



Consolidated Financial Statements and Independent Auditor's Report

Tadhamon Bank (Yemeni Joint Stock Company)

For the year ended December 31, 2020



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Independent Auditor's Report

To: **The Shareholders' of
Tadhamon Bank
(Yemeni Joint Stock Company)
Sana'a - Republic of Yemen**

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Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Tadhamon Bank (Yemeni Joint Stock Company)** (the Bank), and its subsidiaries (**together referred to as the "Group"**) which comprise the consolidated statement of financial Position as at December 31, 2020, the consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows, consolidated statement of sources and uses of qard hasan fund, and consolidated statement of changes in restricted investments accounts for the year then ended, and a summary of significant accounting policies and other explanatory information(1-51). The preparation of these consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a rules, principles and instructions issued by Central Bank of Yemen are the responsibility of the management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organization for Islamic Financial Institutions "AAOIFI", the Shari'a rules and principles as determined by the Shari'a supervisory board and instructions issued by Central Bank of Yemen. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of the consolidated results of its operations, its consolidated cash flows, its consolidated changes in equity, its consolidated sources and uses of qard hasan fund, and its consolidated changes in restricted investments accounts for the year then ended in accordance with the Financial Accounting Standards issued by "AAOIFI", the Shari'a rules and principles as determined by the Shari'a supervisory board, instructions issued by Central Bank of Yemen, and relevant local laws and instructions.

Emphasis of Matters

We draw attention to the following:

- Note (7.2.3.c) to the consolidated financial statements, which describes the exposure to exchange rate risk to foreign currencies and its impact on net exposures to these currencies. The Group has complied with the instructions issued by the Central Bank of Yemen to record the transactions in foreign currencies during the year, as well as, the valuation of the monetary assets and liabilities in foreign currencies as December 31, 2020 using the official exchange rates. Our opinion is unqualified in respect of this matter.

Independent Auditor's Report (Continued)

To: The Shareholders' of
Tadhamon Bank
(Yemeni Joint Stock Company)
Sana'a - Republic of Yemen

- Note (48) to the consolidated financial statements which describes the impact of the continuing economic crisis and political turmoil in Yemen and their final resolution is unpredictable and may adversely affect the Yemeni economy and the operations of the Group. Our opinion not qualified in this matter.
- Note (48) to the companying notes of the consolidated financial statements (subsequent events), which indicates the existence of official letter from the Public Prosecution (The Specialized Criminal Prosecution) and a circular by the Central Bank of Yemen, which requires to withhold all funds and balances of Tadhamon Bank deposited with Exchange Institutions and Companies, in any form, in connection with a case raised against one of the bank's clients. Our opinion is not qualified in this matter.

Other Matters

- We would like to refer to the Central Bank of Yemen circular No. (3407) issued on August 27, 2020, regarding the application of Financial Accounting Standard No. (30) Impairment, Credit Losses and Onerous Commitments, which states to postpone the application of Financial Accounting Standard No. (30) until the beginning of the year 2021.
- The Group's management has not completed the legal formalities related to the ownership transferring of foreign real estate investments, note No. (16) in the name of the Bank, which is still not registered and has not been owned by the bank until the date of the consolidated financial statements as at December 31, 2020.

Report on Other Legal and Regulatory Requirements

We have obtained from management the information and clarifications that we deemed necessary for our audit. The Group keeps proper books of account, and the accompanying consolidated financial statements are in agreement with these books. We are not aware of any violations of Law No. (21) of 1996 regarding to Islamic Banks amended by Law No. (16) of 2009 or Banking Law No. (16) of 2019 or Banking Law No. (38) of 1998 and Yemen Commercial Companies Law No. (22) of 1997 and its amendments, the Bank's Articles of Association, or instructions issued by Central Bank of Yemen during the year ended December 31, 2020, which might have had a material effect on the business of the Group or its financial position.

Sana'a - Republic of Yemen
August 22, 2021



Grant Thornton Yemen
Ramzi S. Al-Ariqi

Consolidated statement of financial position

	Notes	Dec. 31, 2020 YR 000s	Dec. 31, 2019 YR 000s
Assets			
Cash on hand and reserve balances with Central Bank of Yemen (CBY)	9	59,114,469	46,101,841
Due from banks and financial institutions	10	194,785,416	186,958,282
Financing Murabaha and Istisna'a transactions	11	36,001,392	46,616,245
Musharaka investments contracts	12	-	3,603,907
Mudaraba investments contracts	13	27,008,604	29,365,290
Investments in Islamic Sukuk	14	409,084	1,447,698
Investments in securities	15	36,513,631	34,701,479
Investments in real estate	16	171,368,623	184,638,921
Ijarah Muntahia Bittamleek receivables	17	692,285	614,494
Qard Hasan		-	1,713
Debit balances and other assets	18	5,765,375	6,389,406
Property and equipment	19	8,236,585	6,586,258
Total assets		539,895,464	547,025,534
Liabilities, investment accounts' holders and equity			
Liabilities			
Due to banks and financial institutions	20	9,932,944	7,631,556
Current accounts and other deposits	21	173,425,625	164,111,715
Credit balances and other liabilities	22	9,107,555	12,429,130
Other provisions	23	1,009,938	1,038,185
Total liabilities		193,476,062	185,210,586
Investment accounts' holders			
Equity of unrestricted investments and saving accounts' holders	24	262,384,373	264,272,110
Total liabilities and investment accounts' holders		455,860,435	449,482,696
Equity			
Share capital	25	20,000,000	20,000,000
Statutory reserve	26.1	18,080,159	17,985,160
General reserve	26.2	157,623	157,623
Other reserves	26.3	44,172,108	56,609,383
Retained earnings		1,585,981	2,730,994
Total equity		83,995,871	97,483,160
Non-controlling interest		39,158	59,678
		84,035,029	97,542,838
Total liabilities, investment accounts' holders and equity		539,895,464	547,025,534
Contingent liabilities and commitments	27	32,844,485	28,484,477

Finance Manager

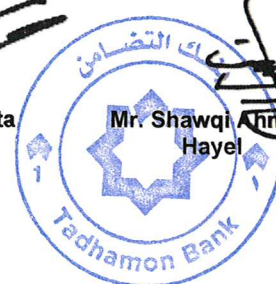
Deputy General Manager

General Manager

Chairman

Mr. Hafiz Saeed
Al-AsbahiMr. Basheer Sultan
Al-MaqtariMr. Mahmoud Atta
Al-RifaiMr. Shawqi Ahmed
Hayel

See accompanying notes (1-51) to the financial statements



Consolidated income statement

For the year ended December 31

	Notes	2020 YR 000s	2019 YR 000s
Income from financing Murabaha and Istisna'a transactions	28	4,526,429	7,409,360
Income from other joint investments	29	24,418,836	12,954,372
		28,945,265	20,363,732
Less:			
Return on unrestricted investments and saving accounts' holders	24	(12,220,501)	(12,293,914)
Bank's share from the income on Murabaha, Istisna'a, Musharaka, and Joint Investments		16,724,764	8,069,818
Fees and commission income	30	5,894,992	5,386,008
Less: Fees and commission expenses		(438,152)	(325,642)
Net fees and commission income		5,456,840	5,060,366
(Losses) gains on foreign currencies transactions	31	(3,469,281)	3,462,856
Gains on sale of property and equipment		2,387	9,193
Other operating income	32	2,610,730	2,787,286
Total operating income		21,325,440	19,389,519
Less:			
Provisions	33	(3,998,230)	(2,315,295)
Impairment provision on Wakalah	10	(2,316,418)	(506,756)
Impairment provision on investments in securities	34	(1,260,062)	(1,955,309)
Impairment provision on investments in real estate	35	(1,331,390)	(2,319,129)
Staff costs	36	(4,521,990)	(4,209,638)
Depreciation of property and equipment	19	(477,911)	(402,029)
Other expenses	37	(5,844,269)	(4,232,000)
Net profit for the year before tax		1,575,170	3,449,363
Income tax for the year		(627,514)	(1,048,850)
Net profit for the year after income tax		947,656	2,400,513
Attributable to:			
Shareholders of the bank		949,986	2,385,353
Non-controlling interest		(2,330)	15,160
Net profit for the year		947,656	2,400,513
Earnings per share	38	47.50	119.27

Finance Manager

Mr. Hafiz Saeed
Al-Asbahi

Deputy General Manager

Mr. Basheer Sultan
Al-Maqtari

General Manager

Mr. Mahmoud Atta
Al-Rifai

Chairman

Mr. Shawqi Ahmed
Hayel

Consolidated statement of changes in equity

For the year ended December 31

	Share Capital YR 000s	Statutory Reserve YR 000s	General Reserve YR 000s	Other Reserves YR 000s	Retained Earnings YR 000s	Total Equity Attributable to Shareholders of the Bank YR 000s	Non- Controlling Interest YR 000s	Total YR 000s
Balance at January 1, 2020	20,000,000	17,985,160	157,623	56,609,383	2,730,994	97,483,160	59,678	97,542,838
Cash dividends paid to shareholders	-	-	-	-	(2,000,000)	(2,000,000)	-	(2,000,000)
Net profit for the year	-	-	-	-	949,986	949,986	(2,330)	947,656
Transferred to statutory reserve	-	94,999	-	-	(94,999)	-	-	-
Change in foreign currencies	-	-	-	914	-	914	1	915
Change in fair value	-	-	-	(12,438,189)	-	(12,438,189)	-	(12,438,189)
Change in non-controlling interests	-	-	-	-	-	-	(18,191)	(18,191)
Balance at December 31, 2020	20,000,000	18,080,159	157,623	44,172,108	1,585,981	83,995,871	39,158	84,035,029
Balance at January 1, 2019	20,000,000	17,746,625	157,623	42,221,594	619,211	80,745,053	83,874	80,828,927
Net profit for the year	-	-	-	-	2,385,353	2,385,353	15,160	2,400,513
Transferred to statutory reserve	-	238,535	-	-	(238,535)	-	-	-
Board of Directors remuneration	-	-	-	-	(35,035)	(35,035)	-	(35,035)
Change in foreign currencies	-	-	-	41,983	-	41,983	42	42,025
Change in fair value	-	-	-	14,345,806	-	14,345,806	-	14,345,806
Change in non-controlling interests	-	-	-	-	-	-	(39,398)	(39,398)
Balance at December 31, 2019	20,000,000	17,985,160	157,623	56,609,383	2,730,994	97,483,160	59,678	97,542,838

Finance Manager

Mr. Hafiz Saeed Al-Asbahi

Deputy General Manager

Mr. Basheer Sultan Al-Maqtari

General Manager

Mr. Mahmoud Atta Al-Rifai

Chairman

Mr. Shawqi Ahmed Hayel

See accompanying notes (1-51) to the financial statements



Consolidated statement of cash flows

For the year ended December 31

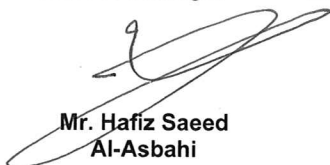
	Notes	2020 YR 000s	2019 YR 000s
Cash flows from operating activities			
Net profit for the year before tax		1,575,170	3,449,363
Adjustments for:			
Depreciation of property and equipment	19	477,911	402,029
Provisions charged to the income statement	33	3,998,230	2,315,295
Provisions used during the year		(2,953,287)	(625,829)
Differences of re-translating the foreign currencies provisions		1,445	(302)
Provisions reversed during the year	32	(1,962,570)	(1,942,806)
Gains on sale of property and equipment		(2,387)	(9,193)
Return of unrestricted investments and saving accounts' holders	24	12,220,501	12,293,914
Impairment provision on investments in securities	34	1,260,062	1,955,309
Impairment provision on investments in real estate	35	1,331,390	2,319,129
Foreign currencies re-translation differences		915	42,025
		15,947,380	20,198,934
Changes in:			
Reserve balances with CBY		(332,593)	(2,092,289)
Financing Murabaha and Istisna'a transactions		11,618,538	24,653,757
Musharaka investments contracts		3,677,456	6,137,479
Mudaraba investments contracts		5,308,023	90,000
Ijarah Muntahia Bittamleek receivables		(101,551)	(372,780)
Qard Hasan		1,748	21,277
Debit balances and other assets		743,585	1,552,202
Current accounts and other deposits		9,313,910	14,383,695
Credit balances and other liabilities		(3,045,009)	(1,924,780)
Board of director bonuses		-	(35,035)
Non-controlling interest		(18,191)	(39,398)
Cash generated from operating activities		43,113,296	62,573,062
Paid income tax	22.1	(904,080)	(144,770)
Net cash flows from operating activities (1)		42,209,216	62,428,292
Cash flows from investing activities			
Change in investments in Islamic Sukuk		1,038,614	5,787,365
Change in investments in securities		(3,615,550)	(2,835,650)
Change in real estate investments		71,213	4,422,458
Cash payments to Acquisition of property and equipment	19	(2,155,758)	(1,656,027)
Proceeds from sale of property and equipment		29,907	612,187
Net cash flows (used in) from investing activities (2)		(4,631,574)	6,330,333

Consolidated statement of cash flows (continued)

