



البنك الأهلي اليمني

National Bank Of Yemen

Trust & Experience الخبرة والثقة

NATIONAL BANK OF YEMEN

Aden, Republic of Yemen

Audited Financial Statements

For The Year Ended 31 December 2020



Dahman & Co.

Auditors . Accountants . Advisors

Correspondent to RSM Network

National Bank of Yemen

ADEN, REPUBLIC OF YEMEN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

NATIONAL BANK OF YEMEN
ADEN, REPUBLIC OF YEMEN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Contents

Subject	Page
Independent Auditors' Report	1-3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-38

Dahman & Co.

Auditors . Accountants . Advisors

Correspondent to RSM Network

Third Floor, Makki Building, Front Saba School ,
Saba Cross Road, Al-Qahira Street
P. O. Box: 16146, Sana'a, Republic Of Yemen
T: +967 (1) 224 676
F: +967 (1) 224 676
E: bassam@rsm.ae

INDEPENDENT AUDITORS' REPORT TO H.E. MINISTER OF FINANCE ON NATIONAL BANK OF YEMEN

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the National Bank of Yemen ("the Bank") as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, related local laws and regulations and Central Bank of Yemen instructions.

We have audited the financial statements of the Bank, which comprise the statement of comprehensive income for the year ended 31 December 2020 and the related statement of financial position, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including significant accounting policies.

Basis for Qualified Opinion

As stated in Note 17-b to the financial statements, the Bank could not obtain a confirmation note from the Central Bank of Yemen on Bank's mandatory reserve balance as at 31 December 2020.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Emphasis Of Matter

Without qualifying our opinion and as stated in Note 1 to the financial statements, the Bank is working in an unfavorable environment that may expose it to incurring losses or losing profit and affect its activities so that it may not be able to provide some of its services to its customers or meet some of its commitments, which raises doubt on Bank's capability to continue business on a going concern basis in the case of continuation of the unstable security and political situations and their different reflections. This requires the Government as the owner of the Bank to take serious measures to address any difficulties the Bank may face in relation to such matters.

Management And The Board Of Directors Responsibilities For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, Prime Minister Decree no. 405 for 2013 on Reorganisation of the National Bank of Yemen and Bank's Articles of Association issued on 5 August 2013, related local laws and regulations and Central Bank of Yemen instructions and, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may 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 financial statements.

Continue...

Dahman & Co.

Auditors . Accountants . Advisors

Correspondent to RSM Network

Third Floor, Makki Building, Front Saba School ,
Saba Cross Road, Al-Qahira Street
P. O. Box: 16146, Sana'a, Republic Of Yemen
T: +967 (1) 224 676
F: +967 (1) 224 676
E: bassam@rsm.ae

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO H.E. MINISTER OF FINANCE
ON NATIONAL BANK OF YEMEN

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities For The Audit Of The Financial Statements (Continued)

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 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 Bank's internal control.**
- **Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.**
- **Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank'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 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 Bank to cease to continue as a going concern.**
- **Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.**

We communicate with 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 the Board of Directors with a statement that we have complied with the ethical requirements of independence and communicate with them on all relationships and other matters that may reasonably be believed to affect our independence and where relevant protection is possible.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further to the above and as required by the Prime Minister's Decree No. 405 of 2013 on Reorganisation of the National Bank of Yemen and the Bank's Articles of Association issued on 5 August 2013, Law No. 38 of 1998 on Banks, the other related laws and the Central Bank of Yemen instructions, we report the following:

- We have obtained all the information we considered necessary for the purposes of our audit, except for what is mentioned in the Basis for Qualified Opinion section of our report.
- The Bank's financial statements have been prepared and comply, in all material respects, with all laws and regulations regulating Bank's business.
- The Bank maintains appropriate accounting records and the accompanying financial statements and the Board of Directors Annual Report are in agreement therewith.
- Note 34 to the financial statements of the Bank discloses the significant related parties' transactions. Terms on which these transactions are made and the basis for managing conflicts of interest were clarified.

Continue...

Dahman & Co.

Auditors . Accountants . Advisors

Correspondent to RSM Network

Third Floor, Makki Building, Front Saba School ,
Saba Cross Road, Al-Qahira Street
P. O. Box: 16146, Sana'a, Republic Of Yemen
T: +967 (1) 224 676
F: +967 (1) 224 676
E: bassam@rsm.ae

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO H.E. MINISTER OF FINANCE
ON NATIONAL BANK OF YEMEN

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

- We also confirm that based on the information provided to us, nothing has come to our attention that causes us to believe that the Bank has contravened, during the financial year ended 31 December 2020, any provisions of the laws and regulations that regulates the Bank's business that may have a material impact on Bank's activities or financial position.

Dr. Bassam Dahman
BOD member of /ASCA
Registered Licensed Auditor No. 819
For **Dahman & Co.**
Correspondent to RSM Network
Aden, Republic of Yemen
7 April 2022

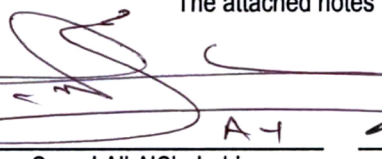
دحمان ومشاركونه
Dahman & Co.
License 973 ترخيص


STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2020

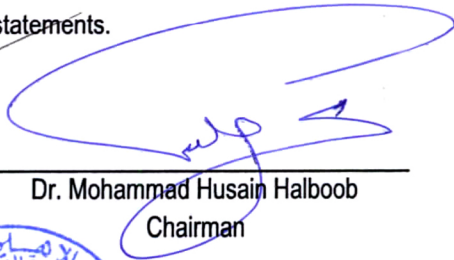
		2020	2019
REVENUES	Note	YR' 000	YR' 000
Activity Revenues:			
Interest on direct credit facilities to customers, net	4	(15,090,578)	(14,762,926)
Interest on due from banks, net	5	86,696	100,036
Commissions and fee income on banking services, net	6	370,257	961,596
Interest on certificates of deposit at Central Bank of Yemen	7	220,457	203,140
Returns from treasury bills		33,745,938	32,002,050
Dividends from investments	8	16,522	26,231
Gain on selling and buying foreign currencies		88,417	1,435,700
Total Activity Revenues		<u>19,437,709</u>	<u>19,965,827</u>
Other revenues	9	<u>1,262,597</u>	<u>505,093</u>
TOTAL REVENUES		<u>20,700,306</u>	<u>20,470,920</u>
EXPENSES			
Employees' related expenses	10	(8,469,881)	(7,167,237)
General and administration expenses	11	(1,140,882)	(1,191,063)
Other expenses	12	(2,482,594)	(3,513,917)
TOTAL EXPENSES		<u>(12,093,357)</u>	<u>(11,872,217)</u>
Re-translation differences on balances in foreign currencies	13	(84,634)	(773,453)
PROFIT FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		<u>8,522,315</u>	<u>7,825,250</u>
Zakat	14	(250,000)	(250,000)
PROFIT FOR THE YEAR AFTER ZAKAT AND BEFORE INCOME TAX		<u>8,272,315</u>	<u>7,575,250</u>
Income tax	15	(1,654,463)	(1,515,050)
PROFIT FOR THE YEAR AFTER ZAKAT AND INCOME TAX		<u>6,617,852</u>	<u>6,060,200</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		-	-
TOTAL OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16	<u>6,617,852</u>	<u>6,060,200</u>

Independent Auditors' Report attached (pages 1-3).

The attached notes 1 to 42 form an integral part of these financial statements.


Mohsen Saeed Ali AlShabahi
Vice General Manager for
Banking Departments


Dr. Ahmed Ali Bin Sankar
General Manager


Dr. Mohammad Husain Halboob
Chairman



NATIONAL BANK OF YEMEN

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		31 December 2020	31 December 2019
ASSETS			
	Note	YR' 000	YR' 000
Cash on hand and mandatory reserve balances at Central Bank of Yemen	17	31,130,489	22,995,638
Certificates of deposit at Central Bank of Yemen	18	-	1,000,000
Due from banks, net	19	93,456,564	71,377,850
Treasury bills, net	20	208,500,000	196,643,816
Direct credit facilities to customers, net	21	7,055,446	6,714,513
Receivables and other assets, net	22	8,089,175	19,857,397
Investments, net	23	356,560	341,792
Property, plant and equipment	24	4,447,804	3,875,426
Capital work in progress	25	2,296,068	2,135,745
TOTAL ASSETS		<u>355,332,106</u>	<u>324,942,177</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institutes	26	2,191,246	1,670,232
Customers' deposits	27	298,634,520	281,649,257
Payables and other liabilities	28	16,117,384	9,392,963
Other provisions	29	5,048,670	4,265,151
Total Liabilities		<u>321,991,820</u>	<u>296,977,603</u>
EQUITY			
Capital paid	30	17,000,000	14,000,000
Reserves	31	11,707,790	9,722,434
Dividends proposed	16-b	4,632,496	4,242,140
Total Equity		<u>33,340,286</u>	<u>27,964,574</u>
TOTAL LIABILITIES AND EQUITY		<u>355,332,106</u>	<u>324,942,177</u>
CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET	32	<u>13,408,070</u>	<u>22,323,111</u>

The attached notes 1 to 42 form an integral part of these financial statements.

Mohsen Saeed Ali AlShabahi
Vice General Manager for
Banking Departments

Dr. Ahmed Ali Bin Sankar
General Manager

Dr. Mohammad Husain Halboob
Chairman



NATIONAL BANK OF YEMEN

STATEMENT OF CHANGES IN EQUITY

As At 31 December 2020

	<i>Capital paid</i> <i>(Note 30)</i> <i>YR'000</i>	<i>Reserves</i> <i>(Note 31)</i> <i>YR'000</i>	<i>Dividends</i> <i>proposed</i> <i>(Note 16-b)</i> <i>YR'000</i>	<i>Total</i> <i>YR'000</i>
Balance at 1 January 2020	14,000,000	9,722,434	4,242,140	27,964,574
Comprehensive income				
Profit for the year before Zakat and income tax	-	-	8,522,315	8,522,315
Zakat	-	-	(250,000)	(250,000)
Income tax	-	-	(1,654,463)	(1,654,463)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	6,617,852	6,617,852
Transactions with owner				
Transfer to capital from Government's share in profit for the year retained (Note 28-c):	3,000,000	-	-	3,000,000
Prior year dividends (Note 16-b)	-	-	(4,242,140)	(4,242,140)
Transfer from profit for the year to:	-	-	-	-
Statutory reserve (Note 31-a)	-	992,678	(992,678)	-
General reserve (Note 31-b)	-	992,678	(992,678)	-
Total transaction with owner	3,000,000	1,985,356	(6,227,496)	(1,242,140)
Balance at 31 December 2020	17,000,000	11,707,790	4,632,496	33,340,286
Balance at 1 January 2019	10,000,000	7,904,374	3,030,307	20,934,681
Comprehensive income				
Profit for the year before Zakat and income tax	-	-	7,825,250	7,825,250
Zakat	-	-	(250,000)	(250,000)
Income tax	-	-	(1,515,050)	(1,515,050)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	6,060,200	6,060,200
Transactions with owner				
Transfer to capital from Government's share in profit for the year retained (Note 28-c):	4,000,000	-	-	4,000,000
Prior year dividends (Note 16-b)	-	-	(3,030,307)	(3,030,307)
Transfer from profit for the year to:	-	-	-	-
Statutory reserve (Note 31-a)	-	909,030	(909,030)	-
General reserve (Note 31-b)	-	909,030	(909,030)	-
Total transaction with owner	4,000,000	1,818,060	(4,848,367)	969,693
Balance at 31 December 2019	14,000,000	9,722,434	4,242,140	27,964,574

The attached notes 1 to 42 form an integral part of these financial statements.

NATIONAL BANK OF YEMEN

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2020

	2020	2019
	YR 000	YR 000
OPERATING ACTIVITIES		
Profit for the year after Zakat and income tax	6,617,852	6,060,200
<i>Adjustments for the following:</i>		
Depreciation of property, plant and equipment	197,971	151,422
Provisions:		
Re-translation differences on balances in foreign currencies	319,055	(1,935)
Made	1,757,737	3,005,404
Written back	(1,255,813)	(490,980)
Written off	-	(19,089)
Operating Profit Before Changes In Banking Assets And Liabilities Related To Operating Activities	<u>7,636,802</u>	<u>8,705,022</u>
CHANGES IN BANKING ASSETS		
Mandatory reserve balances at Central Bank of Yemen	(417,822)	(1,354,341)
Due from banks maturing in over than three months	-	-
Direct credit facilities to customers before provision for impairment but after suspended interest	(378,393)	(1,598,408)
Receivables and other assets	11,768,223	(18,385,973)
Net decrease / (increase) in banking assets	<u>10,972,008</u>	<u>(21,338,722)</u>
CHANGES IN BANKING LIABILITIES		
Due to banks and financial institutes	521,014	-
Customers' deposits	16,985,263	30,775,845
Payables and other liabilities	6,724,420	1,240,257
Net increase in banking liabilities	<u>24,230,697</u>	<u>32,016,102</u>
Net Cash Flows From Operating Activities (1)	<u>42,839,507</u>	<u>19,382,402</u>
INVESTING ACTIVITIES		
Treasury bills maturing in over than three months	(11,856,184)	(54,134,439)
Investments	(14,768)	-
Additions to property, plant and equipment	(770,349)	(1,071,536)
Capital work in progress	(160,323)	(172,023)
Net Cash Flows (Used In) Investing Activities (2)	<u>(12,801,624)</u>	<u>(55,377,998)</u>
FINANCING ACTIVITIES		
Dividends proposed	(4,242,140)	(3,030,307)
Capital increase	3,000,000	4,000,000
Net Cash Flows (Used In) / From Financing Activities (3)	<u>(1,242,140)</u>	<u>969,693</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)	28,795,743	(35,025,903)
Cash and cash equivalents at 1 January	76,634,311	111,660,214
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Note 33)	<u>105,430,054</u>	<u>76,634,311</u>

The attached notes 1 to 42 form an integral part of these financial statements.

1 GENERAL INFORMATION

Incorporation

The National Bank of Yemen (the Bank) was incorporated in Aden in 1969 in accordance with Law No. 37 of 1969 that is amended by Law No. 36 of 1972 which both got cancelled in accordance with provisions of Law No. 22 of 1997 on Commercial Companies, Law No. 8 of 1998 on Banks and Law No. 21 of 1996 on Islamic Banks amended by Law No. 16 of 2009.

The Bank's status was amended in accordance with Prime Minister Decree No. 405 of 2013 on Reorganisation of the National Bank of Yemen issued on 5 August 2013, upon which the Article of Association of National Bank of Yemen was issued, as until that date it was operating in accordance with Law No. 35 of 1991 on Authorities, Corporations and Public Companies.

