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Consolidated Financial Statements and Independent Auditor's Report

Tadhamon Bank (Yemeni Joint Stock Company)

For the year ended December 31, 2019

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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, 2019, 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(1-50). 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, 2019, 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 and instructions issued by Central Bank of Yemen.

Emphasis of Matter

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, 2019 using the official exchange rates. Our opinion is not qualified in respect of this matter.

- 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 is not qualified in respect of this matter.
- Note (49) , which indicates the impact of Corona virus (Covid-19) in the beginning of the year 2020 and its spread in several geographical regions around the world, including the Republic of Yemen, causing disturbances to economic activities and businesses, which may have an effect on the Group's investments and transactions abroad in the event of business interruption. The bank believes that this event is one of the events after the date of the financial statements and is not subject to change. Considering that there are no indications of the spread of the Corona virus (Covid-19) in the Republic of Yemen to date, the management of the Group believes that there is as yet no material impact or quantitative estimate of the potential effects on future financial statements at this stage. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements for the year then ended on December 31, 2018, were audited by another auditor who expressed unqualified opinion on those statements on June 30, 2019

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 during the year ended December 31, 2019 which might have had a material effect on the business of the Group or its financial position.

Grant Thornton Yemen

Ramzi Al-Ariqi

Sana'a - Republic of Yemen
June 25, 2020

Consolidated statement of financial position

	Notes	Dec. 31, 2019 YR 000s	Dec. 31, 2018 YR 000s
Assets			
Cash on hand and reserve balances with Central Bank of Yemen (CBY)	9	46,101,841	43,395,163
Due from banks and financial institutions	10	186,958,282	156,875,841
Financing Murabaha and Istisna'a transactions (net)	11	46,616,245	70,449,463
Musharaka investments contracts (net)	12	3,603,907	9,618,637
Mudaraba investments contracts (net)	13	29,365,290	29,408,004
Investments in Islamic Sukuk	14	1,447,698	7,235,063
Investments in securities	15	34,701,479	34,466,468
Investments in real estate	16	184,638,921	177,034,702
Ijarah Muntahia Bittamleek receivables (net)	17	614,494	249,170
Qard Hasan (net)		1,713	22,587
Debit balances and other assets (net)	18	6,389,406	7,889,648
Property and equipment (net)	19	6,586,258	5,935,254
Total assets		547,025,534	542,580,000
Liabilities, investment accounts' holders and equity			
Liabilities			
Due to banks and financial institutions	20	7,631,556	35,988,193
Current accounts and other deposits	21	164,111,715	149,728,020
Credit balances and other liabilities	22	12,429,130	13,449,830
Other provisions	23	1,038,185	901,676
Total liabilities		185,210,586	200,067,719
Investment accounts' holders			
Equity of unrestricted investments and saving accounts' holders	24	264,272,110	261,683,354
Total liabilities and investment accounts' holders		449,482,696	461,751,073
Equity			
Share capital	25	20,000,000	20,000,000
Statutory reserve	26.1	17,985,160	17,746,625
General reserve	26.2	157,623	157,623
Other reserves	26.3	56,609,383	42,221,594
Retained earnings		2,730,994	619,211
Total equity		97,483,160	80,745,053
Non-controlling interest		59,678	83,874
		97,542,838	80,828,927
Total liabilities, investment accounts' holders and equity		547,025,534	542,580,000
Contingent liabilities and commitments, (net)	27	28,484,477	40,167,619

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

بنك التضامن Tadhamon Bank

See accompanying notes to the financial statements

Consolidated income statement

For the year ended December 31

	Notes	2019 YR 000s	2018 YR 000s
Income from financing Murabaha and Istisna'a transactions	28	7,409,360	6,548,413
Income from other joint investments	29	12,954,372	9,495,944
		20,363,732	16,044,357
Less:			
Return on unrestricted investments and saving accounts' holders		(12,293,914)	(9,453,806)
Bank's share from the income on Murabaha, Istisna'a, and Joint Investments		8,069,818	6,590,551
Fees and commission income	30	5,386,008	4,124,321
Less: Fees and commission expenses		(325,642)	(167,987)
Net fees and commission income		5,060,366	3,956,334
Gains on foreign currencies transactions	31	3,462,856	1,171,611
Other operating income	32	2,735,673	686,584
Total operating income		19,328,713	12,405,080
Less:			
Provisions	33	(4,634,424)	(3,038,958)
Impairment provision on Wakalah	10	(506,756)	(56,306)
Profit (loss) on sale of investments (realized)	34	60,806	(413,623)
Impairment provision on investments in securities	35	(1,955,309)	(1,859,204)
Staff costs	36	(4,209,638)	(3,243,696)
Depreciation of property and equipment	19	(402,029)	(506,809)
Other expenses	37	(4,232,000)	(3,612,858)
Net profit (loss) for the year before tax		3,449,363	(326,374)
Income tax for the year		(1,048,850)	(145,584)
Income tax for the pervious years		-	(420,614)
Net profit (loss) for the year after income tax		2,400,513	(892,572)
Attributable to:			
Shareholders of the bank		2,385,353	(875,728)
Non-controlling interest		15,160	(16 844)
Net profit (loss) for the year		2,400,513	(892,572)
Earnings (loss) per share	38	119,27	(43,79)

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

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Tadhamon Bank

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, 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**
Balance at January 1, 2018	**20,000,000**	**17,746,625**	**157,623**	**35,550,247**	**1,494,939**	**74,949,434**	**32,449**	**74,981,883**
Net (loss) for the year	-	-	-	-	(875,728)	(875,728)	(16,844)	(892,572)
Change in foreign currencies	-	-	-	(36,095)	-	(36,095)	(36)	(36,131)
Change in fair vale	-	-	-	6,707,442	-	6,707,442	-	6,707,442
Change in non-controlling interest	-	-	-	-	-	-	68,305	68,305
Balance at December 31, 2018	**20,000,000**	**17,746,625**	**157,623**	**42,221,594**	**619,211**	**80,745,053**	**83,874**	**80,828,927**

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

Tadhamon Bank

بنك التضامن

Consolidated statement of cash flows

For the year ended December 31

	2019 YR 000s	2018 YR 000s
Cash flows from operating activities		
Net profit (loss) for the year before tax	3,449,363	(326,374)
Adjustments for:		
Depreciation of property and equipment	402,029	506,809
Provisions charged to the income statement	4,634,424	3,038,958
Provisions used during the year	(625,829)	(3,864,378)
Differences of re-translating the foreign currencies provisions	(302)	(759)
Provisions reversed during the year	(1,942,806)	(448,548)
Gain on sale of property and equipment	(9,193)	(3,219)
Return of unrestricted investments and saving accounts' holders	12,293,914	9,453,806
Impairment provision on investments in securities	1,955,309	1,859,204
Foreign currencies re-translation differences	42,025	(36,095)
	20,198,934	10,179,404
Changes in:		
Reserve balances with CBY	(2,092,289)	(192,328)
Financing Murabaha and Istisna'a transactions	24,653,757	(27,829,452)
Musharaka investments contracts	6,137,479	(9,814,935)
Mudaraba investments contracts	90,000	(194,885)
Ijarah Muntahia Bittamleek receivables	(372,780)	(219,846)
Qard Hasan	21,277	(11,216)
Debit balances and other assets	1,552,202	(1,007,332)
Current accounts and other deposits	14,383,695	27,139,896
Credit balances and other liabilities	(1,924,780)	5,071,355
Board of director bonuses	(35,035)	-
Non-controlling interest	(39,398)	68,269
Cash generated from operating activities	62,573,062	3,188,930
Paid income tax	(144,770)	(826,242)
Net cash flows from operating activities (1)	62,428,292	2,362,688
Cash flows from investing activities		
Change in investments in Islamic Sukuk	5,787,365	7,300,971
Change in investments in securities	(2,835,650)	2,157,323
Change in real estate investments	4,422,458	(1,826,141)
Cash payments to Acquisition of property and equipment	(1,656,027)	(2,126,496)
Proceeds from sale of property and equipment	612,187	98 043
Net cash flows from investing activities (2)	6,330,333	5,603,700