For the year ended December 31

	Notes	2020 YR 000s	2019 YR 000s
Cash flows from financing activities:			
Change in due to banks and financial institutions		2,301,388	(28,356,637)
Change in equity of unrestricted investments and saving account 's holders		(14,108,238)	(9,705,158)
Cash dividends paid to shareholders		(2,000,000)	-
Net cash flows used in financing activities (3)		(13,806,850)	(38,061,795)
Net change in cash and cash equivalents (1+2+3)		23,770,792	30,696,830
Cash and cash equivalents at the beginning of the year		198,128,962	167,432,132
Cash and cash equivalents at the end of the year		221,899,754	198,128,962
Cash and cash equivalents at the end of the year consist of:			
Cash on hand and reserve balances with (CBY)	9	59,114,469	46,101,841
Due from banks and financial institutions	10	198,049,039	186,958,282
		257,163,508	233,060,123
Less: Mandatory reserve with (CBY)		(35,263,754)	(34,931,161)
		221,899,754	198,128,962

Finance Manager


Mr. Hafiz Saeed
Al-Asbahi

Deputy General Manager


Mr. Basheer Sultan
Al-Maqtari

General Manager


Mr. Mahmoud Atta
Al-Rifai

Chairman


Mr. Shawqi Ahmed
Hayel



Consolidated statement of sources and uses of qard hasan fund

For the year ended December 31

	2020 YR 000s	2019 YR 000s
Balance at the beginning of the year comprises:		
Outstanding utilized loans	1,748	23,025
Add: Sources of fund		
Transferred from customers' current accounts	-	1,038
Less: Uses of fund		
Paid to customers' current accounts	(1,748)	(22,315)
Balance at the end of the year	-	1,748
Less: Provision for Qard Hasan Fund	-	(35)
	-	1,713

The following shows the movement of provision for qard hasan fund:

	2020 YR 000s	2019 YR 000s
Balance of the provision at the beginning of the year	35	438
Add: Provision provided during the year	-	-
Less: Provisions reversed during the year	(35)	(403)
Balance of the provision at the end of the year	-	35

Finance Manager

Mr. Hafiz Saeed
Al-Asbahi

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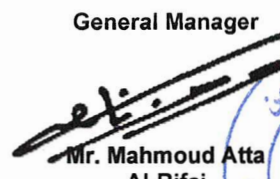
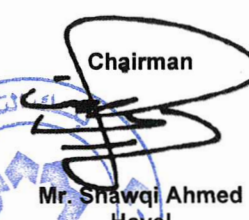



Consolidated statement of changes in restricted investments accounts

For the year ended December 31

	Balance at Jan. 1, 2020 YR 000s	2020 Movements during the year Deposits (Withdrawal) YR 000s	Balance at Dec. 31, 2020 YR 000s
Investment securities	8,766,200	(5,649,849)	3,116,351
Investments in real estate	8,087,684	251,972	8,339,656
Others	1,364,826	(285,506)	1,079,320
Total	18,218,710	(5,683,383)	12,535,327

	Balance at Jan. 1, 2019 YR 000s	2019 Movements during the year Deposits (Withdrawal) YR 000s	Balance at Dec. 31, 2019 YR 000s
Investment securities	9,067,361	(301,161)	8,766,200
Investments in real estate	8,684,028	(596,344)	8,087,684
Others	720,477	644,349	1,364,826
Total	18,471,866	(253,156)	18,218,710

Finance Manager  Mr. Hafiz Saeed Al-Asbahi
 Deputy General Manager  Mr. Basheer Sultan Al-Maqtari
 General Manager  Mr. Mahmoud Atta Al-Rifai
 Chairman  Mr. Shawqi Ahmed Hayel


 Tadhamon Bank

Notes to the consolidated financial statements

For the year ended December 31, 2020

1. Background information

Tadhamon Bank (the Bank) was established under the name of Yemen Islamic Bank for Investment and Development (Yemeni Joint Stock Company) in accordance with the Ministerial Decree No. (147) for the year 1995. The name of the Bank was changed to Tadhamon Islamic Bank according to the Ministerial Decree No. (169) for the year 1996. On March 20, 2002, the Extraordinary General Assembly decided to change the name of the Bank to Tadhamon International Islamic Bank. And on September 29, 2019 the Extraordinary General Assembly decided to change the name of the Bank to "Tadhamon Bank".

The objectives of the Bank are to finance, invest, and offer banking services in accordance with Article No. (4) of the Bank's Articles of Association which states that the bank performs its activities in conformity with the precepts of Islamic Shari'a.

The Bank started its activities on July 20, 1996, and currently it operates through the main branch in Sana'a and (26) branches all over Republic of Yemen.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries inside and outside Yemen (together referred to as the "Group") as follows:

	2020		
Subsidiary Name	Percentage of Equity	Amount YR 000's	Principal Activities
Yem Holding Company. W.L.L - Bahrain	99%	36,318,007	Holding company
Green Land Reality Limited - UAE	100%	25,983,580	Management of real estate assets
TIIB Group Real Estate Limited - UAE	100%	10,168,095	Management of real estate assets
Tadhamon Capital B.S.C.(c) - Bahrain	99.9%	9,087,747	Financial services
Tadhamon Investments Limited - UAE	100%	5,087,325	General trading and property acquisition
Tadhamon Real Estate Ltd. - Yemen	95%	142,500	Real estate development

	2019		
Subsidiary Name	Percentage of Equity	Amount YR 000's	Principal Activities
Yem Holding Company. W.L.L - Bahrain	99%	36,318,00	Holding company
Green Land Reality Limited - UAE	100%	25,983,58	Management of real estate assets
TIIB Group Real Estate Limited - UAE	100%	10,168,09	Management of real estate assets
Tadhamon Capital B.S.C.(c) - Bahrain	99.9%	9,087,747	Financial services
Tadhamon Investments Limited - UAE	100%	5,087,325	General trading and property Acquisition
Tadhamon Real Estate Ltd. - Yemen	95%	142,500	Real estate development

2. Preparation basis of the consolidated financial statements

2.1 Statement of compliance

- The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”), the Shari’a rules and principles as determined by the Shari’a Board of the Bank and instructions issued by the Central Bank of Yemen (CBY). The Group has adopted the International Financial Reporting Standards (IFRS) for the matters that are not covered by AAOIFI standards.
- The consolidated financial statements were approved by the Board of Directors on August 22, 2021 Note (50).

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for real estate investments and equity type instruments carried at fair value through equity and equity type instruments carried at fair value through income statement, which are measured at fair value.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Yemeni Rials (“YR”) (the Group’s functional currency), which is the currency in which the majority of transactions are denominated and are rounded off to the nearest thousand (unless otherwise indicated).

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at December 31, 2020. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date when such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate. A change in the Group’s ownership of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Share of minority stakeholders’ interest (non-controlling interest) represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within owners’ equity in the consolidated statement of financial position, separately from the equity attributable to shareholders of the parent (the Bank).

2.5 Significant accounting judgments and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Information about significant judgments and estimates applied in accounting policies that have a significant impact on balances are presented in the consolidated financial statements.

The following are significant accounting assumptions and estimates applied by the Group in the presentation of these consolidated financial statements:

2.5.1 Going concern principle

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management confirms it is taking appropriate measures to support the sustainability of the Group's business. Therefore, the consolidated financial statements are prepared on the going concern principle.

2.5.2 Classification of investments

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as debt type instruments carried at fair value through equity or amortized cost, or equity-type instruments carried at fair value through equity or fair value through income statement. The classification of each investment reflects the management's intention in relation to each investment and each classification is based on different accounting treatment (refer to Note 3.3).

2.5.3 Provision for impairment of assets

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

2.5.4 Impairment on investments in securities

- **Investments in equity instruments**

The Group treats available-for-sale equity investments as impaired when there is a significant or prolonged (judgmental) decline in the fair value below its cost or where other objective evidence of impairment exists. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and future cash flows and the present value calculation factors for unquoted equities.

- **Investments in monetary and non-monetary debt instruments**

The investments which were held for trading are recorded at cost on acquisition date. On financial statements date, they are evaluated at fair value. The differences are charged on the income statement.

2.5.5 Valuation of unquoted private equity and real estate investments

Valuation of above investments is normally based on one of the following methods:

- Valuation by independent external valuers;
- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- Present value of expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The Group determines the valuation techniques periodically and tests them for validity using either prices from observable current market transactions for the same instrument or by other available observable market data.

2.5.6 Useful lives of property and equipment

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

2.5.7 Depreciation rates of Ijarah Muntahia Bittamleek

The Group uses the contract leasing period or estimated useful lives of Ijarah Muntahia Bittamleek assets, whichever is lower, for depreciating these assets.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

3.1 New accounting standards and their interpretations

3.1.1 New standards, amendments, and interpretations effective from January 1, 2020

During the period, the Group applied the following standards and amendments to standards in preparation of these consolidated financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously net profit or equity of the Group.

- **Financial accounting standard no. (30) “impairment, credit losses and onerous commitments**

AAOIFI issued FAS (30) Impairment, Credit losses and onerous commitments FAS (30) in 2017.

The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS (30) will replace FAS (11) Provisions and Reserves and parts of FAS (25) Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS (30) classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: (1) Credit Losses approach, (2) Net Realizable Value approach (“NRV”) and (3) Impairment approach.

On August 27, 2020, the Central Bank of Yemen issued circular No. (3407), regarding the application of Financial Accounting Standard No. (30) Impairment, Credit Losses and Onerous Commitments, which states to postpone the application of the standard until the beginning of the year 2021.

- **Financial accounting standard no. (31) Investment Agency (Al-Wakala Bi Al-Istithmar)**

AAOIFI issued FAS (31) Investment Agency (Al-Wakala Bi Al-Istithmar) in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al-Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives.

• **Financial accounting standard no. (33) - “investment in Sukuk, shares and similar instruments**

FAS 33 Investment in Sukuks, shares and similar instruments is effective from annual financial periods beginning on January 1, 2021. The Group has early adopted FAS 33 as issued by AAOIFI effective January 1, 2020. The standard is applicable on a retrospective basis. However, the cumulative effect, if any, attributable to owners' equity, equity of investment account holders relating to previous periods, shall be adjusted with investments fair value pertaining to assets funded by the relevant class of stakeholders.

The adoption of FAS (33) has resulted in changes in accounting policies for recognition, classification and measurement of investment in sukuks, shares and other similar instruments, however, the adoption of FAS (33) had no significant impact on any amounts previously reported in the consolidated financial statements for the year ended 31 December 2019.

Set out below are the details of the specific FAS (33) accounting policies applied in the current year.

1. Changes in accounting policies

• **Categorization and classification**

FAS (33) contains a classification and measurement approach for investments in Sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics. Under the standard, each investment is to be categorized as investment in:

- a. Equity-type instruments;
- b. Debt-type instruments, including:
 1. monetary debt-type instruments; and
 2. non-monetary debt-type instruments; and
- c. Other investment instruments

Unless irrevocable initial recognition choices provided in para 10 of the standard are exercised, an institution shall classify investments as subsequently measured at either of (i) amortized cost (except for equity-type instruments), (ii) fair value through equity or (iii) fair value through income statement, on the basis of both:

1. the Group's business model for managing the investments; and
2. the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

2. Changes to significant estimates and judgements

a. Investment classification

Assessment of the business model within which the investments are managed and assessment of whether the contractual terms of the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

b. Impairment on equity-type investments classified as fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant or prolonged decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired.

If such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognized in the consolidated statement of changes in equity is removed from equity and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on equity-type investments are subsequently reversed through equity.

3. Classification and measurement of investment securities

The Bank has performed a detailed analysis of its business models for the investment securities as well performed an analysis of their cash flow characteristics. There is no change in the classification of investment securities.

- **Financial accounting standard no. (34) Financial reporting for Sukuk-holders**

AAOIFI issued FAS 34 Financial reporting for Sukuk-holders in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukuk-holders.

3.1.2 New standards, amendments and interpretations issued but not effective from January 1, 2020

- **Financial accounting standard no (32): Ijarah**

AAOIFI issued FAS (32) "Ijarah" in 2020. This standard supersedes the existing FAS (8) "Ijarah and Ijarah Muntahia Bittamleek".

The objective of this standard is to set out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah (Ijarah asset, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic financial institutions as a lessor and lessee. This new standard aims to address the issues faced by the Islamic finance industry in relation to accounting and financial reporting as well as to improve the existing treatments to be in line with the global practices. This standard shall be effective for the financial periods beginning on or after January 1, 2021 with early adoption permitted.

- **Financial accounting standard no (35): Risk Reserves**

AAOIFI issued FAS (35) "Risk Reserves" in 2019. This standard along with FAS (30) 'Impairment, Credit losses and onerous commitments' supersede the earlier FAS (11) "Provisions and reserves". The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions). This standard shall be effective for the financial periods beginning on or after January 1, 2021 with early adoption permitted only if the Group early adopts FAS (30) "Impairment, Credit losses and onerous commitments". The Group is currently evaluating the impact of this standard.

- **Financial accounting standard no (38): Wa'ad, Khiyar and Tahawwut**

AAOIFI issued FAS (38) Wa'ad, Khiyar and Tahawwut in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to Shari'a compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after January 1, 2022.

This standard classifies Wa'ad and Khiyar arrangements into two categories as follows:

- a. "Ancillary Wa'ad or Khiyar" which is related to a structure of transaction carried out using other products i.e. Murabaha, Ijarah Muntahia Bittamleek, etc.; and
- b. "Product Wa'ad and Khiyar" which is used as a stand-alone Shari'a compliant arrangement. Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa'ad and Khiyar products.

3.2 Foreign currencies transactions

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Translation gains or losses on non-monetary items carried at fair value are included in owner's equity as part of fair value adjustment. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The currencies used by the companies within the Group are either Yemeni Rials or US Dollars.

