others YR 000s	Total YR 000s
Assets	59,483,731	994,696	2,392,760	71,745	5,322,866	68,265,798
Liabilities	(146,946,812)	(1,923,104)	(9,583,657)	(71,844)	(2,307,344)	(160,832,761)
<b>Net currency position</b>	<b>(87,463,081)</b>	<b>(928,408)</b>	<b>(7,190,897)</b>	<b>(99)</b>	<b>3,015,522</b>	<b>(92,566,963)</b>

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

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

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

	Closing rate as per Central Bank of Yemen		Average Exchange Rate as per Parallel Market	
	2017 Equivalent in YR	2016 Equivalent in YR	2017 Equivalent in YR	2016 Equivalent in YR
1 Dollar USA	250.25	250.25	455	309
1 Euro	300.25	261.78	545.91	323.24
1 Saudi Rial	66.74	66.74	119	82.36
1 Sterling Pound	338.2	306.39	614.91	378.32
1 AED	68.14	68.14	123.89	84.14

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

On December 31, 2017, the Central Bank of Yemen issued instructions to all banks and financial institutions working in the Republic of Yemen that the closing rate for US Dollar should be 250.25 Yemeni Rial to 1 US Dollar and therefore their financial positions should be evaluated at the end of December 2017 in this rate. Accordingly, the Group's Management used the closing rates of December 2017 that has been issued on December 31, 2017 to evaluate the foreign currencies positions as at December 31, 2017. In accordance with Letter No. 1955 date on May 24, 2018 sent by CBY (Banking Control Sector) addressed to the bank's management to create a provision to face the losses related to the exposure of the foreign currencies position according to the results of the consolidated financial statements as at December 31, 2017, therefore, the bank's management has created a provision amounting to YR 5,840,000 thousand to face the exposure losses.

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

	Effect on Statement of Comprehensive Income and Equity	
	2017 YR 000s	2016 YR 000s
Dollar USA	(71,560,703)	(15,631,527)
Saudi Rial	(5,630,750)	(1,232,509)
Euro	(759,609)	2,065
Sterling Pound	(81)	313
Others	2,467,250	1,230

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

**j. Operational risk**

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

**k. Other risks**

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

**6. Capital management**

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

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

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

	2017 YR Million	2016 YR Million
Core capital	23,078	23,091
Supplementary capital	26	70
<b>Total capital</b>	<b>23,104</b>	<b>23,161</b>
<b>Risk-weighted assets and contingent liabilities and commitments:</b>		
Total assets	22,521	49,799
Contingent liabilities and commitments	19,619	28,648
<b>Total risk-weighted assets and contingent liabilities and commitments</b>	<b>42,140</b>	<b>78,447</b>
<b>Capital adequacy ratio</b>	<b>54.8%</b>	<b>29.5%</b>

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

## 7. Cash on hand and reserve balances with Central Bank of Yemen

This item consists of the following as of December 31:

	2017 YR 000s	2016 YR 000s
Cash on hand and at ATM - local currency	22,971,228	9,688,383
Cash on hand and at ATM - foreign currency	3,576,833	5,665,427
	<b>26,548,061</b>	<b>15,353,810</b>
Mandatory reserve with CBY - local currency	16,939,091	14,085,127
Mandatory reserve with CBY - foreign currency	12,068,807	11,726,715
	<b>29,007,898</b>	<b>25,811,842</b>
	<b>55,555,959</b>	<b>41,165,652</b>

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

## 8. Due from banks

This item consists of the following as of December 31:

	2017 YR 000s	2016 YR 000s
<b>Central Bank of Yemen</b>		
Current accounts - local currency	4,497,832	8,221,207
Current accounts - foreign currency	6,889,722	965,731
	<b>11,387,554</b>	<b>9,186,938</b>
<b>Local banks</b>		
Current accounts - local currency	18,820	3,616
Current accounts - foreign currency	2,372	408
Short-term deposits - local currency	15,324,325	11,701,606
	<b>15,345,517</b>	<b>11,705,630</b>
<b>Foreign banks</b>		
Current accounts - local currency	830,371	830,456
Current accounts - foreign currency	9,229,688	27,589,638
Short-term deposits - foreign currency	85,691	84,168
	<b>10,145,750</b>	<b>28,504,262</b>
	<b>36,878,821</b>	<b>49,396,830</b>

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



## 9. Loans, advances and islamic financing activities

### 9.1 Loans, advances and Islamic financing activities (Net)

This item consists of the following as of December 31:

	Notes	2017 YR 000s	2016 YR 000s
<b>Trading &amp; Agricultural Loans and Advances</b>			
Loans to customers		30,819,641	30,390,219
Overdraft		30,506,132	30,308,519
Agricultural loans		653,283	435,597
L/Cs financing		18,733	18,766
		<b>61,997,789</b>	<b>61,153,101</b>
<b>Less: Provision for loans and advances (trading &amp; agricultural)</b>	<b>(10.1-a)</b>	<b>(28,168,049)</b>	<b>(17,875,325)</b>
<b>Less: Uncollected interest</b>	<b>(11)</b>	<b>(17,913,522)</b>	<b>(13,989,446)</b>
		<b>15,916,218</b>	<b>29,288,330</b>
<b>Islamic financing activities balances</b>			
Istisna'a transactions financing		3,262,698	3,185,290
Ijarah Muntahia Bittamleek		2,645,977	2,902,775
Murabaha transactions financing		1,407,485	1,938,815
Agricultural financing		118,423	45,773
		<b>7,434,583</b>	<b>8,072,653</b>
<b>Less: Provision for financing activities</b>	<b>(10.1-b)</b>	<b>(1,155,660)</b>	<b>(609,639)</b>
<b>Less: Uncollected revenue</b>		<b>(120,366)</b>	<b>(101,191)</b>
<b>Less: Deferred revenue</b>		<b>(69,284)</b>	<b>(69,843)</b>
<b>Less: Accumulated depreciation for Ijarah Muntahia Bittamleek</b>		<b>(2,302,162)</b>	<b>(1,623,008)</b>
		<b>3,787,111</b>	<b>5,668,972</b>
		<b>19,703,329</b>	<b>34,957,302</b>

