

**Annual Report  
2004**



**البنك الأهلي اليمني**  
**National Bank Of Yemen**

**Trust & Experience**

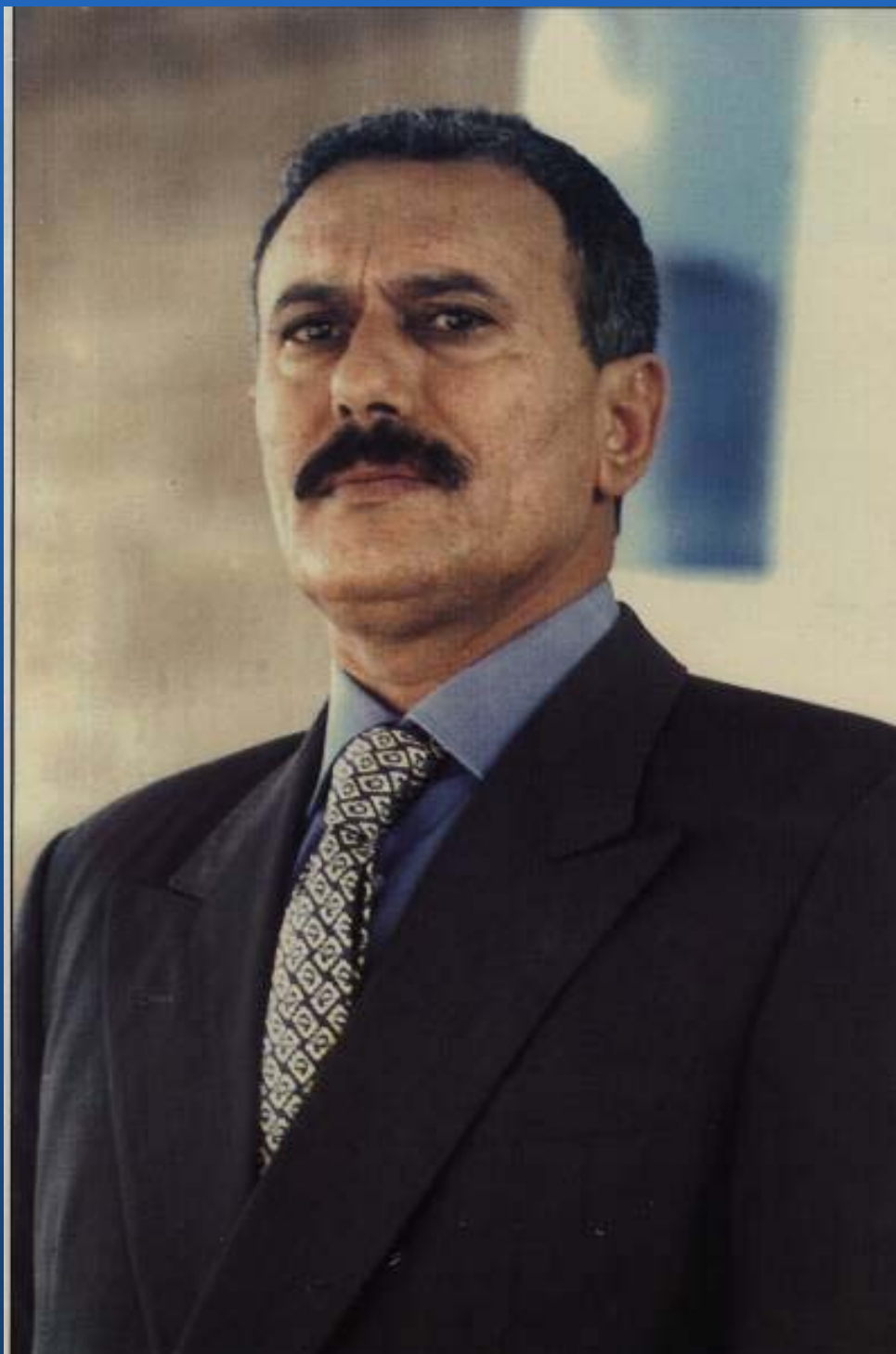
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*His Excellency President*  
**ALI ABDULLAH SALEH**  
*President of the Republic*



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## Financial and Statistic highlights

YR millions unless otherwise indicated

	2004	2003	2002	2001	2000
<b>Balance sheet</b>					
Total assets	57,745	49,700	43,504	37,861	34,237
Owner's equity	4,631	3,798	3,330	2,856	2,658
Customers' deposits	51,284	44,497	38,891	33,847	30,958
Loans and advances (net)	3,321	2,203	1,774	1,573	1,091
Local investments	30,870	25,029	20,387	17,110	15,191
Due from banks	13,760	13,056	14,830	13,190	12,490
<b>Statement of income</b>					
Net interest income	2,047	1,673	1,489	1,486	1,223
Operating income	591	469	324	328	166
Profit before taxation	1,353	1,115	1,051	1,003	672
Net profit for the year	880	725	683	652	437
<b>Indicators</b>					
Earning per share	419YR	392YR	422YR	407YR	273YR
Return on average assets %	1.5	1.5	1.6	1.7	1.3
Return on average owner's equity %	22.8	21.5	23.6	22.8	16.4
Liquidity %	85	84	89	88	87
Capital adequacy %	46	46	46	46	46
US \$ rates	185.84YR	184.30YR	178.88YR	173.27YR	165.53YR
Number of branches	27	27	29	28	28
Number of employees	597	588	592	608	620

## Board of Directors

*Mr. Abdulrahman M. Al-Kuhali  
Chairman and General Manager  
Appointed as Chairman and General  
Manager since 1998.*



*Mr. Sami A. Hamid Mackawee  
Member of the Board First Deputy General  
Manager  
Appointed as member of the Board of  
Directors since 1997*



*Mr. Khaled Ali Khaina  
Member of the Board Second Deputy General  
Manager  
Appointed as member of the Board of  
Directors since 2003*





*Mr. Abdulla A. Saleh*  
Member of the Board of Directors, Representative/ Ministry of Finance.  
Occupation: General Manager Ministry of Finance Aden – Office  
Appointed as member of the Board of Directors since 1996



*Mr. Muqbil S. Al-qawseie*  
Member of the Board of Directors, Representative/ Central Bank of Yemen  
Occupation: General Manager Central Bank of Yemen Aden – Branch  
Appointed as member of the Board of Directors since 2001



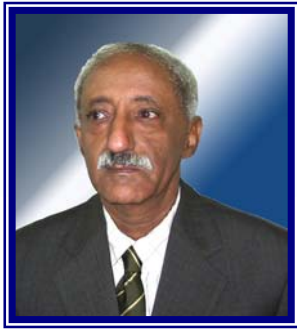
*Mr. Hasen Maqawee*  
Member of the Board of Directors, Representative/ Ministry of Industry & Trade  
Occupation: General Manager Ministry of Industry & Trade, Aden – Office  
Appointed as member of the Board of Directors since 2004



*Mr. Abdulla S. Abadden*  
Member of the Board of Directors, Representative/ Ministry of planning and International cooperation.  
Occupation: General Manager Ministry of planning and International cooperation, Aden - Office  
Appointed as member of the Board of Directors since 1995



## Executive Management



**ALI ADBU SALAM  
MOHAMMED**  
Manager, Studies Dept. &  
Training Center



**ALAWI MUNASSAR**  
Manager, Credit Dept.



**BADR A. MAJED  
SAHAB**  
Manager, Audit Dept.



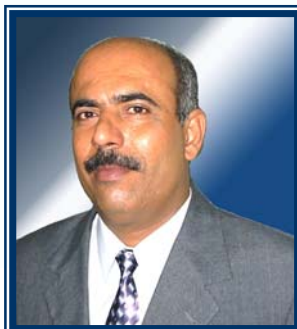
**ARWA ALI SULEMAN**  
Manager, Statistic &  
Research



**SAKINA ABDULHUSSEIN  
MOHAMED**  
Manager, Foreign Relations  
Dept.



**ARWA SALEH SAIF**  
Manager, in charge, Legal  
Dept.



**ESAM AHMED AL-  
SAQQAF**  
Manager, Central Accounts



**SALEH SALEM NASR**  
Manager Branches Dept.



**DR. AHMED BIN SUNKER**  
Manager, Human Resources  
& Administration



**ZIAD A. BASUNAID**  
Head-IT Division

## Chairman's Message



Abdul Rahman Mohamed Al-Kohali  
Chairman and General Manager

It is my pleasure, on behalf of the Board of Directors of the National Bank of Yemen, to present our Annual Report for the year 2004.

The world economy started booming in the first half of 2003 and through the first half of 2004 where it continued to grow at the rate of 5%.

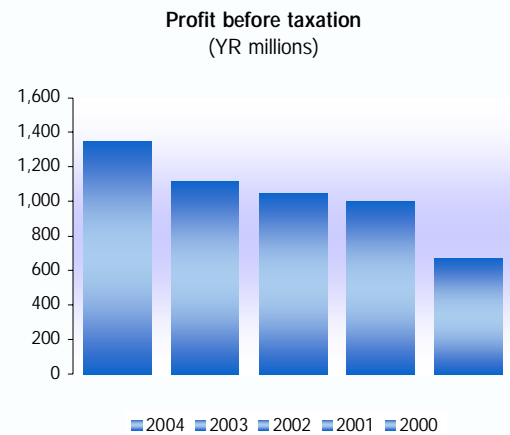
A number of factors lay behind this recovery, the most important of which were the strong world trade, prosperous financial markets, an accelerated world economy, the expansion of the world industrial production and the growth of world investment mainly in the industrial countries and a number of the emerging markets economies, particularly in China. Nevertheless, affected by geo-political uncertainties and higher oil prices, the world economy had witnessed a setback during the remaining period of 2004 owing to unexpected decline in GDP of countries such as the USA, Japan and China.

In the Euro region economic growth was somewhat modest, but remained relatively weak and was strongly dependent on foreign demand, especially in Germany, which represents third of the Euro region.

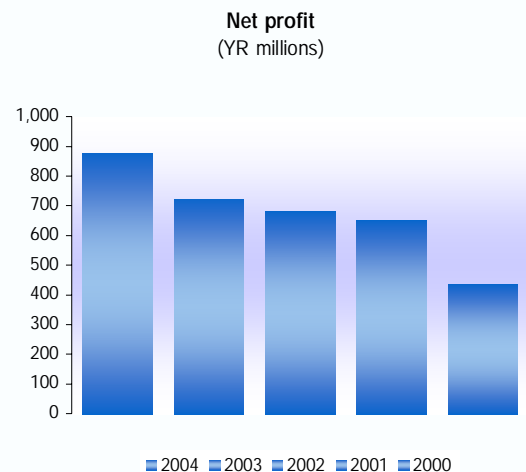
In the international exchange markets, despite expectations of a higher US\$ interest rates, the United States dollar continued to weaken against other major currencies, in particular, the Sterling Pound and the Euro which traded at US\$ 1.36 by the end of 2004.