The Group does not engage in forward contracts to meet its obligations in foreign currencies, nor does it engage in foreign exchange contracts to cover the risk of settlement of future liabilities in foreign currencies or its customer's need to meet their obligations in foreign currencies resulting from their transactions through the Group.

3.3 Financial contracts

Financial contracts consist of due from banks and financial institutions, Central Bank of Yemen, Wakala, Sukuk, Murabaha and Istisna'a (less deferred profits), Mudaraba, Musharaka and Ijarah Muntahia Bittamleek. Balances relating to these contracts are stated net of provisions for impairments.

3.3.1 Placements with and from financial institutions, non-financial institutions and individuals

These comprise fund deposited from and to the Group using Shari'a compliant contracts. Placements are usually for short-term and are stated at their amortized cost.

3.3.2 Equity of unrestricted investments and saving accounts' holders

Equity of unrestricted investments and saving accounts' holders are funds held by the Group in unrestricted investments accounts, which it can invest at its own discretion. The unrestricted investments and saving accounts' holders authorises the Group to invest the accounts' holders funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. The Group charges management fees (Mudarib fees) on the unrestricted investments and saving accounts' holders. Of the total income from unrestricted investments and saving accounts, the income attributable to customers is allocated to unrestricted investments and saving accounts after setting aside provisions, reserves (profit equalisation reserve and investment risk reserve) and deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit-sharing limits as per the terms and conditions of the unrestricted investments and saving accounts. Administrative expenses incurred in connection with the management of the funds are borne directly by the bank and are not charged to unrestricted investments and saving accounts.

Only profits earned from the group of assets funded by the equity of investments and saving accounts' holders are allocated between the owners' equity and equity of investment accounts' holders.

The unrestricted investments and saving accounts' holders are carried at their book values and include amounts retained towards profit equalisation and investment risk reserves, if any. Profit equalisation reserve is the amount appropriated by the Group out of the Mudaraba income, before allocating the Mudarib share, in order to maintain a certain level of return to the deposit holders on the investments. Investment risk reserve is the amount appropriated by the Group out of the income of investments accounts' holders, after allocating the Mudarib share, in order to cater against future losses for investments accounts' holders. Creation of any of these reserves results in an increase in the liabilities of unrestricted investments and saving accounts' holders.

3.3.3 Wakala

An agreement whereby the Group provides a certain sum of money to finance agent (Wakil) who invests it in Sharia's compliant transactions according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested).

3.3.4 Sukuk

Sukuk are quoted and unquoted securities which are classified as investment and carried at amortized cost in accordance with FAS (25) issued by AAOIFI.

3.3.5 Murabaha receivables

Murabaha is a contract whereby one party ("Seller") sells an asset to the other party ("Purchaser") at cost plus profit and on a deferred payment basis, after the Seller have purchased the asset based on the Purchaser's promise to purchase the same on such Murabaha basis. The sale price comprises the cost of the asset and an agreed profit margin. The sale price (cost plus the profit amount) is paid by the Purchaser to the Seller on installment basis over the agreed finance tenure.

The Group considers the purchaser's promise to purchase the asset as obliged for the Murabaha transaction in favour of the Seller. Murabaha receivables are stated at cost, less deferred profits and provision for impairment.

3.3.6 Istisna'a

Istisna'a is an agreement between the Group and a customer whereby the Group sells to the customer a developed asset according to agreed upon specifications, for an agreed price. Istisna'a transactions are stated at cost, less deferred profits and provision for impairment.

3.3.7 Mudaraba

Mudaraba is a contract between two parties whereby one party is a fund provider (Rab Al Mal) who would provide a certain amount of funds (Mudaraba capital), to the other party (Mudarib). Mudarib would then invest the Mudaraba capital in a specific enterprise or activity using his experience and expertise for a specific pre-agreed share in the resultant profit. The Rab Al Mal is not involved in the management of the Mudaraba activity. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal. Under the Mudaraba contract the Bank may act either as Mudarib or as Rab Al Mal, as the case may be.

Mudaraba financing are recognized at fair value of the Mudaraba assets less provision for impairment, if any, and Mudaraba capital amount is settled. If the valuation of the Mudaraba assets results in difference between fair value and book value, such difference is recognized as profit or loss to the Group.

3.3.8 Musharaka

Musharaka is used to provide venture capital or project finance. The Group and customer contribute towards the capital of the Musharaka. Usually, a special purpose company or a partnership is established as a vehicle to undertake the Musharaka. Profits are shared according to a pre-agreed profit distribution ratio but losses are borne by the partners according to the capital contributions of each partner. Capital contributions may be in cash or in kind, as valued at the time of entering into the Musharaka. Musharaka is stated at cost less impairment provision.

3.3.9 Ijarah Muntahia Bittamleek

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

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

The Group (lessor) retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the customer (lessee) under the Ijarah agreement, the Group (lessor) will sell the leased asset to the customer (lessee) for a nominal value based on sale undertaking given by the Group (lessor). Leased assets are usually residential properties, commercial real estate or machinery and equipment.

Depreciation is calculated on a straight-line basis on all Ijarah Muntahia Bittamleek assets other than land (which is deemed to have an indefinite life), at rates calculated to write off the cost of each asset over either the lease term or economic life of the asset whichever is shorter.

3.4 Investment in securities

Investment securities comprise investments in debt-type and equity-type financial instruments.

3.4.1 Classification

Under FAS (33) "Investment in Sukuks, shares and similar instruments", each investment is to be categorized as investment in:

- a. Equity-type instruments;
- b. Debt-type instruments, including (monetary and non-monetary):
- c. Other investment instruments

Unless irrevocable initial recognition choices provided in para 10 of the standard are exercised, an institution shall classify investments as subsequently measured at either of (1) amortized cost, (2) fair value through equity or (3) fair value through income statement, on the basis of both:

- a. The Group's business model for managing the investments; and
- b. The expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

- **Amortized cost**

An investment shall be measured at amortized cost if both of the following conditions are met:

- a. The investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument; and
- b. The investment represents either a debt-type instrument or other investment instrument having reasonable determinable effective yield.

- **Fair value through equity**

An investment shall be measured at fair value through equity cost if both of the following conditions are met:

- a. The investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment; and
- b. the investment represents a non-monetary debt-type instrument or other investment instrument having reasonable determinable effective yield.

- **Fair value through income statement**

An investment shall be measured at fair value through income statement unless it is measured at amortized cost or at fair value through equity or if irrevocable classification at initial recognition is applied.

- **Irrevocable classification at initial recognition**

The Group may make an irrevocable election to designate a particular investment, at initial recognition, being:

- a. An equity-type instrument that would otherwise be measured at fair value through income statement to present subsequent changes in fair value through equity; and
- b. A non-monetary debt-type instrument or other investment instrument, as measured at fair value through income statement if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or correlated liabilities or recognizing the gains and losses on them on different bases.

3.4.2 Recognition and derecognition

Investment securities are recognised at the trade date, i. e., the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risk and rewards of ownership.

3.4.3 Measurement

- **Initial recognition**

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated statement of income.

- **Subsequent measurement**

Investments at fair value through income statement

Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gain or loss is recognised in the consolidated statement of income in the period in which they arise. Subsequent to initial recognition, investments classified at amortized cost are measured at amortized cost using the effective profit method less any impairment provision. All gains or losses arising from the amortization process and those arising on de-recognition or impairment of the investments, are recognized in the consolidated statement of income.

Investments at fair value through equity

Policy applicable up to the issuance (FAS 33): Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognized in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognized in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

Policy applicable after the issuance of (FAS 33): Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognized in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity.

The Group may elect to present in statement of changes in equity changes in the fair value of certain investments in equity-type instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity-type instruments are never subsequently reclassified to consolidated income statement, including on disposal. However, cumulative gains and losses recognized in fair value reserve are transferred to retained earnings on disposal of an investment. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in consolidated income statement, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in statement of changes in equity. Whereas for debt type investments classified as fair value through equity, the cumulative gain or loss previously recognized in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

3.4.4 Measurement principles**Amortized cost measurement**

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

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment 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 assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

3.5 Impairment of financial assets

An assessment is made at each reporting date to determine whether there is an evidence that a specific financial asset may be impaired. Objective evidence that financial assets (including investments in securities) are impaired can include default or delinquency by a borrower, restructuring of financing facility or amount paid in advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers. If such evidence exists, any impairment loss is recognized in the consolidated income statement.

Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value.
- For assets carried at amortized cost, impairment is based on estimated cash flows based on the original actual profit rate.
- For assets carried at cost, impairment is based on present value of anticipated cash flows based on the current market rate of return for a similar financial asset.

3.5.1 Valuation of Murabaha and Istisna'a financing transactions

- a. Debts related to Murabaha and Istisna'a financing transactions, whether short or long term, are recorded at cost plus agreed-upon profits in Murabaha or Istisna'a contracts. In order to comply with the requirements of the Central Bank of Yemen, provision is allocated for specific debts of Murabaha, Istisna'a and contingent liabilities, in addition to a percentage for general risk calculated on the total of other Murabaha, Istisna'a and other contingent liabilities after deducting balances secured by deposits and banks' guarantees issued by foreign worthy banks. Provision is determined based on periodical comprehensive reviews of the Murabaha, Istisna'a and contingent liabilities and is made in accordance with the following minimum rates:

Description	Percentage
Performing debts of Murabaha and Istisna'a financing	
Performing debts including watch list (due within 90 days)	2%
Non - performing debts:	
Substandard debts (due from 90 days and less than 180 days)	15%
Doubtful debts (due from 180 days and less than 360 days)	45%
Bad debts (due for more than 360 days)	100%

- b. Debts relating to financing Murabaha and Istisna'a transactions are written off if procedures taken toward their collection prove useless, or if directed by CBY examiners upon review of the portfolio. Proceeds from debts previously written off in prior years are credited to the provision.
- c. Debts relating to financing Murabaha and Istisna'a transactions whether short or long term, are presented on the statement of financial position net of their related provisions, (non-performing provision and general risk provision for performing debts) and deferred and suspense revenues at the consolidated financial statements date.

3.5.2 Valuation of investments in Mudaraba and Musharaka contracts

Investments in Mudaraba and Musharaka contracts are recorded on the basis of the amount paid to the capital of Mudaraba or Musharaka. In-kind investments in Mudaraba and Musharaka contracts are recorded based on the agreed-upon value between the Group and the customer or partner. Accordingly, any differences between this value and the book value are recorded as profits or losses in the consolidated income statement.

In order to comply with the requirements of CBY, a provision is made for specific Mudaraba and Musharaka contracts which realized losses, in addition to a percentage for general risk calculated on the total investments of Mudaraba and Musharaka contracts after deducting balances secured by deposits and Banks' guarantees issued by foreign worthy Banks. Provision is determined based on periodical reviews of the portfolio and is made in accordance with the following minimum rates:

Description	Percentage
Performing debts of Murabaha and Istisna'a financing	
Performing debts including watch list (due within 90 days)	2%
Non - performing debts:	
Substandard debts (due from 90 days and less than 180 days)	15%
Doubtful debts (due from 180 days and less than 360 days)	45%
Bad debts (due for more than 360 days)	100%

At the end of each year, the Mudaraba and Musharaka capitals are reduced by losses incurred which are charged to the consolidated income statement.

Investments in Mudaraba and Musharaka contracts are presented on the consolidated statement of financial position at carrying value which represents cost less realized losses and related provisions (provision for non-performing debts and general risk provision on performing debts).

3.5.3 Ijarah Muntahia Bittamleek

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

At the end of the Ijarah term, title of the leased assets is transferred to the lessee, provided that all Ijarah instalments are settled by the lessee.

3.5.4 Valuation of assets whose titles have been transferred to the Group ownership as repayment of debts

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

3.6 Revenue recognition

3.6.1 Financing Murabaha and Istisna'a transactions

- Profit on financing Murabaha and Istisna'a contracts are recorded on accrual basis as all profits at the completion of Murabaha contracts are recorded as deferred revenues, and taken into the consolidated income statement or restricted investment accounts' holders on the basis of the finance percentage using the straight-line method over the term of the contract in accordance with Fatwa of Shari'a Board.
- In order to comply with the requirements of CBY, the Bank does not accrue the profit relating to non-performing contracts in the consolidated income statement.

3.6.2 Investment in Mudaraba and Musharaka contracts

- Investment on Mudaraba and Musharaka contracts, which are initiated and terminated during the financial year, are recorded in the consolidated income statement at the disposing date of Mudaraba and Musharaka contracts.
- Profit on Mudaraba and Musharaka contracts which last for more than one financial year are recognized based on the cash dividends received on these transactions during the year.

3.6.3 Available-for-sale investments

Revenues of available-for-sale investments are recognized when its related cash dividends are distributed during the year.

3.6.4 Ijarah Muntahia Bittamleek

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

3.6.5 Fees and commission income

Fees and commission income are integral to the actual profit rate of financial instruments carried at amortized cost, and are included to the measurement of the actual profit rate of those financial assets. Fees and commission income are recognized when the related services are performed.

3.6.6 Wakala income

Estimated income from Wakala is recognized on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

3.6.7 Income from Sukuk and deposits

Income from Sukuk and income/ expenses on deposits are recognized at their actual profit rate over the term of the instrument.

3.6.8 Reversed provisions

In accordance with CBY instructions, the reversed provisions, no longer required provisions, are recorded in the consolidated income statement under “other operating income”.