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

Non-performing loans, advances and financing activities amounted to YR 23,689,734 thousand as at December 31, 2017 after deducting uncollected interest and revenue by amount of YR 18,033,888 thousand and balances secured by deposits and cash guarantees amounting to YR 23,614,026 thousand. As at December 31, 2016, the nonperforming loans, advances and financing activities amounted to YR 19,803,679 thousand after deducting uncollected interest and revenue by amount of YR 14,090,637 thousand and balances secured by cash deposits with an amount of YR 23,919,818 thousand. The break-up of the above amount is as follows:

	2017 YR 000s	2016 YR 000s
Substandard loans, advances and financing activities	185,863	152,953
Doubtful loans, advances and financing activities	399,032	3,570,815
Bad loans, advances and financing activities	23,104,839	16,079,911
	<b>23,689,734</b>	<b>19,803,679</b>

## 9.2 Loans, advances and financing activities by sector

	2017					
	Overdraft YR 000s	L/C Finance YR 000s	Loans to Customers YR 000s	Agricultural Loans YR 000s	Financing Activities YR 000s	Total YR 000s
Agricultural	1,823,414	-	-	653,283	118,423	2,595,120
Trading	11,726,217	18,733	13,854,556	-	1,414,278	27,013,784
Industry	5,554,657	-	2,571,311	-	-	8,125,968
Service	3,707,104	-	879,757	-	3,262,698	7,849,559
Finance	66,816	-	91,609	-	-	158,425
Individuals and others	7,627,924	-	13,422,408	-	2,639,184	23,689,516
	<b>30,506,132</b>	<b>18,733</b>	<b>30,819,641</b>	<b>653,283</b>	<b>7,434,583</b>	<b>69,432,372</b>

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

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

## 10. Provision for loans, advances and financing activities (performing and non-performing)

### 10.1 Provision for loans, advances and financing activities by type

#### a Provision for trading and agricultural loans and advances

	Note	2017		Total YR 000s	2016		Total YR 000s
		Specific YR 000s	General YR 000s		Specific YR 000s	General YR 000s	
Balance at beginning of the year		17,827,506	47,819	17,875,325	16,443,259	109,302	16,552,561
Retranslation differences of provision in foreign currencies		1,113	-	1,113	1,194,132	1,842	1,195,974
<b>Add: Provided during the year</b>	<b>36</b>	<b>11,822,996</b>	<b>-</b>	<b>11,822,996</b>	<b>950,293</b>	<b>-</b>	<b>950,293</b>
<b>Less: Provision reversed</b>		<b>(1,178,781)</b>	<b>(30,640)</b>	<b>(1,209,421)</b>	<b>(791,434)</b>	<b>-</b>	<b>(791,434)</b>
<b>Less: Used during the year</b>		<b>(321,964)</b>	<b>-</b>	<b>(321,964)</b>	<b>(32,069)</b>	<b>-</b>	<b>(32,069)</b>
Transferred from general to specific Provision		-	-	-	63,325	(63,325)	-
<b>Balance at end of the year</b>		<b>28,150,870</b>	<b>17,179</b>	<b>28,168,049</b>	<b>17,827,506</b>	<b>47,819</b>	<b>17,875,325</b>

#### b Provision for financing activities

	Note	2017		Total YR 000s	2016		Total YR 000s
		Specific YR 000s	General YR 000s		Specific YR 000s	General YR 000s	
Balance at beginning of the year		587,098	22,541	609,639	652,840	192,834	845,674
Retranslation differences of provision in foreign currencies		-	-	-	7,657	5,716	13,373
<b>Add: Provided during the year</b>	<b>36</b>	<b>562,873</b>	<b>-</b>	<b>562,873</b>	<b>52,134</b>	<b>1,145</b>	<b>53,279</b>
<b>Less: Provision reversed</b>		<b>-</b>	<b>(13,701)</b>	<b>(13,701)</b>	<b>(248,962)</b>	<b>-</b>	<b>(248,962)</b>
<b>Less: Used during year</b>		<b>(3,151)</b>	<b>-</b>	<b>(3,151)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transferred from general to specific provision		-	-	-	177,154	(177,154)	-
Reclassified to doubtful debts provision		-	-	-	(53,725)	-	(53,725)
		<b>1,146,820</b>	<b>8,840</b>	<b>1,155,660</b>	<b>587,098</b>	<b>22,541</b>	<b>609,639</b>

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

	2017			
	Corporate	Small	Residential	Total
	Lending	Business	Mortgage	
	YR 000s	Lending	YR 000s	YR 000s
Balance at beginning of the year	13,899,891	3,974,353	1,081	17,875,325
Retranslation differences of provision in foreign currencies	1,113	-	-	1,113
<b>Add:</b> Provided during the year	11,498,542	324,454	-	11,822,996
<b>Less:</b> Used during the year	(307,574)	(14,390)	-	(321,964)
<b>Less:</b> Provision reversed	(724,813)	(484,608)	-	(1,209,421)
<b>Balance at end of the year</b>	<b>24,367,159</b>	<b>3,799,809</b>	<b>1,081</b>	<b>28,168,049</b>

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

**b Provision for financing activities**

	2017			
	Corporate	Small	Residential	Total
	Lending	Business	Mortgage	
	YR 000s	Lending	YR 000s	YR 000s
Balance at beginning of the year	342,556	267,083	-	609,639
Retranslation differences of provision in foreign currencies	-	-	-	-
<b>Add:</b> Provided during the year	452,687	110,186	-	562,873
<b>Less:</b> Used during the year	-	(3,151)	-	(3,151)
<b>Less:</b> Provision reversed	(13,701)	-	-	(13,701)
<b>Balance at end of the year</b>	<b>781,542</b>	<b>374,118</b>	<b>-</b>	<b>1,155,660</b>