In 2004, our government continued its policy in accordance with the goals set for in its program of economic reform and promoting the achievement of high economic growth and economic stability. In pursuance of these objectives, the government expects the deficit of the budget, in 2004, to reach 3%-5% of GDP, and to maintain inflation and unemployment at 8-10% and 18% respectively. The reserves of foreign currencies is expected to reach US\$ 5 billion providing cover for more than 14-month imports of the country and the external public debt to fall to 41% of GDP. In addition, to the maintenance of price stability and fixation of exchange rate of the US dollar against the Yemeni riyal by controlling the budget deficit and the deficit in the current account of the balance of payments.



In accordance with the policies and procedures set by the Central Bank of Yemen Law and in order to reinforce stability in the banking sector. The Central Bank of Yemen issued at the end of 2004 a circular raising the paid up capital of the banks operating in Yemen to 6 billion riyals to within 5 years beginning 2005 and ending 2009.



As for the National Bank of Yemen, I am pleased to announce that the Bank has ended another year full with distinguished accomplishments and recording YR 1.353 million in profits before taxation, an increase of 21.4% over last year profits. As a result, the Bank managed to strengthen its financial position by increasing the Bank's paid up capital to YR 2.700 millions in 2004 as compared to YR 2.100 million at the end of 2003. The owner's equity also increased in 2004 by 21.9% to reach YR 4.631 million at the end of the year.



During 2004 the management of the Bank completed the RFP of the Bank's modernization and development program aiming in particular to enhance and increase the Bank's performance, to diversify its products and services and to modernize the Bank's IT. In pursuance of these objectives, the management of the Bank expects to complete the selection process of a qualified consulting firm to carry out this project by second half of 2005.

In conclusion, I am honored to express on behalf of the Board of Directors, our gratitude and appreciation to His Excellency President Ali Abdullah Saleh, the President of Republic of Yemen, for his wise leadership and faultless foresight for setting up a suitable environment to the comprehensive economic development that our country is witnessing. We also extend our gratitude to and appreciation to the Prime Minister, the Deputy Prime Minister the Minister of Finance, under whose supervision the Bank operates, and to the Governor of the Central Bank of Yemen for their continued support to put the Bank in high standing, for the trust they put in us and for their continued assistance for the banking sector which contributed in large to the growth and the flourishing of the Yemeni economy.

I would also like to take this opportunity to thank our esteemed customers and correspondent banks for their valuable confidence and support rendered to the Board of Directors and the executive management of the Bank.

I also express my appreciation and thanks to my colleagues, members of the Board of Directors and to the management of the Bank for their fruitful efforts exerted during 2004. I would also like to thank our staff for all their dedication and total commitment to realizing the prosperity of the Bank.



**Abdul Rahman Mohamed Al-Kohali**

**Chairman & General Manager**



## Board of director's report

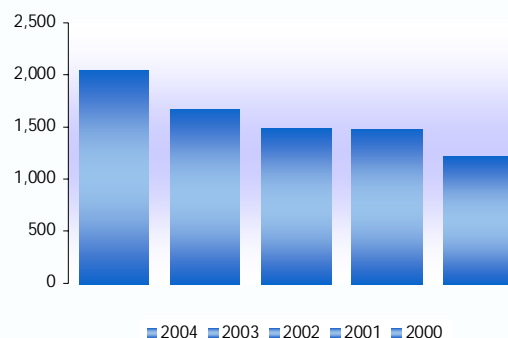
The Board of Directors of the National Bank of Yemen (wholly owned by the Government of Yemen) is pleased to present the financial statements of the Bank and the external auditor's report for the financial year ending 31/12/2004. The financial statements of the Bank for 2004 reflect continuous improvements and an increase in profits. It also shows stronger capital base and improved capital adequacy. These continuous improvements were a result of a comprehensive collective institutional work within all work centers of the Bank.

Despite the tendency of the monetary authorities, in most countries of the world, to reduce short-term interest rates, severe competition between local banks and high liquid assets within the local banking sector. The last twelve months ending 31/12/2004, witnessed high performance for the Bank distinguished by the achievement of a strong financial performance, whereas most of its financial ratios showed noticeable growth.

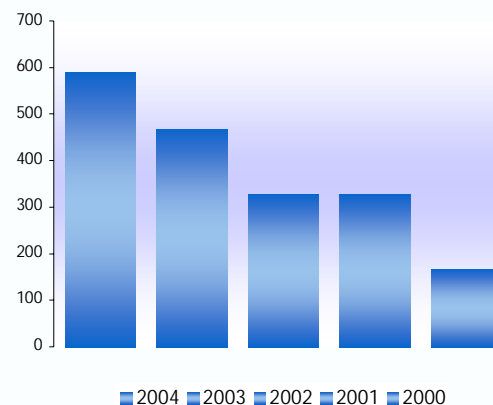
The Bank during 2004 also continued to maintain growth in its profits. Its net profits grew by 21.4% from YR 725 million in 2003 to YR 879 million in 2004.

In addition, the Bank managed in 2004 to accomplish noticeable growth in most of its profitability indicators. Net interest income increased from YR 1.673 million at the end of 2003 to YR 2.047 million in 2004 an increase of 22.4%. Other income grew by 22.3% to reach YR 574 million in 2004 compared with YR 467 million at the end of 2003. The Bank also managed to register an increase of 23.2% in its net operating income to reach YR 2.639 million in 2004 against YR 2.142 million at the end of 2003.

Net interest income  
(YR millions)



Operating income  
(YR millions)



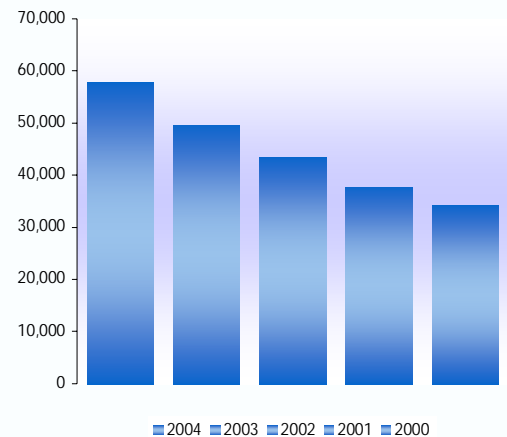
All those results lead to an increase in the earning per share by 7% from YR 392 in 2003 to YR 419 in 2004 and return on owner's equity registered an increase of 1.3% to reach 22.8%% in 2004.

Concerning operating expenses and despite the increase in those expenses during 2004, consequently to the Bank's policy which aims at the continuous support to the financial position of the Bank, as well as making all necessary provisions to non-performing loans, and classified assets. The Bank, however, managed to maintain a performance efficiency ratio similar to that of the previous year, whereby the ratio of total operating expenses to net operating income reached 47.2% in 2004 compared with 46.3% at the end of last year.

In addition, the Bank continued to strengthen its financial position, as a national bank wholly owned by the government. Whereas the Banks' total assets have increased at end of 2004 by YR 8.045 million at a rate of growth of 16.2 % compared to the end of 2003, during which the local investment portfolio has increased by 23.3 % to reach YR 30.870 million at the end of this year. The loan portfolio has also achieved a growth of 50.7 % to reach YR 3.321 million by the end of 2004. In addition, contra accounts and other commitments have registered a growth of 8 % to reach YR 11.312 million at year-end.

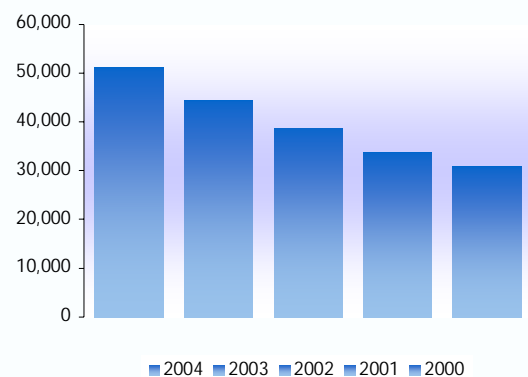
Furthermore, customers' deposits increased by 15.3% from YR 44.497 million at the end of 2003 to YR 51.284 million by the end of 2004. Savings and time deposits also achieved a noticeable growth of 16.4% from YR 33.182 million 2003 to YR 38,619 million in 2004.

Total assets  
(YR millions)



■ 2004 ■ 2003 ■ 2002 ■ 2001 ■ 2000

customers' deposits  
(YR millions)



■ 2004 ■ 2003 ■ 2002 ■ 2001 ■ 2000

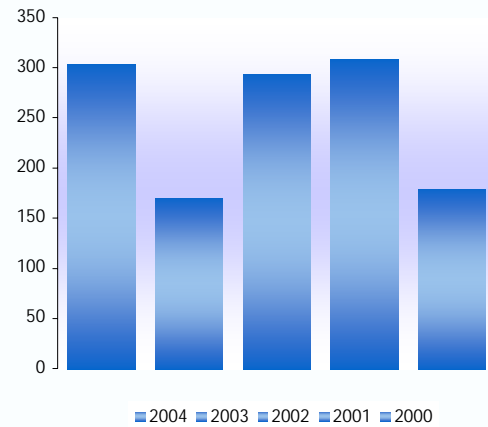


On the other hand, the Bank's paid-up capital rose from YR 2.100 million in 2003 to YR 2.700 million in 2004, accordingly the Bank's capital adequacy ratio rose to reach 45.6 % an increase of 470 % over the minimum requirement stipulated at 8% by the Central Bank of Yemen. As an outcome of these reinforcements on the Bank's capital and the net results achieved from this year's operations, total owner's equity rose to YR 4.631 million from its previous level of YR 3.798 million an increase of 21.9 % over 2003.