3.7 Restricted investment accounts

Restricted investment accounts represent assets acquired by funds provided by holders of restricted investment accounts and their equivalent and are managed by the Group as an investment manager based on either a Mudaraba contract or Wakala contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investment accounts' holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

Murabaha investment transactions and other investments financed by restricted investment accounts are recorded on the same valuation bases mentioned above and their related profits (losses) and provisions are transferred to restricted investment accounts after deducting the Group's share for managing these investments.

3.8 Evaluation of investments in real estate

Investments in real estate are properties held for rental or for capital appreciation (including property under construction for such purposes) or for both. In accordance with FAS (26), the investment in real estate is initially recognized at cost and subsequently measured based on intention whether the investment in real estate is held-for-use or held for sale. The Group has adopted the fair value model for its investments in real estate.

Under the fair value model any unrealized gains are recognized directly in owners' equity. Any unrealized losses are adjusted in equity to the extent of the available credit balance. Where unrealized losses exceed the available balance in owners' equity, these losses are recognized in the consolidated income statement.

In case there are unrealized losses relating to investment in real estate that have been recognized in the consolidated income statement in a previous financial period, the unrealized gains relating to the current financial period are recognized to the extent of crediting balance of such previous losses in the consolidated income statement.

3.9 Property, equipment and their depreciation

3.9.1 Recognition and measurement

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on disposal of an item of the asset is determined by comparing the proceeds from disposal with the carrying amount of the asset, and is recognized net within "other income/expenses" in the consolidated income statement.

3.9.2 Subsequent costs

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

3.9.3 Depreciation

Depreciation is calculated based on the cost of an asset less its residual value, if any.

Significant components of individual assets are assessed and if a component has useful life that is different from the remainder of that asset, that component is depreciated separately.

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

The following is statement of the estimated useful lives of these properties and equipment for the purpose of calculating depreciation, which are the same rates used in previous years:

Description	Estimated Useful Lives
Buildings	50 Years
Machinery & equipment	10 Years
Motor vehicles	5 Years
Furniture and fixtures	4 - 5 Years
Computer and accessories	5 Years

The depreciation method, useful lives and residual values are reviewed by the management at each reporting date and adjusted (if any).

3.10 Impairment of non-financial assets

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

3.11 Contingent liabilities and commitments

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

3.12 Cash and cash equivalents

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, due from banks and financial institutions, other than reserve balances with CBY which are due within three months.

3.13 Other provisions

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

3.14 End of service benefits

- With regard to the Group employees in Yemen, all employees are contributing to the social security scheme in accordance with the Republic of Yemen's Social Insurance Law No. (26) of 1991. Payments are made to the Social Security General Corporation before the 10th day of next month. The Group's contribution is charged to the consolidated income statement.
- The provisions of social security law of the Republic of Yemen are applicable to all Group employees in Yemen concerning to end of service benefits.
- With regards to the Group employees outside Yemen, the Group pays contributions to Social Insurance Authority of the country where the subsidiary is operating, which is a defined contribution scheme in nature, whereby employees and employers contribute monthly on a fixed percentage of the salaries.
- Contributions by the Group are recognized as expense in the consolidated income statement when they are due.

3.15 Offsetting

Financial assets and financial liabilities can only be offset with the net amount being reported in the consolidated statement of financial position when there is a religious or legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or intends to realize the asset and settle the liability simultaneously.

3.16 Lease contracts

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

3.17 Earnings per share

The basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the share number or the weighted average number of ordinary shares outstanding during the year.

3.18 Comparatives

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

3.19 Taxes

- The Group operations inside Republic of Yemen are subject to taxes in accordance with the applicable prevailing laws and regulations. Thus, income tax expense represents the tax currently payable as per the prevailing Yemeni Income Tax Law No. (17) for 2010 and the provision for tax liabilities is made after conducting the necessary studies and in consideration of tax assessments.
- The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that are enacted at the consolidated statement of financial position date.
- The tax due from the Group outside Yemen is calculated according to the prevailing laws and regulations in the countries where the Group's subsidiaries are operating.

3.20 Revenues prohibited by Shari'a rules and principles

The Group records revenues that are in violation of Shari'a rules and principles, under "credit balances and other liabilities" in the consolidated financial statements. Such revenues are disbursed in aspects and activities approved by the Fatwa and Shari'a Supervisory Board of the Bank.

3.21 Customers' current accounts

Balances in current (non-investment) accounts are recognized when received by the Group. The transactions are measured at the cash equivalent amount received by the Group at the time of contracting. At the end of the accounting period, the accounts are measured at their book value.

3.22 Equity of investments accounts holders

Equity of investments account holders are funds held by the Group in unrestricted investments accounts, which it can invest at its own discretion. The investments accounts holder authorizes the Group to invest the account holders' funds in a manner which the Group deems appropriate without setting any conditions as to where, how and for what purpose the funds should be invested.

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

4. Supervision of Central Bank of Yemen

The Bank's activities in Yemen are subject to the supervision of the Central Bank of Yemen, according to the guidelines and the laws governing the operations of banks and Islamic Banks in Yemen.

5. Fatwa and Shari'a' supervisory board

The Bank's activities are subject to the supervision of a Shari'a supervisory board of three members appointed by the Ordinary General Assembly of the Bank and their responsibility is restricted to the oversight of the Islamic-related aspects of the Bank's activities according to the provisions of Islamic Shari'a.

6. Zakat

Zakat is computed according to the directions of the Shari'a Board and collected from the shareholders on behalf of the relevant government authority. The amount collected is remitted to this authority (75%), which decides on the allocation of the Zakat and the remaining amount (25%) is paid by the Bank.

Payment of Zakat on the unrestricted investments and other accounts is the responsibility of the investments accounts holder.

7. Financial instruments and related risk management

7.1 Financial instruments

- a. The Group's financial instruments are represented in financial assets and liabilities. The financial assets include cash balances, due from banks and financial institutions, financing Murabaha and Istisna'a transactions, Musharaka, Mudaraba contracts, Ijarah Muntahia Bittamleek, investments in securities and other assets. The financial liabilities include due to Banks and financial institutions, customers' current accounts, other deposits, equity of unrestricted investments and saving account holders and other financial liabilities. Also, financial instruments include rights and obligations stated in contingent liabilities and commitments. Note (3) to the consolidated financial statements includes significant accounting policies applied for recording and measuring significant financial instruments and their related revenues and expenses.

Notes to the Financial Statements

For the year ended December 31, 2020

b. Fair value hierarchy

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

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

The following table provides analysis of investments in securities that are carried at fair value in the consolidated statement of financial position:

	2020			
	Level 1 YR 000's	Level 2 YR 000's	Level 3 YR 000's	Total YR 000's
Investments in securities				
Equity type instruments carried at fair value through equity (available for sale investments)	-	-	13,279,258	13,279,258
Equity type instruments carried at fair value through consolidated income statement	1,638,733	-	21,595,640	23,234,373
	1,638,733	-	34,874,898	36,513,631
	2019			
	Level 1 YR 000's	Level 2 YR 000's	Level 3 YR 000's	Total YR 000's
Investments in securities				
Equity type instruments carried at fair value through equity (available for sale investments)	-	-	12,684,745	12,684,745
Equity type instruments carried at fair value through consolidated income statement	1,905,285	-	20,111,449	22,016,734
	1,905,285	-	32,796,194	34,701,479

During the year ended December 31, 2020 as well as the year ended December 31, 2019, there were no transfers between levels of the fair value measurement.

c. Financial instruments for which fair value approximates carrying value

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

d. Fair value of financial instruments

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

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

Notes to the Financial Statements

For the year ended December 31, 2020

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

	December 31, 2020				
	Carried at Fair Value Through Income Statement YR 000's	Available for Sale Carried at Fair Value Through Equity YR 000's	Amortized Cost / Other YR 000's	Total Carrying Amount YR 000's	Fair Value YR 000's
<u>Financial assets</u>					
Cash on hand and reserve balances with (CBY)	-	-	59,114,469	59,114,469	59,114,469
Due from banks and financial institutions	-	-	194,785,416	194,785,416	194,785,416
Financing Murabaha and Istisna'a transactions	-	-	36,001,392	36,001,392	36,001,392
Musharaka investments contracts	-	-	-	-	-
Mudaraba investments contracts	-	-	27,008,604	27,008,604	27,008,604
Investments in Islamic Sukuk	-	-	409,084	409,084	409,084
Investments in securities	23,234,373	13,279,258	-	36,513,631	36,513,631
Ijarah Muntahia Bittamleek receivables	-	-	692,285	692,285	692,285
Qard hasan	-	-	-	-	-
	23,234,373	13,279,258	318,011,250	354,524,881	354,524,881
<u>Financial liabilities</u>					
Due to banks and financial institutions	-	-	9,932,944	9,932,944	9,932,944
Current accounts and other deposits	-	-	173,425,625	173,425,625	173,425,625
Equity of unrestricted investments and saving accounts' holders	-	-	262,384,373	262,384,373	262,384,373
	-	-	445,742,942	445,742,942	445,742,942

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For the year ended December 31, 2020

	December 31, 2019				
	Carried at Fair Value Through Income Statement YR 000's	Available for Sale Carried at Fair Value Through Equity YR 000's	Amortized Cost / Other YR 000's	Total Carrying Amount YR 000's	Fair Value YR 000's
Financial assets					
Cash on hand and reserve balances with (CBY)	-	-	46,101,841	46,101,841	46,101,841
Due from banks and financial institutions	-	-	186,958,282	186,958,282	186,958,282
Financing Murabaha and Istisna'a transactions	-	-	46,616,245	46,616,245	46,616,245
Musharaka investments contracts	-	-	3,603,907	3,603,907	3,603,907
Mudaraba investments contracts	-	-	29,365,290	29,365,290	29,365,290
Investments in Islamic Sukuk	-	-	1,447,698	1,447,698	1,447,698
Investments in securities	22,016,734	12,684,745	-	34,701,479	34,701,479
Ijarah Muntahia Bittamleek receivables	-	-	614,494	614,494	614,494
Qard hasan	-	-	1,713	1,713	1,713
	22,016,734	12,684,745	314,709,470	349,410,949	349,410,949
Financial liabilities					
Due to banks and financial institutions	-	-	7,631,556	7,631,556	7,631,556
Current accounts and other deposits	-	-	164,111,715	164,111,715	164,111,715
Equity of unrestricted investments and saving accounts' holders	-	-	264,272,110	264,272,110	264,272,110
	-	-	436,015,381	436,015,381	436,015,381

7.2 Risk management of financial instruments

7.2.1 Risk management framework

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

7.2.2 Risk management structure

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

- **Executive Committee:** The Executive Committee has the responsibility to monitor the overall risk process within the Group.
- **Risk Committee:** Risk Committee's primary role is selection and implementation of risk management systems, portfolio monitoring, risk reporting to the Board, Board Committees, Regulators and Executive management. In addition, Risk Committee is responsible for monitoring of transaction credit approval.
- **Asset and Liability Committee:** The Asset and Liability Committee establishes policy and objectives for the asset and liability management of the Group's financial position in terms of structure, distribution, risk and return and their impact on profitability.
- **Audit Committee:** The Audit Committee is appointed by the Board of Directors who are nonexecutive directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, the soundness of the internal controls of the Group, the measurement system of risk assessment, and the methods for monitoring compliance with laws, regulations and supervisory and internal policies.
- **Shari'a supervisory board:** The Shari'a Supervisory Board is entrusted with the responsibility to ensure adherence to Shari'a rules and principles in its transactions and activities.

7.2.3 Risk measurement

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. Information compiled from all businesses are examined and processed in order to analyze, control and identify early risks. The Group is exposed to credit risk, liquidity risk, market risk (which include return rate risk and currency risk), operating risk and other risk.

a. Credit risk

Financing of Murabaha, Istisna'a transactions, Mudaraba and Musharaka contracts, Ijarah Muntahia Bittamleek and their related debts, due from banks and financial investments and rights and obligations from other parties 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.

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Management of credit risk

The Group uses an internal risk rating system to assess the credit quality of borrowers and counterparties. The risk rating system has 5 grades. Grades 1 and 2 are performing debts and Grades 3-5 are non-performing. Nonperforming grades are classified based on the below criteria which conform with CBY instructions.

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

The performing debts portfolio based on the internal credit ratings is as follows (excluding cash secured loans and advances):

	2020 YR 000's	2019 YR 000's
1-2 Performing and watchlist	40,301,241	76,017,032

In addition, in order to comply with CBY requirements in circular No. 10 of 1997 regarding to the credit risk exposure, the Group adheres to certain minimum standards in order to properly manage its credit risk. The following are the procedures applied by the Group:

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

The table below shows the maximum exposure to credit risk for the components of financial position and the maximum risk by total without taking into account the factors for mitigating the impact of the risks (before deducting any guarantees).