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

**11. Uncollected interest**

This item consists of the following as of December 31:

	2017 YR 000s	2016 YR 000s
Balance at beginning of the year	13,989,446	11,890,022
Uncollected interest written off or collected during the year	(2,945,427)	(3,874,994)
Increase during the year	6,865,906	5,657,288
Retranslation differences of provision in foreign currencies	3,597	317,130
<b>Balance at end of the year</b>	<b>17,913,522</b>	<b>13,989,446</b>

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

**12. Investment securities**

This item consists of the following as of December 31:

	Notes	2017 YR 000s	2016 YR 000s
<b><u>Held to maturity investments</u></b>			
Treasury bills (net)	13	315,892,520	238,625,287
Government bonds	14	4,460,866	4,460,866
		<b>320,353,386</b>	<b>243,086,153</b>
Available for sale investments	15	793,579	744,371
		<b>321,146,965</b>	<b>243,830,524</b>

**13. Treasury bills**

This item consists of the following as of December 31:

	2017 YR 000s	2016 YR 000s
Treasury bills maturing within 90 days	325,800,000	244,549,370
Treasury bills maturing within 180 days	100,000	500,000
Treasury bills maturing within 360 days	100,000	1,460,000
	<b>326,000,000</b>	<b>246,509,370</b>
Unearned discount balance	(10,107,480)	(7,884,083)
	<b>315,892,520</b>	<b>238,625,287</b>

The treasury bills carry an interest rate between 16.1% up to 16.61% during the year 2017 (between 15.8% up to 16.1% during the year 2016). In accordance with the Central Bank of Yemen instructions, treasury bills which mature within a period not exceeding three months are considered as a part of cash and cash equivalents.



**14. Government bonds**

	2017 YR 000s	2016 YR 000s
Government bonds (non-registered)	4,460,866	4,460,866
	<b>4,460,866</b>	<b>4,460,866</b>

In accordance with the Council of Ministers' Resolution No. (145) of 2006 dated April 11, 2006, Ministry of Finance should purchase the agricultural credit portfolio due to the Bank as at December 31, 2005 and according to the agreement reached between Ministry of Finance and the Bank, the Central Bank of Yemen, on behalf of the Ministry of Finance, issued government bonds maturing on April 11, 2016 according to the letter No. (180-130) dated May 10, 2016 sent by the Ministry of Finance to the Governor of the Central Bank of Yemen, these bonds have been extended for one year starting from April 11, 2016 and according to bond No (7) dated April 4, 2017 which sent by Central Bank of Yemen based on the letter No. (62-130) dated March 22, 2017 of the Ministry of Finance addressed to the Governor of the Central Bank of Yemen, these bonds were renewed for one year starting from April 10, 2017 and according to bond No (10) dated April 11, 2018 which 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 bear an interest rate at the average rate of three months of treasury bills and the CBY records the interest of these bonds to the Group's account every three months.

**15. Available for sale investments**

This item consists of the following as of December 31:

	Note	2017 YR 000s	2016 YR 000s
<b>Financing investments – local</b>			
Asas Real Estate Company Limited		1,049,802	1,049,802
President Saleh Housing Project (Under liquidation)		252,401	252,401
General Company for Real Estate Investment Limited		600,000	600,000
Y-Telecom		430,043	430,043
Yemeni Financial Services		59,131	59,131
Yemen Company for Manufacturing Pumps		15,750	15,750
Dates Factory in Al Tahiti		11,834	11,834
Yemen Hotels Company		2,500	2,500
Yemen Company for Marketing Agricultural Products		1,350	1,350
Yemen British Investment Company		125	125
		<b>2,422,936</b>	<b>2,422,936</b>
<b>Financing investments - foreign</b>			
CAC International Bank - Djibouti		69,178	19,970
		<b>2,492,114</b>	<b>2,442,906</b>
<b>Less: Impairment for available for sale investments</b>	<b>15.1</b>	<b>(1,698,535)</b>	<b>(1,698,535)</b>
		<b>793,579</b>	<b>744,371</b>

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

	2017 YR 000s	2016 YR 000s
Balance at beginning of the year	1,698,535	1,698,535
Add: impairment during the year	-	-
<b>Balance at end of the year</b>	<b>1,698,535</b>	<b>1,698,535</b>

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

**16. Investment in islamic sukuk**

This item consists of the following as of December 31:

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

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

**17. Investments in associates**

This item consists of the following as of December 31:

	2017		2016	
	YR 000s	Share %	YR 000s	Share %
Mareb Poultry Company	474,608	27.32	472,363	27.32
CAC Insurance Company	158,023	21.00	161,294	21.00
	<b>632,631</b>		<b>633,657</b>	

The breakup of the above amount is as follows:

	2017 YR 000s	2016 YR 000s
Balance at beginning of January1,	633,657	632,988
Net share in profit	5,613	669
Cash distributions received during the year	(6,639)	-
Derecognized Investments during the year	-	-
<b>Balance at December 31,</b>	<b>632,631</b>	<b>633,657</b>

The total assets of Mareb Poultry Company amounted to YR 2,666,953 thousand for the year 2016 (compared with YR 2,005,683 thousand for the year 2015) and the total liabilities amounted to YR 929,733 thousand for the year 2016 (compared with YR 528,055 thousand for the year 2015). Mareb Poultry Company has realized a net profit of YR 279,917 thousand for the year 2016 (compared with YR 258,591 thousand for the year 2015) according to the last audited financial statements, and the audited financial statements for the year 2017 have not been issued.

The total assets of CAC Insurance Company amounted to YR 2,104,601 thousand for the year 2016 (compared with YR 2,639,522 thousand for the year 2015). Moreover, the total liabilities amounted to YR 1,320,496 thousand for the year 2016 (compared with YR 1,871,453 thousand for the year 2015).

CAC Insurance Company has realized a net profit of YR 33,084 thousand for the year 2016 (compared with YR 6,931 thousand for the year 2015) according to the last audited financial statements and the audited financial statements for the year 2017 have not been issued.