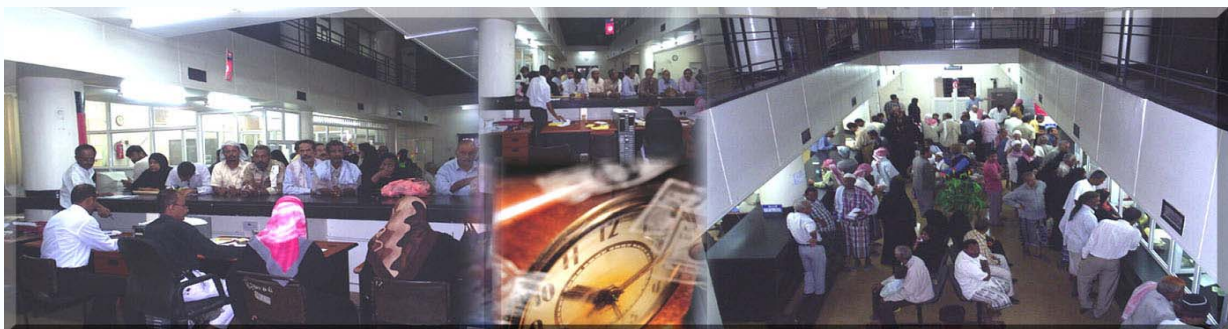
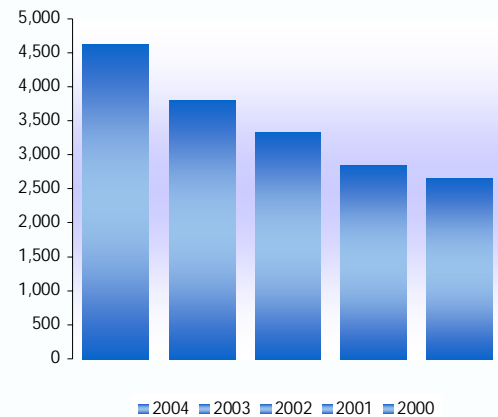
Also from the Bank's awareness of the importance of H/R development, the year of the report witnessed comprehensive training operations at all employments' levels locally and abroad, giving special care to training programs on modern banking services and technologies, thus preparing new generation of younger staff to take over higher working positions. Accordingly the number of trainees in 2004 reached (304) participated in (57) training programs which covered areas in most of the banking aspects such as IT, internal audit and control, treasury operations, investment operations and project financing, branch management and money laundering.

On the other hand, the Bank saved no effort to enhance its relationships with correspondent banks and to gain more access to their indirect business, increase ceilings of credit lines, treasury operations and to secure more training programs to the Banks' employees. In line with this trend, delegates from more than (18) and financial institutions visited the Bank in 2004. Executives and delegates from the Bank also made visits to various banks in the Gulf area and Europe. These efforts and activities had its effects in appointing the Bank as the sole agent in Yemen of the international express money transfers company (TRAVELEX).

Number of trainees (staff)



Owner's equity (YR millions)



Moreover, based on the study of the future vision of the development in the banking industry in Yemen, on the regional and international arenas and in order to increase the business volume of the Bank in Yemen to become more competitive and to support the continuous improvements in its financial results, and expand the scope of its products and services in order to comply with the needs of its customers and the general public, as well as, to modernize the Bank's IT systems to come abreast with the development in the banking industry.

The management of the Bank created a future vision in 2004 that will enable the Bank to coexist strongly in banking market and be one of the leading banks in Yemen through the execution and implementation of the Bank's development and modernization project, which is expected to commence by the second quarter of 2005. The Bank's management also expects the completion of the business plan-goals, policies and procedure- IT strategy and IT RFP- during the first six months from the date of signing the contract between the Bank and the consultant.

The Bank's plan for 2005 includes also the continuity of providing high quality training to secure and reinforce the qualifications and expertise of the Bank's personnel, the improvement of the Bank's manuals and procedures and customers' services.

The plan also will reinforce the Banks' steps to expand the scope of its retail operations and provide better services to its customers.

In Addition the Bank will pay special attention to private banking services; to modernize traditional services in the areas of letters of credit, letters of guarantee, trade and credit finance and corporate banking.

Further, the Bank is expanding its branch networks in the local market to strengthen its increasing customer's base and reinforce its strong and qualitative existence in business and residential areas. The issue of improving and enhancing our relations with correspondent banks will be one of the most important goals in the Bank's plan for 2005.

In conclusion, the Board of Directors would like to thank the management and the staff of the Bank for their fruitful efforts exerted during 2004, which had the greatest impact on the Banks' results and the increase in the business volume of the Bank.

The Board of Directs would like also to express its gratitude and appreciation to the Banks' customers and correspondent banks for their confidence and business relationship.

### **The Board of Directors**





## List of branches

### Head office

P. O. Box No. 5  
Crater Aden  
Republic of Yemen  
Tel.: 967 2 253753  
Fax: 967 2 252325  
E-mail: [nby.ho@y.net.ye](mailto:nby.ho@y.net.ye)  
WEB Site: [www.nbyemen.com](http://www.nbyemen.com)  
SWIFT: NBOYYESA

### Aidroos Branch

P. O. Box No. 5  
Queen Arwa Road,  
Crater,  
Aden  
Republic of Yemen  
Tel.: 967 2 259171  
Fax: 967 2 251579

### Queen Arwa Branch

P. O. Box No. 110  
Queen Arwa Road,  
Crater,  
Aden,  
Republic of Yemen  
Tel.: 967 2 252226  
Fax: 967 2 255724  
SWIFT: NBOYYESA002

### Sana'a Branch

Sana'a Zubairy Street.  
P.O. Box No. 198309  
Republic of Yemen  
Tel.: 967 1 284123  
Fax: 967 1 284128  
SWIFT: NBOYYESA002

### Mukalla Branch

P. O. Box: 8044  
Main Road,  
Al-Mukalla,  
Hadramout,  
Republic of Yemen  
Tel.: 967 5 302935  
Fax: 967 5 302913  
SWIFT: NBOYYESA009

### Hodeidah Branch

P. O. Box No. 4851  
Sana'a Street,  
Hodeidah,  
Republic of Yemen  
Tel.: 967 3 210162  
Fax: 967 3 232834  
SWIFT: NBOYYESA034

### Maalla Branch

P. O. Box No 5117  
Madram Street,  
Al-Maalla,  
Aden  
Republic of Yemen  
Tel.: 967 2 243409  
Fax: 967 2 243291

### Steamer Point Branch

P. O. Box No 1181  
Crescent Road,  
Al-Tawahi,  
Aden  
Republic of Yemen  
Tel.: 967 2 203989  
Fax: 967 2 202255

### A. Aziz A. Wali Branch

A. Aziz A. Wali Area,  
Al-Mansora'a,  
Aden  
Republic of Yemen  
Tel.: 967 2 342929  
Fax: 967 2 343263

**Public Lending Branch**

P. O. Box No. 5  
Queen Arwa Road,  
Crater,  
Aden  
Republic of Yemen  
Tel.: 967 2 253327  
Fax: 967 2 252875

**Seiyun Branch**

Main Road,  
Seiyun,  
Hadramout  
Republic of Yemen  
Tel.: 967 5 402434  
Fax: 967 5 405517  
SWIFT: NBOYYESA007

**Al-Qaa Branch**

Al-Quaa,  
Sana'a  
Republic of Yemen  
Tel.: 967 1 296278  
Fax: 967 1 296277

**Al-Dala Branch**

Main Road,  
Al-Dala  
Republic of Yemen  
Tel.: 967 2 532431  
Fax: 967 2 532845

**Labaus Branch**

Main Road,  
Labaus,  
Lahej  
Republic of Yemen  
Tel.: 967 6 602111  
Fax: 967 6 602112

**Little Aden Branch**

P. O. Box No. 3018  
Al-Doh Road,  
Little Aden,  
Aden  
Republic of Yemen  
Tel.: 967 2 377611  
Fax: 967 2 377155

**Khormaksar Branch**

Air Port Road,  
Khormaksar,  
Aden  
Republic of Yemen  
Tel.: 967 2 231076  
Fax: 967 2 231950

**Zingubar Branch**

Main Road,  
Zingubar,  
Abyan  
Republic of Yemen  
Tel.: 967 2 605070  
Fax: 967 2 604281

**Al-Habeelain Branch**

Main Road,  
Al-Habeelain,  
Lahej  
Republic of Yemen  
Tel.: 967 2 572215  
Fax: 967 2 572225

**Lahej Branch**

Gumata Street,  
Al-Hotah,  
Lahej  
Republic of Yemen  
Tel.: 967 2 502807  
Fax: 967 2 502234

**Al-Baidha Branch**

Al-Omah Street,  
Al-Hay Al-Thakafi,  
Al-Baidha  
Republic of Yemen  
Tel.: 967 6 533599  
Fax: 967 6 533599

**Rusod Branch**

Main Road,  
Rusod,  
Abyan  
Republic of Yemen  
Tel.: 967 2 605018  
Fax : 967 2 605018

**Hai October Branch**

Hadramout, Al-Mukalla,  
Al-Dees.  
Republic of Yemen  
Tel.: 967 5 353226  
Fax : 967 5 305454

**Al-Qatan Branch**

Main Road,  
Al-Qatan,  
Hadramout  
Republic of Yemen  
Tel.: 967 5 457583  
Fax: 967 5 457583

**Zarah Branch**

Main Road,  
Zarah,  
Abyan  
Republic of Yemen  
Tel.: 967 6 572195  
Fax: 967 6 572791

**Ataq Branch**

Financial Building,  
Ataq,  
Shabwah  
Republic of Yemen  
Tel.: 967 5 203233  
Fax: 967 5 202530

**Al-Sheher Branch**

Hadramout, Al- Sheher,  
Al-Khor Area, Main Road.  
Republic of Yemen  
Tel.: 967 5 330999  
Fax: 967 5 332285

**Al-Ghaedhah Branch**

Government Complex,  
Al-Ghaedhah,  
Al-Mahrh  
Republic of Yemen  
Tel.: 967 5 611467  
Fax: 967 5 612054

**Suqotra Branch**

Main Road,  
Suqotra Island,  
Hadramout  
Republic of Yemen  
Tel.: 967 5 660192  
Fax: 967 5 660358

# Dahman RSM

Accountants • Auditors • Consultants

P.O Box 16146, 39  
4th Street end of Algiers St.  
Aser Zone, Sana'a  
Republic of Yemen  
Tel: (967) 1- 214355, Fax: (967) 1- 214360  
Email: dahmanco@yemen.net.ye  
<http://www.dahman-rsm.com>

## AUDITORS' REPORT TO H.E DEPUTY PRIME MINISTER THE MINISTER OF FINANCE

### THE NATIONAL BANK OF YEMEN

We have audited the accompanying financial statements of the National Bank of Yemen (The Bank) consisting of the balance sheet as of 31 December 2004 and the related statements of income, cash flows and changes in owner's equity for the year then ended and the notes to the financial statements set out on pages 16 to 40. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statement, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2004, and the results of its operations, its cash flows and changes in owner's equity for the year then ended in accordance with International Financial Reporting Standards.