The Bank is wholly owned by the Yemeni State and is registered under commercial registration number 1748 and in Chamber of Commerce under no. 2404. It enjoys a corporate personality of a financial and administrative independency and is subject to supervision of the Minister of Finance in accordance with Article No. 3 of Prime Minister Decree No. 405 of 2013 on Reorganisation of the National Bank of Yemen.

The Bank's Head Office and legal place is located in Aden City and it can establish branches, agencies or offices inside or outside the Republic upon a license from Central Bank of Yemen after the approval of National Bank of Yemen Board of Directors in accordance with Article No. 4 of the same Decree.

Activity

The Bank is one of the biggest Yemeni commercial banks and is a primary contributor in the economic and social development in Yemen. It provides banking services to individuals and companies and treasury and investment management. The Bank's Head Office is located at Queen Arwa Street and its postal address is P. O. Box 5, Crater, Aden, Republic of Yemen.

The Year Ended 31 December 2020

During the year, the Bank continued doing business through its Head Office in Aden City and its branches in a number of governorates of the Republic of Yemen under the management of a Board of Directors of 8 members headed by Dr. Muhammad Hussein Halboub - Chairman, appointed under Republican Decree No. 12 of 2017 dated 28 January 2017, and an executive management team headed by Dr. Ahmed Ali Omar bin Sankar- General Director, appointed under Prime Minister Resolution No. 7 of 2017 dated 29 January 2017.

During the period 13 January -17 December 2020 the Board of Directors held 10 periodic and exceptional meetings.

As at 31 December 2020, number of Bank's branches continuing in business under the authority and control of Bank's Head Office-Aden reached 25 commercial branches and 3 offices with 875 employees - 862 permanent and 13 contracted (31 December 2019: 25 commercial branches and 3 offices with 875 employees - 862 permanent and 13 contracted). The number of Bank's branches continuing in business but out of the authority and control of the Bank's Head Office-Aden were 3 with 98 employees - 90 permanent and 8 contracted as at 31 July 2019 (31 December 2019: 3 branches with 98 employees - 90 permanent and 8 contracted as at 31 July 2019).

- *Significant Events*

- *Inaugurating the Modern Banking "BANKS" System*

On 2 February 2020, the Bank's Head Office - Aden inaugurated the "Go Live" stage of the "BANKS" System at the Bank's Head Office and the two branches Al-Aydarous and Queen Arwa in conjunction with the 50 memorial of establishing the Bank and werer followed by Little Aden Branch on 1 November 2020. The implementation of this project comes in accordance to an agreement signed on 22 May 2017 with ICSFS, Amman - Jordan for the purchase, supply of systems and programs, application and training for "Banks" System. The tender was awarded to the company according to the Higher Tender Committee Resolution No. 61 of 2014 for the implementation of Part Two of Bank's Development and Modernization Project - Installing and Operating Information Technology Equipment and Programs which the Bank is implementing, self-financed, with the aim of enhancing the Bank's efficiency and competitiveness and maximizing profitability. The Bank had signed a contract with an international consulting firm on 20 December 2006 to implement the first part of the Project.

- *Covid-19 Pandemic*

Early 2020, the world witnessed the spread of the Covid-19 Virus, which caused death of thousands of people around the world and led to the imposition of quarantine, the closure of several cities and countries, decrease in transport, travel and trade between and within countries and a global economic recession. On 11 March 2020, the World Health Organisation (WHO) declared Covid-19 Virus a world-wide pandemic and recommended with national health ministries, several measures to preserve the health of employees and support the prevention of contagion in their administrative and operational places, such as working from home, reducing work shifts in operation areas to minimise number of commuting workers, rigorous cleaning in workplaces, distribution of personal protective materials, testing of suspected cases and measuring body temperature.

At the local level, the Yemeni Banks Association issued on 28 March 2020 a comprehensive plan for banks to confront the Corona Virus crisis that comprised the following areas: a) preventive measures, b) remote work continuity plan c) technological requirements for working remotely and ensuring business continuity and d) Providing customers' needs with a focus on the basic and necessary priorities of the Country e) recommendations on the role assigned to the Central Bank in providing incentives to support the banks' plans to confront the Corona Virus crisis.

1 GENERAL INFORMATION (CONTINUED)**Activity (Continued)**The Year Ended 31 December 2020 (Continued)

- *Significant Events (Continued)*

- *Covid-19 Pandemic (Continued)*

Later on, during the period April-June 2020 and with the emergence of Covid-19 Virus cases in some governorates of the Republic, transportation in and between governorates of the Republic got limited, the social distancing measures were applied and the number of office hours were reduced at working places, which affected work execution in the public and private sectors, including the Bank where circumstances required providing personal protection and cleanliness materials to employees working in the Bank and paying aid to employees inside Yemen and those who are abroad in assignments related to the Bank (Note 12-c) during the period. Also, Bank's performance with regard to implementing of the new banking system and the revaluation of Bank's land and buildings were affected in addition to the delay of external audit procedures for 2019.

Management cannot determine the long term impact of Covid-19 Virus on the Bank and its activities (Covid-19 Risks) but it took possible measures in the light of local situation and available resources in that regard, in response to the economic impacts that may result from the pandemic locally, in addition to the other events, local and regional, during the period including making provisions for expected credit loss on direct credit facilities and communicating and field visiting several correspondent banks to solve issues concerning balances due to the Bank at these banks and letters of credit in foreign currencies.

- *Inaugurating Bank's Branches' Buildings*

On 26 November 2020 the building of Zunjubar Branch - Abyan and the office of Ma'alla Wharf - Aden Port were inaugurated after completion of their rehabilitation projects.

- *Management Approval On Bank's Audited Financial Statements For The Year Ended 31 December 2019*

On 27 December 2020, management approved the Bank's audited financial statements for the year ended 31 December 2019 on which the Independent Auditors expressed a qualified audit opinion issued on 29 December 2020. One reason for this opinion was the no possibility to verify the amounts and balances of the Bank's two commercial branches in Sana'a and Al-Hodeidah and its Islamic branch in Sana'a that are shown in those financial statements due management inability to provide adequate and proper audit evidence on these branches.

During the subsequent period, the Board of Directors held a meeting in its capacity as the Bank's General Assembly, in which it discussed and approved those financial statements in the light of the independent auditors' conservative report (note 41-a), that was amended, later on, based on audit evidence provided by the management on the Bank's two commercial branches in Sana'a and Al-Hodeidah (Note 41-b).

- *Year's Results*

For the year ended 31 December 2020, the Bank achieved good year's results due to measures taken by management to support the continued operating of the Bank, in the light of continuing political and security instability in the Country since April 2015 and their various repercussions, the deterioration of the local currency rate, the reduction transactions volume locally and abroad, the difficulty of communication with some correspondent banks, the limited opportunities for internal and external investment due to the existing regional and international conditions and the exit of Bank's branches in Sana'a and Al-Hodeidah from the authority and control of Bank's Head Office in Aden. Management believes that despite the difficulty to predict the impact of circumstances on the financial statements and management's estimates concerning the fair value of Bank's assets and liabilities and the financial plans prepared for the subsequent period, the Bank will continue in business as a going concern in the foreseeable future. Therefore, the Bank's financial statements were prepared on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New Or Amended Accounting Standards And Interpretations Adopted

The Bank has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis Of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') in addition to provisions of Central Bank of Yemen circulars.

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of certain classes of property, plant and equipment and financial assets at fair value through other comprehensive income. The Bank does not carry any financial assets or liabilities at fair value through profit or loss

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis Of Preparation (Continued)

Critical Accounting Estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Discontinued Operations

In June 2019, the Bank's branches in Sana'a and Al-Hodeidah (two commercial branches and an Islamic branch) exited out of the authority and control of the Bank's Head Office - Aden. The Bank and the Central Bank of Yemen / Aden published a warning announcement on that regard on 24 and 26 December 2019.

Due to the continuity of those branches in operation under the name and logo of the Bank independently and management's belief that their situation can be resolved in the future, the management did not apply the requirements of IFRS 5- "Non-current Assets Held for Sale and Discontinued Operations" which defines discontinued operations as a component of an entity that has either been excluded or classified as held for sale, and represents major business line operations, a separate geographical area, or part of a single plan coordinated to exclude a line of business, a separate geographical area or a subsidiary facility acquired only with a resale perspective since the definition of the Standard does not apply on the status of those branches.

Therefore, the accounts of the Bank's two commercial branches in Sana'a and Al-Hodeidah as at 31 July 2019 are presented, independently, in the notes to the Bank's financial statements, based on the last trial balance obtained by Bank's Head Office -Aden from the two branches dated 31 July 2019, while the accounts of the same branches as in the records of Bank's Head Office -Aden for the period 1 August - 31 December 2019 are presented as suspended accounts balances because the Bank's Head Office -Aden did not obtain any financial reports on them from the two branches. As for the Islamic Branch, which represents an independent entity of the Bank according to the requirements of the Central Bank of Yemen, its balance is presented as at 25 December 2019 which is the date of the last transaction recorded for this branch in the records of the Bank's Head Office -Aden in the light of the fact that this branch did not submit any financial reports to Bank's Head Office -Aden for the period 1 January - 31 December 2019.

Translation Of Foreign Currencies

- The Bank maintains its accounting records in Yemeni Rial which is the Bank's functional and presentation currency.
- Transactions denominated in foreign currencies or required to be paid in foreign currencies are initially recorded in Yemeni Rial according to exchange rate ruling at date of the transactions.
- All monetary assets and liabilities denominated in foreign currencies at year end are re-translated at exchange rate ruling at reporting date. Non-monetary items measured at historical cost in foreign currencies are re-translated using exchange rate ruling at transaction date. Non-monetary items measured at fair value are re-translated using exchange rate ruling when determining fair value and its recognition in equity. Differences on re-translation of balances in foreign currencies are included in profit or loss.
- The Bank does not deal in forward foreign exchange contracts.

Revenue Recognition

The Company recognises revenue from contracts with customers based on a five-step model as set out in 'IFRS 15 – Revenue from Contracts with Customers' as follows:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and set out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligations is a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation

Activity Revenues

Activity revenues of the Bank are represented by revenues of banking activity as determined by Article No. 2-h of Law No. 38 of 1998 on Banks.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Revenue Recognition (Continued)**Activity Revenues

The Bank recognizes activity revenues as follows:

- Interest received on direct credit facilities and paid for customers' deposits: on accrual basis using the effective interest rate method which is established on initial recognition of the financial asset / liability and is not revised subsequently. In compliance with Central Bank of Yemen instructions in its circular no. 6 of 1996, the revenue on interest on credit facilities which passed due time three months or more are not recognised until actually collected.
- Commission and fee income on banking services such as issuing letters of credit and letters of guaranty, etc.: when earned.
- Gain on selling foreign currencies: when earned.
- Dividends from investments: when the right of the Bank to receive payment is established.
- Interest on certificates of deposit at Central Bank of Yemen and returns on treasury bills: based on maturity period.
- Interest on due from banks: when the right of the Bank to receive payment is established.

Other Revenues

All other revenues are recognised when received or the right to be received is established.

Employees' BenefitsRegular Leave

An employee is entitled of a regular leave with full salary on each year of actual service that is not less than 30 days. If have passed the age of 50 the employee could obtain a regular leave for 45 days. Eid days and official holidays are not included in the regular leave in accordance with Article No. 53 of Law No. 19 of 1991 on Civil Service. Enjoying this leave is compulsory in year of entitlement and should not accumulate to more than 90 days at maximum in accordance with Article No. 54 of the same law. The amount of the leave is paid in cash to Bank's employees whose duties require continuing to work throughout the year.

Social Insurance

Bank's employees' contribution for social insurance is calculated in accordance with Law No. 25 of 1991 on Social Insurance. The Bank deducts this contribution directly from employees' salaries and pays it on their behalf to the General Authority for Insurance and Pensions in accordance with Authority's procedures. Bank's annual contribution in social insurance is included in "employees related expenses".

End of Service Benefits

The Bank provides end of service benefits to it employees since 2015. It is represented by employee's 3 months' salary according to last payroll sheet when retired.

Leases

Lease contracts entered by the Bank are annual rent contracts to use buildings for Bank's branches and apartments for some of Bank's employees'. The Bank recognizes lease payments as an expense in the statement of profit or loss on a straight-line basis over the lease term as permitted by IFRS 16 "Leases".

Zakat

The Bank pays Zakat amount for the year in accordance with claims of General Department For Al-Zakah-Dues / Aden and obtains clearance letter from it on payment for the year. Donations and gifts paid upon management's decision are stated in general and administrative expenses.

TaxesIncome Tax On Trade And Industry Profits

The amount of this tax is calculated at 20% in accordance with Law No. 17 of 2010 on Income Tax, its bylaw no. 508 of 2010 and orders effective in the Republic of Yemen and is paid in accordance with Tax Authority procedures.

The Bank does not pay tax on provisions for losses / impairment of direct credit facilities (and suspended interests) and indirect credit facilities it makes in compliance with Central Bank of Yemen instructions in accordance with Article No. 85 of Law No. 38 of 1998 on Banks and Article No. 14-a-2 of Law No. 17 of 2010 on Income Tax.

In accordance with Article No. 19-a of Law No. 17 of 2010 on Income Tax, the Bank, "If the account of one year subject to tax was closed with a loss and it has provided its tax declaration as approved by a licensed chartered accountant based on proper books and accounts, could carry this loss on expenses of the year following the year of loss and deduct it from its profit. If profit is not enough to cover the whole loss, the rest of the loss is to be transferred to the next year and so on until the fifth year of starting the deduction". The provision of this article "does not apply on the losses carried by the Bank in the tax year and prior years, if there is a 100% change in ownership of capital in accordance with Article No. 19-b of the same law.

Payroll Tax

This amount of this tax is calculated in accordance with Law No. 17 of 2010 on Income Tax, its bylaw no. 508 of 2010 and orders effective in the Republic of Yemen. The Bank deducts this tax directly from employees' salaries and pays it on their behalf to the Tax Authority in accordance with Authority's procedures.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Taxes (Continued)**Other Taxes

Other taxes are calculated in accordance with effective related taxes laws.

Basic Earnings Per Share

Basic earnings per share is calculated by dividing the comprehensive profit for the year by the weighted average number of ordinary shares during the year.

Profit Distribution

In accordance with Article No. 10-a of the Bank's Article of Association, the net profit after Zakat and tax is distributed as follows:

15%	Statutory reserve;	15%	General reserve;
60%	Government's share in excess of profit;	10%	Employee's incentives as per their activity in accordance with performance reports based on a recommendation of Bank's management and approval of Board of Directors.

Current And Non-Current Classification

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Bank's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realized within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in the Bank's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash And Cash Equivalents

Bank's cash and cash equivalents are represented by cash on hand and balances at the Central Bank (except mandatory reserve), short term current accounts and fixed deposits due from banks and treasury bills and certificates of deposit at Central Bank maturing in three months from its issuance date.