## 18. Debit balances and other assets

This item consists of the following as of December 31:

	Note	2017 YR 000s	2016 YR 000s
Assets transferred to the Group's ownership		3,583,414	3,631,629
Accrued income and interest		586,207	614,430
Prepaid expenses		427,981	373,876
Projects in process (advances)		277,494	316,513
Advances to employees		136,490	159,001
Other debit balances		2,257,336	2,859,878
		<b>7,268,922</b>	<b>7,955,327</b>
<b>Less: Provision for doubtful debts</b>	<b>19</b>	<b>(4,994,650)</b>	<b>(5,336,586)</b>
		<b>2,274,272</b>	<b>2,618,741</b>

## 19. Provision for doubtful debts

This item consists of the following as of December 31:

	Note	2017 YR 000s	2016 YR 000s
Balance at beginning of the year		5,336,586	4,881,995
<b>Add: Provision provided during the year</b>	<b>36</b>	<b>-</b>	<b>400,273</b>
<b>Less: Provision used during the year</b>		<b>(116,613)</b>	<b>(6,405)</b>
<b>Less: Provision reversed during the year</b>		<b>(225,815)</b>	<b>-</b>
Reclassified from financing activities provision		-	53,725
Retranslation differences of provision in foreign currencies		492	6,998
<b>Balance at end of the year</b>		<b>4,994,650</b>	<b>5,336,586</b>

## 20. Property and equipment

This item consists of the following as of December 31:

	Balance at January 1, 2017 YR 000s	Addition during the year YR 000s	Disposals during the year YR 000s	Reclassification YR 000s	Balance at December 31, 2017 YR 000s	2017 Accumulated depreciation at January 1, 2017 YR 000s	Reclassification YR 000s	Depreciation during the year YR 000s	Disposals during the year YR 000s	Accumulated depreciation at December 31, 2017 YR 000s	Net book value as at December 31, 2017 YR 000s
Land, Buildings and Constructions	1,056,570	364	-	-	1,056,934	285,326	-	18,880	-	304,206	752,728
Furniture and Equipment	5,741,594	162,319	(102)	3,860	5,907,671	4,288,063	601	427,293	(102)	4,715,855	1,191,816
Point of Sale and ATMs	1,546,934	5,758	-	-	1,552,692	1,439,515	(595)	45,637	-	1,484,557	68,135
Motor Vehicles	837,770	35,796	-	-	873,566	713,104	-	61,941	-	775,045	98,521
Leasehold Improvements	1,554,319	21,189	-	(3,860)	1,571,648	1,083,288	(6)	123,951	-	1,207,233	364,415
<b>Total</b>	<b>10,737,187</b>	<b>225,426</b>	<b>(102)</b>	<b>-</b>	<b>10,962,511</b>	<b>7,809,296</b>	<b>-</b>	<b>677,702</b>	<b>(102)</b>	<b>8,486,896</b>	<b>2,475,615</b>

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



## 21. Due to banks and financial institutions

This item consists of the following as of December 31:

	2017 YR 000s	2016 YR 000s
<b>Local banks</b>		
Current accounts - foreign currency	103,527	105,713
Current accounts - local currency	5,860,934	380,085
Time deposits - local currency	2,053,000	1,000,000
Time deposits - foreign currency	11,419,776	11,554,401
	<b>19,437,237</b>	<b>13,040,199</b>
<b>Foreign banks</b>		
Current accounts - foreign currency	1,124	156,230
Current accounts - local currency	58	58
Time deposits - local currency	-	3,138,801
Time deposits - foreign currency	125,755	359,292
	<b>126,937</b>	<b>3,654,381</b>
<b>Foreign financial institutions</b>		
Current accounts - foreign currency	6,284	419,617
Current accounts - local currency	-	162
	<b>6,284</b>	<b>419,779</b>
	<b>19,570,458</b>	<b>17,114,359</b>

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

## 22. Customers' deposits

### 22.1 Customers' deposits by type

This item consists of the following as of December 31:

	2017 YR 000s	2016 YR 000s
Time deposits	204,533,817	176,998,775
Current and demand accounts	149,093,856	122,051,254
Saving accounts	11,222,606	10,965,226
Margins of LCs and LGs	11,215,239	17,237,605
Time deposits - restricted	1,500,000	3,500,000
Other deposits	2,758,883	2,337,029
	<b>380,324,401</b>	<b>333,089,889</b>

As at December 31, 2017 customer deposits include YR 23,729 million of margins held for direct and indirect facilities (YR 30,076 million as at December 31, 2016).

### 22.2 Customers' deposits by sector

This item consists of the following as of December 31:

	2017 YR 000s	2016 YR 000s
Public and mixed sectors	150,182,265	142,058,037
Corporations	127,936,123	76,383,416
Individuals	93,919,756	92,497,999
Others	8,286,257	22,150,437
	<b>380,324,401</b>	<b>333,089,889</b>

## 23. Long term loans

This item consists of the following as of December 31:

	Notes	2017 YR 000s	2016 YR 000s
Arab Fund for Economic and Social Development	23.1	2,302,300	3,128,125
Mahra Rural Development Project	23.2	52,303	55,474
Tehama Development Project - III	23.3	5,271	5,271
Raimah Development Project	23.4	4,246	4,670
		<b>2,364,120</b>	<b>3,193,540</b>

### 23.1 Arab fund for economic and social development

On October 22, 2014, the government received the first installment of the loan from the Arab Fund for Economic and Social Development in Kuwait in the amount of USD 12.5 million from a total loan of USD 50 million to finance the small and medium enterprises in the agricultural and fisheries field mature in January 28, 2026. An amount of USD 3.3 million has been paid during the year and the loan balance become USD 9.2 million as at December 31, 2017. The Group is executing the project through an agreement with the Ministry of Planning and International Cooperation.