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Tadhamon Bank

Consolidated statement of cash flows (continued)

For the year ended December 31

	2019 YR 000s	2018 YR 000s
Cash flows from financing activities:		
Change in due to banks and financial institutions	**(28,356,637)**	20,735,828
Change in equity of unrestricted investments and saving account 's holders	**(9,705,158)**	(15,061,642)
Cash dividends paid to shareholders	**-**	-
Net cash flows (used in) from financing activities (3)	**(38,061,795)**	**5,674,186**
Net change in cash and cash equivalents (1+2+3)	**30,696,830**	13,640,574
Cash and cash equivalents at the beginning of the year	**167,432,132**	153,791 ,558
Cash and cash equivalents at the end of the year	**198,128,962**	**167,432,132**
Cash and cash equivalents at the end of the year consist of:		
Cash on hand and reserve balances with (CBY)	**46,101,841**	43,395,163
Due from banks and financial institutions	**186,958,282**	156,875,841
	233,060,123	**200,271,004**
Less: Mandatory reserve with (CBY)	**(34,931,161)**	(32,838,872)
	198,128,962	**167,432,132**

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

Consolidated statement of sources and uses of qard hasan fund

For the year ended December 31

	2019 YR 000s	2018 YR 000s
Balance at the beginning of the year comprises:		
Outstanding utilized loans	**23,025**	11,809
Add: Sources of fund		
Transferred from customers' current accounts	**1,038**	33,274
Less: Uses of fund		
Paid to customers' current accounts	**(22,315)**	(22,058)
	1,748	**23,025**
Balance at the end of the year		
Less: Provision for Qard Hasan Fund	**(35)**	(438)
	1,713	**22,587**

The following shows the movement of provision for Qard Hasan fund:

	2019 YR 000s	2018 YR 000s
Balance of the provision at the beginning of the year	438	236
Add: Provision provided during the year	-	202
Less: Provisions reversed during the year	(403)	-
Balance of the provision at the end of the year	35	438

Finance Manager	Deputy General Manager	General Manager	Chairman
Mr. Hafiz Saeed Al-Asbahi	Mr. Basheer Sultan Al-Maqtari	Mr. Mahmood Atta Al-Rifai	Mr. Abdulgabbar Hayel Saeed

Consolidated statement of changes in restricted investments accounts

For the year ended December 31

	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**

	Balance at Jan. 1, 2018 YR 000s	2018 Movements during the year Deposits (Withdrawal) YR 000s	Balance at Dec. 31, 2018 YR 000s
Investment securities	9,723,524	(656,163)	9,067,361
Investments in real estate	9,457,309	(773,281)	8,684,028
Others	966,013	(245,536)	720,477
Total	**20,146,846**	**(1,674,980)**	**18,471,866**

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

Notes to the consolidated financial statements

For the year ended December 31, 2019

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:

Subsidiary Name	Percentage of Equity 2019	Percentage of Equity 2018	Principal Activities
Tadhamon Real Estate Ltd. - Yemen	95%	95%	Real estate development
Tadhamon Capital B.S.C.(c) - Bahrain	99.9%	99.9%	Financial services
Yem Holding Company. W.L.L - Bahrain	99 %	99 %	Holding company
Green Land Reality Limited - UAE	100 %	100 %	Management of real estate assets
Tadhamon Investments Limited - UAE	100 %	100 %	General Trading and Property Acquisition
TIIB Group Real Estate Limited - UAE	100 %	100 %	Management of real estate assets

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 June 25, 2020.

2.2 Basis of measurement

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, 2019. 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 under notes (3.5, 3.9, 3.10, 3.13, 11, 12, 13, 15, 17, 18, 19, 22, 23).

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

a. 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.

b. 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 amortised 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).

c. 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.

d. Impairment of available-for-sale equity investments

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.

e. Impairment of held for trading investments

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.

f. 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.

g. Useful lives of property and equipment

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

h. 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 polices 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.

New standards, adjustments and interpretations

1. New standards, amendments, and interpretations effective from January 1, 2019

Financial Accounting Standard No. 28: Murabaha and other deferred Payment Sales

AAOIFI has issued FAS 28 Murabaha and Other Deferred Payment Sales in 2017. FAS 28 supersedes the earlier FAS 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS 20 "Deferred Payment Sale"

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement accounting and reporting principles for recognition, measurement and disclosures in relation to Murabaha and other deferred payment sales transactions for the sellers and buyers, for such transactions. The adoption of this standard did not impact the Group's consolidated financial statements.

2. New standards, amendments and interpretations but not yet effective

The new standards and the amendments to the following standards are effective for financial periods that start in or after January 1, 2020, with early adoption permitted. However, the Group has not been early adopted any of the new or the amendments standers.

- **New standards, amendments and interpretations issued but not yet effective from January 1, 2019**

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

AAOIFI has issued FAS 30 Impairment, Credit losses and onerous commitments 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.

The standard is effective from the financial periods beginning on or after January 1, 2020 with early adoption permitted.

➢ **Financial accounting standard no. (31) - "investment agency (Al-Wakala Bi Al-lstithmar)**

AAOIFI has issued FAS 31 Investment Agency (Al-Wakala Bi Allstithmar) 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. This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

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

FAS 33 supersedes the earlier FAS 25 "Investment in Sukuks, shares and similar instruments". The objective of this standard is to set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in Sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari'a principles. The standard shall be effective from the financial periods beginning on or after January 1, 2020, with an option to early adopt.

Categorization and Classification: FAS 33 contains Classification and measuring approach for investments in Sukuk, shares and similar instruments that reflect the business model in which such investments are managed and the underlying cash flows characteristics. Under this 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 mortised cost, fair value through income statement, or the basis of both:

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

Based on the Group's assessment, the FAS 33 categorization and classification requirements are expected not to have any impact on its consolidated financial statements.

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

AAOIFI has 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.

This standard shall be effective for the financial periods beginning on or after January 1, 2020 with early adoption permitted.

➢ **Financial accounting standard no. (35) - "risk reserves"**

AAOIFI has 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.

3.1 Foreign currencies transactions

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Bank'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.

3.2 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.

- **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.

- **Wakala**

An agreement whereby the Group provides a certain sum of money to finance agent (Wakkil) 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).

- **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.

- **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.

- **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.

- **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 preagreed 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.

- **Mushraka**

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.

- **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 provided 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.

3.3 Investment securities

Investment securities comprise equity investments and investments in sukuk (Islamic bonds).

- **Classification:**

The Group classifies its investment securities into debt-type instruments and equity-type instruments.

Debt-type Instruments:

Debt type instruments are investments that have terms that provide fixed or determinable payments of profits and capital.