Mandatory Reserve With Central Bank Of Yemen

This reserve represents the minimum limit of balances the Bank has to maintain at Central Bank of Yemen against customers' deposits at the Bank in local currency and foreign currencies and is calculated on the basis of the average deposit balances during the week at 7% on deposits in local currency and 20% on deposits balances in foreign currencies in accordance with Central Bank of Yemen circular no. 4 of 2009 on Weekly Reporting On Calculating The Mandatory Reserve On Deposits. The percentage of this reserve on all deposits in foreign currency with the bank has been reduced to 10% in accordance with Article No. 1 of the Governor of the Central Bank of Yemen Decision No. 3 of 2011 regarding the reserve in foreign currencies. The Central Bank does not give interest on this reserve and it is not available for the Bank's daily use.

Certificates Of Deposit At Central Bank Of Yemen

These accounts represent a public debt instrument subscribed at Central Bank of Yemen. They are stated at nominal value and revenue on them is defined by the period of maturity, interest rate and commission as determined by Central Bank of Yemen / Aden.

Treasury Bills

These accounts represent a public debt instrument issued by the Central Bank of Yemen on behalf of the Ministry of Finance. They are stated at net value and revenue on them is defined by the period of maturity and return rate as determined by Central Bank of Yemen/ Aden. Treasury bills which mature in a period not more than three months are considered part of cash and cash equivalents in accordance with Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended).

Due From Banks

These accounts are represented by Bank's current accounts and fixed deposits at other banks and are stated at amortised cost. The provision for impairment is calculated using the simplified approach to measure expected credit losses - one stage over the life of the instrument.

Direct Credit Facilities

These accounts are represented by short term loans and overdraft facilities to Bank's customers in public and private sectors and individuals. They are stated net of relevant provision for impairment and suspended interest in accordance with Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended). Impairment of these credit facilities are recognised in accordance with several indicators as defined in Central Bank of Yemen circular no. 6 of 1996, its annex circular no. 5 of 1998 and its annex circular no. 8 of 2015 on Classification Of Credit Facilities And The Way To Calculate Required Provisions and Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended) including the following:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Direct Credit Facilities (Continued)

- The amount of difference between the size of customer's deposits and cash flows in his accounts at the Bank and the return due from the debt for a certain period of time;
- The amount the customer is exceeding on the authorised limit of facility granted to him for a certain period of time;
- The period of customer's delay in payment of the debt on agreed installment or interest; and
- Occurrence of defect in the customer's financial position resulting in negative net equity.

Provision for impairment on these facilities is calculated after deducting suspended interest and cash or bank guarantees of high quality that can get liquefied in a short term in same currency of direct credit facility in accordance with rates determined by the relevant Central Bank of Yemen circulars.

The Bank applies the requirements of IFRS 9 - Financial Instruments since 1 January 2018, in line with the Central Bank of Yemen circulars regarding direct credit facilities issued in prior periods due to not obtaining any instructions or circulars issued by Central Bank of Yemen on IFRS 9 - Financial Instruments, as follows:

- Stages of impairment recognition:

<i>Impairment stages</i>	<i>Exposure to credit risk</i>	<i>Default payment indicator</i>	<i>Recognition of expected credit loss</i>
First	Not materially high since initial recognition or of low credit risk	Less than 30 days	For 12 months
Second	Materially high since initial recognition or no subjective evidence of impairment	30 days and less than 90 days 90 days and less than 180 days 180 days and less than 360 days	For debt life
Third	There is a subjective evidence of impairment	360 days or more	For debt life

- Credit classification categories and provision type:

<i>Impairment stages</i>	<i>Credit classification category</i>	<i>Provision rate</i>	<i>Provision type</i>
First	Performing	2%	General
Second	Under performing-1: Under watch	2%	Specific
	Under performing-2: Substandard	15%	
	Under performing-3: Doubtful	45%	
Third	Impaired	100%	Specific

- Suspended interest (uncollected interest): The Bank includes the interest on direct credit facilities that have passed due three months or more and not been paid marginally under suspended interest. They are not carried to customers' accounts receivable and are not credited to profit or loss unless collected and after the principal has been collected.

Receivables

These accounts are mainly represented by amounts due to the Bank from its employees or other entities and are presented at amortised cost. The provision for impairment is calculated using the simplified approach to measure expected credit losses - one stage over the life of the instrument.

Investments

The Bank holds investments at fair value through other comprehensive income represented by shares in capital of financial and commercial entities. These accounts are stated at fair value including purchase price and costs associated with their acquisition. Changes in fair value are recognised, upon notice from the investment entity, in other comprehensive income and then transferred to the related reserve. The Bank provides for impairment when it is not possible to receive dividends and the investment is incurring accumulated losses in accordance with the latest available financial statements of investment.

Property, Plant and Equipment

Bank's lands and buildings are stated at revaluation amount. Plant and equipment is shown at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives using the rates set forth in the Council of Ministers Resolution No. 144 of 1999 on this regard as shown below:

Buildings	2%	Furniture and equipment – safes	10-2%
Vehicles	20%	Swift and computer hardware and software	20%
Improvements to leasehold property	Years of lease or estimated useful life whichever is lower.		
Land	Not depreciated		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (Continued)

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Bank. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Bank's lands and buildings are revalued with the help of an independent advisory firm every five years since 2007 in the light of the situation the Country is going through. The recognition of re-valuation results and their inclusion in the Bank's records require the approval of the Central Bank of Yemen.

Capital Work In Progress

These assets are represented by construction and procurement projects relevant to the Bank whose implementation has started but not been completed, yet, as at reporting date. It is stated at cost which includes all related expenses such as professional fees and amounts paid to developer or implementer. It is transferred to property, plant and equipment and becomes subject to depreciation or to the appropriate account when ready for use.

Due To Banks And Financial Institutes

These accounts are represented by fixed deposits and current accounts of other banks and financial institutions at the Bank.

Customer Deposits

These accounts are mainly represented by current accounts, saving accounts and fixed deposits of Bank's clients in public and private sectors and individuals.

Payables

These accounts are mainly represented by amounts due from the Bank to its employees or other entities.

Other Provisions

Other than the provisions made by the Bank for impairment of financial and non-financial assets, the Bank recognises other provisions when it has an obligation (legal or constructive) arising from a past event, and the Bank may be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market. Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Investments' Fair Value

Year	Level one YR'000	Level two YR'000	Level three YR'000	Total YR'000
2020	-	-	356,560	356,560
Total Investments' fair value	-	-	356,560	356,560

Reserves

Statutory Reserve And General Reserve

In accordance with Article No. 10-b of Bank's Article of Association, the Bank is to maintain a statutory or general reserve or both together until reserve balance is double the authorised capital for the Bank. The Bank is to stop deducting and calculating reserve when reaching such limit.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Reserves (Continued)**Statutory Reserve And General Reserve (Continued)

Such percentage could be increased upon the recommendation of management, approval of the Board Directors and acceptance of the Minister. In accordance with Article No. 10-c of the Bank's Article of Association the Bank may use the general reserve to increase capital or develop Bank's activities and raise its efficiency, based on Bank's management recommendation and Board of Directors and Minister approval. .

Surplus On Revaluation Of Property, Plant And Equipment Reserve

This reserve includes the difference between fair value and book value of Bank's lands and buildings which were revalued for the first time on 1 December 1999 effective as at 31 December 1999 by an independent specialised firm. In accordance with IAS 16, the cost and related accumulated depreciation as at that date were eliminated based on revaluation results and the revaluation amount has been considered the new gross book carrying amount. Surplus was added to this reserve.

Cumulative Change In Fair Value Reserve

This reserve includes the cumulative net change in the fair value of Bank's investments at fair value through other comprehensive income that are still recognised in the Bank's financial statements. This reserve is maintained until these investments are sold, disposed or impaired. Fair value gains or losses in this reserve represent non-distributable profits and it is part of restricted equity, which also includes share capital and revaluation reserve.

Contingent Liabilities, Commitments And Contra Accounts

These accounts are represented by contractual amounts for the purpose of providing funds to a customer when necessary. They are not included in the statement of financial position as they are not actual assets or liabilities of the Bank at the reporting date but get converted from a contingent liability to a direct obligation in the future and the Bank is obliged to pay the amounts due on behalf of the customer, only, when the customer defaults on the terms of the contract. These accounts are stated at unamortised value (net value after deducting the corresponding cash security) in accordance with the Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended).

Indirect Credit Facilities

These accounts are represented by local and foreign letters of guaranty and letters of credit - import and export. The Bank makes general or specific provisions for the value not covered with cash security of all these accounts in compliance with the requirements of IFRS 9- Financial Instruments on the 'expected credit loss' model.

Other Contingent Liabilities And Commitments

These accounts are represented by accepted securities on suppliers' facilities, re-discounted bills, non-cancellable credit grants or whose cancellation would result Bank incurring significant fines or expenses, commitments for differed foreign exchange contract and interest rate contracts etc.

Contra Accounts

These accounts are represented by securities that do not entail any contingent liability to the Bank, as the Bank is not a party of, and its responsibility is restricted to the custody of them, such as cheques, bills deposited for collection, bills deposited for insurance and securities deposited for guarantee or as free deposit. These are maintained in regular record books to register value and are reviewed and adjusted in accordance with sound systems and proper control.

Related Party Transactions

In its normal course of business, the Bank conducts transactions with other entities that fall in the definition of related parties as comprised in the International Accounting Standard 24 - Related Party Disclosures. A related party is a person or entity that is able to control or exercise significant and material influence over the Bank's financial and operating decision making process. The Bank discloses in its financial statements on transactions made with related parties such as Board of Directors, senior management, their families and companies in which they own 25% or more of its share capital. The Bank deals with related parties at the same basis it deals with others in accordance with provisions of Law No. 38 of 1998 on Banks and interpretation of Central Bank of Yemen in its circular no. 4 of 1999 on Lending Related Parties And Their Related Interest. The pricing policies and terms of these transactions are subject to Bank's management approval.

Offsetting The Financial Assets And Liabilities

Financial assets and financial liabilities are offset and the resultant net balance is reported in the statement of financial position, if and only if, there is a legally enforceable right to offset the recognised amounts and there is intention for either settlement on a net basis or an asset to be realised and a liability settled simultaneously

Fiduciary Assets

Assets held in trust are not treated as assets of the Bank. Therefore, they are not included in the financial statements of the Bank.

Rounding of Amounts

Amounts in this report have been rounded off to the nearest thousand Yemeni Riyal, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of the financial assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience of the Bank and various other factors the Bank believes are reasonable under the circumstances, the results of which form the basis of making the judgments made about the carrying values of assets and liabilities that are not readily apparent from other sources. Therefore, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a regular basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Key judgment, estimates and assumptions are subject to management approval.

Management Estimates

Estimates considered by Bank's management to have a significant risk of material adjustment in subsequent periods primarily comprise provisions for impairment of direct credit facilities.

When determining the provisions for direct credit facilities, the Bank takes into consideration several factors including: the overall customer's financial position; risk percentage i.e. the ability of the customer to conduct profitable business activities and collect enough income to enable it pay the debt; value of the collateral and possibility of transferring its ownership to the Bank; and cost of settling the debt.

4 INTEREST ON DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

	2020 YR '000	2019 YR '000
Interest on direct credit facilities to customers (Note 4-a)	762,508	522,328
Cost of customers' deposits (Note 4-b)	<u>(15,853,086)</u>	<u>(15,285,254)</u>
Total interest on direct credit facilities to customers, net	<u>(15,090,578)</u>	<u>(14,762,926)</u>

4-a Interest On Direct Credit Facilities To Customers

	2020 YR '000	2019 YR '000
Short term loans	472,621	322,590
Overdraft facilities	289,887	152,662
Sana'a and Al-Hodeidah Branches	-	47,076
Total interest on direct credit facilities to customers	<u>762,508</u>	<u>522,328</u>

4-b Cost Of Customers' Deposits

	2020 YR '000	2019 YR '000
Fixed deposits	(11,951,639)	(10,494,064)
Saving accounts	(3,901,447)	(3,683,166)
Sana'a and Al-Hodeidah Branches	-	(1,108,024)
Total cost of customers' deposits	<u>(15,853,086)</u>	<u>(15,285,254)</u>

5 INTEREST ON DUE FROM BANKS

	2020 YR '000	2019 YR '000
Foreign banks:		
Fixed deposits	63,432	99,840
Current accounts	23,264	196
Total interest on due from banks	<u>86,696</u>	<u>100,036</u>

6 COMMISSIONS AND FEE INCOME ON BANKING SERVICES, NET

	2020 YR '000	2019 YR '000
Commissions and fee income on banking services (Note 6-a)	402,851	1,010,548
Commissions and fee expenses on banking services (Note 6-b)	<u>(32,594)</u>	<u>(48,952)</u>
Total commissions and fee income on banking services, net	<u>370,257</u>	<u>961,596</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

6 COMMISSIONS AND FEE INCOME ON BANKING SERVICES, NET (CONTINUED)

6-a Commissions And Fee Income On Banking Services

	2020	2019
	YR'000	YR'000
Commissions:		
Cheques and money transfer	90,275	131,613
Letters of credit	84,068	593,388
Letters of guaranty	24,282	22,488
Collection policies and export drafts	-	2,848
Fees:		
Fixed deposits	112,458	74,003
Current accounts	15,776	13,467
Postage, fax and swift	13,608	13,344
Others	62,384	53,873
Sana'a and Al-Hodeidah Branches	-	105,524
Total commissions and fee income on banking services	<u>402,851</u>	<u>1,010,548</u>

6-b Commissions And Fee Expenses On Banking Services

	2020	2019
	YR'000	YR'000
Commissions - foreign banks	(32,592)	(48,483)
Charges on printing Central Bank of Yemen sheets	(2)	(469)
Total commissions and fee expenses on banking services	<u>(32,594)</u>	<u>(48,952)</u>

7 INTEREST ON CERTIFICATES OF DEPOSIT AT CENTRAL BANK OF YEMEN

	2020	2019
	YR'000	YR'000
Interest receivable	207,865	207,865
Central Bank of Yemen:		
Commission	(4,725)	(4,725)
Additional interest	17,317	-
Total interest on certificates of deposit at Central Bank of Yemen	<u>220,457</u>	<u>203,140</u>

8 DIVIDENDS FROM INVESTMENTS

	2020	2019
	YR'000	YR'000
ALUBAF Arab International Bank - Bahrain (Note 8-a)	16,522	5,231
Yemen Mobile Company - Yemen (Note 8-b)	-	21,000
Arab Financial Services Company - Bahrain (Note 8-c)	-	-
Total dividends from investments	<u>16,522</u>	<u>26,231</u>

8-a ALUBAF Arab International Bank - Bahrain

In March 2020, the Bank received the dividend amount of USD 41,304 according to the latest financial statements available of the investment as at 31 December 2019.