### 23.2 Mahra rural development project

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

### 23.3 Tehama development project - III

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

### 23.4 Raimah development project

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

## 24. Credit balances and other liabilities

This item consists of the following as of December 31:

	Note	2017 YR 000s	2016 YR 000s
Accrued interest payable		2,672,572	1,886,723
Insurance and guarantees from clients		1,607,226	1,223,931
Accrued expenses		1,487,912	1,320,232
Income tax for the year	24.1	1,380,295	201,133
Income taxes for previous years		75,686	727,919
Unearned income		38,566	582,178
Salary tax payable		13,171	125,696
Other credit balances		1,014,931	1,061,055
		<b>8,290,359</b>	<b>7,128,867</b>

### 24.1 Income taxes for the year

This item consists of the following as of December 31:

	Note	2017 YR 000s	2016 YR 000s
Income taxes for the year		201,133	1,173,066
Less: Paid during the year		(201,133)	(1,173,066)
Add: Provided during the year		1,380,295	201,133
<b>Balance at end of the year</b>	<b>46</b>	<b>1,380,295</b>	<b>201,133</b>

## 25. Other provisions

This item consists of the following as of December 31:

	Balance at Jan. 1, 2017 YR 000s	Retranslation Differences of provision in foreign currencies YR 000s	2017 Provided during the year YR 000s	Used during year YR 000s	Reversed provision YR 000s	Balance at Dec. 31, 2017 YR 000s
Provisions for contingent liabilities	343,109	1,969	6,165	-	(47,009)	304,234
Provisions for contingent claims	183,714	-	-	(5,000)	-	178,714
Provision for losses- resulting from fluctuation in foreign exchange rates- and its impact upon the exposure foreign currency position *	-	-	5,840,000	-	-	5,840,000
	<b>526,823</b>	<b>1,969</b>	<b>5,846,165</b>	<b>(5,000)</b>	<b>(47,009)</b>	<b>6,322,948</b>

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

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

- \* In accordance with the letter No. 4261 dated December 31, 2017 issued by the Central Bank of Yemen, which stated that the foreign currencies sensitivity analysis should be performed for the financial statements for the year ended December 31, 2017 on the basis of the exchange rate of the parallel market and stating the change effect in the statement of 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. Moreover, in accordance with letter No.1955 dated May 24, 2018 sent by CBY (Banking Control Sector) to the group's management to create a provision to face the losses related the exposure of the foreign currencies position, therefore to the results of the consolidated financial statements as at December 31, 2017. Accordingly, the group's management has created a provision amounting to YR 5,840,000 thousand to face the exposure losses within its operation results.

## 26. Shareholders' equity

### 26.1 Share capital

As at December 31, 2017, the share capital represents amounts of YR 20 billion (December 31, 2016: YR 19 billion) divided into 20 million shares of YR 1,000 par value according to the General Assembly meeting No.1 held on July 29, 2017 regarding to increase the capital by amount of YR 1,000,000 thousand (bonus shares).

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

	Number of Shares	2017	
		Percentage of Holding %	Value of Shares YR 000s
Agricultural Promotion Fund	8,100,000	40.50	8,100,000
Government represented by the Ministry of Finance	6,764,000	33.82	6,764,000
Civil Aviation and Metrology Authority	5,000,000	25.00	5,000,000
General Confederation of Agriculture	136,000	0.68	136,000
	<b>20,000,000</b>	<b>100</b>	<b>20,000,000</b>

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



**26.2 Statutory reserve**

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

**27. Contingent liabilities and commitments**

This item consists of the following as of December 31:

	Gross Commitments YR 000s	2017 Margin Held YR 000s	Net Commitments YR 000s
Letters of credit	8,549,778	(1,700,742)	6,849,036
Letters of guarantee - customers	29,587,193	(6,012,831)	23,574,362
	<b>38,136,971</b>	<b>(7,713,573)</b>	<b>30,423,398</b>

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

**28. Interest income**

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

	2017 YR 000s	2016 YR 000s
Interest on treasury bills	44,297,253	38,919,325
Interest on due from banks	2,219,524	1,557,259
Interest on Government Bonds	740,616	738,966
Interest on loans and advances to customers	91,187	3,867,282
	<b>47,348,580</b>	<b>45,082,832</b>

**29. Interest expense**

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

	2017 YR 000s	2016 YR 000s
<b>Interest on customers' deposits:</b>		
Interest on time deposits	20,646,477	17,367,712
Interest on saving accounts and current accounts	1,632,360	1,356,809
	<b>22,278,837</b>	<b>18,724,521</b>
<b>Interest on balances due to banks:</b>		
Interest paid to banks	1,323,390	2,318,410
Interest paid to long term loans	55,548	60,432
	<b>1,378,938</b>	<b>2,378,842</b>
	<b>23,657,775</b>	<b>21,103,363</b>

**30. Islamic financing and investement activities income**

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

	2017 YR 000s	2016 YR 000s
Income from Islamic Sukuk	442,518	939,308
Income from financing Murabaha transactions	79,179	112,433
Income from Ijarah Muntahia Bittamleek	66,530	99,627
Income from agricultural financing	6,713	11
Income from Istisna'a transaction	1,037	127,108
	<b>595,977</b>	<b>1,278,487</b>

**31. Return of unrestricted investments and saving accounts holders**

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

	2017		2016	
	Local Currency %	Foreign Currencies %	Local Currency %	Foreign Currencies %
Investment deposits	6.12%	2.09%	7.65%	3.23%
Saving accounts	4.5%	1.25%	4%	1.5%

**32. Fee and commission income**

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

	2017 YR 000s	2016 YR 000s
Commissions on transfer of funds	265,922	342,984
Commissions on letters of guarantee	242,018	244,057
Commissions on letters of credit	50,784	36,869
Other banking service charges	766,503	1,016,693
	<b>1,325,227</b>	<b>1,640,603</b>

**33. Loss from foreign currency transactions**

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

	2017 YR 000s	2016 YR 000s
Gain from foreign currencies transactions	37,732,560	3,413,157
Loss from retranslation of foreign currencies	(31,006,400)	(13,771,829)
	<b>6,726,160</b>	<b>(10,358,672)</b>