Investments in debt-type instruments are classified in the following categories:

1) At amortized cost or
2) At fair value through income statement (FVTIS).

A debt-type investment is classified and measured at amortized cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at FVTIS. Debt-type investments at amortized cost include investments in medium to long-term sukuk.

Debt-type investment classified and measured at FVTIS include investments held for trading or designated at FVTIS. At inception, a debt-type investment managed on a contractual yield basis, can only be designated at FVTIS if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognizing the gains or losses on them on different bases.

Equity-type investments:

Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Investments in equity type instruments are classified in the following categories:

1. At fair value through income statement (FVTIS).
2. At fair value through equity (FVTE), consistent with its investment strategy.

Equity-type investments classified and measured at FVTIS include investments held for trading or designated at FVTIS. An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer’s margin.

Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as ‘held for trading’.

On initial recognition, the Group makes an irrevocable election to designate certain equity instruments that are not designated at FVTIS to be classified as investments at fair value through equity. These include investments in certain quoted and unquoted equity securities (held for non-trading).

- **Recognition and de-recognition**

Investment securities are recognized at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes a party to the contractual provisions of the instrument.

Investment securities are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

- **Measurement**

Investment securities are measured initially at fair value, which is the value of the consideration given. For FVTIS investments, transaction costs are expensed in the income statement. For other investment securities, transaction costs are included as a part of the initial recognition.

Subsequent to initial recognition, investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognized in the income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognized in the statement of changes in equity and presented in a separate fair value reserve of investments within equity. The fair value gains/ losses are recognized taking into consideration the split between portions related to owners’ equity and equity of investment accounts’ holders. When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognized in the statement of changes in equity are transferred to the income statement.

Investments at FVTE where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or other appropriate methods from which to derive reliable fair values, are stated at cost less impairment provisions.

Subsequent to initial recognition, debt type investments, other than those carried at FVTIS, are measured at amortized cost using the actual profit rate less any impairment provisions.

- **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 actual profit rate of any difference between the initial amount recognized and the maturity amount, minus any reduction (directly or by using a provision account) for impairment or uncollectibility. The calculation of the actual profit rate includes all fees paid or received that are an integral part of the actual profit rate.

➢ **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk.

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

In the absence of a reliable measure of fair value, the investment is carried at cost less any impairment provisions.

3.4 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 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.

3.4.1 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:

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 financial statements date.

3.4.2 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 Muasharaka. 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 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:

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).

3.4.3 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.

3.4.4 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.

3.5 Revenue recognition

a. 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 income statement.

b. Investment in Mudaraba and Musharaka contracts

- Profit 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.

c. Available-for-sale investments

Revenues of available-for-sale investments are recognized when its related dividends are distributed.

d. Ijarah Muntahia Bittamleek

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

e. 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.

f. 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..

g. 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.

h. reversed provisions

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

3.6 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 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.

3.7 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.

3.8 Property, equipment and their depreciation

a. 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.

b. Subsequent costs

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the 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.

c. 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:

	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.

3.9 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.

3.10 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.

3.11 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.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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.

3.17 Comparatives

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

3.18 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.

3.19 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.

3.20 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.

3.21 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.

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:

	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 income statement	1,905,285	-	20,111,449	22,016,734
	1,905,285	**-**	**32,796,194**	**34,701,479**

	2018 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)	-	-	10,457,182	10,457,182
Equity type instruments carried at fair value through income statement	1,862,054	-	20,815,902	22,677,956
	1,862,054	**-**	**31,273,084**	**33,135,138**

During the year ended December 31, 2019 as well as the year ended December 31, 2018, 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.

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, 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 Instisna'a transactions (net)	-	-	46,616,245	46,616,245	46,616,245
Musharaka investments contracts (net)	-	-	3,603,907	3,603,907	3,603,907
Mudaraba investments contracts (net)	-	-	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 (net)	-	-	614,494	614,494	614,494
Qard hasan (net)	-	-	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	-	-	164,610,585	164,610,585	164,610,585
Equity of unrestricted investments and saving accounts' holders	-	-	264,272,110	264,272,110	264,272,110
	-	**-**	**436,514,251**	**436,514,251**	**436,514,251**

	December 31, 2018				
	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)	-	-	43,395,163	43,395,163	43,395,163
Due from banks and financial institutions	-	-	156,875,841	156,875,841	156,875,841
Financing Murabaha and Instisna'a transactions (net)	-	-	70,449,463	70,449,463	70,449,463
Musharaka investments contracts (net)	-	-	9,618,637	9,618,637	9,618,637
Mudaraba investments contracts (net)	-	-	29,408,004	29,408,004	29,408,004
Investments in Islamic Sukuk	-	-	7,235,063	7,235,063	7,235,063
Investments in securities	22,677,956	10,457,182	1,331,330	34,466,468	34,466,468
Ijarah Muntahia Bittamleek receivables (net)	-	-	249,170	249,170	249,170
Qard hasan (net)	-	-	22,587	22,587	22,587
	22,677,956	**10,457,182**	**318,585,258**	**351,720,396**	**351,720,396**
Financial liabilities					
Due to banks and financial institutions	-	-	35,988,193	35,988,193	35,988,193
Current accounts and other deposits	-	-	149,728,020	149,728,020	149,728,020
Equity of unrestricted investments and saving accounts' holders	-	-	261,683,354	261,683,354	261,683,354
	-	-	**447,399,567**	**447,399,567**	**447,399,567**

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.
- Sharia supervisory board: The Shari'a Supervisory Board is entrusted with the responsibility to ensure adherence to Sahri'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.

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):

		2019 YR 000's	2018 YR 000's
1-2	Performing and watchlist	76,017,032	50,226,725

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).

	2019 YR 000's	2018 YR 000's
Cash on hand and reserve balances with CBY (excluding cash on hand and ATMs)	34,931,161	32,840,026
Due from banks and financial institutions	186,958,282	156,875,841
Financing Murabaha and Istisna'a transactions (net)	46,616,245	70,449,463
Musharaka investments contracts (net)	3,603,907	9,618,637
Mudaraba investments contracts (net)	29,365,290	29,408,004
Investments in Islamic Sukuk	1,447,698	7,235,063
Investments in securities	34,701,479	34,466,468
Investments in real estate	184,638,921	177,034,702
Ijarah Muntahia Bittamleek receivables (net)	614,494	249,170
Qard Hasan (net)	1,713	22,587
Debit balances and other assets (net) after deducting the advance payments	4,174,996	5,257,082
	527,054,186	**523,457,043**
Contingent liabilities and commitments	35,216,537	55,056,719
Total credit risk exposure	**562,270,723**	**578,513,762**

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):

	2019		2018	
	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	193,393,283	-	167,196,671	-
Financial	57,742,092	33,787,006	59,771,010	36,192,427
Industrial	22,823,898	22,776,503	39,592,823	39,537,841
Commercial	240,139,521	147,867,455	244,665,660	156,202,792
Agricultural and fishing	4,676,506	4,676,506	9,618,899	9,618,899
Other	8,278,886	8,278,886	2,611,980	2,611,980
	527,054,186	**217,386,356**	**523,457,043**	**244,163,939**
Contingent liabilities and commitments	35,216,537	19,057,759	55,056,719	21,181,320
	562,270,723	**236,444,115**	**578,513,762**	**265,345,259**

The Group manages concentration of risk by distributing the financing and investment portfolio over diversified economic sectors and geographical locations. Note (39) shows the distribution of assets, liabilities, contingent liabilities and commitments based on economic sectors and Note (40) 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, 2019 was 43.51% (as at December 31, 2018 was 36.9%).