8-b Yemen Mobile Company - Yemen

During the year ended 31 December 2020, the Bank did not receive dividends from this investment for the year 2019 nor received any response from it on that regard.

8-c Arab Financial Services Company - Bahrain

On 5 November 2020 the Bank received an email from the investment confirming that the investment did not pay dividends for the two years 2019 and 2018 and that the total amount of dividends due to the Bank not paid for the period from 2015 to 2017 is USD 11,761 (2019: total amount of unpaid dividends for the period from 2015 to 2017 is USD 11,761).

9 OTHER REVENUES

	2020	2019
	YR'000	YR'000
Written back provision for:		
Impairment of direct credit facilities (Note 21-b)	1,052,652	482,625
Indirect credit facilities (Note 29-c)	203,161	8,355
Surplus cash with tellers'	5,163	13,871
Others	1,621	242
Total other revenues	<u>1,262,597</u>	<u>505,093</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

10 EMPLOYEES' RELATED EXPENSES

	2020 YR'000	2019 YR'000
Basic salaries and wages	2,959,374	2,540,710
Allowances and benefits	2,586,306	1,849,762
Bonuses and incentives	2,289,283	1,942,596
Employees regular leave (Note 28-a-ii)	250,000	190,178
Bank's contribution in social insurance	188,735	185,512
End of service benefits (Note 28-a-i)	146,419	132,998
Professional Training Fund	40,462	39,424
Qualification and Training (Note 10-a)	9,302	116,090
Sana'a and Al-Hodeidah Branches	-	169,967
Total employees' related expenses	<u>8,469,881</u>	<u>7,167,237</u>

During the year ended 31 December 2020, the Bank paid YR'000 422,920 (2019: YR'000 725,493) for payroll tax on behalf of employees including YR'000 251,125 (2019: YR'000 394,211) as per monthly tax declarations until the year end. The tax examination has not been completed by the Tax Authority as at the reporting date.

10-a Qualification And Training

	2020 YR'000	2019 YR'000
Academic and professional qualification- Bank:		
External	4,939	108,341
Internal	4,363	7,749
Institute of Banking Studies (Note 10-a-i)	-	-
Total qualification and training	<u>9,302</u>	<u>116,090</u>

10-a-i *Institute of Banking Studies*

During the year ended 31 December 2020, Bank's employees did not participate in any training activity held by the Institute of Banking Studies. The account represents Bank's contribution in the estimated annual budget of the Institute in accordance with the Order of the Law No. 27 of 1978 on Establishing And Organising The Institute Of Banking Studies.

11 GENERAL AND ADMINISTRATION EXPENSES

	2020 YR'000	2019 YR'000
Guarding and security	328,723	317,988
Maintenance and repairs	187,720	141,562
Fuel and oil - vehicles and generators	99,051	76,968
Local and abroad transport	93,481	158,254
Electricity and water	87,447	60,252
Advertisement and publishing	56,775	85,079
Postage, communication, swift and internet	55,119	61,341
Stationery and printing	49,956	49,995
Rent	35,499	40,688
Professional and consultancy fees	29,231	50,241
Prescriptions	25,491	3,000
Hospitality and reception	25,429	18,414
Donations and gifts	22,489	28,397
Insurance	20,334	26,390
Information technology	2,979	3,236
Public charges	1,611	6,158
Other	19,547	14,709
Sana'a and Al-Hodeidah Branches	-	48,391
Total general and administration expenses	<u>1,140,882</u>	<u>1,191,063</u>

12 OTHER EXPENSES

	2020 YR'000	2019 YR'000
Provisions made during the year (Note 12-a)	1,757,737	3,005,404
Prior years expenses (Note 12-b)	361,907	4,925
Depreciation of property plant and equipment (Note 24)	197,971	151,422
Corona Virus epidemic related expenses (Note 12-c)	143,000	-
Judicial expenses (Note 12-d)	3,898	8,876
Fees on annual subscription in Bank Deposit Insurance Corporation	-	338,260
Penalties - Central Bank of Yemen	-	5,030
Others	18,081	-
Total other expenses	<u>2,482,594</u>	<u>3,513,917</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

12 OTHER EXPENSES (CONTINUED)

12-a Provisions Made During The Year

	2020	2019
	YR'000	YR'000
For:		
Impairment of direct credit facilities (Note 21-b)	891,318	1,878,182
Contingent claims (Note 29-a)	500,000	1,000,000
Fees on annual subscription in Bank Deposit Insurance Corporation (12-a-i)	365,657	-
Indirect credit facilities - General (Note 29-c)	512	127,222
Operational risks	250	-
	<u>1,757,737</u>	<u>3,005,404</u>
Total provisions made during the year		

12-a-i Fees On Annual Subscription in Bank Deposit Insurance Corporation

During the year ended 31 December 2020, the Bank did not receive a claim from the Bank Deposit Insurance Corporation on such fees in accordance with Article No. 16 of Law No. 21 of 2008 on Bank Deposit Insurance Corporation. Therefore, it made an estimated provision on total clients deposits with the Bank in case of any future claims. The Bank pays these fees in accordance with Article No. 12-2-b of the same law.

12-b Prior Years Expenses

For the year ended 31 December 2020 these accounts include employees' entitlements amounting YR'000 353,088 (2019: YR'000 1,213).

12-c Corona Virus Epidemic Related Expenses

	2020
	YR'000
Aid to employees:	
Inside Yemen	115,940
Outside Yemen	3,672
Personal protection and hygiene materials	<u>23,388</u>
Total Corona Virus Epidemic related expenses	<u>143,000</u>

2-d Judicial Expenses

For the year ended 31 December 2020 these accounts include expenses of law suits' follow up on Housing Project- land and apartments of YR'000 2,000 (2019: YR'000 1,035).

13 RE-TRANSLATION DIFFERENCE ON BALANCES IN FOREIGN CURRENCIES

	2020	2019
	YR'000	YR'000
Gain on re-translation of debt balances in foreign currencies	26,900	36
(Loss) on re-translation of credit balances in foreign currencies	<u>(111,534)</u>	<u>(773,489)</u>
Re-translation differences on balances in foreign currencies	<u>(84,634)</u>	<u>(773,453)</u>

14 ZAKAT

	2020	2019
	YR'000	YR'000
Balance at 1 January	5,000	62,500
Made for the year	250,000	250,000
(Paid) during the year for current year:		
Aden	(243,000)	(237,000)
Taiz	(2,000)	
Hadramout- Coast	-	(1,000)
Hadramout- Valley	-	(1,000)
(Paid) during the year for prior year	-	<u>(68,500)</u>
Balance at 31 December	<u>10,000</u>	<u>5,000</u>

During the year ended 31 December 2020, the Bank could not complete paying Zakat amount for Hadramout Branches. In a subsequent period, the Bank obtained a clearance on paying Zakat for the year (Note 41-d) (2019: The Bank completed paying Zakat amount for 2018 on Bank's branches in Aden, Taiz and Hadramout and obtained a clearance on payment dated 4 February 2019. It also paid Zakat amount for 2018 on Hodeidah Branch and the increase defined on Hadramout Branches as per claim of General Department For Al-Zakat-Dues/ Aden dated 14 March 2019 and the Zakat amount for 2019 on Bank's branches in Aden and Hadramout and obtained the clearance on payment dated 5 July 2020).

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

15 INCOME TAX

	2020 YR'000	2019 YR'000
Balance at 1 January	1,515,050	1,082,253
Made for the year	1,654,463	1,515,050
(Paid) during the year - for prior year	<u>(1,200,000)</u>	<u>(1,082,253)</u>
Balance at 31 December	<u>1,969,513</u>	<u>1,515,050</u>

The Bank completed paying this tax for prior year during the subsequent period (Note 41-e).

16 COMPREHENSIVE INCOME FOR THE YEAR

For the year ended 31 December 2020 the Bank made a total comprehensive income (excess profits) of YR'000 6,617,852 (2019: comprehensive income of YR'000 6,060,200).

16-a Basic Earnings Per Share

		2020	2019
Comprehensive income for the year	YR'000	<u>6,617,852</u>	<u>6,060,200</u>
Weighted average number of shares	1000 shares	<u>17,000</u>	<u>14,000</u>
Basic earnings per share	YR	<u>389</u>	<u>433</u>

16-b Proposed Dividends

		2020 YR'000	2019 YR'000
Balance at 1 January		4,242,140	3,030,307
Comprehensive income for the year		6,617,852	6,060,200
Government's share in prior year's profit- retained (Note 28-c)		(3,636,120)	(2,597,407)
Employees' share in prior year's profit		<u>(606,020)</u>	<u>(432,900)</u>
Balance distributable for the year		6,617,852	6,060,200
Transfer to statutory reserve during the year		(992,678)	(909,030)
Transfer to general reserve during the year		<u>(992,678)</u>	<u>(909,030)</u>
Balance at 31 December		<u>4,632,496</u>	<u>4,242,140</u>
Proposed dividends for current year:			
Government's share		3,970,711	3,636,120
Employees' share		<u>661,785</u>	<u>606,020</u>
Total proposed dividends		<u>4,632,496</u>	<u>4,242,140</u>

17 CASH ON HAND AND MANDATORY RESERVE BALANCES AT CENTRAL BANK OF YEMEN

		2020 YR'000	2019 YR'000
Cash on hand:			
Foreign currencies		7,775,810	3,208,583
Local currency		4,197,680	1,028,751
Sana'a and Al-Hodeidah Branches (Note 17-a)		-	19,127
Total cash on hand		<u>11,973,490</u>	<u>4,256,461</u>
Mandatory reserve balances at Central Bank of Yemen (Note 17-b):			
Local currency		10,800,555	10,800,555
Foreign currencies		<u>8,356,444</u>	<u>7,938,622</u>
Total mandatory reserve balances at Central Bank of Yemen		<u>19,156,999</u>	<u>18,739,177</u>
Total cash on hand and mandatory reserve balances at Central Bank of Yemen		<u>31,130,489</u>	<u>22,995,638</u>

17-a Sana'a And Al-Hodeidah Branches

Cash on hand balances of commercial Sana'a and Al-Hodeidah Branches were reclassified, after re-translation of the balances in foreign currencies, as advances due from the two branches (Note 22).

17-b Mandatory Reserve At Central Bank Of Yemen - Local Currency

As at 31 December 2020 the Bank could not obtain a confirmation from Central Bank of Yemen on its mandatory reserve balance. In a subsequent period the Bank obtained a notice from Central Bank of Yemen/ Aden on a mandatory reserve balance (Note 41-h)

18 CERTIFICATES OF DEPOSIT AT CENTRAL BANK OF YEMEN

As at 31 December 2020 the Bank had no balance of certificates of deposit at Central Bank of Yemen (31 December 2019: YR'000 1,000,000 for 91 days).

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

19 DUE FROM BANKS, NET

	2020 YR'000	2019 YR'000
Local banks:		
Central Bank of Yemen (Note 19-a)	62,024,979	36,619,770
Other local banks (Note 19-b)	709	701
Total due from local banks	<u>62,025,688</u>	<u>36,620,471</u>
Foreign banks (Note 19-c)	31,668,883	34,984,210
Provision for impairment (Note 19-d)	(238,007)	(226,831)
Total due from banks, net	<u>93,456,564</u>	<u>71,377,850</u>

19-a Central Bank of Yemen

	2020 YR'000	2019 YR'000
Current accounts:		
Foreign currencies	43,261,747	42,783,428
Local currency	18,187,693	(6,713,644)
Suspended entries for the years 1990 and 1996 Sana'a and Al-Hodeidah Branches	29,507	29,507
	<u>546,032</u>	<u>520,479</u>
Total Central Bank of Yemen	<u>62,024,979</u>	<u>36,619,770</u>

19-b Other Local Banks

	2020 YR'000	2019 YR'000
Commercial current accounts	298	298
Islamic Investment deposits	272	272
Sana'a Branch	139	131
Total other local banks	<u>709</u>	<u>701</u>

19-c Foreign Banks

	2020 YR'000	2019 YR'000
Current accounts	18,389,743	22,658,310
Fixed deposits	13,279,140	12,325,900
Total foreign banks	<u>31,668,883</u>	<u>34,984,210</u>

19-d Provision For Impairment

	2020 YR'000	2019 YR'000
Central Bank of Yemen - suspended entries for the years 1990 and 1996	29,507	29,507
Current accounts at:		
Asya Katlim Bank - Turkey (Note 19-d-i)	199,537	189,560
Bank of Credit and Development – Netherlands	8,963	7,764
Total provision for impairment	<u>238,007</u>	<u>226,831</u>

19-d-i Asya Katlim Bank – Turkey

In a subsequent period the Bank obtained its balance due from Asya Katlim Bank - Turkey (Note 41-g).

20 TREASURY BILLS, NET

	2020 YR'000	2019 YR'000
Duration of:		
91 days	133,500,000	-
364 days	45,000,000	196,643,816
182 days	30,000,000	-
Total treasury bills, net	<u>208,500,000</u>	<u>196,643,816</u>

The outstanding treasury bills certificates carry a return at the rate of 16.25-17% and the last one is maturing on 30 June 2021 (31 December 2019: return rate of 17% and last one maturing on 30 June 2020) as per issued by the Central Bank of Yemen/ Aden.