**34. Income from investment securities**

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

	2017 YR 000s	2016 YR 000s
Income from available for sale investments	7,116	-
Income from investments in associates	5,613	669
	<b>12,729</b>	<b>669</b>

**35. Other operating income**

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

	2017 YR 000s	2016 YR 000s
Provision reversed	1,495,946	1,104,965
Income from owned properties rental	3,050	1,900
Others	35,141	14,354
	<b>1,534,137</b>	<b>1,121,219</b>

**36. Provisions**

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

	Notes	2017 YR 000s	2016 YR 000s
Provision for loans and Advances	(10.1-a)	11,822,996	950,293
Provision for financing activities	(10.1-b)	562,873	53,279
Provision for doubtful debts	19	-	400,273
Other provisions	25	5,846,165	-
		<b>18,232,034</b>	<b>1,403,845</b>

**37. Staff cost**

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

	2017 YR 000s	2016 YR 000s
Salaries, allowances and incentives	7,706,666	7,781,978
Medical insurance	690,910	549,320
Social security	349,035	366,290
Others	33,226	42,877
	<b>8,779,837</b>	<b>8,740,465</b>

**38. Other expenses**

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

	2017 YR 000s	2016 YR 000s
Operating leases	580,887	571,898
Zakat expenses	527,598	501,215
Maintenance and repairs	431,371	438,890
Communications	320,474	306,993
Travelling and transportation	274,019	321,734
Fees and licenses	253,807	272,551
Insurance expenses	251,751	199,514
Security and guarding	228,703	305,126
Transportation and post office	169,485	207,910
Utilities	124,173	65,347
Advertisement and publicity	117,424	175,675
Stationery and printing supplies	91,114	138,520
Consultancy and professional fees	61,652	59,247
Training expenses	58,708	53,041
Other expenses	581,553	487,056
	<b>4,072,719</b>	<b>4,104,717</b>

**39. Earnings per share**

This item consists of the following as of December 31:

	2017	2016
Net profit for the year (YR thousand)	64,248	2,173,384
Weighted average number of shares (Thousand shares)	20,000	19,000
<b>Earnings Per Share (YR)</b>	<b>3</b>	<b>114</b>

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

	<u>Thousand Shares</u>	<u>Thousand Shares</u>
Number of shares at the beginning of the year	19,000	17,000
Effect of bonus shares during the year	1,000	2,000
	<b>20,000</b>	<b>19,000</b>



#### 40. Maturities of assets and liabilities

The following table shows the maturity of assets and liabilities as at December 31, 2017:

	Due within 3 months YR 000s	Due within 3 to 6 months YR 000s	2017 Due within 6 months to 1 year YR 000s	Due over 1 year YR 000s	Total YR 000s
<b>Assets</b>					
Cash on hand & reserve balances with CBY	55,555,959	-	-	-	55,555,959
Due from banks	33,543,759	-	3,335,062	-	36,878,821
Loans, Advances and financing activities, net	15,937,202	542,338	695,674	2,528,115	19,703,329
Investments securities	294,907,504	25,400,843	45,039	793,579	321,146,965
Investment in Islamic Sukuk	1,500,000	-	-	-	1,500,000
Investments in associates	-	-	-	632,631	632,631
Debit balances and other assets	1,703,242	-	-	3,046,645	4,749,887
	<b>403,147,666</b>	<b>25,943,181</b>	<b>4,075,775</b>	<b>7,000,970</b>	<b>440,167,592</b>
<b>Liabilities</b>					
Due to banks and financial institutions	19,570,458	-	-	-	19,570,458
Customers' deposits	366,539,005	204,410	173,316	13,407,670	380,324,401
Long-term loans	825,825	-	825,825	712,470	2,364,120
Other liabilities and equity	8,290,359	-	-	29,618,254	37,908,613
	<b>395,225,647</b>	<b>204,410</b>	<b>999,141</b>	<b>43,738,394</b>	<b>440,167,592</b>
<b>Net</b>	<b>7,922,019</b>	<b>25,738,771</b>	<b>3,076,634</b>	<b>(36,737,424)</b>	<b>-</b>

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

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

#### 41. Average interest rates applied during the year

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

	2017			
	Saudi Rial %	Yemeni Rial %	US Dollar %	Euro %
<b>Assets</b>				
Due from banks - time deposits	1.15	15.49	-	-
Treasury bills - held to maturity	-	16.62	-	-
Government bonds	-	16.60	-	-
Loans to customers	10	22	10	-
Agricultural loans	-	6	-	-
Overdrafts	12	25	12	2.5
<b>Liabilities</b>				
Customers - time deposits	1.70	15.02	3.96	-
Saving accounts	2	15	2	2
Banks - time deposits	-	16	4.97	-
Long term loans	-	2.6	2	-

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

**42. Distribution of assets, liabilities, contingent liabilities and commitments based on economic sectors**

	Manufacturing YR 000s	Agriculture YR 000s	Trade YR 000s	2017 Building and Construction YR 000s	Finance YR 000s	Tourism YR 000s	Others YR 000s	Total YR 000s
<b>Assets</b>								
Cash on hand and reserve balances with Central Bank of Yemen	-	-	-	-	55,555,959	-	-	55,555,959
Due from banks	-	-	-	-	36,878,821	-	-	36,878,821
Loans, advances and financing activities (net)	1,742,818	960,819	9,956,466	317,682	39,542	28,771	6,657,231	19,703,329
Investments securities	-	-	-	852,400	320,294,565	-	-	321,146,965
Investments in Islamic Sukuk	-	-	-	-	1,500,000	-	-	1,500,000
Investments in associates	-	473,712	-	-	158,919	-	-	632,631
<b>Liabilities</b>								
Due to banks and financial institutions	-	-	-	-	19,570,458	-	-	19,570,458
Customers' deposits	9,976,832	7,463,614	64,086,029	17,469,103	4,404,229	515,067	276,409,527	380,324,401
Long-term loans	-	-	-	-	2,364,120	-	-	2,364,120
Contingent liabilities and commitments, net	4,415,172	553,484	7,893,823	6,964,341	5,840,102	218,769	4,537,707	30,423,398