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

			2019		
	Due within 3 months YR 000's	Due from 3 to 6 months YR 000's	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	164,610,585	-	-	-	164,610,585
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
	219,209,381	**25,271,000**	**50,581,000**	**153,882,000**	**448,943,381**

			2018		
	Due within 3 months YR 000's	Due from 3 to 6 months YR 000's	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	35,988,193	-	-	-	35,988,193
Current accounts and other deposits	149,728,020	-	-	-	149,728,020
Equity of unrestricted investments and saving accounts' holders	20,625,109	20,188,207	43,012,763	177,857,275	261,683,354
Credit balances and other liabilities	13,449,830	-	-	-	13,449,830
	219,791,152	**20,188,207**	**43,012,763**	**177,857,275**	**460,849,397**

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) 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:

	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**

	2018						
	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	136,951,210	4,664,572	89,454,201	432,999	8,325,932	72,264	239,901,178
Liabilities	(138,983,056)	(4,819,905)	(88,115,402)	(437,729)	(1,581,431)	(7,001)	(233,944,524)
Net currency position	**(2,031,846)**	**(155,333)**	**1,338,799**	**(4,730)**	**6,744,501**	**65,263**	**5,956,654**

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:

	2019 The closing Exchange Rates According to CBY as at		2018 The average Exchange rate According to the Market Rates as at	
Currency	December 31, 2019 Equivalent YR	December 31, 2018 Equivalent YR	December 31, 2019 Equivalent YR	December 31, 2018 Equivalent YR
US Dollars	250.25	250.25	580	520
Euro	280.35	300.25	649.8	594.14
Saudi Riyal	66.68	66.68	153.5	138.62
Sterling Pound	328.3	337.90	760.89	659.80
AED	68.20	68.20	154	141.57

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, 2019 and 2018.

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) YR000's 2019	2018
US Dollars	(19,246,629)	(2,190,171)
Euro	164,477	(152,043)
Saudi Riyal	4,338,220	1,444,409
Sterling Pound	(5,080)	(4,506)
AED	17,458,084	7,255,777
Other Currencies	68,872	70

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 affective 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 reports 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 Bank core and supplementary capital with risk weighted total assets and liabilities at the financial statements date, as follows:

	2019 YR Millions	2018 YR Millions
Core capital	40,849	38,498
Supplementary capital	27,269	38,498
Total capital	**68,118**	**76,996**
Risk-weighted assets and liabilities:		
Total assets	227,404	252,742
Contingent liabilities and commitments	19,058	21,181
Total risk-weighted assets and liabilities	**246,462**	**273,923**
Capital adequacy ratio	**27.64%**	**28.11%**

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:

	2019 YR 000s	2018 YR 000s
Cash on hand and ATM - local currency	5,825,725	8,696,995
Cash on hand and ATM - foreign currencies	5,343,737	1,858,142
	11,169,462	**10,555,137**
Mandatory reserve with CBY - local currency	14,669,169	13,150,453
Mandatory reserve with CBY - foreign currency	20,261,992	19,688,419
	34,931,161	**32,838,872**
Valuable metals (gold and silver)	1,218	1,154
	46,101,841	**43,395,163**

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:

	2019 YR 000s	2018 YR 000s
Central Bank of Yemen		
Current accounts - local currency	97,128,413	75,003,256
Current accounts - foreign currency	708,033	792,109
Wakala deposit-local currency	60,625,676	50,202,668
	158,462,122	**125,998,033**
Balances with local banks		
Current accounts - local currency	190,252	126,465
	190,252	**126,465**
Foreign Banks and financial institutions		
Current accounts - foreign currency	21,168,704	24,335,435
Investments deposits - foreign currency	688,628	7,305
Wakala placements - foreign currency *	6,263,740	6,215,021
Collateral accounts - foreign currency	184,836	193,582
	28,305,908	**30,751,343**
	186,958,282	**156,875,841**

* Wakala deposits of a foreign currency appear after deduction of impairment losses in the amount of 506,756 thousand YR as in December 31, 2019 (an amount of 56,306 thousand YR as in December 31, 2018).

11. Financing Murabaha and Istisna'a transactions (net)

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Financing Murabaha transactions		37,275,199	61,631,836
Financing Istisna'a transactions		17,186,863	19,235,640
		54,462,062	**80,867,476**
Less: Provision for financing Murabaha and istisna'a transactions	11.1	(3,768,643)	(4,589,182)
Less: Deferred revenues		(4,077,174)	(5,828,831)
		46,616,245	**70,449,463**

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 2,843,601 thousand as at December 31, 2019 after deducting balances secured by cash deposits amounted to YR 15,908 thousand (YR 3,846,895 thousand as at December 31, 2018 after deducting balances secured by cash deposits amounted to YR 1,013,179 thousand). The break-up of the above amounts are as follows:

	2019 YR 000s	2018 YR 000s
Substandard financing debts	6,645	572,112
Doubtful financing debts	5,524	221,526
Bad financing debts	2,831,432	3,053,257
	2,843,601	**3,846,895**

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	2019 Specific YR 000s	2019 General YR 000s	2019 Total YR 000s	2018 Specific YR 000s	2018 General YR 000s	2018 Total YR 000s
Balance at the beginning of the year		3,238,761	1,350,421	4,589,182	3,326,606	872,968	4,199,574
Add: Provided during the year	**33**	28,495	-	28,495	-	434,262	434,262
Less: Used during the year		(35,574)	-	(35,574)	(1,197)	-	(1,197)
Transferred from specific provision to general provision		(44,433)	44,433	-	(43,191)	43,191	-
Reversed during the year	**32**	(351,451)	(462,009)	(813,460)	(43,457)	-	(43,457)
Balance at the end of the year		**2,835,798**	**932,845**	**3,768,643**	**3,238,761**	**1,350,421**	**4,589,182**

12. Musharaka investments contracts (net)

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Musharaka investments contracts - Local		3,990,269	10,127,748
Less: Provision for Musharaka investments contracts	**12.1**	(386,362)	(509,111)
		3,603,907	**9,618,637**

Non-performing Musharaka investments contracts which were classified as bad debts amounted to YR 312,813 thousand as at December 31, 2019 (YR 312,813 thousand as at December 31, 2018).