21 DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

	2020 YR'000	2019 YR'000
Gross direct credit facilities to customers (Note 21-a)	17,053,867	16,133,376
Provision for Impairment (Note 21-b)	(6,225,824)	(6,188,364)
Suspended interest (Note 21-c)	(3,772,597)	(3,230,499)
Total direct credit facilities to customers, net	<u>7,055,446</u>	<u>6,714,513</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

21 DIRECT CREDIT FACILITIES TO CUSTOMERS, NET (CONTINUED)

21-a Gross Direct Credit Facilities To Customers

21-a-i Purposes

	2020			2019
	Overdraft facilities	Short term loans	Total	Total
	YR'000	YR'000	YR'000	YR'000
Personal	-	4,979,153	4,979,153	4,491,355
Commercial	3,654,271	363,195	4,017,466	4,094,100
Industrial	7,325	472,289	479,614	455,999
Services	219,911	23,214	243,125	112,193
Others	131,740	49,363	181,103	141,638
Sana'a and Al-Hodeidah Branches:				
Commercial	5,980,580	399,197	6,379,777	6,116,897
Industrial	134,131	397,767	531,898	525,331
Personal	-	187,640	187,640	186,060
Others	43,889	10,202	54,091	9,803
Total	10,171,847	6,882,020	17,053,867	16,133,376

21-a-ii Beneficiaries

	2020			2019
	Overdraft facilities	Short term loans	Total	Total
	YR'000	YR'000	YR'000	YR'000
Private sector	3,831,272	1,016,649	4,847,921	4,960,984
Bank's employees	-	2,917,251	2,917,251	2,510,020
Public sector	181,975	1,935,881	2,117,856	1,804,220
Related parties		17,433	17,433	20,061
Sana'a and Al-Hodeidah Branches:				
Public sector	4,361,974	126,510	4,488,484	4,269,907
Private sector	1,796,626	868,296	2,664,922	2,568,184
Total	10,171,847	6,882,020	17,053,867	16,133,376

21-a-iii Currencies

	2020			2019
	Overdraft facilities	Short term loans	Total	Total
	YR'000	YR'000	YR'000	YR'000
Local currency	2,149,500	5,152,551	7,302,051	6,246,059
Foreign currencies	1,863,747	734,663	2,598,410	3,049,227
Sana'a and Al-Hodeidah Branches:				
Foreign currencies	5,751,180	319,784	6,070,964	5,755,648
Local currency	407,420	675,022	1,082,442	1,082,442
Total	10,171,847	6,882,020	17,053,867	16,133,376

21-a-iv Credit Classification

	2020			2019
	Overdraft facilities	Short term loans	Total	Total
	YR'000	YR'000	YR'000	YR'000
Performing	182,974	2,241,787	2,424,761	1,446,514
Under performing	161,728	1,730,198	1,891,926	2,629,038
Impaired	3,668,545	1,915,229	5,583,774	5,219,733
Sana'a and Al-Hodeidah Branches:				
Under performing	-	-	-	15,382
Impaired	6,158,600	994,806	7,153,406	6,822,709
Total	10,171,847	6,882,020	17,053,867	16,133,376

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

21 DIRECT CREDIT FACILITIES TO CUSTOMERS, NET (CONTINUED)

21-b Provision For Impairment

	2020					2019
	Gross value YR'000	Cash guarantees YR'000	Suspended interest YR'000	Net debt YR'000	Provision YR'000	Provision YR'000
Credit Classification:						
Performing	2,424,761	(191,530)	(21,895)	2,211,336	44,227	28,578
Under performing	1,891,926	-	(178,302)	1,713,624	497,933	155,722
Impaired	12,737,180	(4,858,619)	(3,572,400)	4,306,161	4,306,161	4,772,168
Expected credit loss	-	-	-	-	1,377,503	1,231,896
Total	<u>17,053,867</u>	<u>(5,050,149)</u>	<u>(3,772,597)</u>	<u>8,231,121</u>	<u>6,225,824</u>	<u>6,188,364</u>

For the year ended 31 December 2020 movement of provision for impairment was as follows:

	2020					2019
	General	Under performing	Impaired	Specific- Expected credit loss	Total	Total
	Performing YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
Balance at 1 January	28,578	155,722	4,772,168	1,231,896	6,188,364	4,813,831
Re-translation difference on balances in foreign currencies	58	389	198,347	-	198,794	(1,935)
(Written off) during the year	-	-	-	-	-	(19,089)
(Written back) during the year (Note 9)	-	(31,369)	(1,021,283)	-	(1,052,652)	(482,625)
Made during the year (Note 12-a)	<u>15,591</u>	<u>373,191</u>	<u>356,929</u>	<u>145,607</u>	<u>891,318</u>	<u>1,878,182</u>
Balance at 31 December	<u>44,227</u>	<u>497,933</u>	<u>4,306,161</u>	<u>1,377,503</u>	<u>6,225,824</u>	<u>6,188,364</u>

21-c Suspended Interests

	2020 YR'000	2019 YR'000
Balance at 1 January	3,230,499	2,553,320
Re-translation difference on balances in foreign currencies	117,916	(120,910)
(Written off) during the year	(17,130)	(12,678)
(Written back) during the year	(8,264)	(69,843)
Made during the year	<u>449,576</u>	<u>880,610</u>
Balance at 31 December	<u>3,772,597</u>	<u>3,230,499</u>

22 RECEIVABLES AND OTHER ASSETS, NET

	2020 YR'000	2019 YR'000
Revenue receivable from:		
Treasury bills	3,867,033	16,852,106
Loans	788	
Deposits at foreign banks	210	14,824
Islamic Branches' Department - National Bank of Yemen (Note 22-a)	1,614,445	1,611,781
Operational risk (Note 22-b)	843,509	842,091
Entries under settlement	331,551	12,036
Prepayments	221,917	155,330
Property acquired by the Bank against impaired debts (Note 22-c)	16,934	16,934
Stationery and publication inventory	10,452	9,834
Advances with branches	9,167	-
Inter-branch accounts	5,000	-
Others	856,054	58,979
Sana'a and Al-Hodeidah Branches:		
Prepayments	32,495	31,494
Advances with branches	20,625	-
Stationery and publication inventory	99	99
July 2019 result	134,427	134,427
Others	120,279	114,655
Suspended accounts:		
Accounts for the period August- December 2019 (Note 22-d)	887,761	884,975
Mutual account- Sana'a Branch September 2019	125,600	119,320
Total receivables and other assets	<u>9,098,346</u>	<u>20,858,885</u>
Provision for impairment (Note 22-e)	<u>(1,009,171)</u>	<u>(1,001,488)</u>
Total receivables and other assets, net	<u>8,089,175</u>	<u>19,857,397</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

22 RECEIVABLES AND OTHER ASSETS, NET (CONTINUED)

22-a Islamic Branches' Department - National Bank of Yemen

The amount represents the balance of Islamic Branch of the Bank in Sana'a due to Bank's Head Office– Aden as at 25 December 2019 after re-translation of balances in foreign currencies which stopped communication with Bank's Head Office– Aden in June 2019 (Note 2). It includes employees' related expenses and general and administration expenses. The Bank officially opened this Branch on 16 April 2017 as a nucleus for an Islamic transaction department in accordance with a final license from the Central Bank of Yemen to open the Islamic Branch dated 10 March 2015, based on the initial approval granted to the Bank of number 7139 dated 18 December 2014, in response to the Bank's Board of Directors Resolution No. 33 of 2009 issued on 17 March 2009 on the Committee for the Preparation and Study of Establishing a Branch for Islamic Transactions recommendation and H.E. Minister of Finance approval on this resolution dated 1 April 2009.

22-b Operational Risk

This account is represented by cash losses due to work errors and embezzlement as well as looted cash from Bank branches in armed conflict areas. Management follows up with recovering collectible amounts along with taking necessary legal procedures and has made provisions for.

22-c Property Acquired By The Bank Against Impaired Debts

The Bank maintains, in this account, a property that it had as a collateral and then acquired it against impaired debts. In compliance with Article No. 73 of Law No. 38 of 1998 on Banks, management follows up with addressing this account, which more than five years has passed on without being disposed due to the situation the Country is going through (Note 1).

22-d Accounts Of The Period August- December 2019

	2020 YR '000	2019 YR '000
Sana'a Branch:		
Debit transactions	114,756,917	114,756,794
Credit transactions	<u>113,908,944</u>	<u>113,909,617</u>
Balance	<u>847,973</u>	<u>847,177</u>
Al-Hodeidah Branch:		
Debit transactions	43,308	41,143
Credit transactions	<u>3,520</u>	<u>3,345</u>
Balance	<u>39,788</u>	<u>37,798</u>
Total accounts of the period August- December 2019	<u>887,761</u>	<u>884,975</u>

22-e Provision For Impairment

	2020 YR '000	2019 YR '000
Operational risk	972,293	964,610
Buildings:		
Al-Towahi Branch taken over -2014	25,000	25,000
Property acquired by the Bank against impaired debts- Aden	<u>11,878</u>	<u>11,878</u>
Total provision for impairment	<u>1,009,171</u>	<u>1,001,488</u>

23 INVESTMENTS, NET

	2020 YR '000	2019 YR '000
Foreign (Note 23-a)	476,168	452,360
Local (Note 23-b)	<u>243,764</u>	<u>235,686</u>
Total investments	719,932	688,046
Provision for impairment (Note 23-c)	<u>(363,372)</u>	<u>(346,254)</u>
Total investments, net	<u>356,560</u>	<u>341,792</u>

23-a Foreign Investments

	2020 YR '000	2019 YR '000
ALUBAF Arab International Bank - Bahrain (Note 23-a-i)	275,360	261,592
Holding Company UBAC Curacao N V- Curacao (Note 23-a-ii)	180,808	171,768
Arab Financial Services Company - Bahrain (Note 23-a-iii)	<u>20,000</u>	<u>19,000</u>
Total foreign investments	<u>476,168</u>	<u>452,360</u>

23-a-i ALUBAF Arab International Bank - Bahrain

The Bank has subscribed in this investee in accordance with subscription certificate no. 40 dated 31 December 1991. It's value as at 31 December 2020 amounted USD 688,400 representing 13,768 shares of value USD 50 per share in accordance with investment letter dated 26 May 2021 (31 December 2019: USD 688,400).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

23 INVESTMENTS, NET (CONTINUED)

23-a Foreign Investments (Continued)

23-a-ii Holding Company UBAC Curacao N V- Curacao

The Bank has subscribed in this investee in accordance with subscription certificate no. 15 dated 23 September 1991. It's value as at 31 December 2020 amounted USD 452,020 representing 45,202 shares of value USD 10 per share in accordance with investment letter dated 26 August 2021 (31 December 2019: USD 452,020).

23-a-iii Arab Financial Services Company - Bahrain

The Bank has subscribed in this investee in accordance with subscription certificate no. 41 dated 1 August 1984. It's value as at 31 December 2020 amounted USD 50,000 representing 10,000 shares of value USD 5 per share in accordance with investment letter dated 30 May 2021 (31 December 2019: USD 50,000).

23-b Local Investments

	2020 YR'000	2019 YR'000
Yemen Financial Services Company –Yemen (Note 23-b-i)	161,564	153,486
Yemen Mobile Company-Yemen (Note 23-b-ii)	61,200	61,200
Al-Amal Bank for Microfinance -Yemen (Note 23-b-iii)	20,000	20,000
Aden Foundation for Microfinance - Yemen (23-b-iv)	1,000	1,000
Total local investments	<u>243,764</u>	<u>235,686</u>

23-b-i Yemen Financial Services Company - Yemen

The Bank has subscribed in this investee in accordance with subscription certificate no. 1 which original of was received on 24 May 2006. Its value as at 31 December 2020 amounted USD 310,700 representing 3,107 shares of value USD 100 per share with an increase of 30% in Bank's share in the investee, based on investee's General Assembly Resolution, amounting USD 93,210 which got deposited in the investee's account at the International Bank of Yemen. The investee's Article of Association will be amended and Bank's share will be amended by this increase in accordance with latest letter the Bank received from the investee dated 12 January 2020 (31 December 2019: USD 310,700 in addition to an increase of USD 93,210).

23-b-ii Yemen Mobile Company - Yemen

The Bank has subscribed in this investee in accordance with subscription certificate no. 0020035246 dated 4 September 2009. Its value as at 31 December 2020 amounted YR'000 61,200 represented by 120 thousand shares of nominal value YR 500 per share in addition to issuance expenses amounting YR'000 1,200 in accordance with latest letter the Bank received from the investee dated 31 December 2018 (31 December 2019: YR'000 61,200).

23-b-iii Al-Amal Microfinance Bank - Yemen

The Bank has contributed in the share capital of this entity on 11 April 2005. The value of its share as at 31 December 2020 amounted YR'000 20,000 representing 200 shares of nominal value of YR 100,000 in accordance with entity's letter dated 25 May 2021. The share paid is 50% of Bank's share in the entity amounting YR'000 40,000. (31 December 2019: YR'000 20,000).

23-b-iv Aden Microfinance Foundation

The Bank has contributed in the share capital of this entity on 26 October 2005. The value of its share as at 31 December 2020 amounted YR'000 1,000 in accordance with entity's financial statements attached with entity's letter received by the Bank on 15 June 2021 (31 December 2019: YR'000 1,000). The previous name of this entity was "Tadhamun Microfinance Foundation".

23-c Provision For Impairment

	2020 YR'000	2019 YR'000
Holding Company UBAC Curacao N V - Curacao	180,808	171,768
Yemen Financial Services Company - Yemen	161,564	153,486
Al-Amal Bank for Microfinance - Yemen	20,000	20,000
Aden Foundation for Microfinance - Yemen	1,000	1,000
Total provision for impairment	<u>363,372</u>	<u>346,254</u>

24 PROPERTY, PLANT AND EQUIPMENT

	2020 YR'000	2019 YR'000
Buildings	2,255,808	1,915,721
Land	1,215,282	1,215,282
Furniture and equipment	510,109	456,173
Swift and computer hardware	213,380	145,559
Motor vehicles	128,681	55,767
Leasehold improvements	124,544	86,924
Total property, plant and equipment	<u>4,447,804</u>	<u>3,875,426</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

24 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of these accounts are as follow:

	Land YR'000	Buildings YR'000	Leasehold improvements YR'000	Furniture and equipment YR'000	Motor Vehicles YR'000	Swift and computer hardware YR'000	Total YR'000
Cost / Revaluation							
At 1 January 2020	1,215,282	2,227,914	241,187	1,032,684	230,893	629,275	5,577,235
Additions during the year	-	386,460	53,441	124,928	89,880	115,640	770,349
At 31 December 2020	1,215,282	2,614,374	294,628	1,157,612	320,773	744,915	6,347,584
At 1 January 2019	1,215,282	1,430,015	225,490	876,211	230,893	527,809	4,505,700
Additions during the year	-	797,899	15,697	156,473	-	101,466	1,071,535
At 31 December 2019	1,215,282	2,227,914	241,187	1,032,684	230,893	629,275	5,577,235
Accumulated Depreciation							
At 1 January 2020	-	312,193	154,263	576,511	175,126	483,716	1,701,809
Charged for the year	-	46,373	15,821	70,992	16,966	47,819	197,971
At 31 December 2020	-	358,566	170,084	647,503	192,092	531,535	1,899,780
At 1 January 2019	-	280,326	139,706	519,852	159,356	451,147	1,550,387
Charged for the year	-	31,867	14,557	56,659	15,770	32,569	151,422
At 31 December 2019	-	312,193	154,263	576,511	175,126	483,716	1,701,809
Net Book Value							
At 31 December 2020	1,215,282	2,255,808	124,544	510,109	128,681	213,380	4,447,804
At 31 December 2019	1,215,282	1,915,721	86,924	456,173	55,767	145,559	3,875,426

Bank's Head Office-Aden maintains all Bank's property, plant and equipment accounts including those of Bank's commercial branches in Sana'a and Al-Hodeidah whose book values as at 31 July 2019 was as follows:

	Land YR'000	Buildings YR'000	Leasehold improvements YR'000	Furniture and equipment YR'000	Motor vehicles YR'000	Swift, computer hardware YR'000	Total YR'000
Cost	61,478	230,025	5,061	28,433	22,964	8,329	356,290
Accumulated depreciation	-	46,218	3,528	14,068	22,964	6,890	93,668
Net book value	61,478	183,807	1,533	14,365	-	1,439	262,622

As at 31 December 2020, the Bank could not carry out a revaluation of Bank's lands and buildings in spite of administrative measures taken for that regard during the period August - October 2019 due to the prevailing circumstances in the Country including Covid-19 epidemic (Note 1). According to information available to management there are no indicators of impairment of these assets. Management has carried out a revaluation for Bank's lands and buildings by a an independent specialised firm as at 31 December 1999 and for AlMukairas Branch building in 2001 whose results were recorded in Bank's records. Management has also carried out a revaluation as at 31 December 2007 and 2012 but did not obtain a response from Central Bank of Yemen on including such revaluations' results in Bank's records.