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



## 43. Distribution of assets, liabilities, contingent liabilities and commitments based on geographical locations

	2017					
	Republic of Yemen YR 000s	America YR 000s	Europe YR 000s	Asia YR 000s	Africa YR 000s	Total YR 000s
<b>Assets</b>						
Cash on hand and reserve balances with CBY	55,555,959	-	-	-	-	55,555,959
Due from banks	27,567,332	-	1,249,898	8,051,232	10,359	36,878,821
Loans, advances and financing activities, net	19,703,329	-	-	-	-	19,703,329
Investments securities	321,077,797	-	-	-	69,168	321,146,965
Investments in Islamic Sukuk	1,500,000	-	-	-	-	1,500,000
Investments in associates	632,631	-	-	-	-	632,631
<b>Liabilities</b>						
Due to banks and financial institutions	19,444,704	-	-	-	125,754	19,570,458
Customers' deposits	380,324,401	-	-	-	-	380,324,401
Long-term loans	2,364,120	-	-	-	-	2,364,120
Contingent liabilities and commitments, net	24,410,554	-	267,585	5,745,259	-	30,423,398

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

#### 44. Significant foreign currencies' positions

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

	2017		2016	
	Surplus (Deficit) YR 000s	% of Capital & Reserves	Surplus (Deficit) YR 000s	% of Capital & Reserves
US Dollar	(87,463,081)	(375.20)%	(66,583,656)	(298)%
Saudi Rial	(7,190,897)	(30.85)%	(5,249,577)	(24)%
Euro	(928,408)	(3.98)%	8,795	0.04%
Sterling Pound	(99)	0.00%	1,334	0.01%
Others	3,015,522	12.94%	5,240	0.02%
<b>Net (deficit)</b>	<b>(92,566,963)</b>	<b>(397.09)%</b>	<b>(71,817,864)</b>	<b>(321.93)%</b>

According to the CBY's exchange rates instructions on December 31, 2017, the US Dollar exchange rate was YR 250.25 (as at December 31, 2016 US Dollar exchange rate was YR 250.25).

#### 45. Transactions with related parties

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

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

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

	2017 YR 000s	2016 YR 000s
Current accounts and time deposits	5,181,207	1,037,313
Loans, advances and financing activities (net)	309,192	239,047
Salaries and benefits	238,478	217,859
Interest paid	3,473	3,584
Commissions and interest received	3,140	348

#### 46. Tax status

- Up to December 31, 2009, the Bank is not subject to commercial and industrial profit tax and income tax, in accordance with Article (21) of Law no. (39) of 1982 concerning the establishment of the Bank, Income Tax Law No. (31) of 1991 and its subsequent amendments by Republican Decree No. (12) of 1999 and the provisions of Article No. (85) of Law No. (38) of 1998 concerning banks.
- Salary tax has been cleared up to the year 2008.
- The Group has paid the salary tax for the year 2009 based on the declaration but the reconciliation between the Group and the Tax Authority has not been completed yet.
- Profit and salary tax have been cleared for the year 2010.
- Profit and salary tax have been cleared for the year 2011.
- Profit and salary tax have been cleared for the year 2012 according to the reconciliation minutes signed on October 25, 2016 between the Group and Tax Authority.
- Profit and salary tax have been cleared for the year 2013.
- Profit and salary tax have been cleared for the year 2014.
- The tax return for the year 2015 has been submitted and the amount due paid within the legal deadline. On February 5, 2018, the Group was notified of additional profit tax assessment with an amount of YR 90,677 thousand (after deducting the taxes paid) and YR 156,897 thousand for salary tax, in addition to the amount of YR 2,990 thousand as tax differences on taxable income according to the form No. (3). The Group submitted an appeal of the additional assessment on March 5, 2018 to the settlement committee. On March 19, 2018, the group was notified of the decision of the settlement committee regarding the additional profit tax assessment with an amount of YR 45,852 thousand (after deducting the taxes paid) and YR 156,897 thousand for salary tax, in addition to the amount of YR 2,990 thousand as tax differences on taxable income. On March 29, 2018, the tax was paid based on this notice.
- The Group was notified of the tax differences according to the down payments collection system for the fiscal year ended December 31, 2016 amounting to YR 109,913 thousand and fines amounting to YR 28,028 thousand based on the minutes of agreement signed with the Tax Authority on February 14, 2018; the minutes is considered as a final tax settlement in respect of the down payments collection system until the end of the fiscal year 2016, accordingly, the tax differences were paid. The tax for the leased real estate from the General Authority for Social Security and Pensions (GASSP) was excluded amounting of YR 46,650 thousand for the fiscal period from 2014 to 2016 due to the dispute between GASSP and the Tax Authority considering that GASSP real estates are belong to government and not subject to real estate tax.
- The tax return for the year 2016 has been submitted and the amount due paid within the legal deadline. The field inspection is in progress by Tax Authority and has not been completed yet, and the Group did not receive any additional tax notification from Tax Authority up to the issuance date of the consolidated financial statements.

**47. Zakat**

- The Group submits its Zakat declaration annually and remits the amount due based on the declaration.
- The Group has paid the Zakat up to the end of 2014 according to the Zakat declaration. No additional assessment notifications has been issued by the Zakat Authority.
- The Group submitted the zakat declaration for the year 2015 and paid the amount based on its financial statements and the receipts from head office and its branches in the other governorates. No additional assessment notifications has been issued by the Zakat Authority.
- The Group submitted the Zakat declaration for the year 2016 and paid the amount based on its financial statements and the receipts from head office and its branches in the other governorates. No additional assessment notifications has been issued by the Zakat Authority.