12.1 Provision for Mushraka investments contracts (performing and non-preforming)

This item consists of the following as of December 31:

	Notes	2019 Specific YR 000s	2019 General YR 000s	2019 Total YR 000s	2018 Specific YR 000s	2018 General YR 000s	2018 Total YR 000s
Balance at the beginning of the year		312,813	196,298	509,111	312,813	-	312,813
Add: Provided during the year	**33**	-	-	-	-	196,298	196,298
Less: Reversed during the year	**32**	-	(122,749)	(122,749)	-	-	-
Balance at the end of the year		**312,813**	**73,549**	**386,362**	**312,813**	**196,298**	**509,111**

13. Mudaraba investments contracts (net)

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Mudaraba investments contracts - Local		17,750,599	17,840,599
Mudaraba investments contracts - foreign		16,323,264	16,323,264
		34,073,863	**34,163,863**
Less: provision for Mudaraba investments contracts	**13.1**	(4,708,573)	(4,755,859)
		29,365,290	**29,408,004**

Non-performing Mudaraba investments contracts amounted to YR 4,169,106 thousand as at December 31, 2019 after deducting balances secured as cash guarantees by YR 2,931,392 thousand (YR 4,259,105 as at December 31, 2018 after deducting balances secured as cash guarantees by YR 2,931,392 thousand). The break-up of the above amounts are as follows:

	2019 YR 000s	2018 YR 000s
Doubtful debts	-	80,000
Bad debts	4,169,106	4,179,105
	4,169,106	**4,259,105**

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

This item consists of the following as of December 31:

	2019			2018		
	Specific YR 000s	General YR 000s	Total YR 000s	Specific YR 000s	General YR 000s	Total YR 000s
Balance at the beginning of the year	4,216,392	539,467	4,755,859	4,021,507	539,467	4,560,974
Add: Provided during the year	-	-	-	194,885	-	194,885
Less: Used during the year	(41,314)	-	(41,314)	-	-	-
Deduct: Reversed during the year	(5,972)	-	(5,972)	-	-	-
Balance at the end of the year	**4,169,106**	**539,467**	**4,708,573**	**4,216,392**	**539,467**	**4,755,859**

14. Investments in islamic Sukuk

This item consists of the following as of December 31:

	2019 YR 000s	2018 YR 000s
Debt-type instruments - Sukuks at amortized cost		
Islamic Sukuk - local (unquoted)	-	6,250,000
Islamic Sukuk - foreign (quoted)	1,447,698	985,063
	1,447,698	**7,235,063**

Investments in local Islamic Sukuk are issued by the unit of the Islamic Sukuk at CBY (unquoted), the nominal value of Suk is YR 1,000,000 as at December 31, 2019 (YR 1,000,000 as at December 31, 2018 for each suk).

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 allowance on investments in Islamic Sukuk

This item consists of the following as of December 31:

	2019 YR 000s	2018 YR 000s
Balance at the beginning of the year	-	800,800
Impairment during the year	-	-
Used during the year	-	(800,800)
Balance at the end of the year	**-**	**-**

15. Investments in securities, (net)

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Equity instruments at fair value through equity			
Available-for-sale investments - unquoted		12,841,644	11,300,082
Change in fair value (unrealized gain)		7,050	7,050
		12,848,694	**11,307,132**
Less: Impairment allowance on available-for-sale investments	**15.1**	(163,949)	(849,950)
		12,684,745	**10,457,182**
Investments - instruments at fair value through income statement			
Quoted investments		1,905,285	1,862,054
Unquoted investments		21,998,397	21,286,212
		23,903,682	**23,148,266**
Less: Impairment allowance on investments in securities at fair value through income statement	**15.2**	(1,886,948)	(470,310)
		22,016,734	**22,677,956**
Investments instruments at amortized cost			
Unquoted investments		1,401,400	1,401,400
Less: impairment allowance on investments at amortized cost	**15.3**	(1,401,400)	(70,070)
		34,701,479	**34,466,468**

As at December 31, 2019 and 2018, 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 allowance.

The impairment allowance 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 allowance on available-for-sale investments

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Balance at the beginning of the year		849,949	1,255,041
Impairment during the year		-	-
Allowance reversed	**32**	(686,000)	(405,091)
		163,949	**849,950**

15.2 Impairment allowance on investments securities at fair value through income statement

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Balance at the beginning of the year		470,310	873,487
Used during the year		(538,671)	(2,262,381)
Impairment during the year	**35**	1,955,309	1,859,204
		1,886,948	**470,310**

15.3 Impairment allowance on investments at amortized cost

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Balance at the beginning of the year		70,070	-
Impairment during the year	**33**	1,331,330	70,070
		1,401,400	**70,070**

16. Investments in real estate

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Investments in real estate - local		13,605,051	13,440,731
Investments in real estate - foreign		120,734,320	125,256,465
		134,339,371	**138,697,196**
Changes in fair value (unrealized gain)	**3.26**	56,425,578	42,144,405
		190,764,949	**180,841,601**
Less: Impairment allowance on investments in real estate		(6,126,028)	(3,806,899)
		184,638,921	**177,034,702**

Real estate investments are as follows:

	Notes	2019 YR 000s	2018 YR 000s
Balance in beginning of the year		138,697,196	136,871,055
Additional during the year		1,805,952	8,034,130
Disposal during the year		(6,163,777)	(6,207,989)
Total Cost		**134,339,371**	**138,697,196**
Add: Changes in fair value (unrealized gain)	**3.26**	56,425,578	42,144,405
Less: Impairment in value of real estate investments		(6,126,028)	(3,806,899)
		184,638,921	**177,034,702**

17. Ijarah muntahia bittamleek receivables (net)

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Ijarah Muntahia Bittamlek receivables		876,134	399,098
Less: deferred revenues		(232,293)	(128,037)
Less: Allowance for impairment of Ijarah Muntahia Bittamleek receivables	**17.1**	(29,347)	(21,891)
		614,494	**249,170**

17.1 Allowance for impairment of Ijarah muntahia bittamleek receivalbes

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Balance at the beginning of the year		21,891	17,494
Add: Provided during the year	**33**	7,456	4,397
Less: Allowance reversed	**34**	-	-
		29,347	**21,891**

18. Debit balances and other assets (net)

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Projects in process (advances)		1,743,537	2,040,458
Accrued income		1,274,784	3,214,607
Assets transferred to Bank's ownership		682,832	682,832
Loans and advances		606,647	563,003
Prepaid expenses		470,873	296,122
Current account overdrawn		297,044	463,859
Stationery, property and equipment inventory		236,639	238,899
Receivables from sale of investments		-	1,229,552
Advance payments for real estate investments		-	295,986
Other debit balances		3,274,541	1,113,781
		8,586,897	**10,139,099**
Less: Allowance for doubtful debt balances and other assets	**18.1**	(2,197,491)	(2,249,451)
		6,389,406	**7,889,648**

18.1 Allowance for doubtful debt balances and other assets

This item consists of the following as of December 31:

	2019 YR 000s	2018 YR 000s
Balance at the beginning of the year	2,249,451	2,100,472
Foreign currency translation differences	(180)	(451)
Add: Provided during the year	148,014	149,430
Less: Used during the year	(2,281)	-
Less: Reversed during the year	(197,513)	-
Balance at the end of the year	**2,197,491**	**2,249,451**

19. Property and equipment (net)

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, 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**
Gross carrying amount							
Balance at January 1, 2018	**1,158,298**	**2,447,839**	**1,702,972**	**390,540**	**422,688**	**3,381,609**	**9,503,946**
Additions	1,396,926	-	519,011	4,004	24,384	182,171	2,126,496
Disposals	-	-	(146,013)	(13,779)	(20,273)	(86,596)	(266,661)
Balance at December 31, 2018	**2,555,224**	**2,447,839**	**2,075,970**	**380,765**	**426,799**	**3,477,184**	**11,363,781**
Accumulated depreciation							
Balance at January 1, 2018	**-**	**506,177**	**1,014,866**	**304,940**	**340,597**	**2,926,975**	**5,093,555**
Depreciation for the year	-	48,957	140,160	38,345	14,753	264,594	506,809
Disposals	-	-	(106,673)	(11,921)	(17,848)	(35,395)	(171,837)
Balance at December 31, 2018	**-**	**555,134**	**1,048,353**	**331,364**	**337,502**	**3,156,174**	**5,428,527**
The carrying amount on December 31, 2018	**2,555,224**	**1,892,705**	**1,027,617**	**49,401**	**89,297**	**321,010**	**5,935,254**