We also confirm that, in our opinion, proper accounting records have been kept by the Bank and the financial statements and the contents of the report of the Board of Directors relating to these financial statements are in agreement therewith. We have obtained all the information and explanations which we required for the purpose of our audit.



Dahman Awadh Dahman, FCCA  
Registered Licensed Accountant No. 384  
of **Dahman, RSM**


1 February 2005,  
Aden, Republic of Yemen

## BALANCE SHEET

As of 31 December 2004

	Note	2004 YR' 000	2003 YR' 000
<b>ASSETS</b>			
Cash in hand and reserve balances with the Central Bank of Yemen	5	7,679,564	7,468,727
Due from banks	6	13,760,213	13,056,019
Treasury bills, net	7	25,390,209	19,649,346
Certificates of deposit with the Central Bank of Yemen	8	5,480,000	5,380,000
Loans and advances to customers and banks, net of provision	9	3,320,654	2,202,653
Available for sale investments	10	18,324	20,734
Debit balances and other assets	11	431,291	254,192
Property, plant and equipment, net of accumulated depreciation	12	1,664,283	1,668,257
<b>TOTAL ASSETS</b>		<b>57,744,538</b>	<b>49,699,928</b>
<b>LIABILITIES AND OWNER'S EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks	13	117,102	35,605
Customers' deposits	14	51,283,595	44,497,218
Credit balances and other balances	15	1,238,875	978,550
Income tax payable	16	473,617	390,392
<b>TOTAL LIABILITIES</b>		<b>53,113,189</b>	<b>45,901,765</b>
<b>OWNER'S EQUITY</b>			
Capital	17	2,700,000	2,100,000
Surplus on revaluation of property reserve	17	639,762	639,762
Reserves	17	1,274,464	1,038,868
Cumulative changes in the fair value reserve	17	17,123	19,533
<b>TOTAL OWNER'S EQUITY</b>		<b>4,631,349</b>	<b>3,798,163</b>
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>		<b>57,744,538</b>	<b>49,699,928</b>
<b>CONTRA ACCOUNTS AND OTHER COMMITMENTS, net</b>	18	<b>11,310,751</b>	<b>10,502,331</b>

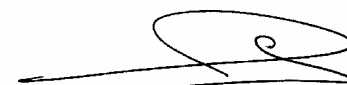
Auditors' report attached,



Khaled Ali Khaina  
Second Deputy General Manager



Sami Abdul Hamid Mackawee  
First Deputy General Manager



Abdul Rahman Mohammed Al - Kuhali  
Chairman and General Manager

The attached notes 1 to 37 form an integral part of these financial statements

## STATEMENTS OF INCOME & PROFIT APPROPRIATION

For the year ended 31 December 2004

<b>STATEMENT OF INCOME</b>	<i>Note</i>	<i>2004</i> <i>YR' 000</i>	<i>2003</i> <i>YR' 000</i>
Interest on loans and due from banks	19	924,825	756,129
Interest on treasury bills		3,069,669	2,306,625
Interest on certificates of deposit with the Central Bank of Yemen		763,203	747,400
		<u>4,757,697</u>	<u>3,810,154</u>
Less: Cost of deposits	20	2,710,550	2,136,767
Net interest income		<u>2,047,147</u>	<u>1,673,387</u>
Commissions and fee income on banking services	21	364,056	316,589
Income on available for sale investments		692	1,342
Gain on foreign currency transactions	22	50,467	79,708
Other operating income	23	176,218	71,347
NET OPERATING INCOME		<u>2,638,580</u>	<u>2,142,373</u>
<b>OPERATING EXPENSES</b>			
Commissions and fee expenses on banking services		17,975	18,322
General and administration expenses	24	714,273	643,702
Provisions	25	513,140	329,942
TOTAL OPERATING EXPENSES		<u>1,245,388</u>	<u>991,966</u>
NET PROFIT BEFORE ZAKAT AND INCOME TAX		<u>1,393,192</u>	<u>1,150,407</u>
Zakat	26	(40,000)	(35,000)
NET PROFIT FOR THE YEAR AFTER ZAKAT AND BEFORE INCOME TAX		<u>1,353,192</u>	<u>1,115,407</u>
Provision for income tax	16	(473,617)	(390,392)
NET PROFIT FOR THE YEAR		<u>879,575</u>	<u>725,015</u>
Earnings per share	27	<u>YR 419</u>	<u>YR 392</u>
<b>STATEMENT OF PROFIT APPROPRIATION</b>			
Transfer to statutory reserve	17	(131,936)	(108,752)
Transfer to general reserve	17	(131,936)	(108,752)
Government's share in net profit for the year	15 (c)	(571,724)	(471,260)
Employees' share in net profit for the year		(43,979)	(36,251)
Balance at 31 December		<u>-</u>	<u>-</u>

The attached notes 1 to 37 form an integral part of these financial statements

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2004

	2004 YR 000	2003 YR 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the year before zakat and income tax	1,393,192	1,150,407
Adjustments for:		
Provision for losses on loans and on contra accounts made during the year	298,980	173,187
Provision for losses on loans and contra accounts written back during the year	(161,236)	(56,070)
Amount utilized during the year from provision for losses on loans	(19,560)	(7,671)
Revaluation of provision for losses on loans and on contra accounts	2,808	6,363
Income tax paid	(390,392)	(367,967)
Zakat	(40,000)	(35,000)
Depreciation of property, plant and equipment	45,628	42,773
<b>Operating profit before changes in assets and liabilities related to operating activities: (1)</b>	<b>1,129,420</b>	<b>906,022</b>
<b>CHANGES IN BANKING ASSETS AND LIABILITIES</b>		
Reserve balances with the Central Bank of Yemen	(298,437)	(2,510,543)
Due from banks maturing after three months	842,135	770,142
Treasury bills maturing after three months	50,100	(50,100)
Loans and advances to customers and banks	(1,221,007)	(516,158)
Debit balances and other assets	(177,099)	31,093
<b>Net (increase) in Assets (2)</b>	<b>(804,308)</b>	<b>(2,275,566)</b>
Due to banks	81,497	6,655
Customers' deposits	6,786,377	5,605,763
Credit balances and other liabilities	242,339	64,669
<b>Net increase in liabilities (3)</b>	<b>7,110,213</b>	<b>5,677,087</b>
<b>CASH FLOWS (USED IN) INVESTMENT ACTIVITIES</b>		
Purchase of property, plant and equipment	(41,654)	(50,573)
<b>Net Cash flows (used in) investing activities (4)</b>	<b>(41,654)</b>	<b>(50,573)</b>
<b>CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		
Government's share in the net profit for the year	(571,724)	(471,260)
Increase in the capital	571,724	250,000
Employees' share in the net profit for the year	(43,979)	(36,251)
<b>Net Cash flows (used in) financing activities (5)</b>	<b>(43,979)</b>	<b>(257,511)</b>
<b>Net increase in cash and cash equivalents (1+2+3+4+5)</b>	<b>7,349,692</b>	<b>3,999,459</b>
Cash and cash equivalents at 1 January	36,859,343	32,859,884
<b>Cash and cash equivalents at 31 December</b>	<b>44,209,035</b>	<b>36,859,343</b>
<b>Consist of:</b>		
Cash in hand and reserve balances with the Central Bank of Yemen	7,679,564	7,468,727
Due from banks	13,760,213	13,056,019
Treasury bills and certificates of deposit with the Central Bank of Yemen	30,870,209	25,029,346
Reserve balances with the Central Bank of Yemen	(6,521,311)	(6,222,874)
Due from banks maturing after three months	(1,579,640)	(2,421,775)
Treasury bills maturing after three months	-	(50,100)
<b>Cash and cash equivalents at 31 December</b>	<b>44,209,035</b>	<b>36,859,343</b>

The attached notes 1 to 37 form an integral part of these financial statements.

STATEMENT OF CHANGES IN OWNER'S EQUITY

For the year ended 31 December 2004

	Capital YR'000	Revalua tion Reserve YR'000	Statutory Reserve YR'000	General Reserve YR'000	Cumulative Changes in Fair value Reserve YR'000	Net Profit for the Year YR'000	Total YR'000
At 31 December 2002	1,850,000	639,762	368,131	453,233	18,923	-	3,330,049
Net movement in fair value for the year	-	-	-	-	610	-	610
Net profit for the year	-	-	-	-	-	725,015	725,015
Transfer to statutory reserve	-	-	108,752	-	-	(108,752)	-
Transfer to general reserve	-	-	-	108,752	-	(108,752)	-
Government's share in net profit	-	-	-	-	-	(471,260)	(471,260)
Transfer to capital	250,000	-	-	-	-	-	250,000
Employees' share in net profit	-	-	-	-	-	(36,251)	(36,251)
At 31 December 2003	2,100,000	639,762	476,883	561,985	19,533	-	3,798,163
Net movement in fair value for the year	-	-	-	-	(2,410)	-	(2,410)
Net profit for the year	-	-	-	-	-	879,575	879,575
Transfer to statutory reserve	-	-	131,936	-	-	(131,936)	-
Transfer to general reserve	-	-	-	131,936	-	(131,936)	-
Government's share in net profit transferred to capital	571,724	-	-	-	-	(571,724)	-
Transfer to capital	28,276	-	-	(28,276)	-	-	-
Employees' share in net profit	-	-	-	-	-	(43,979)	(43,979)
At 31 December 2004	2,700,000	639,762	608,819	665,645	17,123	-	4,631,349

The Bank's Board of Directors, in its meeting held on 8 January 2005, resolved to comply with the instructions of Central Bank of Yemen in its circular No (12) dated 8 December 2004 to the banks licensed to operate in the Republic of Yemen to increase their capital to YR 6,000 million beginning from the year 2005 and by the end of 2009. H.E the Deputy Prime Minister, Minister of Finance, accepted the recommendation of the Bank's management to start increasing the capital from the end of this year. As a result, the Bank has transferred the Government share of net profit for the year and YR 28,276 thousand from the general reserve to capital.