	2020 YR 000's	2019 YR 000's
Cash on hand and reserve balances with CBY (excluding cash on hand and ATMs)	35,263,754	34,931,161
Due from banks and financial institutions	194,785,416	186,958,282
Financing Murabaha and Istisna'a transactions	36,001,392	46,616,245
Musharaka investments contracts	-	3,603,907
Mudaraba investments contracts	27,008,604	29,365,290
Investments in Islamic Sukuk	409,084	1,447,698
Investments in securities	36,513,631	34,701,479
Investments in real estate	171,368,623	184,638,921
Ijarah Muntahia Bittamleek receivables	692,285	614,494
Qard Hasan	-	1,713
Debit balances and other assets after deducting the advance payments	3,603,502	4,174,996
	505,646,291	527,054,186
Contingent liabilities and commitments	38,488,105	35,216,537
Total credit risk exposure	544,134,396	562,270,723

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The following is an analysis of the financial assets and contingent liabilities and commitments by sector, before and after the deduction of guarantees (concentration of maximum credit risk by sector):

	2020		2019	
	Gross Maximum Exposure YR 000's	Net Maximum Exposure YR 000's	Gross Maximum Exposure YR 000's	Net Maximum Exposure YR 000's
Governmental	205,663,841	-	193,393,283	-
Financial	40,657,564	20,822,033	57,742,092	33,787,006
Industrial	21,328,471	21,281,075	22,823,898	22,776,503
Commercial	230,547,500	144,910,284	240,139,521	147,867,455
Agricultural and fishing	2,276,794	2,276,794	4,676,506	4,676,506
Others	5,172,121	5,172,402	8,278,886	8,278,886
	505,646,291	194,462,588	527,054,186	217,386,356
Contingent liabilities and commitments	38,488,105	19,952,463	35,216,537	19,057,759
	544,134,396	214,415,051	562,270,723	236,444,115

The Group manages concentration of risk by distributing the financing and investment portfolio over diversified economic sectors and geographical locations. Note (40) shows the distribution of assets, liabilities, contingent liabilities and commitments based on economic sectors and Note (41) shows the distribution of assets, liabilities, and contingent liabilities and commitments based on geographical locations as at the consolidated financial statements date.

b. Liquidity risk

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

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

Management of liquidity risk

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

The Central Bank of Yemen Circular No. 3 of 1997 requires that the liquidity ratio be 25% as a minimum. The liquidity rate as at December 31, 2020 was 46.84% (as at December 31, 2019 was 43.51%).

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

	Due within 3 months YR 000's	Due from 3 to 6 months YR 000's	2020 Due from 6 months to 1 year YR 000's	Due more 1 year YR 000's	Total YR 000's
Liabilities					
Due to banks and financial institutions	9,932,944	-	-	-	9,932,944
Current accounts and other deposits	173,425,625	-	-	-	173,425,625
Equity of unrestricted investments and saving accounts' holders	38,434,000	27,097,000	52,883,000	143,970,373	262,384,373
Credit balances and other liabilities	9,107,555	-	-	-	9,107,555
	230,900,124	27,097,000	52,883,000	143,970,373	454,850,497

	Due within 3 months YR 000's	Due from 3 to 6 months YR 000's	2019 Due from 6 months to 1 year YR 000's	Due more 1 year YR 000's	Total YR 000's
Liabilities					
Due to banks and financial institutions	7,631,556	-	-	-	7,631,556
Current accounts and other deposits	164,111,715	-	-	-	164,111,715
Equity of unrestricted investments and saving accounts' holders	34,538,110	25,271,000	50,581,000	153,882,000	264,272,110
Credit balances and other liabilities	12,429,130	-	-	-	12,429,130
	218,710,511	25,271,000	50,581,000	153,882,000	448,444,511

Note (39) to the consolidated financial statements shows the maturity analysis of financial assets and liabilities and the net gap between them as at the consolidated financial statements date compared with last year.

c. Market risk

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

• Management of market risk

The Group separates exposure to market risk between two portfolios; a trading portfolio and a non-trading portfolio. The Group has no trading positions in equity or commodities and the main source of market risk for the Group is its foreign exchange exposure and return rate (profit).

The Group does not engage in forward contracts to meet its obligations in foreign currencies, nor does it engage in foreign exchange contracts to cover the risk of settlement of future liabilities in foreign currencies or its customer's need to meet their obligations in foreign currencies resulted from their transaction through the Group.

Treasury Department books all foreign exchange gains/losses arising out of customer transactions and revaluation of statement of financial position assets and liabilities. The responsibility for monitoring and managing the related risks also rests with the Treasury Department.

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

- **Return rate risk**

Return due on unrestricted investments and saving accounts is determined on the basis of Mudaraba contract, which determines profit (loss) on a sharing basis during the period. Accordingly, any change in the profitability level will determine the return ratio that the Group could pay to unrestricted investments and saving accounts holders. Therefore, the Group is not exposed, directly, to the risk of change in return rate.

Note (24.1) to the consolidated financial statements shows the average return (rate) allocated to equity of unrestricted investments & saving accounts holders during the year compared with the last year.

- **Exchange rate risk for foreign currencies**

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the Yemeni Rial. Due to the nature of the Group's activity, the Group deals in different foreign currencies, hence it is exposed to exchange rate risk. In order to minimize the exposure to exchange rate risk, the Group is trying to maintain a balanced foreign currencies position in compliance with instructions and requirements of CBY circular No. (6) of 1998 which specifies that individual foreign currency positions should not exceed 15% of the Bank's capital and reserves, and that the aggregate long position for all foreign currencies should not exceed 25% of the Bank's capital and reserves.

In order to comply with CBY circular No. (6) of 1998 the Bank regularly monitors its foreign currency positions and sells the excess funds in foreign currencies at the prevailing exchange rates at the date of transaction.

The table below shows the Bank's net exposures to foreign currencies compared with last year:

	2020						
	US Dollars YR 000's	Euro YR 000's	Saudi Riyal YR 000's	Sterling Pound YR 000's	AED YR 000's	Others YR 000's	Total YR 000's
Assets	144,053,007	4,807,290	105,771,005	296,692	4,649,771	90,967	259,668,732
Liabilities	(160,621,630)	(7,125,992)	(92,525,081)	(293,713)	1,692,322	(34,804)	(258,908,898)
Net currency position	(16,568,623)	(2,318,702)	13,245,924	2,979	6,342,093	56,163	759,834

	2019						
	US Dollars YR 000's	Euro YR 000's	Saudi Riyal YR 000's	Sterling Pound YR 000's	AED YR 000's	Others YR 000's	Total YR 000's
Assets	126,299,095	3,477,202	92,919,453	319,612	14,205,469	81,144	237,301,975
Liabilities	(140,905,467)	(3,352,379)	(89,587,588)	(323,467)	(328,530)	(28,876)	(234,526,307)
Net currency position	(14,606,372)	124,823	3,331,865	(3,855)	13,876,939	52,268	2,775,668

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Effect of change in fair value of currency (Sensitivity analysis)

The table below indicates the significant foreign currency rates at the end of the year compared with last year:

Currency	2020 The closing Exchange Rates According to CBY as at		2019 The average Exchange Rate According to the Market Rates as at	
	Dec. 31, 2020 Equivalent YR	Dec. 31, 2019 Equivalent YR	Dec. 31, 2020 Equivalent YR	Dec. 31, 2019 Equivalent YR
US Dollars	250.25	250.25	589	580
Euro	307.46	280.35	734.50	649.80
Saudi Riyal	66.68	66.68	155.50	153.50
Sterling Pound	340.72	328.3	809.50	760.89
AED	68.20	68.20	160.58	154

In compliance with the instructions of CBY, the Group applied the closing exchange rates of CBY for the translation of foreign exchange balances as at December 31, 2020 and 2019.

Taking into account the average exchange rates in the market, the table below indicates the effect of a reasonably possible movement of the currency rate against the Yemeni Rial on the consolidated income statement, with all other variables held constant:

Currency	Effect on Consolidated Income Statement Increase (Decrease) YR 000's	
	2020	2019
US Dollars	(22,428,057)	(19,246,629)
Euro	(3,220,511)	164,477
Saudi Riyal	17,644,016	4,338,220
Sterling Pound	4,098	(5,080)
AED	8,590,654	17,458,084
Other Currencies	76,024	68,872

Note (42) to the consolidated financial statements indicates the significant foreign currencies' positions at the consolidated financial statements date compared with last year.

d. Operational risk

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

e. Other risks

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

8. Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with capital requirements which are issued by the Central Bank of Yemen (CBY), and that the Group maintains strong credit ratings and excellent capital ratios. The capital adequacy is monitored on a quarterly basis by the management of the Group employing techniques based on the guidelines as implemented by the CBY for supervisory purposes. The Bank prepares a quarterly report for capital adequacy ratio in accordance with Central Bank of Yemen (CBY) Circular no. (2) of 1997.

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

The capital adequacy ratio is calculated in accordance with the guidelines of the Central Bank of Yemen comparing between the Group core and supplementary capital with risk weighted total assets and liabilities at the financial statements date, as follows:

	2020 YR Millions	2019 YR Millions
Core capital	39,799	40,849
Supplementary capital	21,458	27,269
Total capital	61,257	68,118
Risk-weighted assets and liabilities:		
Total assets	205,128	227,404
Contingent liabilities and commitments	19,952	19,058
Total risk-weighted assets and liabilities	225,080	246,462
Capital adequacy ratio	27.22%	27.64%

The core capital consists of share capital, statutory and general reserves and retained earnings (loss) after deducting investment in any local bank or financial company while supplementary capital consists of general provisions on performing debts which should not exceed 2% of risk weighted assets.

9. Cash on hand and reserve balances with Central Bank of Yemen (CBY)

This item consists of the following as of December 31:

	2020 YR 000s	2019 YR 000s
Cash on hand and ATM - local currency	7,692,140	5,825,725
Cash on hand and ATM - foreign currencies	16,157,056	5,343,737
	23,849,196	11,169,462
Mandatory reserve with CBY - local currency	15,076,086	14,669,169
Mandatory reserve with CBY - foreign currency	20,187,668	20,261,992
	35,263,754	34,931,161
Valuable metals (gold and silver)	1,519	1,218
	59,114,469	46,101,841

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

10. Due from banks and financial institutions

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
<u>Central Bank of Yemen</u>			
Current accounts - local currency		95,796,231	97,128,413
Current accounts - foreign currency		3,903,856	708,033
Wakala deposit-local currency		70,700,000	60,625,676
		170,400,087	158,462,122
<u>Balances with local banks</u>			
Current accounts - local currency		113,844	190,252
		113,844	190,252
<u>Foreign Banks and financial institutions</u>			
Current accounts - foreign currency		23,267,456	21,168,704
Investments deposits - foreign currency		756,786	688,628
Wakala deposits - foreign currency *		2,549,252	6,263,740
Collateral accounts - foreign currency		961,614	184,836
		27,535,108	28,305,908
Less: Impairment provision for due from banks and financial institutions**	10.1	(3,263,623)	-
		194,785,416	186,958,282

* Wakala deposits of foreign currency amounting to thousand YR 2,549,252 appear after deduction of impairment losses in the amount of YR 2,316,418 thousand as at December 31, 2020 (an amount of thousand YR 6,263,740 after deduction of impairment losses in the amount of YR 506,756 thousand as at December 31, 2019).

** The economic situation in the Republic of Lebanon and its local banking system has been subjected to a great degree of uncertainty and the current lack of clarity about the potential negative effects on the Lebanese economy and the banking sector. As a result of these events, a provision for impairment was provided on the bank balances due from Bank of Beirut and other Lebanese banks at 100% of the business result for the year ended December 31, 2020.

10.1 Impairment provision for due from banks and financial institutions

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Balance at the beginning of the year		-	-
Add: Provided during the year	33	3,263,623	-
Balance at the end of the year		3,263,623	-

11. Financing Murabaha and Istisna'a transactions

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Financing Murabaha transactions		32,451,175	37,275,199
Financing Istisna'a transactions		9,582,585	17,186,863
		42,033,760	54,462,062
Less:			
Provision for financing Murabaha and Istisna'a transactions	11.1	(2,764,958)	(3,768,643)
Less: Deferred revenues		(3,267,410)	(4,077,174)
		36,001,392	46,616,245

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

Non-performing financing Murabaha and Istisna'a transactions amounted to YR 2,027,028 thousand as at December 31, 2020 after deducting balances secured by cash deposits amounted to YR 8,220 thousand (YR 2,843,601 thousand as at December 31, 2019 after deducting balances secured by cash deposits amounted to YR 19,471 thousand). The break-up of the above amounts are as follows:

	2020 YR 000s	2019 YR 000s
Bad financing debts	2,011,719	2,831,432
Substandard financing debts	7,757	6,645
Doubtful financing debts	7,552	5,524
	2,027,028	2,843,601

11.1 Provision for financing Murabaha and Istisna'a transactions (performing and non-performing)

This item consists of the following as of December 31:

	Notes	Specific YR 000s	2020 General YR 000s	Total YR 000s	Specific YR 000s	2019 General YR 000s	Total YR 000s
Balance at the beginning of the year		2,835,798	932,845	3,768,643	3,238,761	1,350,421	4,589,182
Add: Provided during the year	33	17,727	60,106	77,833	28,495	-	28,495
Less: Used during the year		(40,899)	-	(40,899)	(35,574)	-	(35,574)
Transferred to provision for doubtful debt balances and other assets		(2,300)	-	(2,300)	-	-	-
Transferred from specific provision to general provision		(512)	512	-	(44,433)	44,433	-
Reversed during the year	32	(792,380)	(245,939)	(1,038,319)	(351,451)	(462,009)	(813,460)
Balance at the end of the year		2,017,434	747,524	2,764,958	2,835,798	932,845	3,768,643

12. Musharaka investments contracts

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Musharaka investments contracts with others – Local		312,813	3,990,269
Less: Provision for Musharaka investments contracts	12.1	(312,813)	(386,362)
		-	3,603,907

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Non-performing Musharaka investments contracts which were classified as bad debts amounted to YR 312,813 thousand as at December 31, 2020 (YR 312,813 thousand as at December 31, 2019).