20. Due to banks and financial institutions

This item consists of the following as of December 31:

	2019 YR 000s	2018 YR 000s
Central Bank of Yemen		
Current accounts - Local currency	-	31,985,887
	-	**31,985,887**
Local Banks		
Current accounts - Local currency	769,429	116,790
Current accounts - Foreign currency	447,605	98,554
	1,217,034	**215,344**
Foreign Banks and Financial Institutions		
Current accounts - Local currency	32,525	27,871
Current accounts - Foreign currency	6,381,997	3,759,091
	6,414,522	**3,786,962**
	7,631,556	**35,988,193**

21. Current accounts and other deposits

This item consists of the following as of December 31:

	2019 YR 000s	2018 YR 000s
Current accounts - local currency	56,457,374	44,462,637
Current accounts - foreign currency	91,368,098	85,468,837
	147,825,472	**129,931,474**
Cash margin - letters of credit	4,273,561	12,079,205
Cash margin - letters of guarantee	2,458,499	2,809,895
Cash margin - others	104,410	74,785
Other deposits	9,449,773	4,832,661
	16,286,243	**19,796,546**
	164,111,715	**149,728,020**

22. Credit balances and other liabilities

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Deposits of profit for unrestricted accounts' holders		4,081,675	3,974,267
Accrued expenses		1,592,766	1,363,245
Income tax for the year	**22.1**	1,049,664	145,584
Revenue received in advance		170,324	-
Letters of credit payment forward		92,488	793,198
Board of directors' bonuses		35,035	-
Salary tax		18,600	24,245
Prohibited revenues by Islamic Shari'a	**22.2**	478	541
Creditors - real estate investments		-	4,382,188
Other credit balances		5,388,100	2,766,562
		12,429,130	**13,449,830**

22.1 Income tax for the year

This item consists of the following as of December 31:

	2019 YR 000s	2018 YR 000s
Income tax at the beginning of the year	145,584	405,628
Add: income tax for the year	1,048,850	145,584
Less: paid during the year	(144,770)	(405,628)
Income tax at the end of the year	**1,049,664**	**145,584**

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:

	2019 YR 000s	2018 YR 000s
Balance at the beginning of the year	541	206
Add: Resources (revenues) during the year	27	572
Total available balance during the year	**568**	**778**
Add: Differences of retranslating foreign currencies balances	-	-
Total available balance during the year	**568**	**778**
Less: Uses (expenses):		
Donations and charities	(90)	(237)
Balances at the end of the year		
Amounts available for donations and grants	**478**	**541**

23. Other provisions

This item consists of the following as of December 31:

2019	Balance at the Beginning of the Year YR 000's	Provided during the Year YR 000's	Used during the Year YR 000's	Recovered 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 the end of the Year YR 000's
Provision for contingent liabilities	401,676	-	-	(116,709)	(122)	-	284,845
Provision for contingent claims	500,000	800,000	(546,660)	-	-	-	753,340
	901,676	**800,000**	**(546,660)**	**(116,709)**	**(122)**	**-**	**1,038,185**

2018	Balance at the Beginning of the Year YR 000's	Provided during the Year YR 000's	Used during the Year YR 000's	Recovered 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 the End of the Year YR 000's
Provision for contingent liabilities	197,370	204,614	-	-	-	(308)	401,676
Provision for contingent claims	800,000	500,000	(800,000)	-	-	-	500,000
	997,370	**704,614**	**(800,000)**	**-**	**-**	**(308)**	**901,676**

24. Equity of unrestricted investments and saving accounts' holders

This item consists of the following as of December 31:

	2019 YR 000s	2018 YR 000s
Unrestricted investments deposits - local currency	104,133,859	105,204,551
Unrestricted investments deposits - foreign currency	75,568,818	73,069,785
	179,702,677	**178,274,336**
Saving deposits - local currency	36,650,638	36,651,770
Saving deposits - foreign currency	35,624,881	37,303,442
	72,275,519	**73,955,212**
Return of unrestricted investments and saving accounts' holders	12,293,914	9,453,806
	264,272,110	**261,683,354**

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:

	2019		2018	
	Yemeni Rial %	Foreign currencies %	Yemeni Rial %	Foreign currencies %
Investments deposits	%9,15	%3.00	%7.01	%3.00
Saving accounts	%5.14	%1.69	%3.94	%1.69

25. Share capital

As at December 31, 2019, the authorized, issued and paid-up capital is YR 20 Billion (YR 20 Billion as at December 31, 2018) 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, 2019, the statutory reserve amounted to YR 17,985,160 thousand (YR 17,746,625 thousand as at December 31, 2018).

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, 2019, the general reserve amounted to YR 157,623 thousand (YR 157,623 thousand as at December 31, 2018).

26.3 Other reserves

This item consists of the following as of December 31:

	Notes	2019 YR 000s	2018 YR 000s
Fair value reserve for real estate investments	**16**	56,425,578	42,144,405
Fair value reserve for investments in securities		71,684	7,050
Reserve for translation of foreign currencies		112,121	70,139
		56,609,383	**42,221,594**

27. Contingent liabilities and commitments (net)

This item consists of the following as of December 31:

	2019			2018		
	Gross Commitments YR 000s	Cash Margin Held YR 000s	Net Commitments YR 000s	Gross Commitments YR 000s	Cash Margin Held YR 000s	Net Commitments YR 000s
Letters of credit	11,623,811	(4,273,561)	7,350,250	31,444,978	(12,079,205)	19,365,773
Letters of guarantee	23,592,726	(2,458,499)	21,134,227	23,611,741	(2,809,895)	20,801,846
	35,216,537	**(6,732,060)**	**28,484,477**	**55,056,719**	**(14,889,100)**	**40,167,619**

28. Income from financing murabaha and Istisna'a transactions

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

	2019 YR 000s	2018 YR 000s
Income from financing Murabaha transactions	6,237,365	3,605,810
Income from Istisna'a transactions	1,171,995	2,942,603
	7,409,360	**6,548,413**

29. Income from other joint investments

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

	2019 YR 000s	2018 YR 000s
Income from banks and financial institutions		
Income from Wakala placements	4,966,091	1,457,478
Income from investments deposits	18,119	24,831
	4,984,210	**1,482,309**
Income from investments in securities		
Income from investments in real estate	2,854,902	2,868,634
Income from financial investments available for sale	450,744	738,727
Investments income through income statement	330,679	380,824
Income from Islamic Sukuk	137,571	816,989
Income from Ijarah Muntahia Bittamleek	54,565	24,475
Income from Mudaraba investments contracts	-	521,076
Other joint income	4,141,701	2,662,910
	12,954,372	**9,495,944**

30. Fees and commission income

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

	2019 YR 000s	2018 YR 000s
Commissions on letter of credit	3,992,362	2,157,673
Commissions on letter of guarantee	207,987	187,855
Commissions on cash transfers	552,739	478,564
Other fees and commissions	632,920	1,300,229
	5,386,008	**4,124,321**

31. Gains on foreign currency transactions

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

	2019 YR 000s	2018 YR 000s
Net gain on dealing in foreign currencies and translation of foreign currencies balances	**3,462,856**	**1,171,611**