The attached notes 1 to 37 form an integral part of these financial statements





31 December 2004

## 1 INCORPORATION AND ACTIVITIES

The National Bank of Yemen (The Bank), which was incorporated in Aden in 1969, is wholly owned by the Government of Yemen. The Head Office of the Bank is at Queen Arwa Street, P. O. Box No. 5, Crater, Aden, Republic of Yemen and is registered under Registration Number 1748. The Bank undertakes all banking activities through its head office and 27 branches spread all over the Southern and Eastern Governorates and through two branches in Sana'a, and one in Hodeidah. The Bank had 597 employees as on 31 December 2004 (31 December 2003: 588 employees).

In its meeting held on 31 January 2005, the Bank's Board of Directors approved the financial statement of the Bank and decided to submit them to the relevant authorities for approval to publish them.

## 2 PREPARATION BASIS OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Financial Reporting Standards Board (IASB) and the interpretations of the Standing Accounting Committee of the IASB, the current local prevailing laws and regulations and the rules and instructions issued by the Central Bank of Yemen.

There are no significant differences between International Financial Reporting Standards and those required by the Central Bank of Yemen except for the following:

- i) The adoption of minimum fixed percentages for losses on loans and advances in accordance with the Central Bank of Yemen circular No. (6) of 1996 and circular No. (5) of 1998;
- ii) The inclusion of the general provision for risk calculated on the performing loans in the general provision for loans and advances rather than including it within the Owner's equity.

The effect of these deviations is immaterial on the financial statements of the Bank as on 31 December 2004.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied on a consistent basis are as follows:

### a) Accounting convention

The financial statements are prepared under the historical cost convention as modified for their revaluation of land and buildings to market value and the measurement of available for sale investments to the fair value. The provisions of the International Accounting Standard (39) - Recognition and Measurement have been applied from January 2002.

### b) Foreign currencies

- i) The Bank maintains its records in Yemeni Riyals. Transactions in other currencies are recorded during the financial year at the prevailing exchange rates at the value dates of the transactions. Balances of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-valued at the prevailing exchange rates on that date. Gains or losses resulting from revaluation are taken to the statement of income.
- ii) The differences arising from the re-measurement of "available for sale" investments to fair value which relates to changes in foreign exchange rates are considered as part of the change in fair value. Accordingly, these differences are not taken to the statement of income, but are rather taken directly to the Owner's equity.
- iii) The Bank does not enter into forward exchange contracts.

31 December 2004

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Revenue recognition**

- i) Revenues are recognized on the accrual basis. However, in order to comply with the Central Bank of Yemen Circular No. (6) of 1996, the Bank does not accrue interest on non-performing loans and credit facilities. When an account is treated as non-performing, all uncollected interest relating to the three months prior to categorizing the loan as non-performing is reversed from income and recorded as uncollected interest.
- ii) In accordance with the Central Bank of Yemen guideline No. (2) of 2002, any Provision written back are included under "other operating income".
- iii) Dividends on available for sale investments are recognized when declared.

**d) Treasury bills and certificates of deposit with the Central Bank of Yemen**

Treasury bills issued by the Central Bank of Yemen on behalf of the Ministry of Finance are stated at their nominal value, adjusted for any unamortised discount. Certificates of deposit with the Central Bank of Yemen are stated at their nominal value.

**e) Valuation of investments**

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, investments which are classified as "available for sale" are measured at fair value. The gain or loss arising from a change in fair value of such investments is recognised directly in equity until the financial asset is sold, collected or otherwise disposed off, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the statement of income for the year.

**f) Provision for losses on loans and advances and contingent liabilities**

In order to comply with the Central Bank of Yemen circulars No. (6) of 1996 and No. (5) of 1998, provision is made for specific loans, overdrafts and contingent liabilities, in addition to a percentage for general risks calculated on the total of other loans, overdrafts and contingent liabilities after deducting balances secured by deposits and banks' guarantees. The provision is determined based on periodic comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, the provision is made in accordance with the following rates:

Performing loans including watch loans	2%
Performing contingencies including watch accounts	1%
Non-performing loans and contingencies:	
Substandard debts	15%
Doubtful debts	45%
Bad debts	100%

Loans and advances are written off by debiting the provision, if procedures taken towards their collection prove useless, or if directed by the Central Bank of Yemen upon review of the portfolio. Proceeds from loans and advances previously written off in prior years are credited to the provision. Loans and advances to customers are presented, in the balance sheet, net of provision and uncollected interest.

31 December 2004

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

g) Property, plant and equipment, net of accumulated depreciation

Property comprising land and buildings are recorded at their revalued amounts. Equipment are recorded at cost on the date of purchase. Cost includes the purchase price and related expenses.

Freehold land is not depreciated. Other property and equipment items are stated at cost or revalued amounts less accumulated depreciation.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset over its expected useful life using the straight line method at the rates shown below:

Buildings on freehold land	2%
Vehicles	20%
Furniture and equipment	10%
Computers and software programs	20%
Security vaults	2%
Improvements to leasehold property	Years of lease or estimated useful life whichever is lower.

h) Real estate properties acquired from customers

In accordance with the Banks Law No. (38) of 1998 and the instructions of the Central Bank of Yemen, real estate properties acquired from customers in settlement of loans are included in the balance sheet under "debit balances and other assets" using the value at which these properties were acquired less any decline in their value. Any decline is charged to the statement of income.

i) Contingent liabilities and commitments

Contingent liabilities and commitments, in which the Bank is a party, are presented off-balance sheet under "contingent liabilities and commitments" as they do not represent actual assets or liabilities of the Bank at the balance sheet date.

j) Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents consist of cash in hand, cash balances with the Central Bank of Yemen other than statutory reserve balances, demand deposits with other banks and investments in treasury bills which are due within three months from the issuance date and certificates of deposit with the Central Bank of Yemen.

k) Taxation

Taxation for the year is provided for in accordance with the Income Tax Law No. (31) of 1991 and its amendments and the provision of article No. (85) of the Bank's Law No. (38) of 1998.

l) Zakat

The Bank pays zakat, in accordance with the relevant laws, to the government which decides on its allocation.

m) Related party transactions

Disclosures are made in the financial statements of loans and advances and contingent liabilities granted to related parties and in particular members of the Board of Directors and companies in which they own more than 25% of the capital.

n) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these financial statements.

31 December 2004

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### o) Impairment of financial assets

At each balance sheet date an assessment is made of whether there is objective evidence that a financial asset or portfolio of assets is impaired. If this evidence exists, the recoverable amounts of the assets or group of assets is determined and any impairment losses are recognised immediately in the statement of income based on the present value of the anticipated future cash flows.

#### p) Fair values

The estimated fair value of interest-bearing items is based on discounted cash flows using interest rates for items with similar remaining maturity. No fair values are estimated for deposits with no fixed maturity as their balances are payable on demand.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the investment.

#### q) Trade and settlement date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

## 4 FINANCIAL INSTRUMENTS AND MANAGING THEIR RELATED RISKS

### 4.1 Financial instruments

a) The Bank's financial instruments are represented in financial assets and liabilities. Financial assets include cash balances, current accounts and deposits with banks, treasury bills, certificates of deposit with the Central Bank of Yemen, investments, and loans and advances to customers and banks. Financial liabilities include customers' deposits and balances due to banks. Also, financial instruments include rights and obligations stated in contingent liabilities and commitments.

#### b) Fair value of financial instruments

Based on the valuation of the Bank's assets and liabilities stated in the notes to the financial statements, the fair value of the financial instruments do not differ fundamentally from their fair values at the balance sheet date.

#### c) Forward contracts

The Bank does not enter into forward foreign currency buy or sale contracts.

### 4.2 Managing related risks

#### a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Bank performs a number of procedures 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.

31 December 2004

#### 4 FINANCIAL INSTRUMENTS AND MANAGING THEIR RELATED RISKS (continued)

##### 4.2 Managing related risks (continued)

###### b) Credit risk

Loans and credit facilities to customers and banks, current accounts and deposits with banks and rights and obligations from others are considered as financial assets exposed to credit risk. Credit risk represents the inability of these parties to meet their obligations when they fall due. In order to comply with the Central Bank of Yemen circular No. 10 of 1997 pertaining to the management of credit risk exposure, the Bank adheres to certain minimum standards in order to properly manage its credit risk.

In addition to the standards stated in the mentioned circular, additional procedures applied by the Bank to minimize the credit risk exposure are:

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

###### c) Exchange rate risk

Due to the nature of the Bank's activity, the Bank deals in different foreign currencies; hence it is exposed to exchange rate risk. The Bank attempts to maintain a balanced foreign currencies position in compliance with the Central Bank of Yemen instructions and the requirements of Central Bank of Yemen circular No. (6) of 1998 which specifies that individual foreign currency positions shall not exceed 15% of the Bank's capital and reserves, and that the aggregate open position for all currencies shall not exceed 25% of the Bank's capital and reserves, (note-34).

#### 5 CASH IN HAND AND RESERVE BALANCES WITH THE CENTRAL BANK OF YEMEN

	2004	2003
	YR'000	YR'000
Cash in hand		
- In local currency	508,298	518,277
- In foreign currencies	398,612	479,779
- Cheques purchased, net	251,343	247,797
Total cash in hand	<u>1,158,253</u>	<u>1,245,853</u>
Reserve balances with the Central Bank of Yemen		
- In local currency	3,231,757	2,608,198
- In foreign currencies	3,289,554	3,614,676
Total reserve balances with the Central Bank of Yemen	<u>6,521,311</u>	<u>6,222,874</u>
Total cash in hand and reserve balances with the Central Bank of Yemen	<u><u>7,679,564</u></u>	<u><u>7,468,727</u></u>

In accordance with the Yemeni Banks Law, the Bank is required to maintain statutory deposits with the Central Bank of Yemen at stipulated percentages of its demand, time and other deposits (10% on local currency and 20% on foreign currencies). Deposits in local currency carry interest at rates determined by the Central Bank of Yemen.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

**6 DUE FROM BANKS**

	2004 YR'000	2003 YR'000
<i>Due from the Central Bank of Yemen and other local banks</i>		
Current accounts with the Central Bank of Yemen		
- In local currency	1,385,318	711,037
- In foreign currencies	297,525	309,659
Total current accounts with the Central Bank of Yemen	1,682,843	1,020,696
Less: Provision for outstanding reconciling items	(18,115)	(18,115)
Net current account balances with the Central Bank of Yemen	1,664,728	1,002,581
Current account balances with local banks	2,274	1,194
Total due from the Central Bank of Yemen and other local banks	1,667,002	1,003,775
<i>Due from foreign banks and other financial institutions</i>		
Current and demand account balances	2,159,699	1,614,133
Less: Provision for outstanding reconciling items	(24,943)	(27,894)
Time deposits	9,958,455	10,466,005
Total due from foreign banks and other financial institutions	12,093,211	12,052,244
Total due from banks	13,760,213	13,056,019

Time deposits include

- a) An investment linked deposit made with a foreign bank for US \$ 1,000,000 (YR 185,840 thousand) to be held for five years and carries a fixed interest rate of 5 % for year two, thereafter the interest rate is indexed to LIBOR and is calculated based on a predetermined formula which has an upper and lower barrier.
- b) An investment linked deposit made with a foreign bank for US \$2,000,000 (YR 371,680 thousand) to be held for five years and carries a interest rate of 5.50 % for year one, thereafter the interest rate is indexed to LIBOR and is calculated based on a predetermined formula which has an upper and lower barrier.
- c) An investment linked deposit made with a foreign bank for US \$2,000,000 (YR 371,680 thousand) to be held for four years and carries a fixed interest rates of 2.5% for year one, 3.25% for year two, 4.0% for year three and 4.5% for year four.