**48. Contingent liabilities**

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

**49. Operating lease**

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

	2017 YR 000s	2016 YR 000s
Not later than one year	136,561	143,747
Later than one year and not later than five years	5,439	12,763
Later than five years	2,501	2,708
	<b>144,501</b>	<b>159,218</b>

Rental payments amounting to YR 580,887 thousand (2016: YR 571,898 thousand) and these amounts represents the minimum rent paid. In addition, there are expected revenues from sublease of YR 31,202 thousand which include the lease agreements on potential leasehold items.

The lease agreements not include purchase options, escalation clauses or any other profit, lease or additional debt restrictions.

**50. Comparative figures**

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

**51. Events in Republic of Yemen**

Due to the current political crisis, economic situation and security events in the Republic of Yemen, it is difficult for management to predict the effects of these events to the Bank activities and its financial position for the coming period. The management is studying the effects of this crisis in the short term and make the necessary precautions to ensure continuity.



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

### 52.1 Statement of Financial Position

	Dec. 31, 2017 YR 000s	Dec. 31, 2016 YR 000s
<b>Assets</b>		
Cash on hand and reserve balances with Central Bank of Yemen	55,555,959	41,165,652
Due from banks	36,878,821	49,396,830
Loans, advances and financing activities, net	19,703,329	34,957,302
Investments securities	321,146,965	243,830,524
Investments in Islamic Sukuk	1,500,000	8,834,000
Investments in associates	632,631	633,657
Investments in subsidiaries	10,000	10,000
Debit balances and other assets, net	2,301,058	2,657,297
Property and equipment, net	2,453,279	2,906,107
<b>Total assets</b>	<b>440,182,042</b>	<b>384,391,369</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Due to banks and financial institutions	19,570,458	17,114,359
Customers' deposits	380,499,492	333,338,361
Long-term loans	2,364,120	3,193,540
Credit balances and other liabilities	8,092,398	6,818,580
Other provisions	6,322,948	521,823
<b>Total Liabilities</b>	<b>416,849,416</b>	<b>360,986,663</b>
<b>Equity</b>		
Share capital	20,000,000	19,000,000
Statutory reserve	3,093,504	3,093,504
General reserve	217,615	253,803
Retained earnings	21,507	1,057,399
<b>Total Equity</b>	<b>23,332,626</b>	<b>23,404,706</b>
<b>Total liabilities and equity</b>	<b>440,182,042</b>	<b>384,391,369</b>
<b>Contingent liabilities and commitments, net</b>	<b>30,423,398</b>	<b>34,310,942</b>

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

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

	2017 YR 000s	2016 YR 000s
Interests income	47,348,580	45,082,832
Less: interests expense	(23,681,186)	(21,122,512)
<b>Net interests income</b>	<b>23,667,394</b>	<b>23,960,320</b>
Islamic financing and investments activities income	595,977	1,278,487
Less: Return of unrestricted investment and saving accounts holders	(678,200)	(333,255)
<b>Net income from Islamic financing and investment Activities</b>	<b>(82,223)</b>	<b>945,232</b>
<b>Net income from interests and Islamic financing and investments activities</b>	<b>23,585,171</b>	<b>24,905,552</b>
Fees and commission income	1,325,227	1,640,603
Loss from foreign currency transactions	6,726,277	(10,359,861)
Income from investment in securities	12,729	669
Other operating income	1,525,137	1,117,370
<b>Net operating income</b>	<b>33,174,541</b>	<b>17,304,333</b>
Less: Provisions	(18,232,034)	(1,403,845)
Less: Staff cost	(7,798,326)	(7,770,596)
Less: Depreciation of property and equipment	(672,915)	(700,225)
Less: Other expenses	(5,082,986)	(5,333,075)
<b>Net profit for the year before income tax</b>	<b>1,388,280</b>	<b>2,096,592</b>
Less: Income tax for the year	(1,380,295)	(201,133)
<b>Net profit for the year after tax</b>	<b>7,985</b>	<b>1,895,459</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>7,985</b>	<b>1,895,459</b>
<b>Earnings per share</b>	<b>0.40 YR</b>	<b>100 YR</b>



# CACBANK Network of Branches & Offices

## Sana'a Governorate

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

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

## Amran

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

## Hajja

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

## Al Mahweet

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

## Sa'adah

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

## Marib

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

## Al Jowf

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

## Al Baidha

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



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

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

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

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

Lahj			
Branches & Offices	Phone	Fax	Address

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

Abyan Branch	02605594	02602109	Unity St, Zinjibar
	02604753		

Abyan			
Branches & Offices	Phone	Fax	Address

Mukalla Branch	05314899	05314898	Banks Street
	05352691		
Seyiun Branch	05404606	05400640	Algeria St
	05409937		
Al Qatn Office	05458341	05456555	Highway
Al Shihr Branch	05336443	05336440	Main Street
	05382333		

Socotra			
Branches & Offices	Phone	Fax	Address

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

Beihan Branch	05270245	05270244	Al Tarbiah St
Shabwa Branch	05200534	05202526	Ataq City (?)
Balhaf Office	961 211 05	964 211 05	Balhaf Highway

Al Mahara			
Branches & Offices	Phone	Fax	Address

Al Mahara Branch	05611950	05612623	Thi Al Hajlah St
	05613205		
Al Ghaidha Office	05613700	05613701	Highway
Sayhoot Branch	05640590	05640591	Sayhoot
Sayhoot Office	05640710	05640713	Highway

Al Dhali'a			
Branches & Offices	Phone	Fax	Address

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

## Cac Islamic Branches and Offices

Branch Name	Phone	Address
AL-Shawkani Branch	01-298735	Sanaa, Zubairi St.
Hadda Branch	01 - 428260	Sanaa, Hadda St.
AL-Asbahi Office	01- 687027-8	Sanaa, 50 St.
Al-Mansoura Branch	02 - 350953	Aden, AlMansoura St.
AL-Hudaidda Branch	03 - 225227	Hudaidda, Sanaa St.
Taiz Street Branch	04 - 615116	Taiz, Taiz St.

## SUGGESTIONS

### Dear Customers and employees:

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

**[Annual\\_report@cacbank.com.ye](mailto:Annual_report@cacbank.com.ye)**

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