32. Other operating income

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

	Notes	2019 YR 000s	2018 YR 000s
Provisions reversed			
Allowance for financing Murabaha and Istisna'a transactions	**11.1**	813,460	43,457
Impairment allowance on value of available-for-sale investments	**15.1**	686,000	405,091
Provision for debit balances and other assets	**18.1**	197,513	-
Provision for Musharaka contracts	**12.1**	122,749	-
Provision for contingent liabilities	**23**	116,709	-
Provision for financing Mudaraba investments contracts	**13.1**	5,972	-
Qard Hasan provision		403	-
		1,942,806	**448,548**
Gain on sale of property and equipment		9,193	3,219
Others		783,674	234,817
		2,735,673	**686,584**

33. Provisions charged to consolidated income statement

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

	Notes	2019 YR 000s	2018 YR 000s
Impairment allowance on investments in real estate	**16**	2,319,129	1,284,800
Impairment allowance on investments at amortized cost	**15.3**	1,331,330	70,070
Allowance for doubtful debt balances and other assets	**18.1**	148,014	149,430
Allowance for financing Murabaha and Istisna'a transactions	**11.1**	28,495	434,262
Allowance for impairment of Ijarah Muntahia Bittamleek receivables	**17.1**	7,456	4,397
Allowance for Musharaka investments contracts	**12.1**	-	196,298
Allowance for Mudaraba investments contracts	**13.1**	-	194,885
Allowance for Qard Hasan fund		-	202
Other allowance	**23**	800,000	704,614
		4,634,424	**3,038,958**

34. Profit (loss) on sale of investments (realized)

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

	2019 YR 000s	2018 YR 000s
Profit (Loss) on sales of investments in real estate	60,806	(413,623)
	60,806	**(413,623)**

35. Impairment provision on investments in securities

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

	2019 YR 000s	2018 YR 000s
Impairment provision on investments securities at fair value through income statement	1,955,309	1,859,204
	1,955,309	**1,859,204**

36. Staff costs

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

	2019 YR 000s	2018 YR 000s
Basic salaries	2,121,351	1,818,293
Bonuses and incentives	1,907,049	1,260,362
Contributions to social security	133,107	132,011
Others	48,131	33,030
	4,209,638	**3,243,696**

37. Other expenses

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

	2019 YR 000s	2018 YR 000s
Zakat	666,833	535,305
Professional and consulting fees	453,407	497,871
Rent	364,190	347,987
Maintenance expenses	362,165	331,996
Subscription to deposit insurance corporation	339,101	254,556
Transportation	304,162	190,799
Cleaning expenses	261,198	172,498
Insurance expenses	247,862	259,203
Advertising expenses	196,974	90,962
Subscriptions	194,960	180,932
Water and electricity	164,196	140,272
Stationery	61,329	49,054
Training and studies expenses	58,935	73,240
Fuel and lubricants	30,589	23,973
Donations and charities	27,569	17,576
Communication	18,611	18,449
Hospitality	10,724	3,804
Government fees	5,790	7,800
Others	463,405	416,581
	4,232,000	**3,612,858**

38. Earnings per share from profit (loss) for the year

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

	2019	2018
Net profit (loss) for the year (YR 000s)	2,385,353	(875,728)
Number of shares (thousand shares)	20,000	20,000
Earnings per share from profit (loss) for the year (YR)	**119.27**	**(43,79)**

39. Maturities of financial assets and liabilities

2019	Due within 3 months YR Millions	Due from 3 to 6 months YR Millions	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 (net)	11,268	6,385	10,529	18,434	46,616
Musharaka investments contracts (net)	3,604	-	-	-	3,604
Mudaraba investments contracts (net)	10,437	2,931	-	15,997	29,365
Investment 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 (net)	69	56	99	390	614
Qard Hasan (net)	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**

2018	Due within 3 months YR Millions	Due from 3 to 6 months YR Millions	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	43,395	-	-	-	43,395
Due from banks and financial institutions	156,876	-	-	-	156,876
Financing Murabaha and Istisna'a, transactions (net)	21,189	12,097	11,870	25,293	70,449
Musharaka investments contracts (net)	-	1,636	4,908	3,075	9,619
Mudaraba investments contracts (net)	-	4,418	-	24,990	29,408
Investments in Islamic Sukuk	7,235	-	-	-	7,235
Investments in securities	-	-	5,799	28,668	34,467
Investments in real estate	-	-	-	177,035	177,035
Ijarah Muntahia Bittamleek receivables (net)	17	18	26	188	249
Qard Hasan (net)	5	5	7	6	23
	228,717	**18,174**	**22,610**	**259,255**	**528,756**
Liabilities					
Due to banks and financial institutions	35,988	-	-	-	35,988
Current accounts and other deposits	149,728	-	-	-	149,728
Equity of unrestricted investments and saving accounts' holders	20,625	20,188	43,013	177,857	261,683
	206,341	**20,188**	**43,013**	**177,857**	**447,399**
Net	**22,376**	**(2,014)**	**(20,403)**	**81,398**	**81,357**

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

2019	Industrial YR Millions	Commercial YR Millions	Agriculture Fishing and 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 (net)	7,708	31,936	1,073	-	5,899	46,616
Musharaka investments contracts (net)	-	-	3,604	-	-	3,604
Mudaraba investments contracts (net)	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 (net)	-	-	-	-	614	614
Qard Hasan (net)	-	-	-	-	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 (net)						
Letters of guarantee	2	8,242	-	6,910	5,980	21,134
Letters of credit	1,270	6,043	-	-	37	7,350

2018	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	-	-	-	43,395	-	43,395
Due from banks and financial institutions	-	-	-	156,876	-	156,876
Financing Murabaha and Istisna'a, transactions (net)	25,147	42,003	-	-	3,299	70,449
Musharaka investments contracts (net)	-	-	9,619	-	-	9,619
Mudaraba investments contracts (net)	10,437	18,928	-	-	43	29,408
Investments in Islamic Sukuk	-	-	-	7,235	-	7,235
Investments in securities	3,898	4,758	-	25,682	129	34,467
Investments in real estate	110	176,925	-			177,035
Ijarah Muntahia Bittamleek receivables (net)	-	41	-	-	208	249
Qard Hasan (net)	-	9	-	-	14	23
Liabilities						
Due to banks and financial institutions	-	-	-	35,988	-	35,988
Current accounts and other deposits	4,283	74,140	-	2,221	56,084	136,728
Equity of unrestricted investments and saving accounts' holders	18	21,859	-	5,998	233,808	261,683
Contingent liabilities and commitments (net)						
Letters of guarantee	-	10,831	-	6,824	3,147	20,802
Letters of credit	2,631	16,735	-	-	-	19,366

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

	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 (net)	44,614	-	-	2,002	-	46,616
Musharaka investments contracts (net)	3,604	-	-	-	-	3,604
Mudaraba investments contracts (net)	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 (net)	614	-	-	-	-	614
Qard Hasan (net)	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 (net)						-
Letters of guarantee	20,788	-	323	23	-	21,134
Letters of credit	-	67	396	6,803	84	7,350