12.1 Provision for Musharaka investments contracts (performing and non-performing)

This item consists of the following as of December 31:

	Notes	2020 Specific YR 000s	2020 General YR 000s	2020 Total YR 000s	2019 Specific YR 000s	2019 General YR 000s	2019 Total YR 000s
Balance at the beginning of the year		312,813	73,549	386,362	312,813	196,298	509,111
Add: Provided during the year	33	-	-	-	-	-	-
Less: Reversed during the year	32	-	(73,549)	(73,549)	-	(122,749)	(122,749)
Balance at the end of the year		312,813	-	312,813	312,813	73,549	386,362

13. Mudaraba investments contracts

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Mudaraba investments contracts - Local		9,320,829	17,750,599
Mudaraba investments contracts - foreign		19,445,011	16,323,264
		28,765,840	34,073,863
Less: provision for Mudaraba investments contracts	13.1	(1,757,236)	(4,708,573)
		27,008,604	29,365,290

Non-performing Mudaraba investments contracts amounted to YR 1,265,865 thousand as at December 31, 2020 after deducting balances secured as cash guarantees by YR 2,931,392 thousand (YR 4,169,106 as at December 31, 2019 after deducting balances secured as cash guarantees by YR 2,931,392 thousand). The break-up of the above amounts are as follows:

	2020 YR 000s	2019 YR 000s
Doubtful debts	-	-
Bad debts	1,265,865	4,169,106
	1,265,865	4,169,106

13.1 Provision for Mudaraba investments contracts (performing and non-performing)

This item consists of the following as of December 31:

	Notes	2020 Specific YR 000s	2020 General YR 000s	2020 Total YR 000s	2019 Specific YR 000s	2019 General YR 000s	2019 Total YR 000s
Balance at the beginning of the year		4,169,106	539,467	4,708,573	4,216,392	539,467	4,755,859
Add: Provided during the year	33	-	-	-	-	-	-
Less: Used during the year		(2,176,430)	-	(2,176,430)	(41,314)	-	(41,314)
Deduct: Reversed during the year	32	(726,811)	(48,096)	(774,907)	(5,972)	-	(5,972)
		1,265,865	491,371	1,757,236	4,169,106	539,467	4,708,573

14. Investments in islamic Sukuk

This item consists of the following as of December 31:

	2020 YR 000s	2019 YR 000s
Debt-type instruments - Sukuks at amortized cost		
Islamic Sukuk - local (unquoted)	-	-
Islamic Sukuk - foreign (quoted)	409,084	1,447,698
	409,084	1,447,698

Investments in local Islamic Sukuk are issued by the unit of the Islamic Sukuk at CBY (unquoted), the nominal value of Suk is YR (Nil) as at December 31, 2020 (YR (Nil) as at December 31, 2019 for each sukuk).

The Yemeni Government represented by the Ministry of Finance guarantees the Sukuk at the maturity dates and authorized the Central Bank of Yemen to deduct such dues from the Ministry of Finance account with the Central Bank of Yemen at the maturity dates.

14.1 Impairment provision on investments in Islamic Sukuk

This item consists of the following as of December 31:

	2020 YR 000s	2019 YR 000s
Balance at the beginning of the year	-	-
Impairment during the year	-	-
Used during the year	-	-
	-	-

15. Investments in securities

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Investments instruments at fair value through equity			
Available-for-sale investments - unquoted		13,443,207	12,841,644
Change in fair value (unrealized gain)		-	7,050
		13,443,207	12,848,694
Less: Impairment provision on available-for-sale investments	15.1	(163,949)	(163,949)
		13,279,258	12,684,745
Investments instruments at fair value through income statement			
Quoted investments		1,638,733	1,905,285
Unquoted investments		22,718,188	21,998,397
		24,356,921	23,903,682
Less: Impairment provision on investments in securities at fair value through consolidated income statement	15.2	(1,122,548)	(1,886,948)
		23,234,373	22,016,734
Investments instruments at amortized cost			
Unquoted investments		1,401,400	1,401,400
Less: impairment provision on investments at amortized cost	15.3	(1,401,400)	(1,401,400)
		-	-
		36,513,631	34,701,479

As at December 31, 2020 and 2019, the available-for-sale investments are unquoted financial investments. Due to the difficulty of obtaining a reliable estimate of fair value for these investments as there are no quoted market prices and future cash flows are not determinable, these investments are carried at cost less the impairment provision.

The impairment provision for some available for sale investments recognized because the Bank did not receive any dividends from these investments during prior years, and no dividends are expected to be received in the coming years.

All of available-for-sale investments are not classified by any international rating companies.

15.1 Impairment provision on available-for-sale investments

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Balance at the beginning of the year		163,949	849,949
Impairment during the year		-	-
Reversed during the year	32	-	(686,000)
		163,949	163,949

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15.2 Impairment provision on investments securities at fair value through consolidated income statement

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Balance at the beginning of the year		1,886,948	470,310
Used during the year		(2,024,462)	(538,671)
Impairment during the year	34	1,260,062	1,955,309
		1,122,548	1,886,948

15.3 Impairment provision on investments at amortized cost

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Balance at the beginning of the year		1,401,400	70,070
Impairment during the year	33	-	1,331,330
		1,401,400	1,401,400

16. Investments in real estate

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Investments in real estate - local		13,351,060	13,605,051
Investments in real estate - foreign		120,917,099	120,734,320
		134,268,159	134,339,371
Changes in fair value (unrealized gain)	26.3	44,530,724	56,425,578
		178,798,883	190,764,949
Less: Impairment provision on investments in real estate		(7,430,260)	(6,126,028)
		171,368,623	184,638,921

Real estate investments are as follows:

	Notes	2020 YR 000s	2019 YR 000s
Balance at beginning of the year		134,339,371	138,697,196
Additional during the year		3,005,967	1,805,952
Disposal during the year		(3,077,179)	(6,163,777)
Total Cost		134,268,159	134,339,371
Add: Changes in fair value (unrealized gain)	26.3	44,530,724	56,425,578
Less: Impairment provision on value of real estate investments	16.1	(7,430,260)	(6,126,028)
		171,368,623	184,638,921

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16.1 Impairment provision on value of real estates investments

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Balance at the beginning of the year		6,126,028	3,806,899
Provided during the year	35	1,331,390	2,319,129
Reversed during the year	32	(27,158)	-
		7,430,260	6,126,028

17. Ijarah muntahia bittamleek receivables

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Ijarah Muntahia Bittamleek receivables		956,362	876,134
Less: Deferred revenues		(210,970)	(232,293)
Less: Provision for impairment of Ijarah Muntahia Bittamleek receivables	17.1	(53,107)	(29,347)
		692,285	614,494

The cost of Ijarah Muntahia Bittamleek receivables represents real states leased to others based on Ijarah Muntahia Bittamleek contracts.

17.1 Provision for impairment of Ijarah muntahia bittamleek receivables

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Balance at the beginning of the year		29,347	21,891
Add: Provided during the year	33	23,760	7,456
Less: Reversed during the year	32	-	-
		53,107	29,347

18. Debit balances and other assets

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Projects in process (advances)		1,771,303	1,743,537
Loans and advances		796,060	606,647
Accrued income		624,619	1,274,784
Assets transferred to Bank's ownership		571,605	682,832
Prepaid expenses		390,570	470,873
Stationery, property and equipment inventory		203,819	236,639
Current account overdrawn		195,536	297,044
Receivables from sale of investments		-	-
Advance payments for real estate investments		-	-
Other debit balances		3,289,800	3,274,541
		7,843,312	8,586,897
Less:			
Provision for doubtful debt balances and other assets	18.1	(2,077,937)	(2,197,491)
		5,765,375	6,389,406

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18.1 Provision for doubtful debt balances and other assets

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Balance at the beginning of the year		2,197,491	2,249,451
Foreign currency translation differences		859	(180)
Transferred from provision for financing Murabaha and Istisna'a transactions (performing and non-performing)		2,300	-
Add: Provided during the year	33	-	148,014
Less: Used during the year		(74,111)	(2,281)
Less: Reversed during the year	32	(48,602)	(197,513)
		2,077,937	2,197,491

19. Property and equipment

This item consists of the following as of December 31:

	Land YR 000's	Buildings YR 000's	Machinery and Equipment YR 000's	Motor Vehicles YR 000's	Furniture and Fixtures YR 000's	Computer and Accessories YR 000's	Total YR 000's
Gross carrying amount							
Balance at January 1, 2020	2,106,628	3,355,024	629,183	420,632	2,303,931	3,459,445	12,274,843
Additions	1,289,781	78,048	72,380	45,541	422,931	247,077	2,155,758
Disposals	-	-	(27,684)	(3,479)	(63,978)	(157,975)	(253,116)
Balance at December 31, 2020	3,396,409	3,433,072	673,879	462,694	2,662,884	3,548,547	14,177,485
Accumulated depreciation							
Balance at January 1, 2020	-	604,091	465,176	351,016	1,178,947	3,089,355	5,688,585
Depreciation for the year	-	67,409	44,276	24,401	211,347	130,478	477,911
Disposals	-	-	(39,627)	(3,479)	(77,141)	(105,349)	(225,596)
Balance at December 31, 2020	-	671,500	469,825	371,938	1,313,153	3,114,484	5,940,900
The carrying amount on December 31, 2020	3,396,409	2,761,572	204,054	90,756	1,349,731	434,063	8,236,585
Gross carrying amount							
Balance at January 1, 2019	2,555,224	2,447,839	2,075,970	380,765	426,799	3,477,184	11,363,781
Additions	76,964	907,185	47,228	45,937	375,270	203,443	1,656,027
Disposals	(525,560)	-	(39,133)	(6,070)	(151,166)	(23,036)	(744,965)
Reclassification	-	-	(1,454,882)	-	1,653,028	(198,146)	-
Balance at December 31, 2019	2,106,628	3,355,024	629,183	420,632	2,303,931	3,459,445	12,274,843
Accumulated depreciation							
Balance at January 1, 2019	-	555,134	1,048,353	331,364	337,502	3,156,174	5,428,527
Depreciation for the year	-	48,957	41,990	25,722	155,875	129,485	402,029
Disposals	-	-	(32,836)	(6,070)	(80,205)	(22,860)	(141,971)
Reclassification	-	-	(592,331)	-	765,775	(173,444)	-
Balance at December 31, 2019	-	604,091	465,176	351,016	1,178,947	3,089,355	5,688,585
The carrying amount on December 31, 2019	2,106,628	2,750,933	164,007	69,616	1,124,984	370,090	6,586,258

20. Due to banks and financial institutions

This item consists of the following as of December 31:

	2020 YR 000s	2019 YR 000s
<u>Due to Central Bank of Yemen</u>		
Current accounts - Local currency	-	-
	-	-
<u>Due to Local Banks</u>		
Current accounts - Local currency	2,486,051	769,429
Current accounts - Foreign currency	1,834,316	447,605
	4,320,367	1,217,034
<u>Due to Foreign Banks and Financial Institutions</u>		
Current accounts - Foreign currency	5,567,102	6,381,997
Current accounts - Local currency	45,475	32,525
	5,612,577	6,414,522
	9,932,944	7,631,556

21. Current accounts and other deposits

This item consists of the following as of December 31:

	2020 YR 000s	2019 YR 000s
Current accounts - foreign currency	111,982,910	91,368,098
Current accounts - local currency	38,283,778	56,457,374
	150,266,688	147,825,472
Cash margin - letters of guarantee	2,465,230	2,458,499
Cash margin - others	1,853,777	104,410
Cash margin - letters of credit	1,426,640	4,273,561
Other deposits	17,413,290	9,449,773
	23,158,937	16,286,243
	173,425,625	164,111,715

22. Credit balances and other liabilities

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Deposits of profit for unrestricted accounts' holders		5,340,788	4,081,675
Accrued expenses		1,679,064	1,592,766
Income tax for the year	22.1	627,514	1,049,664
Revenue received in advance		38,457	170,324
Salary tax		35,660	18,600
Letters of credit payment forward		8,888	92,488
Prohibited revenues by Islamic Shari'a	22.2	1,639	478
Creditors - real estate investments		-	-
Board of directors' bonuses		-	35,035
Other credit balances		1,375,545	5,388,100
		9,107,555	12,429,130

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22.1 Income tax for the year

This item consists of the following as of December 31:

	2020 YR 000s	2019 YR 000s
Income tax at the beginning of the year	904,080	145,584
Add: Provided during for the year	627,514	1,048,850
Less: Paid during the year	(904,080)	(144,770)
	627,514	1,049,664

22.2 Prohibited revenues by islamic Shari'a

Revenues prohibited by Islamic Shari'a' are recorded in a separate account under "credit balances and other liabilities". These are utilized in the areas approved by the Bank's Shari'a' Board. The following are the movements of prohibited revenues during the year:

	2020 YR 000s	2019 YR 000s
Balance at the beginning of the year	478	541
Add: Resources (revenues) during the year	1,173	27
Total available balance during the year	1,651	568
Add: Differences of retranslating foreign currencies balances	-	-
Total available balance during the year	1,651	568
Less: Uses represent in: Charitable grants and donations	(12)	(90)
Balances at the end of the year Amounts available for donations and grants	1,639	478

23. Other provisions

This item consists of the following as of December 31:

	2020					
	Balance at January 1, 2020 YR 000's	Provided during the Year YR 000's	Used during the Year YR 000's	Revaluation Difference of Provision in Foreign Currencies YR 000's	Reversed during the Year YR 000's	Balance at December 31, 2020 YR 000's
Provision for contingent liabilities	284,845	43,014	-	586	-	328,445
Provision for contingent claims	753,340	590,000	(661,847)	-	-	681,493
	1,038,185	633,014	(661,847)	586	-	1,009,938

	2019					
	Balance at January 1, 2019 YR 000's	Provided during the Year YR 000's	Used during the Year YR 000's	Revaluation Difference of Provision in Foreign Currencies YR 000's	Reversed during the Year YR 000's	Balance at December 31, 2019 YR 000's
Provision for contingent liabilities	401,676	-	-	(122)	(116,709)	284,845
Provision for contingent claims	500,000	800,000	(546,660)	-	-	753,340
	901,676	800,000	(546,660)	(122)	(116,709)	1,038,185

24. Equity of unrestricted investments and saving accounts' holders

This item consists of the following as of December 31:

	2020 YR 000s	2019 YR 000s
Unrestricted investments deposits - local currency	100,355,371	104,133,859
Unrestricted investments deposits - foreign currency	76,414,696	75,568,818
	176,770,067	179,702,677
Investment saving deposits - local currency	38,165,189	36,650,638
Investment saving deposits - foreign currency	35,228,616	35,624,881
	73,393,805	72,275,519
Return of unrestricted investments and saving accounts' holders	12,220,501	12,293,914
	262,384,373	264,272,110

Equity of unrestricted investments accounts' holders funds are commingled with the Group's funds and used to fund/ invest in assets and contracts in accordance with Islamic practices.