**7 TREASURY BILLS, net**

	2004 YR'000	2003 YR'000
Treasury bills due within 90 days	25,756,602	19,890,381
Treasury bills due within 182 days	-	50,260
Less: Unamortised discount	(366,393)	(291,295)
Net book value	25,390,209	19,649,346

The treasury bills and repurchased treasury bills have maturity of three months and carry interest rates ranging from 13.0% to 14.0% (2003: 13.0% to 14.0%). In accordance with the instructions of the Central Bank of Yemen, treasury bills which mature within a period not exceeding three months are considered as part of cash and cash equivalent assets.

31 December 2004

**8 CERTIFICATES OF DEPOSIT WITH THE CENTRAL BANK OF YEMEN**

	2004 YR'000	2003 YR'000
Certificates of deposit – 91 days	<u>5,480,000</u>	<u>5,380,000</u>

Certificates of deposits are amounts deposited with the Central Bank of Yemen having a maturity of three months and carry interest rates of 14 % (2003: 14%). In accordance with the instruction with the Central Bank of Yemen, such certificates of deposit are considered as part of cash and cash equivalent assets.

**9 LOANS AND ADVANCES TO CUSTOMERS AND BANKS, net of provision**

	2004 YR'000	2003 YR'000
<i>Loans and advances to customers:</i>		
Overdraft facilities	1,587,795	1,039,590
Term loans	2,657,703	1,830,546
Commercial papers discounted	59,191	204,656
Total amounts due from private sector customers (i)	<u>4,304,689</u>	<u>3,074,792</u>
<i>Loans and advances to Banks</i>		
Subordinated loan to UBAF-US\$ 588,094 (note - a)	109,292	108,386
Total amounts due from Banks (ii)	<u>109,292</u>	<u>108,386</u>
Total loans and advances to customers and banks (i) + (ii)	<u>4,413,981</u>	<u>3,183,178</u>
Provision for losses on loans and advances (note - b)	(1,067,498)	(964,492)
Suspended interest (note - c)	(25,829)	(16,033)
Total Provision for losses on loans and advances and suspended interest	<u>(1,093,327)</u>	<u>(980,525)</u>
Net loans and advances to customers and banks	<u>3,320,654</u>	<u>2,202,653</u>

Gross non-performing loans and advances at 31 December 2004 amounted to YR 1,157,716 thousand (31 December 2003 - YR 1,048,218 thousand)

(a) Subordinated loan to UBAF

The loan of US \$ 588,094 represents the Bank's participation in a subordinated loan extended to UBAF (Paris) by its shareholders and carries an interest rate of LIBOR +1%. Although the interest on this loan is being paid regularly on time, part of the principal amount had been rescheduled for four years to 4 June 2007 and the remaining part to 4 March 2008. The Bank's management decided to approve the request of UBAF (Paris) to reschedule the loan for four years with the same previous conditions.

As a result the Bank's management, taking a conservative and prudent view, has fully provided for the principal of the loan. The balance of the loan as on 31 December 2004, is stated using the exchange rate prevailing at that date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

**9 LOANS AND ADVANCES TO CUSTOMERS AND BANKS, net of provision (continued)**

(b) Provision for losses on loans and advances

In accordance with Article (85) of the Banks Law No. (38) of 1998, which came into effect on 27 December, 1998, and Article 9 (j) of the Income Tax Law No. (31) of 1991 as amended by Republican Decree Law No. (12) of 1999, any Provision for losses on loans and advances made by a bank in compliance with the regulations of the Central Bank of Yemen in this respect, are not subject to the Provision of any income tax law and are allowable as a deduction in arriving at the taxable income.

Details of movements in the provision for possible losses on loans and advances during the year were as follows:

	----- 2004 -----			----- 2003 -----		
	Specific YR'000	General YR'000	Total YR'000	Specific YR'000	General YR'000	Total YR'000
Balance at 1 January	921,462	43,030	964,492	841,335	35,292	876,627
Revaluation of opening balance in foreign currencies	2,197	271	2,468	4,892	656	5,548
Amount utilized during the year.	(19,560)	-	(19,560)	(7,671)	-	(7,671)
Adjusted opening balance	904,099	43,301	947,400	838,556	35,948	874,504
Amounts recovered of loans previously written off (note 23)	(143,011)	(6,691)	(149,702)	(41,630)	(9,589)	(51,219)
Provision for the year (note 25)	254,117	15,683	269,800	124,536	16,671	141,207
Charged to the income statement	111,106	8,992	120,098	82,906	7,082	89,988
<b>Balance at end of year</b>	<b>1,015,205</b>	<b>52,293</b>	<b>1,067,498</b>	<b>921,462</b>	<b>43,030</b>	<b>964,492</b>

Management has decided to provide for the general provision for performing loans and contingencies including watch loans at the rate of 2% ( 2003 – 2%).

(c) Suspended interest

This represents interest on non-performing loans and advances in accordance with the Central Bank of Yemen regulations and which is recognised as revenue only when collected.

	2004 YR'000	2003 YR'000
Balance at 1 January	16,033	16,130
Amounts written off during the year	-	(328)
Recovered during the year	(557)	(568)
Suspended during the year	10,353	799
<b>Balance at end of year</b>	<b>25,829</b>	<b>16,033</b>



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## 10 AVAILABLE FOR SALE INVESTMENTS

These comprise investments, available for sale, in the following foreign companies:

	Ownership Percentage %	No. of shares of US \$ 1 each	2004 YR'000	2003 YR'000
<i>Unquoted investments in UBAF Group</i>				
UBAF – Curacao – A Shares of US \$ 1 each	0.788	1,497,200	17,982	17,982
UBAF – Curacao – B Shares of US \$ 1 each	0.783	234,650	2,818	2,818
UBAF – Curacao – C Shares of US \$ 1 each	1.371	528,250	6,344	6,344
<b>Total investment in shares in UBAF Group</b>		<b>2,260,100</b>	<b>27,144</b>	<b>27,144</b>
<i>Other unquoted investments</i>				
Arab Banking Group – Bahrain	0.344		2,067	2,067
Arab Financial Services Company – Bahrain (note– a)	0.167		18,324	20,734
<b>Total other unquoted investments</b>			<b>20,391</b>	<b>22,801</b>
<b>Total available for sales investments</b>			<b>47,535</b>	<b>49,945</b>
Less: Provision for impairment - (note –b)			(29,211)	(29,211)
<b>Net book value of investments available for sale</b>			<b>18,324</b>	<b>20,734</b>

### (a) Arab Financial Services Company – Bahrain

The fair value of the investment in Arab Financial Services Company – Bahrain is based on the book value of shares as per the latest audited financial statement of the Company which amounted to US\$ 9.86 per share (2003: US\$ 11.25 per share).

The following table shows the movement in the Arab Financial Services Company – Bahrain during the year:

	2004 YR'000
Balance at 1 January	20,734
Exchange difference	173
Written down of fair value	(2,583)
<b>Fair value at 31 December</b>	<b>18,324</b>

### (b) Provision for impairment

Since no dividends were received from the investments in UBAF – Curacao and Arab Banking Group – Bahrain during the last few years and no dividends are expected to be received in the coming years, a full impairment provision was taken for the balances of those investments because their net present value is nil.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**11 DEBIT BALANCES AND OTHER ASSETS**

	2004 YR'000	2003 YR'000
Prepaid expenses and other debit balances	4,246	2,044
Interest receivable	200,878	187,439
Capital costs of new branches	189,046	7,228
Real estate properties acquired from customers, net of provision	29,234	29,234
Sundry debit balances, net of provision	7,887	28,247
<b>Total debit balances and other assets</b>	<b>431,291</b>	<b>254,192</b>

The balance of real estate properties acquired from customers is net of a provision of YR 480 thousand (2003 – YR 480 thousand). The valuation of these properties is in accordance with the instructions of the Central Bank of Yemen.

**12 PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation**

	<i>Freehold Land and buildings YR'000</i>	<i>Leasehold Improve- ments YR'000</i>	<i>Furniture &amp; Equipment YR'000</i>	<i>Motor Vehicles YR'000</i>	<i>Swift &amp; Computers YR'000</i>	<i>Total YR'000</i>
<i>Cost or valuation:</i>						
At 31 December 2003	1,517,485	29,071	166,816	54,828	112,072	1,880,272
Additions during the year	556	7,719	18,112	8,908	6,359	41,654
At 31 December 2004	1,518,041	36,790	184,928	63,736	118,431	1,921,926
<i>Depreciation</i>						
At 31 December 2003	28,787	8,998	62,508	41,060	70,662	212,015
Charge for the year	7,568	3,286	15,142	4,699	14,933	45,628
At 31 December 2004	36,355	12,284	77,650	45,759	85,595	257,643
<i>Net book amount</i>						
At 31 December 2004	1,481,686	24,506	107,278	17,977	32,836	1,664,283
At 31 December 2003	1,488,698	20,073	104,308	13,768	41,410	1,668,257

Depreciation is calculated on the basis of the rates set out in the Council of Ministers' Resolution No. (144) of 1999.

a) Revaluation of property

Freehold land, land leased from the Government and buildings on freehold and leasehold were revalued at their open market value for existing use on 1 December 1999, effective from 31 December 1999, by an independent professional real estate firm. In accordance with International Accounting Standard No. (16), the method used to present the revalued amounts is that the cost and related accumulated depreciation as at 31 December 1999, were eliminated and the revalued amount has been considered to be the new gross carrying amount.