	2018					
	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	43,395	-	-	-	-	43,395
Due from banks and financial institutions	7,126,237	-	5,049	25,067	523	7,156,876
Financing Murabaha and Istisna'a, transactions (net)	68,447	-	2,002	2,002	-	72,451
Musharaka investments contracts (net)	9,619	-	-	-	-	9,619
Mudaraba investments contracts (net)	13,411	-	-	15,997	-	29,408
Investments in Islamic Sukuk	6,250	-	-	985	-	7,235
Investments in securities	3,977	-	2,943	21,071	6,476	34,467
Investments in real estate	49,171	-	5,148	121,472	1,244	177,035
Ijarah Muntahia Bittamleek receivables (net)	249	-	-	-	-	249
Qard Hasan (net)	23	-	-	-	-	23
		-				
Liabilities						
Due to banks and financial institutions	32,201	-	939	2,343	505	35,988
Current accounts and other deposits	149,728	-	-	-	-	149,728
Equity of unrestricted investments and saving accounts' holders	261,683	-	-	-	-	261,683
Contingent liabilities and commitments (net)	-	-	-	-	-	-
Letters of guarantee	20,441	-	130	231	-	20,802
Letters of credit	-	-	500	18,866	-	19,366

42. Significant foreign currencies' positions

In order to comply with Central Bank of Yemen Circular No. (6) of 1998, the Bank 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.

	2019		2018	
	Surplus (Deficit) YR Millions	% of Capital YR Millions	Surplus (Deficit) YR Millions	% of Capital YR Millions
US Dollar	(14,606,372)	(21.63%)	(2,031,846)	(5.36 %)
EURO	124,823	0.18%	(155,333)	(0.41 %)
Saudi Riyals	3,331,865	4.93 %	1,338,799	3.53 %
Sterling Pound	(3,855)	(0.01%)	(4,730)	(0.01 %)
Emirates Dirham	13,876,939	20.55%	6,744,501	17.79 %
Other	52,268	0.08%	65,263	0.17 %
Net surplus	**2,775,668**	**4.10%**	**5,956,654**	**15.71 %**

The US Dollar exchange rate at December 31, 2019 was 250.25 YR (at December 31, 2018: 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:

	2019 YR Millions	2018 YR Millions
Financing Murabaha and Istisna'a transactions	3,206	7,915
Current accounts and other deposits	32	181
Indirect financing	2,262	2,262
Income from financing Murabaha and Istisna'a transactions	636	585
Fees and commissions income	1	0.1
Executive management salaries and benefits	127	100

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 agreed upon 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 declaration for the year 2017 within the legal deadline. Inspection for the year is 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 submitted the tax declaration for the year 2018 within the legal deadline. Inspection for the year is 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 2019 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.

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 2018 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$ 20 million (including the assets under management) of Wakala deposit against the amount placed with Arcapita Bank B.S.C. of US$ 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 transaction costs.

The following are balances of these contingent liabilities

	2019 YR 000s	2018 YR 000s
Future minimum irrevocable lease payments within one year	36,961	36,961

48. Operating environment in Republic of Yemen

The Republic of Yemen suffered from political, security and economic crises, which starting from March 2015 resulted in a decline of the country's business and economic activities. The final resolution and the effects of the above events are difficult to predict as the events are still continuing at the date of issuing the consolidated financial statements for the year 2019. The Management confirms it is taking appropriate measures to support the sustainability of the Bank's business in the current economic circumstances that could affect the consolidated financial statements for the year ended on December 31, 2019, management estimates of the fair values of the assets and liabilities, and the budget plan for the year 2020.

49. Subsequent events

The impact of Corona virus (Covid-19) in the beginning of the year 2020 and its spread in several geographical regions around the world, including the Republic of Yemen, causing disturbances to economic activities and businesses, which may have an effect on the foreign bank's investments and transactions in the event of business interruption. The Group believes that this event is one of the events which occurred after the date of the financial statements and is not subject to change. Considering that there are no indications of the spread of the Corona virus (Covid-19) in the Republic of Yemen to date or in the countries where its subsidiaries operate, the management of the Group believes that there is as yet no material impact or quantitative estimate of the potential effects on future financial statements at this stage.

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

50.1 Statement of Financial Position as at December 31

	Notes	Dec. 31, 2019 YR 000s	Dec. 31, 2018 YR 000s
Assets			
Cash on hand and reserve balances with Central Bank of Yemen (CBY)		**46,101,841**	43,395,030
Due from banks and financial institutions		**179,798,772**	150,336,107
Financing Murabaha and Istisna'a transactions (net)		**44,614,245**	68,447,463
Musharaka investments contracts (net)		**3,603,907**	9,618,637
Mudaraba investments contracts (net)		**29,365,290**	29,408,004
Investments in Islamic Sukuk		**-**	6,250,000
Investments in securities		**4,623,021**	3,937,021
Investments in real estate		**142,271,972**	127,826,479
Ijarah Muntahia Bittamleek receivables (net)		**614,494**	249,170
Qard Hasan (net)		**1,713**	22,587
Investments in subsidiaries		**8,667,890**	8,667,890
Debit balances and other assets		**82,493,102**	83,480,824
Property and equipment (net)		**6,534,816**	5,899,739
Total assets		**548,691,063**	**537,538,951**
Liabilities, investments accounts' holders and equity			
Liabilities			
Due to banks and financial institutions		**7,631,556**	36,041,027
Current accounts and other deposits		**164,610,585**	149,840,522
Credit balances and other liabilities		**11,998,399**	8,163,656
Other provisions		**1,038,185**	901,676
Total liabilities		**185,278,725**	**194,946,881**
Investments accounts' holders			
Equity of unrestricted investments and saving accounts' holders		**264,272,110**	261,683,354
Total liabilities and investments accounts' holders		**449,550,835**	**456,630,235**
Equity			
Share capital		**20,000,000**	20,000,000
Statutory reserve		**17,759,224**	17,360,687
General reserve		**157,623**	157,623
Other reserves		**56,425,578**	42,144,405
Retained earnings		**4,797,803**	1,246,001
Total equity		**99,140,228**	**80,908,716**
Total liabilities, investments accounts' holders and ' equity		**548,691,063**	**537,538,951**
Contingent liabilities and commitments, net		**28,484,477**	**40,167,619**

50.2 Income Statement for the year ended December 31

	Notes	Dec. 31, 2019 YR 000s	Dec. 31, 2018 YR 000s
Income from financing Murabaha and Istisna'a transactions		**7,409,360**	6,548,413
Income from other joint investments		**7,742,077**	5,583,526
		15,151,437	**12,131,939**
Less:			
Return on unrestricted investments and saving accounts' holders		**(12,293,914)**	(9,453,806)
		2,857,523	**2,678,133**
Fees and commission income		**5,386,008**	4,124,321
Less: Fees and commission expenses		**(325,642)**	(167,987)
Net fees and commission income		**5,060,366**	**3,956,334**
Gains on foreign currency transactions		**3,326,169**	1,189,714
Other operating income		**1,976,604**	466,384
Total operating income		**13,220,662**	**8,290,565**
Less:			
Provisions		**(835,951)**	(1,684,088)
Staff costs		**(3,468,977)**	(2,619,247)
Depreciation of property and equipment		**(396,033)**	(495,083)
Other expenses		**(3,597,233)**	(2,854,633)
Net profit for the year before tax		**4,922,468**	**637,514**
Income tax for the year		**(937,094)**	(145,584)
Income tax for previous years		**-**	(420,614)
Net profit for the year after income tax		**3,985,374**	**71,316**
Earnings per share		**199.27**	**3.57**