24.1 Return of unrestricted investments and saving accounts' holders

The shares of return for unrestricted investments and saving accounts' holders from total return on investments achieved during the year are allocated between customers and owners based on various financing and joint investments, then the customers' shares are distributed among themselves based on the percentage of their participation weighted by numbers. This calculation is proposed by the budget committee which calculates investments in local and foreign currencies and their related numbers as well as participation ratios and approved by the Bank Board of Directors. The average return ratios were as follows:

	2020 Yemeni Rial %	Foreign currencies %	2019 Yemeni Rial %	Foreign Currencies %
Investments deposits	%9.15	%3.00	%9.15	%3.00
Saving accounts	%5.14	%1.69	%5.14	%1.69

25. Share capital

As at December 31, 2020, the authorized, issued and paid-up capital is YR 20 Billion (YR 20 Billion as at December 31, 2019) divided into 20 Million shares with nominal value of YR 1,000 per share in accordance with the Extraordinary General Assembly meeting dated August 19, 2009 concerning the increase of the share capital from YR 10 Billion to YR 20 Billion.

26. Reserves

26.1 Statutory reserve

- According to the provisions of the Islamic Banks Law No. (16) of 2009 and the Bank's amended Articles of Association, 10% of the net profit for the year is transferred to statutory reserve until the balance of this reserve reaches twice the share capital.
- The Bank cannot use this reserve without the prior approval of the Central Bank of Yemen. As at December 31, 2020, the statutory reserve amounted to YR 18,080,159 thousand (YR 17,985,160 thousand as at December 31, 2019).

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26.2 General reserve

According to the Articles of Association, not more than 5% of the net profit for the year can be transferred to general reserve. This is done by decision of the General Assembly based on the Board of Director's proposal. As at December 31, 2020, the general reserve amounted to YR 157,623 thousand (YR 157,623 thousand as at December 31, 2019).

26.3 Other reserves

This item consists of the following as of December 31:

	Notes	2020 YR 000s	2019 YR 000s
Fair value reserve for real estate investments - Local	16	40,035,680	51,512,079
Fair value reserve for real estate investments - Foreign	16	4,495,044	4,913,499
Fair value reserve for investments in securities		(471,652)	71,684
Reserve for translation of foreign currencies		113,036	112,121
		44,172,108	56,609,383

27. Contingent liabilities and commitments

This item consists of the following as of December 31:

	Gross Commitments YR 000s	2020 Cash Margin Held YR 000s	Net Commitments YR 000s	Gross Commitments YR 000s	2019 Cash Margin Held YR 000s	Net Commitments YR 000s
Letters of credit	14,687,219	(3,178,390)	11,508,829	11,623,811	(4,273,561)	7,350,250
Letters of guarantee	23,800,886	(2,465,230)	21,335,656	23,592,726	(2,458,499)	21,134,227
	38,488,105	(5,643,620)	32,844,485	35,216,537	(6,732,060)	28,484,477

28. Income from financing murabaha and Istisna'a transactions

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

	2020 YR 000s	2019 YR 000s
Income from financing Murabaha transactions	3,537,124	6,237,365
Income from Istisna'a transactions	989,305	1,171,995
	4,526,429	7,409,360

29. Income from other joint investments

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

	2020 YR 000s	2019 YR 000s
Income from banks and financial institutions		
Income from Wakala placements	20,203,300	4,966,091
Income from investments deposits	1,114	18,119
	20,204,414	4,984,210
Income from investments in securities		
Income from financial investments available for sale	373,263	450,744
Investments income through income statement	245,156	330,679
	618,419	781,423
Other revenues		
Income from investments in real estate	2,182,363	2,854,902
Income from Ijarah Muntahia Bittamleek	78,535	54,565
Income from Islamic Sukuk	32,384	137,571
Other joint income	1,302,721	4,141,701
	3,596,003	7,188,739
	24,418,836	12,954,372

30. Fees and commission income

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

	2020 YR 000s	2019 YR 000s
Commissions on letter of credit	3,565,449	3,992,362
Commissions on letter of guarantee	277,650	207,987
Commissions on cash transfers	805,932	552,739
Other fees and commissions	1,245,961	632,920
	5,894,992	5,386,008

31. (Losses) gains on foreign currency transactions

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

	2020 YR 000s	2019 YR 000s
Net (losses) gains on dealing in foreign currencies	(3,469,281)	3,462,856
Net from translation of balances in foreign currencies	-	-
	(3,469,281)	3,462,856

32. Other operating income

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

	Notes	2020 YR 000s	2019 YR 000s
Provisions reversed			
Provision for financing Murabaha and Istisna'a transactions	11.1	1,038,319	813,460
Provision for financing Mudaraba transactions	13.1	774,907	5,972
Provision for Musharaka contracts	12.1	73,549	122,749
Provision for debit balances and other assets	18.1	48,602	197,513
Qard Hasan provision		35	403
Impairment provision on value of available-for-sale investments	15.1	-	686,000
Provision for contingent liabilities	23	-	116,709
Provision for investments in real estate	16.1	27,158	-
		1,962,570	1,942,806
Others		648,160	844,480
		2,610,730	2,787,286

33. Provisions

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

	Notes	2020 YR 000s	2019 YR 000s
Impairment provision for due from banks and financial institutions	10.1	3,263,623	-
Provision for financing Murabaha and Istisna'a transactions	11.1	77,833	28,495
Provision for impairment of ijarah Muntahia Bittamleek receivables	17.1	23,760	7,456
Provision for doubtful debt balances and other assets	18.1	-	148,014
Impairment provision on investments at amortized cost	15.3	-	1,331,330
		3,365,216	1,515,295
Other provisions			
Provision for contingent liabilities	23	590,000	800,000
Provision for contingent claims	23	43,014	-
		633,014	800,000
		3,998,230	2,315,295

34. Impairment provision on investments in securities

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

	2020 YR 000s	2019 YR 000s
Impairment provision on investments securities at fair value through income statement	1,260,062	1,955,309
	1,260,062	1,955,309

35. Impairment provision on investments in real estate

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

	2020 YR 000s	2019 YR 000s
Impairment provision on investments real estate	1,331,390	2,319,129
	1,331,390	2,319,129

36. Staff costs

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

	2020 YR 000s	2019 YR 000s
Basic salaries	2,221,281	2,121,351
Bonuses and incentives	2,069,204	1,907,049
Contributions to social security	159,665	133,107
Others	71,840	48,131
	4,521,990	4,209,638

37. Other expenses

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

	2020 YR 000s	2019 YR 000s
—		
Cash deficits*	1,100,200	-
Zakat	672,761	666,833
Professional and consulting fees	500,030	453,407
Rent	450,124	364,190
Maintenance expenses	401,256	362,165
Subscription to deposit insurance corporation	336,442	339,101
Cleaning expenses	310,820	261,198
Transportation	303,067	304,162
Advertising expenses	281,274	196,974
Subscriptions	277,351	194,960
Insurance expenses	275,682	247,862
Water and electricity	210,631	164,196
Stationery	69,217	61,329
Training and studies expenses	63,396	58,935
Fuel and lubricants	51,839	30,589
Donations and charities	51,786	27,569
Communication	24,300	18,611
Government fees	19,313	5,790
Hospitality	14,012	10,724
Others	430,768	463,405
	5,844,269	4,232,000

* The cash deficit item represents a case of armed robbery of cash transferred from one of the bank's branches at the end of the year 2018., whereas a recovery of amount was followed-up during the years 2019 and 2020, and because the amount could not be recovered, it was recognized as an actual loss.

38. Earnings per share from net profit for the year

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

	2020	2019
Net profit for the year (YR 000s)	949,986	2,385,353
Number of shares (thousand shares)	20,000	20,000
Earnings per share from net profit for the year (YR)	47.50	119.27

39. Maturities of financial assets and liabilities

	Due within 3 months YR Millions	Due from 3 to 6 months YR Millions	2020 Due from 6 months to one year YR Millions	Due more than one year YR Millions	Total YR Millions
Assets					
Cash on hand and reserve balances with CBY	59,114	-	-	-	59,114
Due from banks and financial institutions	194,785	-	-	-	194,785
Financing Murabaha and Istisna'a, transactions	13,298	6,065	3,903	12,735	36,001
Musharaka investments contracts	-	-	-	-	-
Mudaraba investments contracts	2,932	-	8,080	15,997	27,009
Investment in Islamic Sukuk	409	-	-	-	409
Investments in securities	1,767	-	10,988	23,759	36,514
Investments in real estate	-	-	-	171,369	171,369
Ijarah Muntahia Bittamleek receivables	83	70	116	423	692
Qard Hasan	-	-	-	-	-
	272,388	6,135	23,087	224,283	525,893
Liabilities					
Due to banks and financial institutions	9,933	-	-	-	9,933
Current accounts and other deposits	173,426	-	-	-	173,426
Equity of unrestricted investments and saving accounts' holders	38,434	27,097	52,883	143,970	262,384
	221,793	27,097	52,883	143,970	445,743
Net	50,595	(20,962)	(29,796)	80,313	80,150
	Due within 3 months YR Millions	Due from 3 to 6 months YR Millions	2019 Due from 6 months to one year YR Millions	Due more than one year YR Millions	Total YR Millions
Assets					
Cash on hand and reserve balances with CBY	46,102	-	-	-	46,102
Due from banks and financial institutions	186,958	-	-	-	186,958
Financing Murabaha and Istisna'a, transactions	11,268	6,385	10,529	18,434	46,616
Musharaka investments contracts	3,604	-	-	-	3,604
Mudaraba investments contracts	10,437	2,931	-	15,997	29,365
Investments in Islamic Sukuk	1,448	-	-	-	1,448
Investments in securities	-	-	6,528	28,173	34,701
Investments in real estate	-	-	-	184,639	184,639
Ijarah Muntahia Bittamleek receivables	69	56	99	390	614
Qard Hasan	1	1	-	-	2
	259,887	9,373	17,156	247,633	534,049
Liabilities					
Due to banks and financial institutions	7,632	-	-	-	7,632
Current accounts and other deposits	164,111	-	-	-	164,111
Equity of unrestricted investments and saving accounts' holders	34,538	25,271	50,581	153,882	264,272
	206,281	25,271	50,581	153,882	436,015
Net	53,606	(15,898)	(33,425)	93,751	98,034

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

	2020					
	Industrial YR Millions	Commercial YR Millions	Agriculture and Fishing YR Millions	Financial YR Millions	Individuals & Others YR Millions	Total YR Millions
Assets						
Cash on hand and reserve balances with CBY	-	-	-	59,114	-	59,114
Due from banks and financial institutions	-	-	-	194,785	-	194,785
Financing Murabaha and Istisna'a, transactions	6,013	24,865	2,277	-	2,846	36,001
Musharaka investments contracts	-	-	-	-	-	-
Mudaraba investments contracts	8,080	18,929	-	-	-	27,009
Investments in Islamic Sukuk	-	-	-	409	-	409
Investments in securities	7,140	15,480	-	13,455	439	36,514
Investments in real estate	95	171,274	-	-	-	171,369
Ijarah Muntahia Bittamleek receivables	-	-	-	-	692	692
Qard Hasan	-	-	-	-	-	-
Liabilities						
Due to banks and financial institutions	-	-	-	9,933	-	9,933
Current accounts and other deposits	7,616	61,400	485	11,129	92,796	173,426
Equity of unrestricted investments and saving accounts' holders	177	15,037	312	5,068	241,790	262,384
Contingent liabilities and commitments						
Letters of guarantee	2	8,683	-	6,833	5,817	21,335
Letters of credit	1,764	8,000	1,678	-	67	11,509