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**13 DUE TO BANKS**

	2004 YR'000	2003 YR'000
<i>Current and demand accounts</i>		
Local banks	28,529	6,564
Foreign banks	88,573	29,041
Total due to banks	<u>117,102</u>	<u>35,605</u>

**14 CUSTOMERS' DEPOSITS**

	2004 YR'000	2003 YR'000
Current accounts	10,172,278	9,040,736
Savings accounts	22,108,618	19,703,299
Term deposits	16,510,335	13,478,627
Other deposits	592,983	360,671
Deposits for documentary letters of credit, guarantees and others	1,899,381	1,913,885
Total customers' deposits	<u>51,283,595</u>	<u>44,497,218</u>

**15 CREDIT BALANCES AND OTHER BALANCES**

	2004 YR'000	2003 YR'000
Accrued interest payable	360,230	231,809
Unclaimed balances (note - a)	183,248	179,395
Provision for employees' leave pay	24,387	25,939
Provision for off-balance sheet items (note - b)	75,776	57,790
Due to the Owner (the Government) (note - c)	-	221,260
Other provisions	18,837	18,672
Employees' share in net profit	54,587	48,245
Provision for contingent liabilities (note-33)	326,000	138,000
Sundry credit balances	195,810	57,440
Total credit balances and other balances	<u>1,238,875</u>	<u>978,550</u>

a) Unclaimed balances

This amount represents balances that are over 15 years old and have not been claimed by the beneficiaries. Management is reviewing the likelihood of these amounts being claimed and based on the outcome of their review, it will consider the amount that should be transferred to the Ministry of Finance in accordance with the relevant article in the Banks Law.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

**15 CREDIT BALANCES AND OTHER BALANCES (continued)**

b) Provision for off-balance sheet items

	2004 YR'000	2003 YR'000
Balance at 1 January	57,790	29,846
Revaluation of opening balance in foreign currencies	340	815
Provision charged during the year (note -25)	29,180	31,980
Provision written back during the year (note -23)	(11,534)	(4,851)
Balance at end of the year	<u>75,776</u>	<u>57,790</u>

c) Due to the owner (the Government)

	2004 YR'000	2003 YR'000
Balance at 1 January	221,260	417,189
Add:		
Government's share in the profit for the year	571,724	471,260
Transferred to capital	(571,724)	(250,000)
Net Government's share of the profit for the year	-	221,260
Less: amounts paid during the year	(221,260)	(417,189)
Balance at end of the year	<u>-</u>	<u>221,260</u>

**16 INCOME TAX PAYABLE**

	2004 YR'000	2003 YR'000
<i>Amounts due to the Tax Authority</i>		
Balance at 1 January	390,392	367,967
Charged for the year in the Statement of Income (note a)	473,617	390,392
Total amounts due to the Tax Authority	864,009	758,359
Amount paid during the year	(390,392)	(367,967)
Total income tax payable	<u>473,617</u>	<u>390,392</u>

a) Charge for the year

The charge for the year has been calculated on the basis of the net profit for the year. In accordance with the letter of H. E. The Minister of Finance to the Tax Authority dated 17 April 2000, the tax assessment of the Bank for each year shall be based on the results as disclosed by the Bank's financial statements audited by an external auditing firm.

b) Prior year tax assessments

The Bank received on 13 June 2004, the final tax clearance for the income tax liability for the financial year ending 31 December 2003.

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## 17 OWNER'S EQUITY

### a) Authorized capital

The authorized share capital amounting YR. 6,000 million (2003 – YR 2,100 million) consists of 6,000 thousand shares of YR 1,000 par value each (2003: of 2,100 thousand shares of YR 1,000 par value each).

### b) Declared and paid up capital

The paid up share capital amounting YR. 2,700 million (2003 – YR 2,100 million) consists of 2,700 thousand shares of YR 1,000 par value each (2003– of 2,100 thousand shares of YR 1,000 par value each).

### b) Net profit distribution

In accordance with the provisions of the Public Corporations and Establishments Law No. (35) of 1991, the net profit, after income tax, shall be allocated as follows:

- 15% to statutory reserve.
- 15% to general reserve.
- 65% to the Government for its share of profits.
- 2% to employee's incentives.
- 3% to employees' social fund

### c) Surplus on revaluation property reserve

The difference between the revalued amounts of the freehold land and the buildings and their net book value as at 31 December, 1999 has been credited to owner's equity.

### d) Cumulative changes in fair value reserve

In accordance with the provisions of IAS 39 Financial Instruments –Recognition and Measurement, the differences between the fair values and the book values of the "available for sale" investments are recognised in the cumulative changes in fair value until they are sold, collected, disposed off, or until they are determined to be impaired, at which time the cumulative gain or loss previously recognised is included in the statement of income for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

**18 CONTRA ACCOUNTS AND OTHER COMMITMENTS, net**

<i>At 31 December 2004</i>	<i>Gross Commitments YR'000</i>	<i>Covered by margin YR'000</i>	<i>Net commitments YR'000</i>
<i>Commitments on behalf of customers for which there were corresponding liabilities by the customers concerned:</i>			
Documentary letters of credit	4,788,996	1,005,925	3,783,071
Letters of guarantees – customers	3,445,345	879,750	2,565,595
Letters of guarantees - correspondent banks	4,675,578	-	4,675,578
Customers' acceptances	267,691	-	267,691
Credit cards	32,522	13,706	18,816
<b>Total contra accounts and other commitments</b>	<b>13,210,132</b>	<b>1,899,381</b>	<b>11,310,751</b>
<i>At 31 December 2003</i>			
<i>Commitments on behalf of customers for which there were corresponding liabilities by the customers concerned:</i>			
Documentary letters of credit	3,995,538	919,123	3,076,415
Letters of guarantees – customers	3,734,687	982,783	2,751,904
Letters of guarantees - correspondent banks	4,505,447	-	4,505,447
Customers' acceptances	160,271	-	160,271
Credit cards	20,273	11,979	8,294
<b>Total contra accounts and other commitments</b>	<b>12,416,216</b>	<b>1,913,885</b>	<b>10,502,331</b>

**19 INTEREST ON LOANS AND DUE FROM BANKS**

	<i>2004 YR'000</i>	<i>2003 YR'000</i>
<i>Interest on loans and advances to customer and banks</i>		
Interest on loans and advances to customers	329,750	246,020
Interest on commercial papers discounted	3,374	13,212
Interest on other facilities	1,181	1,353
Interest on loans to banks	2,729	2,881
<b>Total interest on loans and advances to customers and banks</b>	<b>337,034</b>	<b>263,466</b>
<i>Interest on deposits with foreign banks</i>		
Interest on current accounts	9,611	8,740
Interest on call accounts	2,290	2,309
Interest on deposits	192,765	176,023
<b>Total interest on deposits with foreign banks</b>	<b>204,666</b>	<b>187,072</b>
<i>Interest on deposits with local banks</i>		
Interest on reserves balances with the Central Bank of Yemen	383,125	305,591
<b>Total interest on deposits with banks</b>	<b>587,791</b>	<b>492,663</b>
<b>Total interest on loans and due from banks</b>	<b>924,825</b>	<b>756,129</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

**20 COST OF DEPOSITS**

	<i>2004</i> <i>YR'000</i>	<i>2003</i> <i>YR'000</i>
Interest on savings accounts	1,234,677	1,104,309
Interest on time deposits	1,475,873	1,032,458
Total interest	<u>2,710,550</u>	<u>2,136,767</u>

**21 COMMISSIONS AND FEES INCOME ON BANKING SERVICES**

	<i>2004</i> <i>YR'000</i>	<i>2003</i> <i>YR'000</i>
Commissions on documentary letters of credits	63,411	59,131
Commissions on letters of guarantee	114,890	113,471
Commissions on transfer of funds	25,869	25,574
Commissions on acceptances	4,163	3,928
Commissions on cheques	94,587	82,987
Banking services fees	6,861	6,956
Other services fees	54,275	24,542
Total commissions and fee income on banking services	<u>364,056</u>	<u>316,589</u>

**22 GAIN ON FOREIGN CURRENCY TRANSACTIONS**

	<i>2004</i> <i>YR'000</i>	<i>2003</i> <i>YR'000</i>
Revaluation differences on foreign currency transactions	25,095	56,523
Gain on foreign exchange trading transactions	25,372	23,185
Total gain on foreign exchange transactions	<u>50,467</u>	<u>79,708</u>

**23 OTHER OPERATING INCOME**

	<i>2004</i> <i>YR'000</i>	<i>2003</i> <i>YR'000</i>
Provision for losses on loans no longer required (note 9-b)	149,702	51,219
Provision for off-balance sheet items no longer required (note 15-b)	11,534	4,851
Provision for outstanding reconciling items no longer required (BCCI)	3,836	6,099
Sundry income	11,146	9,178
Total other operating income	<u>176,218</u>	<u>71,347</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

**24 GENERAL AND ADMINISTRATION EXPENSES**

	2004 YR'000	2003 YR'000
Salaries, wages and related costs	449,230	412,587
Depreciation of property and equipment (note 12)	45,628	42,773
Rent	28,521	28,172
Water and electricity	24,156	23,260
Repairs and maintenance	16,095	14,544
Telephone, telexes and postage	21,967	19,091
Transportation and communication	19,426	18,011
Promotions and publications	11,246	7,297
Computer maintenance expenses	14,479	14,349
Training	15,711	12,355
Taxes and fees	1,184	1,156
Donations	5,025	4,256
Stationery and printing supplies	14,237	13,260
Other general and administration expenses	47,368	32,591
Total general and administration expenses	<u>714,273</u>	<u>643,702</u>

**25 PROVISIONS**

	2004 YR'000	2003 YR'000
Provision for losses on loans and advances (note 9 - b)	269,800	141,207
Provision for off-balance sheet items (note 15 - b)	29,180	31,980
Provision for employees' leave pay	6,861	12,555
Provision for contingent liabilities	188,000	138,000
Provision for old stock	277	6,200
Other provision	19,022	-
Total provisions	<u>513,140</u>	<u>329,942</u>

**26 ZAKAT**

	2004 YR'000	2003 YR'000
Zakat expense for the current year - paid	<u>40,000</u>	<u>35,000</u>



31 December 2004

**27 EARNINGS PER SHARE**

	2004 YR'000	2003 YR'000
Net profit for the year	879,575	725,015
Number of shares	2,100,000	1,850,000
Earnings per share	YR 419	YR 392

**28 RELATED PARTY TRANSACTIONS**

These represents transactions with certain related parties (directors and officers of the Bank, their families and companies of which they are principal owners) who were customers of the Bank during the year. The terms of these transactions are approved by the Bank's management.