25 CAPITAL WORK IN PROGRESS

	2020 YR'000	2019 YR'000
Automation and Technology Project (Note 25-a)	2,251,421	2,100,948
Bank's buildings rehabilitation projects	33,675	34,797
Fixed assets under classification	10,972	-
Total capital work in progress	2,296,068	2,135,745

25-a Automation and Technology Project

	2020 YR'000	2019 YR'000
Systems and programs	1,072,854	1,039,056
Training:		
External	527,951	527,951
Internal	20,778	16,269
Equipment and tools	281,724	281,482
Products	230,506	230,506
Incentives and fees	116,689	4,765
Stationery and printing	919	919
Total Automation and Technology Project	2,251,421	2,100,948

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

26 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2020	2019
	YR'000	YR'000
Local:		
Central Bank of Yemen- Current Account	380	361
Other local banks- Current Accounts	5,170	4,908
Exchange companies (Note 26-a)	<u>1,437,759</u>	<u>1,016,670</u>
Total due to local banks and financial institutions	<u>1,443,309</u>	<u>1,021,939</u>
Foreign:		
Banks- Current Accounts	746,914	647,291
Exchange companies - Current Accounts	<u>1,023</u>	<u>1,002</u>
Total due to foreign banks and financial institutions	<u>747,937</u>	<u>648,293</u>
Total due to banks and financial institutes	<u>2,191,246</u>	<u>1,670,232</u>

26-a Local- Exchange Companies

	2020	2019
	YR'000	YR'000
Current accounts		
Local currency	1,299,957	749,617
Foreign currency	37,700	266,958
Sana'a Branch:		
Local currency	20	20
Foreign currency	82	75
Fixed deposit - Local currency	<u>100,000</u>	<u>-</u>
Total local -exchange companies	<u>1,437,759</u>	<u>1,016,670</u>

27 CUSTOMERS' DEPOSITS

	2020	2019
	YR'000	YR'000
Current accounts:		
Customers	108,966,071	96,472,658
Government (Note 27-a)	714,999	717,292
Fixed deposits	108,703,586	95,433,367
Saving accounts	57,447,189	52,801,626
Cash insurance on outstanding indirect credit facilities (Note 27-b)	6,744,002	16,945,296
Payment orders	2,001,004	5,564,949
Unclaimed balances (Note 27-c)	893,059	845,427
Socotra Branch - Deposits on behalf of Central Bank of Yemen (Note 27-d)	827,912	623,744
Sana'a and Al-Hodeidah Branches:		
Fixed deposits	9,599,653	9,597,417
Current accounts	1,312,087	1,255,025
Saving accounts	1,239,138	1,213,833
Cash insurance on outstanding indirect credit facilities	109,643	103,473
Unclaimed balances	22,450	21,551
Payment orders	<u>53,727</u>	<u>53,599</u>
Total customers' deposits	<u>298,634,520</u>	<u>281,649,257</u>

27-a Current Accounts - Government / Aden

As at 31 December 2020, the balance of these accounts decreased due to the transfer of USD 100,000 to the Ministry of Health / Aden under the directives of the Prime Minister in his letter dated 15 September 2020.

27-b Cash Insurance On Outstanding Indirect Credit Facilities

As at 31 December 2020, the account includes an amount of YR'000 817,536 representing a cash insurance surplus for Letters of Credit – import, resulting from customers paying cash insurances to the Central Bank of Yemen directly for the purpose of conducting foreign currency exchange through correspondent banks, provided that the Bank would issue Letters of Credit - import after receipt of relevant notifications from the Central Bank of Yemen.

27-c Unclaimed Balances

The Bank maintains in this account, deposits which more than 15 years have passed on without any withdrawal or deposit movement and have not been claimed by their owners. Management monitors and evaluates the status of this account in compliance with Article No. 79-2 of Law No. 38 of 1998 on Banks in the light of the prevailing conditions in the Country (Note 1).

27-d Socotra Branch - Deposits On Behalf Of Central Bank Of Yemen

Bank's branch in Socotra maintains deposits of Government facilities and corporations in accordance with authorisation from Central Bank of Yemen due to absence of Central Bank branch there based on approval from Ministry of Finance dated 20 April 2014 on Central Bank of Yemen memo no. 2346 dated 14 April 2014 in which executive procedures to open budgetary accounts and current accounts (resources and expenses) at National Bank of Yemen branch in Socotra are illustrated, provided that the National Bank of Yemen should comply with rules of executing Government's General Budget and to be under the supervision of Central Bank of Yemen.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

28 PAYABLES AND OTHER LIABILITIES

	2020	2019
	YR '000	YR '000
Cash insurance on expired indirect credit facilities	5,428,510	227,048
Employees' entitlements (Note 28-a)	2,510,459	1,280,385
Accrued interest payable on customers' deposits	2,400,757	2,152,132
Government entities (Note 28-b)	2,141,049	2,001,127
Government's share in profit for the year retained (Note 28-c)	1,913,961	1,277,841
Accrued expenses	221,227	580,598
Entries under settlement	195,330	55,811
Projects maintenance guarantee	61,111	42,772
Islamic Branches Department - National Bank of Yemen (Note 28-d)	39,102	1,078,086
Loan installments- surplus and under settlement	6,835	6,868
Interest and commission received in advance	86	-
Others	563,934	62,362
Sana'a and Al-Hodeidah Branches		
Accrued interest payable on customers' deposits	134,590	134,585
Cash insurance on expired indirect credit facilities	12,873	12,707
Interest and commission received in advance	12,446	11,759
Entries under settlement	305	290
Others	4,855	4,635
Suspended accounts:		
Accounts for the period August- December 2019 (Note 28-e)	112,249	106,252
Mutual account- Sana'a Branch September 2019	357,705	357,705
Total payables and other liabilities	<u>16,117,384</u>	<u>9,392,963</u>

28-a Employees' Entitlements

	2020	2019
	YR '000	YR '000
End of service benefits (Note 28-a-i)	746,912	600,493
Employees' regular leave (Note 28-a-ii)	497,873	376,172
Social security	69,646	-
Bounces and incentives	49,595	4,836
Outstanding commitments:		
Employees share in profit for the year	606,020	-
Salaries	352,955	82,210
Medication	187,458	216,674
Total employees' entitlements	<u>2,510,459</u>	<u>1,280,385</u>

28-a-i End of Service Benefits

	2020	2019
	YR '000	YR '000
Balance at 1 January	600,493	467,495
Made during the year (Note 10)	146,419	132,998
Balance at 31 December	<u>746,912</u>	<u>600,493</u>

28-a-ii Employees Regular Leave

	2020	2019
	YR '000	YR '000
Balance at 1 January	376,172	310,697
Made during the year (Note 10)	250,000	190,178
(Used) during the year	(128,299)	(124,703)
Balance at 31 December	<u>497,873</u>	<u>376,172</u>

28-b Government Entities

	2020	2019
	YR '000	YR '000
Tax Authority / Aden - income tax for:		
Current year (Note 15)	1,654,463	1,515,050
Prior year (Note 41-e)	315,050	-
Skills Development Fund	126,101	140,129
General Department For Al-Zakat-Dues/ Aden:		
Payable for the year (Note 14)	10,000	5,000
Carried forward from prior years	34,108	34,108
General Authority for Insurance and Pensions / Aden	1,327	306,840
Total government entities	<u>2,141,049</u>	<u>2,001,127</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

28 PAYABLES AND OTHER LIABILITIES (CONTINUED)

28-c Government's Share In Profit For The Year Retained

	2020	2019
	YR'000	YR'000
Profit for the year:		
2019	3,636,120	-
2016 (Note 41-c)	1,113,101	1,113,101
Balance of 2017 and 2018	164,740	4,164,740
(Transferred) to paid capital (Note 30)	<u>(3,000,000)</u>	<u>(4,000,000)</u>
Total government's share in profit for the year retained	<u>1,913,961</u>	<u>1,277,841</u>

28-d Islamic Branches' Department - National Bank of Yemen

The amount represents the value of letters of credit for customers of the Islamic Branch in Sana'a.

28-e Accounts Of The Period August- December 2019

	2020	2019
	YR'000	YR'000
Sana'a Branch:		
Credit transactions	304,986	282,757
Debit transactions	<u>230,067</u>	<u>214,274</u>
Balance	<u>74,919</u>	<u>68,483</u>
Al-Hodeidah Branch:		
Credit transactions	201,595	201,594
Debit transactions	<u>164,265</u>	<u>163,825</u>
Balance	<u>37,330</u>	<u>37,769</u>
Total accounts of the period August- December 2019	<u>112,249</u>	<u>106,252</u>

29 OTHER PROVISIONS

	2020	2019
	YR'000	YR'000
Provision for:		
Contingent claims (Note 29-a)	2,494,991	1,994,991
Indirect credit facilities:		
Specific (Note 29-b)	2,016,738	1,915,901
General (Note 29-c)	171,284	354,259
Fees on annual subscription in Bank Deposit Insurance Corporation	<u>365,657</u>	<u>-</u>
Total other provisions	<u>5,048,670</u>	<u>4,265,151</u>

29-a Contingent Claims

	2020	2019
	YR'000	YR'000
Social insurance	2,450,000	1,950,000
Balance of income tax for 2010-2012	<u>44,991</u>	<u>44,991</u>
Total	<u>2,494,991</u>	<u>1,994,991</u>

29-b Indirect credit Facilities - Specific

The Bank made a specific provision for Letters of Guaranty - Foreign amounting USD 11,204,100 issued for Public Electricity Corporation which is under disagreement with State Bank of India.

29-c Indirect credit Facilities - General

	----- 2020 -----			2019	
	<i>Letters of Credit YR'000</i>	<i>--- Letters of Guaranty --- Foreign Local YR'000 YR'000</i>		<i>Total YR'000</i>	<i>Total YR'000</i>
Balance at 1 January	204,778	114,473	35,008	354,259	235,392
Re-translation differences on balances in foreign currencies	11,384	6,458	1,832	19,674	-
(Written back) during the year (Note 9)	(202,335)	(244)	(582)	(203,161)	(8,355)
Made during the year (Note 12-a)	<u>112</u>	<u>-</u>	<u>400</u>	<u>512</u>	<u>127,222</u>
Balance at 31 December	<u>13,939</u>	<u>120,687</u>	<u>36,658</u>	<u>171,284</u>	<u>354,259</u>

30 CAPITAL

The Bank's declared capital is YR'billions fifty and its paid capital is YR'billions twenty in accordance with Article No. 5-1 of Prime Minister Decree no. 405 of 2013 on Reorganisation of the National Bank of Yemen and Article No. 8 of Bank's Article of Association.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

30 CAPITAL (CONTINUED)

As at 31 December 2020 the Bank's paid capital amounted YR'billion 17 (31 December 2019: YR'billion 14) by transfer of increase amount from Government's share in profit for the year retained (Note 28-c) in response to H.E. Minister of Finance's letter addressed to the Chairman dated 15 October 2017 approving Bank's Board of Directors' Resolution No. 69 of 2017 issued in its fourth extraordinary meeting held on 25 September 2017 on the National Bank of Yemen paid capital, provided that the increase to be paid in three years period of time, which the Bank could not achieve during the specified period due to the insufficient balance of the Government's share in profit for the year as at 31 December 2020. The capital increase will be completed in the subsequent year.

Details of Bank's paid capital is as follows:

	Share value YR	2020		2019	
		No. of shares	Capital YR'000	No. of shares	Capital YR'000
Paid capital	<u>1,000</u>	<u>17,000,000</u>	<u>17,000,000</u>	<u>14,000,000</u>	<u>14,000,000</u>

31 RESERVES

	2020 YR'000	2019 YR'000
Statutory reserve (Note 31-a)	6,251,280	5,258,602
General reserve (Note 31-b)	4,766,658	3,773,980
Surplus on revaluation of property, plant and equipment reserve (Note 31-c)	639,762	639,762
Cumulative change in fair value reserve (Note 31-d)	50,090	50,090
Total reserves	<u>11,707,790</u>	<u>9,722,434</u>

31-a Statutory Reserve

	2020 YR'000	2019 YR'000
Balance at 1 January	5,258,602	4,349,572
Transfer from profit for the year	992,678	909,030
Balance at 31 December	<u>6,251,280</u>	<u>5,258,602</u>

31-b General Reserve

	2020 YR'000	2019 YR'000
Balance at 1 January	3,773,980	2,864,950
Transfer from profit for the year	992,678	909,030
Balance at 31 December	<u>4,766,658</u>	<u>3,773,980</u>

31-c Surplus On Revaluation Of Property, Plant And Equipment Reserve

This reserve includes surplus on revaluation of Banks Land and buildings as at 1999 amounting YR'000 637,093 and of Al-Mukairas building at August 2001 amounting YR'000 2,669.

31-d Cumulative Change In Fair Value Reserve

In this reserve, the changes in the fair value of Arab Financial Services Company - Bahrain, ALUBAF Arab International Bank – Bahrain and Yemen Financial Services Company - Yemen during the years 2002 to 2012 are included.

32 CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET

	2020			2019
	Gross value YR'000	Cash guarantee YR'000	Net value YR'000	Net value YR'000
Indirect credit facilities:				
Letters of guaranty - Local	3,033,701	(1,630,089)	1,403,612	1,369,572
Letters of guaranty - Foreign	798,393	-	798,393	770,064
Letters of credit - Import	4,931,332	(4,296,377)	634,955	10,185,278
Letters of credit - Export	5,580	-	5,580	-
Sana'a and Al-Hodeidah Branches:				
Letters of guaranty – Foreign	9,717,612	-	9,717,612	9,211,138
Letters of guaranty – Local	538,935	(109,643)	429,292	380,827
Letters of credit – Export	56,432	-	56,432	53,611
Total	<u>19,081,985</u>	<u>(6,036,109)</u>	<u>13,045,876</u>	<u>21,970,490</u>
Others	<u>362,194</u>	<u>-</u>	<u>362,194</u>	<u>352,621</u>
Total	<u>19,444,179</u>	<u>(6,036,109)</u>	<u>13,408,070</u>	<u>22,323,111</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

33 CASH AND CASH EQUIVALENTS

	2020 YR'000	2019 YR'000
Due from Banks maturing in not more than 3 months (Note -Liquidity risk)	93,456,564	71,377,850
Cash on hand (Note 17)	11,973,490	4,256,461
Certificate of deposit at Central Bank of Yemen (Note- Liquidity risk)	-	1,000,000
Total cash and cash equivalents	<u>105,430,054</u>	<u>76,634,311</u>

34 TRANSACTIONS WITH RELATED PARTIES

For the year ended 31 December 2020 transactions with related parties were as shown below. Management believes that the transactions were made at arm's length basis.