	2019					
	Industrial YR Millions	Commercial YR Millions	Agriculture and Fishing YR Millions	Financial YR Millions	Individuals & Others YR Millions	Total YR Millions
Assets						
Cash on hand and reserve balances with CBY	-	-	-	46,102	-	46,102
Due from banks and financial institutions	-	-	-	186,958	-	186,958
Financing Murabaha and Istisna'a, transactions	7,708	31,936	1,073	-	5,899	46,616
Musharaka investments contracts	-	-	3,604	-	-	3,604
Mudaraba investments contracts	10,437	18,928	-	-	-	29,365
Investments in Islamic Sukuk	-	-	-	1,448	-	1,448
Investments in securities	4,584	4,731	-	25,257	129	34,701
Investments in real estate	95	184,544	-	-	-	184,639
Ijarah Muntahia Bittamleek receivables	-	-	-	-	614	614
Qard Hasan	-	-	-	-	2	2
Liabilities						
Due to banks and financial institutions	-	-	-	7,632	-	7,632
Current accounts and other deposits	7,102	65,610	617	8,694	82,088	164,111
Equity of unrestricted investments and saving accounts' holders	178	18,776	313	3,677	241,328	264,272
Contingent liabilities and commitments						
Letters of guarantee	2	8,242	-	6,910	5,980	21,134
Letters of credit	1,270	6,043	-	-	37	7,350

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

	2020					
	Republic of Yemen YR Millions	America YR Millions	Europe YR Millions	Asia YR Millions	Africa YR Millions	Total YR Millions
Assets						
Cash on hand and reserve balances with CBY	59,114	-	-	-	-	59,114
Due from banks and financial institutions	170,443	-	7,948	15,857	537	194,785
Financing Murabaha and Istisna'a, transactions	33,999	-	2,002	-	-	36,001
Musharaka investments contracts	-	-	-	-	-	-
Mudaraba investments contracts	11,012	-	-	15,997	-	27,009
Investments in Islamic Sukuk	-	-	-	409	-	409
Investments in securities	4,888	-	1,401	28,622	1,603	36,514
Investments in real estate	53,387	-	-	116,931	1,051	171,369
Ijarah Muntahia Bittamleek receivables	692	-	-	-	-	692
Qard Hasan	-	-	-	-	-	-
Liabilities						
Due to banks and financial institutions	4,320	-	5,042	65	506	9,933
Current accounts and other deposits	174,140	-	-	(714)	-	173,426
Equity of unrestricted investments and saving accounts' holders	262,384	-	-	-	-	262,384
Contingent liabilities and commitments						
Letters of guarantee	19,422	-	-	1,913	-	21,335
Letters of credit	-	-	5,342	6,167	-	11,509

	2019					
	Republic of Yemen YR Millions	America YR Millions	Europe YR Millions	Asia YR Millions	Africa YR Millions	Total YR Millions
Assets						
Cash on hand and reserve balances with CBY	46,102	-	-	-	-	46,102
Due from banks and financial institutions	158,742	-	1,752	25,880	584	186,958
Financing Murabaha and Istisna'a transactions	44,614	-	-	2,002	-	46,616
Musharaka investments contracts	3,604	-	-	-	-	3,604
Mudaraba investments contracts	13,368	-	-	15,997	-	29,365
Investments in Islamic Sukuk	-	-	-	1,448	-	1,448
Investments in securities	4,623	-	4,456	22,056	3,566	34,701
Investments in real estate	65,117	-	-	118,442	1,080	184,639
Ijarah Muntahia Bittamleek receivables	614	-	-	-	-	614
Qard Hasan	2	-	-	-	-	2
Liabilities						
Due to banks and financial institutions	1,217	-	5,858	51	506	7,632
Current accounts and other deposits	164,611	-	-	-	-	164,611
Equity of unrestricted investments and saving accounts' holders	264,272	-	-	-	-	264,272
Contingent liabilities and commitments						
Letters of guarantee	20,788	-	323	23	-	21,134
Letters of credit	-	67	396	6,803	84	7,350

42. Significant foreign currencies' positions

In order to comply with Central Bank of Yemen Circular No. (6) of 1998, the Group establishes limits for each individual currency position as well as an aggregate limit for all currencies. Accordingly, the surplus in each individual currency position should not exceed 15% of the share capital and reserves, while the surplus in the aggregate currency position should not exceed 25% of the share capital and reserves. The following schedule reflects the Bank's significant foreign currencies positions at the consolidated financial statements date.

	2020		2019	
	Surplus (Deficit) YR Millions	% of Capital YR Millions	Surplus (Deficit) YR Millions	% of Capital YR Millions
US Dollars	(16,568,623)	(25.20%)	(14,606,372)	(21.63%)
EURO	(2,318,702)	(3.53%)	124,823	0.18%
Saudi Riyals	13,245,924	20.14%	3,331,865	4.93%
Sterling Pound	2,979	-	(3,855)	(0.01%)
Emirates Dirham	6,342,093	9.64%	13,876,939	20.55%
Other	56,163	0.09%	52,268	0.08%
Net surplus	759,834	1.14%	2,775,668	4.10%

The US Dollar exchange rate at December 31, 2020 was 250.25 YR (at December 31, 2019: US Dollar exchange rate was 250.25 YR) according to (CBY) instructions.

43. Transactions with related parties

Parties are considered to be related if the party has the ability to control or exercise significant influence or joint operations over the Bank in making financial or operating decisions.

Related parties are presented by the Board of Directors, executive management, and companies owned by shareholders and board members. The Group deals with related parties on the same basis applied to third parties in accordance with Banks Law and Central Bank of Yemen instructions, included in Circular No. (4) of 1999, which limits credit transactions with related parties.

These transactions consist of direct and indirect financing transactions and other various transactions conducted as part of the Group's normal activities.

The following are the balances of these transactions in the consolidated financial statements date:

	2020 YR Millions	2019 YR Millions
Financing Murabaha and Istisna'a transactions	3,733	3,206
Current accounts and other deposits	11	32
Indirect financing	3,940	2,262
Income from financing Murabaha and Istisna'a transactions	328	636
Fees and commissions income	1	1
Executive management salaries and benefits	124	127

44. Tax position

- Corporate and salaries taxes have been cleared up to the year 2007, and for the years from 2009 up to 2016.
- The Bank has submitted the tax declaration for the year 2008. The Bank was notified with additional assessment amounted to YR 802 million related to corporate tax according to Appeal Committee decision No. (1) of 2017. The Bank has paid part of tax assessment related to some agreed items and the rest amount is referred to judicial authorities amounted to YR 784 million. The case is still pending with court up to the date of issuing these consolidated financial statements. The Bank's management believes that this additional assessment will not result in any additional liabilities.

- The Bank has submitted the tax declarations for the years 2017, 2018, and 2019 within the legal deadline. Inspection for the years are currently ongoing by the Tax Authority. The Bank has not received any notification of any other additional assessment up to the date of issuing these consolidated financial statements.
- The Bank has paid the salary tax for the period from 2017 till the end of 2020 based on monthly declarations. No notification of any additional assessment was received for these years up to the date of issuing these consolidated financial statements.

45. Significant accounting estimates

The preparation of the consolidated financial statements requires the management to make estimates and assumptions that have an impact in the application of the policies, as well as the balances of financial assets and liabilities at the date of the consolidated financial statements, as well as the values of revenues and expenses. These estimates and assumptions are based on the previous experience of the group and on many other factors that the group management considers reasonable in light of the prevailing circumstances, the results of which constitute the basis when making a decision about the values of assets and liabilities. Therefore, actual results may differ from these estimates.

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

46. Zakat position

- The Bank submits its Zakat declarations annually and remits the amount due based on the declaration.
- The Bank has paid Zakat until the end of the year 2019 according to the Zakat declaration. No additional assessment notification was issued by the General Authority of Zakat.

47. Contingent liabilities

- In the year 2013, Arcapita Bank B.S.C. has filed a legal case against the Group in US Bankruptcy Court Southern District of New York for setting off approximately US Dollar 20 million (including the assets under management) of Wakala deposit against the amount placed with Arcapita Bank B.S.C. of US Dollar 18.4 million (including the assets under management). The legal case is currently in progress in US Bankruptcy Court Southern District of New York. However, based on the opinion of the Group's legal counsel, management is confident that this will not result in any amount payable to Arcapita Bank.
- In addition, the Group has filed a number of legal cases before the Public Fund Court and the Commercial Court against third parties, and management has provided for the necessary provisions for these cases. Also, there are legal cases filed against the Group at the respective courts, and the Group's management believes that there are no obligations that will arise on those cases.
- The Group obtained the required approvals to acquire a plot of land (foreign investments). As a result of this, the Group is committed to purchase the plot of land for an aggregate cost of US Dollar 6.13 million comprising purchase price and other costs.

48. Operating environment in Republic of Yemen and Subsequent events

- Due to the current political crisis, economic situation and security events in the Republic of Yemen, it is difficult for management to predict the effects of these events to the Group activities and its financial position for the coming period. The management is studying the effects of this crisis in the short term on the Group and making the necessary precautions to ensure continuity.
- On June 27, 2021, the Public Prosecution (The Specialized Criminal Prosecution) has sent an official letter No. (3830) to the Governor of the Central Bank of Yemen which states to withhold all Tadamon Bank funds deposited with the Central Bank of Yemen and in all banking sectors in a manner that ensures that the amounts ordered to be confiscated in the case No. 102 for the year 2019 and the case No. 407 for the year 2019 filed against one of the bank's clients. As a result, the Central Bank of Yemen (Financial Data Collection Unit) on June 28, 2021 issued a circular to all Exchange Institutions and Companies operating in the Republic of Yemen to withhold all funds and balances of Tadamon Bank deposited with Exchange Institutions and Companies in any form and to provide the Central Bank of Yemen with all funds and balances withhold until the date of the circular. It is worth mentioning that the Bank does not have any outstanding balances with Exchange Institutions and Companies.

49. Effects of the coronavirus (COVID-19) epidemic

The event of the outbreak of the new Coronavirus (Covid-19) occurred at the beginning of the year 2020, and its spread in several geographical regions around the world, causing disruptions to economic and business activities.

The Group has assessed the effects of the epidemic on its current, future operational activities and has taken a series of preventive and precautionary procedures, including activating remote work in order to ensure the safety of employees and their families, and fully activating technical solutions to ensure the continued implementation of projects and businesses, until the date of preparing the financial statements for the year ended December 31, 2020, Group's business and operational activities were not fundamentally affected by the consequences of the continuing outbreak of the virus.

The management will continue to monitor the situation and provide the stakeholder with developments as required by the laws and regulations in case of any fundamental changes in the current conditions or any amendments to the financial statements of the Group for the subsequent periods.

50. Authorization of financial statements

The financial statement for the year ended December 31, 2020 were approved by management of group on August 22, 2021.

51. The separate financial statements for Tadhamon Bank - Sana'a, Republic of Yemen

51.1 Statement of financial position as at December 31

	Dec. 31, 2020 YR 000s	Dec. 31, 2019 YR 000s
Assets		
Cash on hand and reserve balances with Central Bank of Yemen (CBY)	59,114,469	46,101,841
Due from banks and financial institutions	190,345,987	179,798,772
Financing Murabaha and Istisna'a transactions	33,999,392	44,614,245
Musharaka investments contracts	-	3,603,907
Mudaraba investments contracts	27,008,604	29,365,290
Investments in securities	4,888,056	4,623,021
Investments in real estate	130,123,127	142,271,972
Ijarah Muntahia Bittamleek receivables	692,285	614,494
Qard Hasan	-	1,713
Investments in subsidiaries	8,667,890	8,667,890
Debit balances and other assets	82,097,540	82,493,102
Property and equipment	8,184,618	6,534,816
Total assets	545,121,968	548,691,063
Liabilities, investments accounts' holders and equity		
Liabilities		
Due to banks and financial institutions	9,932,944	7,631,556
Current accounts and other deposits	174,140,072	164,610,585
Credit balances and other liabilities	8,960,895	11,998,399
Other provisions	1,009,938	1,038,185
Total liabilities	194,043,849	185,278,725
Investments accounts' holders		
Equity of unrestricted investments and saving accounts' holders	262,384,375	264,272,110
Total liabilities and investments accounts' holders	456,428,224	449,550,835
Equity		
Share capital	20,000,000	20,000,000
Statutory reserve	18,104,061	17,759,224
General reserve	157,623	157,623
Other reserves	44,530,724	56,425,578
Retained earnings	5,901,336	4,797,803
Total equity	88,693,744	99,140,228
Total liabilities, investments accounts' holders and ' equity	545,121,968	548,691,063
Contingent liabilities and commitments	32,844,485	28,484,477

Notes to the Financial Statements

For the year ended December 31, 2020

51.2 Income statement for the year ended December 31

	Dec. 31, 2020 YR 000s	Dec. 31, 2019 YR 000s
Income from financing Murabaha and Istisna'a transactions	4,526,429	7,409,360
Income from other joint investments	23,574,493	7,742,077
	28,100,922	15,151,437
Less:		
Return on unrestricted investments and saving accounts' holders	(12,220,503)	(12,293,914)
Bank's share from income from financing Murabaha and joint investments	15,880,419	2,857,523
Fees and commission income	5,894,992	5,386,008
Less: Fees and commission expenses	(438,152)	(325,642)
Net fees and commission income	5,456,840	5,060,366
Gains on foreign currency transactions	(3,485,332)	3,326,169
Other operating income	1,971,160	1,976,604
Total operating income	19,823,087	13,220,662
Less:		
Provisions	(3,996,523)	(835,951)
Staff costs	(3,803,544)	(3,468,977)
Depreciation of property and equipment	(462,189)	(396,033)
Impairment provision on Wakala	(2,292,429)	-
Other expenses	(5,249,201)	(3,597,233)
Net profit for the year before tax	4,019,201	4,922,468
Income tax for the year	(570,831)	(937,094)
Net profit for the year after income tax	3,448,370	3,985,374
Earnings per share	172.42	199.27