The year end balances included in the financial statements are as follows:

	2004 YR'000	2003 YR'000
<b>Board members and parties related to them</b>		
Loans and advances, gross	3,491	2,510
Customers' deposits	3,840	3,509
Interest income for the year	472	215
Interest expense for the year	379	377

**29 MATURITIES OF ASSETS AND LIABILITIES**

a) 31 December 2004

ASSETS	<i>Less than 3 months YR'000</i>	<i>From 3 to 6 months YR'000</i>	<i>From 6 months to 1 year YR'000</i>	<i>Over 1 year YR'000</i>	<i>Total YR'000</i>
Cash in hand and reserve balances with the					
Central Bank of Yemen	7,679,564	-	-	-	7,679,564
Due from banks	12,180,573	371,680	278,760	929,200	13,760,213
Treasury bills	25,390,209	-	-	-	25,390,209
Certificates of deposit	5,480,000	-	-	-	5,480,000
Loans and advances to customers and banks, net of provision	703,116	458,101	1,082,633	1,076,804	3,320,654
Investments available for sale	-	-	-	18,324	18,324
<b>TOTAL ASSETS</b>	<b>51,433,462</b>	<b>829,781</b>	<b>1,361,393</b>	<b>2,024,328</b>	<b>55,648,964</b>
<b>LIABILITIES</b>					
Due to banks	117,102	-	-	-	117,102
Customers' deposits	29,661,874	7,215,436	14,279,198	127,087	51,283,595
<b>TOTAL LIABILITIES</b>	<b>29,778,976</b>	<b>7,215,436</b>	<b>14,279,198</b>	<b>127,087</b>	<b>51,400,697</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

**29 MATURITIES OF ASSETS AND LIABILITIES (continued)**

b) 31 December 2003

<b>ASSETS</b>	<i>Less than 3 months YR'000</i>	<i>From 3 to 6 months YR'000</i>	<i>From 6 months to 1 year YR'000</i>	<i>Over 1 year YR'000</i>	<i>Total YR'000</i>
Cash in hand and reserve balances with the Central Bank of Yemen	7,468,727	-	-	-	7,468,727
Due from banks	10,634,244	2,237,475	-	184,300	13,056,019
Treasury bills	19,599,246	50,100	-	-	19,649,346
Certificates of deposit	5,380,000	-	-	-	5,380,000
Loans and advances to customers and banks, net of provision	779,934	346,306	364,291	712,122	2,202,653
Investments available for sale	-	-	-	20,734	20,734
<b>TOTAL ASSETS</b>	<b>43,862,151</b>	<b>2,633,881</b>	<b>364,291</b>	<b>917,156</b>	<b>47,777,479</b>
<b>LIABILITIES</b>					
Due to banks	35,605	-	-	-	35,605
Customers' deposits	25,071,540	6,385,980	12,824,200	215,498	44,497,218
<b>TOTAL LIABILITIES</b>	<b>25,107,145</b>	<b>6,385,980</b>	<b>12,824,200</b>	<b>215,498</b>	<b>44,532,823</b>

**30 AVERAGE INTEREST RATES ON ASSETS AND LIABILITIES**

a) The average interest rates on assets and liabilities applied during the year 2004 were as follows:

	<i>Yemeni Riyal %</i>	<i>US Dollar %</i>	<i>Saudi Riyal %</i>	<i>Sterling Pound %</i>	<i>Euro %</i>
<b>Assets</b>					
<i>Reserve balances with the Central Bank of Yemen</i>	13.00	-	-	-	-
<i>Due from banks:</i>					
Current accounts	-	1.07	-	3.65	1.59
Time deposits	-	1.99	1.99	4.63	2.03
<i>Treasury bills</i>	13.99	-	-	-	-
<i>Certificates of deposit with the Central Bank of Yemen</i>	14.00	-	-	-	-
<i>Loans to customers</i>	18.50	6.50	-	-	-
<b>Liabilities</b>					
<i>Customers' deposits</i>	13.00	0.71	0.60	2.12	1.15

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

**30 AVERAGE INTEREST RATES ON ASSETS AND LIABILITIES (continued)**

b) The average interest rates on assets and liabilities applied during the year 2003 were as follows:

	Yemeni Riyal %	US Dollar %	Saudi Riyal %	Sterling Pound %	Euro %
<b>Assets</b>					
Reserve balances with the Central Bank of Yemen	13.00				
Due from banks:					
Current accounts	-	0.62	-	0.47	1.49
Time deposits	-	1.04	1.63	3.55	2.00
Treasury bills	13.99	-	-	-	-
Certificates of deposit with the Central Bank of Yemen	14.00	-	-	-	-
Loans to customers	18.00	6.50	-	-	-
<b>Liabilities</b>					
Customers' deposits	13.00	0.69	0.59	2.11	1.16

**31 DISTRIBUTION OF ASSETS, LIABILITIES, CONTINGENT LIABILITIES AND COMMITMENTS**

a) The distribution of the assets and liabilities and contingent liabilities and commitments as at 31 December 2004 were as follows:

	Manufacturing YR'000	Agriculture YR'000	Trade YR'000	Service YR'000	Finance YR'000	Personal YR'000	Total YR'000
<b>ASSETS</b>							
Cash in hand and reserve balances with the Central Bank of Yemen	-	-	-	-	7,679,564	-	7,679,564
Due from banks	-	-	-	-	13,760,213	-	13,760,213
Treasury bills, net	-	-	-	-	25,390,209	-	25,390,209
Certificates of deposit	-	-	-	-	5,480,000	-	5,480,000
Loans to customers and banks, net of provision	87,775	-	-	2,074	2,302,787	928,018	3,320,654
Investments available for sale	-	-	-	-	18,324	-	18,324
<b>Total Assets</b>	<b>87,775</b>	<b>-</b>	<b>-</b>	<b>2,074</b>	<b>54,631,097</b>	<b>928,018</b>	<b>55,648,964</b>
<b>LIABILITIES</b>							
Due to banks	-	-	-	-	117,102	-	117,102
Customers' deposits	854,974	149,398	2,969,149	1,697,504	65,598	45,546,972	51,283,595
<b>Total Liabilities</b>	<b>854,974</b>	<b>149,398</b>	<b>2,969,149</b>	<b>1,697,504</b>	<b>182,700</b>	<b>45,546,972</b>	<b>51,400,697</b>
Contra accounts and other commitments	486,496	10,818	6,803,569	878,109	605,653	4,430,578	13,215,223

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

**31 DISTRIBUTION OF ASSETS, LIABILITIES, CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

b) The distribution of the assets and liabilities and contingent liabilities and commitments as at 31 December 2003 were as follows:

	Manufacturing YR'000	Agriculture YR'000	Trade YR'000	Service YR'000	Finance YR'000	Personal YR'000	Total YR'000
<b>ASSETS</b>							
Cash in hand and reserve balances with the Central Bank of Yemen	-	-	-	-	7,468,727	-	7,468,727
Due from banks	-	-	-	-	13,056,019	-	13,056,019
Treasury bills, net	-	-	-	-	19,649,346	-	19,649,346
Certificates of deposit	-	-	-	-	5,380,000	-	5,380,000
Loans to customers and banks, net of provision	50,111	-	1,652,577	520	-	499,445	2,202,653
Investments available for sale	-	-	-	-	20,734	-	20,734
<b>Total Assets</b>	<b>50,111</b>	<b>-</b>	<b>1,652,577</b>	<b>520</b>	<b>45,574,826</b>	<b>499,445</b>	<b>47,777,479</b>
<b>LIABILITIES</b>							
Due to banks	-	-	-	-	35,605	-	35,605
Customers' deposits	3,601,559	282,640	2,183,086	2,676,189	411,595	35,342,149	44,497,218
<b>Total Liabilities</b>	<b>3,601,559</b>	<b>282,640</b>	<b>2,183,086</b>	<b>2,676,189</b>	<b>447,200</b>	<b>35,342,149</b>	<b>44,532,823</b>
Contra accounts and other commitments	226,915	-	4,653,184	5,087,127	752,962	1,696,028	12,416,216

**32 TRUST ACTIVITIES**

The Bank does not hold nor manages assets for or on behalf of other parties except for the housing project which is managed on behalf of the Government.

**33 CONTINGENT ASSETS AND LIABILITIES**

The Bank has filed a number of legal cases with the Public Fund Court and the Commercial Preliminary Court against former employees and customers of the Bank relating to irregularities and default in settlements of amounts due respectively. Where there are legal cases filed against the Bank at the respective courts, management fully and/or partly provided for such cases in the financial statements. In some of the cases court decisions were made in favour of the Bank and the same are awaiting execution, whereas the other cases are still pending in the courts.

31 December 2004

### 34 SIGNIFICANT FOREIGN CURRENCIES' POSITIONS

The Central Bank of Yemen circular No. (6) of 1998 establishes limits for positions in individual foreign currencies as well as an aggregate limitation for all currencies. These limits are 15% and 25% of capital and reserves. The Bank had the following significant net exposures denominated in foreign currencies:

	2004		2003	
	%	YR'000	%	YR'000
United States dollar	6.26	290,468	2.96	112,423
Pound sterling	7.20	333,898	5.51	209,337
Swiss Franc	0.16	7,534	0.01	295
Euro	3.65	169,362	5.91	224,595
Saudi Riyal	1.13	52,531	3.16	120,065
Japan Yen	0.17	8,043	-	-
Other	0.00	13	0.02	823
Aggregate foreign currency positions	<u>18.57</u>	<u>861,849</u>	<u>17.57</u>	<u>667,538</u>

The dollar exchange rate at 31 December 2004 was 185.84 YR/US\$ (31 December 2003: 184.30 YR/US\$).

### 35 CAPITAL COMMITMENTS

Capital commitments at 31 December 2004 amounted to YR 764 million (2003- YR 54 million).

### 36 CAPITALISATION OF THE BANK

As part of the Government financial and administration Reform Programme and the preparation of the Bank for capitalization, the Council of Ministers issued in its meeting held on 25 July 2000, resolution No. (175) of 2000 which stipulated that capitalization of the Bank to be according to the Bank's latest financial statements and on the basis of 60% for a strategic investor, 20% for public subscription and 20% for the Government.

The Minister of Finance has subsequently issued a Ministerial Decision No (486) dated 4 September 2000 in which he appointed a committee, under the chairmanship of the Deputy Minister of Finance, and entrusted with it the responsibility for taking the necessary steps to implement the Council of Ministers' resolution.

### 37 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year.