Statement of:	Account	2020 YR'000	2019 YR'000
Comprehensive Income	Interest cost	-	2,536
	Salaries and benefits	101,317	64,074
Financial Position	Direct credit facilities – loans	17,433	20,061
	Customers' deposits	50,662	52,196

35 RISK MANAGEMENT

The Bank's business involves taking on risks in a targeted manner and managing the risks professionally. The Bank defines risk as the possibility of incurring losses or profits foregone that may be caused by internal or external factors as the Bank is exposed to credit risk, liquidity risk, interest risk and exchange rate risk.

The core functions of the Bank's risk management are identifying all risks that effect the Bank, measuring such risks, managing risk positions and determining capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. Risks are managed by Bank's management under policies approved by the Board of Directors which provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, interest rate risk, currency risk, use of derivative and non-derivative financial instruments. Bank's management determines and hedge financial risks in cooperation with other operating units in the Bank. In addition to this, internal audit department is responsible for the independent review of risk management and the control environment. Risk is inherent in the Bank'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 Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his / her responsibilities.

Credit Risk

Credit risk is the risk of incurring a financial loss, should any of the Bank's customers or market counterparties fail to fulfill their contractual obligations towards the Bank. Credit risk arises mainly from commercial and consumer direct credit facilities, credit cards and loan commitments arising from such lending activities. It also could arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of guaranty, endorsements and acceptances. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business. Therefore, the Bank, carefully manages its exposure to credit risk through assigning credit risk management team to manage and control on credit risk, which reports to the Board of Directors and head of each business unit regularly. The Bank works within the framework of risk management standards stated in Central Bank of Yemen circular no. 10 of 1997 on Standards of Credit Risk Management and performs the following procedures to minimise the credit risk exposure:

- Preparing credit studies on customers and banks before dealing with them and determining their related credit risk rates;
- Obtaining sufficient collateral to minimise the credit risk exposure which may result from financial difficulties facing customers or banks;
- Following up and period reviewing of customers and banks in order to evaluate their financial positions, credit rating and the required provision for non performing credit facilities; and
- Distributing credit portfolio and balances with banks over diversified economic sectors and geographic locations to minimise concentration of credit risk.

Exposure To Credit Risk

The table below shows the maximum exposure of net financial assets and indirect credit facilities to credit risk as at 31 December 2020:

	2020 YR'000	2019 YR'000
Financial Assets	336,360,332	314,487,721
Indirect Credit Facilities	13,045,876	21,970,490
Total exposure to credit risk	<u>349,406,208</u>	<u>336,458,211</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

35 RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

Exposure To Credit Risk

• Financial Assets:

	2020 YR'000	2019 YR'000
Treasury bills, net	208,500,000	196,643,816
Due from banks, net	93,456,564	71,377,850
Mandatory reserve balances at Central Bank of Yemen	19,156,999	18,739,177
Receivables and other assets (except for prepayments), net	7,834,763	19,670,573
Direct credit facilities to customers, net	7,055,446	6,714,513
Investments, net	356,560	341,792
Certificates of deposit at Central Bank of Yemen	-	1,000,000
Total	<u>336,360,332</u>	<u>314,487,721</u>

• Indirect Credit Facilities

	2020 YR'000	2019 YR'000
Letters of guaranty - Foreign, net	10,516,005	9,981,202
Letters of guaranty - Local, net	1,832,904	1,750,399
Letters of credit, net	696,967	10,238,889
Total	<u>13,045,876</u>	<u>21,970,490</u>

Managing Credit Risk

The Bank manages concentration of credit risk by distributing the portfolio over diversified economic sectors and geographical locations as possible according to its customers' requirements and the situation the Country is going through (Note 1) as shown below.

• Distribution Of Financial Instruments According To Economic Sectors

	----- 2020 -----				
	Trade YR'000	Industry YR'000	Services YR'000	Others YR'000	Total YR'000
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	31,130,489	-	-	-	31,130,489
Certificates of deposit at Central Bank of Yemen	-	-	-	-	-
Due from banks, net	93,456,564	-	-	-	93,456,564
Treasury bills, net	208,500,000	-	-	-	208,500,000
Direct credit facilities to customers, net	3,581,295	179,315	-	3,294,836	7,055,446
Investments, net	356,560	-	-	-	356,560
Total	<u>337,024,908</u>	<u>179,315</u>	<u>-</u>	<u>3,294,836</u>	<u>340,499,059</u>
Financial Liabilities					
Due to banks and financial institutes	2,191,246	-	-	-	2,191,246
Customers' deposits	56,142,158	-	39,593,778	202,898,584	298,634,520
Total	<u>58,333,404</u>	<u>-</u>	<u>39,593,778</u>	<u>202,898,584</u>	<u>300,825,766</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	<u>274,917</u>	<u>28,000</u>	<u>9,118,330</u>	<u>3,986,823</u>	<u>13,408,070</u>
	----- 2019 -----				
	Trade YR'000	Industry YR'000	Services YR'000	Others YR'000	Total YR'000
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	22,995,638	-	-	-	22,995,638
Certificates of deposit at Central Bank of Yemen	1,000,000	-	-	-	1,000,000
Due from banks, net	71,377,850	-	-	-	71,377,850
Treasury bills, net	196,643,816	-	-	-	196,643,816
Direct credit facilities to customers, net	3,725,960	-	53,987	2,934,566	6,714,513
Investments, net	341,792	-	-	-	341,792
Total	<u>296,085,056</u>	<u>-</u>	<u>53,987</u>	<u>2,934,566</u>	<u>299,073,609</u>
Financial Liabilities					
Due to banks and financial institutes	1,670,232	-	-	-	1,670,232
Customers' deposits	38,427,155	8,691,588	43,622,005	190,908,509	281,649,257
Total	<u>40,097,387</u>	<u>8,691,588</u>	<u>43,622,005</u>	<u>190,908,509</u>	<u>283,319,489</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	<u>17,670,114</u>	<u>2,128,026</u>	<u>2,118,739</u>	<u>406,232</u>	<u>22,323,111</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

35 RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

Managing Credit Risk (Continued)

- Distribution Of Financial Instruments According To Geographical Locations

	2020					
	Republic of Yemen YR'000	America and Caribbean YR'000	Europe YR'000	Asia YR'000	Africa YR'000	Total YR'000
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	31,130,489	-	-	-	-	31,130,489
Certificates of deposit at Central Bank of Yemen	-	-	-	-	-	-
Due from banks, net	61,996,181	-	10,089,873	21,198,146	172,364	93,456,564
Treasury bills, net	208,500,000	-	-	-	-	208,500,000
Direct credit facilities to customers, net	7,055,446	-	-	-	-	7,055,446
Investments, net	61,200	-	-	295,360	-	356,560
Total	<u>308,743,316</u>	<u>-</u>	<u>10,089,873</u>	<u>21,493,506</u>	<u>172,364</u>	<u>340,499,059</u>
Financial Liabilities						
Due to banks and financial institutes	1,443,309	-	-	747,937	-	2,191,246
Customers' deposits	298,634,520	-	-	-	-	298,634,520
Total	<u>300,077,829</u>	<u>-</u>	<u>-</u>	<u>747,937</u>	<u>-</u>	<u>300,825,766</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	<u>948,707</u>	<u>-</u>	<u>6,168,039</u>	<u>6,001,487</u>	<u>289,837</u>	<u>13,408,070</u>
	----- 2019 -----					
	Republic of Yemen YR'000	America and Caribbean YR'000	Europe YR'000	Asia YR'000	Africa YR'000	Total YR'000
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	22,995,638	-	-	-	-	22,995,638
Certificates of deposit at Central Bank of Yemen	1,000,000	-	-	-	-	1,000,000
Due from banks, net	36,590,965	-	34,566,503	60,384	159,998	71,377,850
Treasury bills, net	196,643,816	-	-	-	-	196,643,816
Direct credit facilities to customers, net	6,714,513	-	-	-	-	6,714,513
Investments, net	61,200	-	-	280,592	-	341,792
Total	<u>264,006,132</u>	<u>-</u>	<u>34,566,503</u>	<u>340,976</u>	<u>159,998</u>	<u>299,073,609</u>
Financial Liabilities						
Due to banks and financial institutes	1,021,739	-	-	648,493	-	1,670,232
Customers' deposits	281,649,257	-	-	-	-	281,649,257
Total	<u>282,670,996</u>	<u>-</u>	<u>-</u>	<u>648,493</u>	<u>-</u>	<u>283,319,489</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	<u>878,914</u>	<u>-</u>	<u>15,326,196</u>	<u>5,828,166</u>	<u>289,835</u>	<u>22,323,111</u>

Liquidity Risk

Liquidity risk is the risk of Bank's incapability to meet its financial obligations when they fall due under normal circumstances. To limit such risk, the Bank's management in addition to its reliance on core deposit base; manages assets with required liquidity in mind, monitors future cash flows and liquidity on a daily basis and arranges diversified funding sources as available in the current circumstances in compliance with Central Bank of Yemen circular no. 5 of 2009 on Management of Liquidity Risk.

Liquidity Ratio

The Central Bank of Yemen, in its Circular No. (3) of 1997 on Liquidity Ratio requires that banks maintain a percentage of assets that could be liquefied to meet their obligations not less than 25%.

As at 31 December 2020, the Bank's liquidity ratio, considering its obligations are represented by the total of its financial liabilities and its contingent liabilities and commitments, in the light of the prevailing circumstances was 95% (31 December 2019: 87%).

Maturity Gap

The maturity gap is a measure of Bank's capability to settle its liabilities from its assets for the same maturity period and is represented by the difference between the Bank's assets and liabilities for a certain maturity period. As at 31 December 2020, the maturity gap was as follows:

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

35 RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

Maturity Gap

	2020				
	Less than 3 months	3-6 Months	6 months - 1 year	More than a year	Total
	YR'000	YR'000	YR'000	YR'000	YR'000
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	31,130,489	-	-	-	31,130,489
Certificates of deposit at Central Bank of Yemen	-	-	-	-	-
Due from banks, net	93,456,564	-	-	-	93,456,564
Treasury bills, net	-	163,500,000	45,000,000	-	208,500,000
Direct credit facilities to customers, net	2,569,065	511,052	501,614	3,473,715	7,055,446
Investments, net	-	-	-	356,560	356,560
Other assets	-	-	-	14,833,047	14,833,047
Total	127,156,118	164,011,052	45,501,614	18,663,322	355,332,106
Financial Liabilities and Equity					
Due to banks and financial institutes	2,091,246	-	-	100,000	2,191,246
Customers' deposits	99,917,407	15,175,887	30,599,486	152,941,740	298,634,520
Other liabilities	-	-	-	21,166,054	21,166,054
Equity	-	-	-	33,340,286	33,340,286
Total	102,008,653	15,175,887	30,599,486	207,548,080	355,332,106
Maturity gap	25,147,465	148,835,165	14,902,128	(188,884,758)	-

	2019				
	Less than 3 months	3-6 Months	6 months - 1 year	More than a year	Total
	YR'000	YR'000	YR'000	YR'000	YR'000
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	22,995,638	-	-	-	22,995,638
Certificates of deposit at Central Bank of Yemen	-	1,000,000	-	-	1,000,000
Due from banks, net	71,377,850	-	-	-	71,377,850
Treasury bills, net	-	-	196,643,816	-	196,643,816
Direct credit facilities to customers, net	2,341,889	11,018	142,134	4,219,472	6,714,513
Investments, net	-	-	-	341,792	341,792
Other assets	2,548,500	-	-	23,320,068	25,868,568
Total	99,263,877	1,011,018	196,785,950	27,881,332	324,942,177
Financial Liabilities and Equity					
Due to banks and financial institutes	1,670,232	-	-	-	1,670,232
Customers' deposits	98,250,176	15,175,887	30,599,486	137,623,708	281,649,257
Other liabilities	-	-	-	13,658,114	13,658,114
Equity	-	-	-	27,964,574	27,964,574
Total	99,920,408	15,175,887	30,599,486	179,246,396	324,942,177
Maturity gap	(656,531)	(14,164,869)	166,186,464	(151,365,064)	-

Interest Rate Risk

Interest rate risk is the risk of effect of interest rates changes on future cash flows or value of financial instruments. The Bank performs a number of measures to limit the effect of such risk to the minimum level by:

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

Average Interest Rates On Financial Instruments

	2020					2019				
	Yemeni Rial	US Dollar	Sterling Pound	Saudi Euro	UAE Dirham	Yemeni Rial	US Dollar	Sterling Pound	Saudi Euro	UAE Dirham
	%	%	%	%	%	%	%	%	%	%
Financial Assets										
Mandatory reserve balances at Central Bank of Yemen	-	-	-	-	-	-	-	-	-	-
Treasury bills, net	16.60	-	-	-	-	17.00	-	-	-	-
Due from banks - fixed deposits	-	0.19	0.08	-	0.18	-	-	-	-	-
Direct credit facilities to customers, net	21.00	11.00	-	-	-	21.00	11.00	-	-	-
Financial Liabilities										
Due to banks and financial institutes	-	-	-	-	-	-	-	-	-	-
Customers' deposits	15.00	0.25	0.25	0.25	0.25	15.00	0.25	0.25	0.25	0.25

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

35 RISK MANAGEMENT (CONTINUED)

Interest Rate Risk (Continued)

Interest Rate Sensitivity And Accumulated Interest Rate Sensitivity Gaps

	2020					Total YR'000
	Less than 3 months YR'000	3 - 6 months YR'000	6 months - 1 year YR'000	More than a year YR'000	Non interest sensitive YR'000	
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	-	-	-	-	31,130,489	31,130,489
Certificates of deposit at Central Bank of Yemen	-	-	-	-	-	-
Due from banks, net	93,456,564	-	-	-	-	93,456,564
Treasury bills, net	-	163,500,000	45,000,000	-	-	208,500,000
Direct credit facilities to customers, net	2,569,065	511,052	501,614	3,473,715	-	7,055,446
Investments, net	-	-	-	-	356,560	356,560
Other assets	-	-	-	-	14,833,047	14,833,047
Total	<u>96,025,629</u>	<u>164,011,052</u>	<u>45,501,614</u>	<u>3,473,715</u>	<u>46,320,096</u>	<u>355,332,106</u>
Financial Liabilities and Equity						
Due to banks and financial institutes	-	-	-	-	2,191,246	2,191,246
Customers' deposits	99,917,467	15,175,867	30,499,486	-	153,041,700	298,634,520
Other liabilities	-	-	-	-	21,166,054	21,166,054
Equity	-	-	-	-	33,340,286	33,340,286
Total	<u>99,917,467</u>	<u>15,175,867</u>	<u>30,499,486</u>	<u>-</u>	<u>209,739,286</u>	<u>355,332,106</u>
Interest rate sensitivity gap	<u>(3,891,838)</u>	<u>148,835,185</u>	<u>15,002,128</u>	<u>3,473,715</u>	<u>(163,419,190)</u>	<u>-</u>
Accumulated interest rate sensitivity gap	<u>(3,891,838)</u>	<u>144,943,347</u>	<u>159,945,475</u>	<u>163,419,190</u>	<u>-</u>	<u>-</u>

	2019					Total YR'000
	Less than 3 months YR'000	3 - 6 months YR'000	6 months - 1 year YR'000	More than a year YR'000	Non interest sensitive YR'000	
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	-	-	-	-	22,995,638	22,995,638
Certificates of deposit at Central Bank of Yemen	-	1,000,000	-	-	-	1,000,000
Due from banks, net	71,377,149	-	-	-	701	71,377,850
Treasury bills, net	-	-	196,643,816	-	-	196,643,816
Direct credit facilities to customers, net	2,340,889	11,018	143,134	4,219,472	-	6,714,513
Investments, net	-	-	-	-	341,792	341,792
Other assets	186,824	-	-	-	25,681,744	25,868,568
Total	<u>73,904,862</u>	<u>1,011,018</u>	<u>196,786,950</u>	<u>4,219,472</u>	<u>49,019,875</u>	<u>324,942,177</u>
Financial Liabilities and Equity						
Due to banks and financial institutes	-	-	-	-	1,670,232	1,670,232
Customers' deposits	99,917,467	15,175,887	30,599,486	-	135,956,417	281,649,257
Other liabilities	1,568,252	238,193	480,273	-	11,371,396	13,658,114
Equity	-	-	-	-	27,964,574	27,964,574
Total	<u>101,485,719</u>	<u>15,414,080</u>	<u>31,079,759</u>	<u>-</u>	<u>176,962,619</u>	<u>324,942,177</u>
Interest rate sensitivity gap	<u>(27,580,857)</u>	<u>(14,403,062)</u>	<u>165,707,191</u>	<u>4,219,472</u>	<u>(127,942,744)</u>	<u>-</u>
Accumulated interest rate sensitivity gap	<u>(27,580,857)</u>	<u>(41,983,919)</u>	<u>123,723,272</u>	<u>127,942,744</u>	<u>-</u>	<u>-</u>

Currency Risk

Currency risk or exchange rate risk is the risk of fluctuation of fair value or future cash flows of a financial instrument evaluated in a foreign currency due to changes in exchange rates. Due to the nature of the Bank's activities, it deals in different foreign currencies; thus it is exposed to currency risk. The Central Bank of Yemen, in its Circular No. 6 of 1998 on Exposure to Foreign Currencies Risk, requires the Bank not to keep a currency position of more than 25% for different currencies and 15% for a single currency to capital and reserves as defined in the circular no. 2 of 1997 on Capital Adequacy Ratio, whether the position is long or short.

Foreign Currencies Exchange Rates

The Bank deals with the market prevailing exchange rate for the US Dollar and other foreign currencies in trade in the Yemeni market according to exchange rate bulletin issued by Central Bank from its Head Office in Aden which is based on the exchange rate management base officially approved on the floating basis and evaluates foreign currencies positions in financial positions of the Bank on the basis of exchange rate bulletin issued by Central Bank since 15 August 2017 in compliance with resolution issued by the Office of Governor of Central Bank of Yemen, Head Office / Aden cancelling dealing with exchange rate of the US Dollar on the basis of a fixed exchange rate at YR 250 / US Dollar dated 14 August 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

35 RISK MANAGEMENT (CONTINUED)

Currency Risk (Continued)

Since the exchange rate bulletins issued by the Central Bank of Yemen / Aden are limited to the exchange rate of the US Dollar only (2019: US Dollar) the Bank extracts foreign currencies exchange rates from a specialised foreign website in relation to USD exchange rate as stated in the Central Bank of Yemen / Aden exchange rate bulletin. The exchange rate bulletin issued by the Bank under this procedure is approved by the Vice General Manager for Banking Departments.

Foreign Currencies Positions

Using exchange rates resulting from the procedure followed by the bank, mentioned above, for evaluating foreign currencies positions, the ratio of net foreign currencies positions of the Bank to core capital and reserves at 31 December 2020 were as follow:

	-----2020-----				2019
	Assets	Liabilities	Net foreign	Ratio to core	Ratio to core
	Long position	Short position	currency	capital and	capital and
	YR'000	YR'000	positions	reserves	reserves
			YR'000	%	%
Sterling pound	7,705,755	(2,145,120)	5,560,635	20	21
UAE Dirham	2,287,336	(21,889)	2,265,447	8	11
US Dollar	81,978,000	(84,775,200)	(2,797,200)	(10)	29
Euro	1,291,433	(5,889,860)	(4,598,427)	(16)	(13)
Saudi Rial	8,621,737	(17,478,083)	(8,856,346)	(32)	(83)
Others	187,020	(20,614)	166,406	1	1
Total	<u>102,071,281</u>	<u>(110,330,766)</u>	<u>(8,259,485)</u>	<u>(29)</u>	<u>(34)</u>

Net foreign currencies positions exceedings for several single foreign currencies and different currencies are due to commitments relevant to customers' dormant deposits and indirect credit facilities in Saudi Riyal with an increase of amounts due from banks in US Dollar and Sterling Pound in the light of conditions the Country is going through (Note 1) Management is working on addressing such exceedings in compliance with ratios specified in the related Central Bank of Yemen circular.

Impact Of Changes In Fair Value Of Currency (Foreign currencies Sensitivity Analysis)

To calculate the impact of changes in fair value of currency, according to Central Bank of Yemen, Head Office/ Aden instructions, the Bank took in account the exchange rates it uses in evaluating significant foreign currencies positions and the average exchange rate of these currencies in accordance with market rates as per local specialised websites shown below:

Exchange rate in YR:	-----2020-----				
	USD	Sterling pound	Euro	Saudi Riyal	Emirates Dirham
Used at the Bank	400	545	491.6	106.64	108.9
At market	<u>676.29</u>	<u>1020</u>	<u>1070</u>	<u>178.79</u>	<u>195</u>
Difference	<u>(276.29)</u>	<u>(475)</u>	<u>(578.4)</u>	<u>(72.15)</u>	<u>(86.1)</u>
Exchange rate in YR:	-----2019-----				
	USD	Sterling pound	Euro	Saudi Riyal	Emirates Dirham
Used at the Bank	380.00	498.41	425.83	101.30	103.45
At market	<u>609</u>	<u>772</u>	<u>663</u>	<u>160</u>	<u>165</u>
Difference	<u>(229.00)</u>	<u>(273.59)</u>	<u>(237.17)</u>	<u>(58.70)</u>	<u>(61.55)</u>

Based on the exchange rates above, the following table shows the impact of decrease of Yemeni Rial exchange rate against significant foreign currencies and the expected effect on statements of comprehensive income and changes in equity, with all other factors held constant.

	Impact on statements of comprehensive income and changes in equity increase / (decrease)	
	2020	2019
	YR'000	YR'000
Sterling pound	4,846,425	2,700,770
UAE Dirham	1,791,139	1,441,976
US Dollar	(1,932,096)	4,014,772
Euro	(5,410,354)	(1,616,449)
Saudi Rial	<u>(5,991,986)</u>	<u>(11,132,508)</u>
Total	<u>(6,696,872)</u>	<u>(4,591,439)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

36 CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure that the Bank complies with external imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios. The capital adequacy is monitored by Bank's management on a quarterly basis employing techniques based on the guidelines approved by Central Bank of Yemen for supervisory purposes. The required information is filed with the Central Bank of Yemen on a quarterly basis.

Capital Adequacy

Capital adequacy is Bank's capability to settle its obligations and confront any losses that might arise in the future. It is represented by the ratio of capital to its risks. The Central Bank of Yemen, in its circular no. 2 of 1997 amending circular no. 3 of 1996 on Minimum Limit Of Capital Ratio To Risk - Weighted Assets (Capital Adequacy), requires the Bank to maintain a ratio of total capital to the risk - weighted assets at or above 8%.

In accordance to provisions of the circular above the total capital of the Bank is divided in two tiers:

Core capital: which comprises the paid capital, statutory and general reserves. Investments in any other local bank or financial company are deducted from core capital.

Capital cushions: which comprises the surplus on revaluation of property, plant and equipment reserve, cumulative changes in fair value reserve, general provision for impairment of direct and indirect credit facilities and provision for impairment of receivables and other assets.

The risk - weighted assets are measured by means of a hierarchy of four risk weights classified according to the level of credit, market and operation risks associated with each asset, taking into account any eligible collateral or guarantees.

A similar treatment is adopted for off financial position items risks, with some adjustments to reflect the more contingent nature of potential losses.

The Bank complies with all the externally imposed capital requirements to which it is subject.

For the year ended 31 December 2020, capital adequacy ratio was as follows:

	2020	2019
	YR'000	YR'000
Capital		
Core capital	27,835	22,859
Capital cushions	1,914	2,074
	29,749	24,933
	29,749	24,933
Total capital		
Risk- weighted assets		
On statement of financial position	23,488	35,554
Off statement of financial position	12,850	14,133
	36,338	49,687
	36,338	49,687
Total risk - weighted assets		
Adequacy ratio of:		
Core capital	77%	46%
Total capital	82%	50%

37 TRUST ACTIVITIES

The Bank does not undertake any activities related to the conservation and management of assets for or on behalf of third parties except for the Housing Project which is managed by the Bank on behalf of the State in accordance with the minutes of the expanded meeting held on 6 April 2000 and approved by H.E. Minister of Finance on 29 April 2000.

The Housing Project was established in Abdul Aziz Abdul Wali area, Al-Mansoura, Aden City, in accordance with Council of Ministers Decree No. 52 of 1988 with a self -financing system from the value of apartments sold in cash and installments to build a number of housing units for Yemeni immigrants and allocating some for the Ministry of Construction and Housing and entitled employees of the National Bank of Yemen. The Bank keeps the bank accounts of the Housing Project as contra accounts.

38 CAPITAL COMMITMENTS

	2020	2019
	YR'000	YR'000
In Yemeni Rial	22,414	127,743
In US Dollar	2,500	251,185
	24,914	378,928
	24,914	378,928
Total capital commitments		

39 LEGAL STATUS AND CONTINGENT ASSETS AND LIABILITIES

During the year ended 31 December 2020, the Bank had cases filed against non performing customers for not paying their debts and cases filed against the Bank by customers. While for some cases the verdict was in favor of the Bank, the related legal procedures have not been completed, yet. Some other cases are still in concerned court. Management has made adequate provisions for impaired loans.

40 COMPARATIVE FIGURES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Certain of the prior year amounts have been reclassified to conform to the presentation in the current year.

41 SUBSEQUENT EVENTS**41-a The Bank's Board of Directors' Approval of the Bank's Audited Financial Statements For 2019**

On 12 January 2021, the Bank's Board of Directors, in its capacity as the Bank's General Assembly, held a session in which it discussed the Bank's audited financial statements for the year 2019 which the management approved on 27 December 2020 and the Independent Auditors issued a Qualified Report on as a result of being unable to verify the amounts and balances of the Bank's two commercial branches in Sana'a and Al-Hodeidah and the Islamic Branch in Sana'a shown in those financial statements due to inability of management to provide sufficient and appropriate audit evidence on those branches at the time. The Board of Directors approved the Qualified Report of the Independent Auditors for the year 2019 in accordance with its Resolution No. 2 for 2021 and approved the audited financial statements for the same year in accordance with its Resolution No. 3 for 2021. On 18 January 2021, management submitted the audited financial statements for the year ended 31 December 2019 to H. E. Minister of Finance- the representative of the Government the owner of the Bank.

41-b Amending The Independent Auditors' Report On The Bank's Audited Financial Statements For 2019

On 6 February 2021, the amended Independent Auditors' Report on the Bank's audited financial statements for 2019 was issued with regard to amounts and balances of the Bank's two commercial branches in Sana'a and Al-Hodeidah for the period from 1 January - 31 July 2019 based on sufficient and appropriate audit evidence provided by Bank's management in this regard.

41-c Transferring The Government's Share In Profit For The Year Retained

On 8 February 2021 the Bank paid Government's share in profit for the year retained for 2016 amounting YR 1,113,101,677 (Note 28-c) to the Ministry of Finance - Government's General Account in response to the memorandum of H. E. Minister of Finance No. 234 dated 16 February 16 2020 in this regard.

41-d Obtaining A Clearance From The General Department For Al-Zakah-Dues / Aden

On 22 March 2021 a clearance letter on paying full Bank's estimated Zakat for 2020 was issued from the General Department For Al-Zakat-Dues / Aden.

41-e Completing Payment of Income Tax For 2019

On 14 April 2021, a check receipt was issued on Bank's payment of the remaining amount of income tax for 2019 amounting YR 315,050,005 (Note 28-b).

41-f Inaugurating The "Banks" System In Other Branches Of The Bank

Starting from June 2021, the Bank inaugurated the (Banks) System in a number of its branches in Lahij, Mukalla, Al-Qatn and Sayun.

41-g Recovery Of The Balance Due From Asya Katlim Bank - Turkey

On 2 December 2021, the Bank received an amount of Turkish Lira 1,525,108.94 representing its outstanding balance from Asya Katlim Bank - Turkey (Note 19-d-i) in accordance with the court decision and the management of the Deposit and Savings Fund - Turkey.

41-h Central Bank of Yemen / Aden Confirmation of the Bank's Mandatory Reserve Balance

On 9 February 2022, a notice was issued from the Central Bank of Yemen / Aden with a mandatory reserve balance of the Bank amounting YR'000 12,894,554 (Note 17-b).

41-i Issuance Of Decisions Of The Board Of Directors Of The Central Bank Of Yemen / Aden

On 21 March 2022, decisions of the Board of Directors of the Central Bank of Yemen / Aden were issued regarding raising the capital of banks, amending the legal reserve ratio for banks and the regulations for the conditions and procedures for granting licenses to banks and the practice of banking business.

42 Approving The Financial Statements

The management approved these financial statements on 6 April 2022, and it was decided to submit them to the Bank's Board of Directors and the Minister of Finance, the representative of the Government- owner of the Bank, at a subsequent period.

Dahman & Co.

Auditors . Accountants . Advisors

Third Floor, Makki Building, Front Saba School ,
Saba Cross Road, Al-Qahira Street
P. O. Box: 16146, Sana'a, Republic Of Yemen

T: +967 (1) 224 676

F: +967 (1) 224 676