

**Consolidated Financial Statements and Independent  
Auditor's Report**

**Tadhamon Bank (Yemeni Joint Stock Company)**

**December 31, 2021**



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## Independent Auditor's Report

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

Report on the Consolidated Financial Statements

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### Opinion

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, 2021, the consolidated statement of income, 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- 52).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at December 31, 2021, and 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 (FAS) issued by Accounting and Auditing Organization for Islamic Financial Institutions "AAOIFI", the Shari'a rules and principles as determined by the Shari'a Supervisory Board, instructions issued by Central Bank of Yemen, and relevant local laws and instructions.

In our opinion, the Group also complied with the principles and rules of Islamic Shari'a as determined by the Group's Shari'a Supervisory Board during the financial year ending on December 31, 2021.

### Basis for opinion

We conducted the audit in accordance with the Auditing Standards for Islamic Financial Institutions (ASIFIs) issued by "AAOIFI". Our responsibilities under these standards are further described in the "Auditor's responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Accountants and Auditors of Islamic Financial Institutions issued by "AAOIFI", and in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Emphasis of Matters

We draw attention to the following:

- Note No. (7.2.3.c) of the accompanying notes to the consolidated financial statements, which describes the exposure to exchange rate risk to foreign currencies and its impact on net exposures to these significant foreign currencies positions. 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, 2021 using the official exchange rates. Our opinion is not qualified in respect of this matter.

## Independent Auditor's Report (Continued)

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

- Note No. (49) of the accompanying notes to the consolidated financial statements (current events in Republic of Yemen) 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 this matter.
- Note No. (49) of the accompanying notes to the consolidated financial statements (subsequent events), which indicates that the settlement of the lawsuit described in the contingent liabilities (Note No. "48") was partly financed through the Murabaha financing has been obtained by the Group from a related party for an amount of USD 15 million. Our opinion is not qualified in this matter.
- Note No. (50) of the accompanying notes to the consolidated financial statements (significant events), which indicates the presence of a letter from the Public Prosecution (the Specialized Criminal Prosecution) and a circular by the Central Bank of Yemen, which requires the reservation of all funds and balances of Tadhamon Bank deposited with Money Exchange establishments and companies in any form, in connection with a case raised against one of the bank's clients. Our opinion is not qualified in this respect.

### Other Matters

- The accompanying financial statements represent the consolidated financial statements of the Bank as of December 31, 2021. The consolidated financial statements of the Bank and its subsidiaries are presented separately in accordance with Islamic Accounting Standard No. (23) regarding the consolidation of financial statements.
- The Group's management has not completed the legal procedures related to the ownership transferring of foreign real estate investments, note No. (16) in the name of the Bank, which are still not registered and have not been owned by the bank until the date of the consolidated financial statements as at December 31, 2021.
- We would like to refer to the Central Bank of Yemen circular No. (14) issued on April 13, 2022 regarding Islamic Accounting Standard No. (30) Impairment, Credit Losses and Onerous Commitments, which states to postpone the application of Financial Accounting Standard No. (30) until instructions regulating the application of the standard are issued during the year 2022.

### Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles as determined by the Group's Shari'a Supervisory Board.

The board of directors is also responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS issued by "AAOIFI", the Shari'a rules and principles as determined by the Shari'a Supervisory Board, instructions issued by Central Bank of Yemen, and relevant local laws and instructions, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Independent Auditor's Report (Continued)

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

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

### Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Independent Auditor's Report (Continued)

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

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

### 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 what is contained in those records. Furthermore, 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. (38) of 1998 and Yemen Commercial Companies Law No. (22) of 1997 and its amendments, or the Bank's Articles of Association, or instructions issued by Central Bank of Yemen during the year ended December 31, 2021, which might have had a material effect on the business of the Group or its consolidated financial position.

Sana'a - Republic of Yemen  
June 20, 2022



**Tadhamon Bank**  
(Yemeni Joint Stock Company)

**Consolidated statement of financial position**  
As at December 31, 2021

	Notes	Dec. 31, 2021 YR '000	Dec. 31, 2020 YR '000
<b>Assets</b>			
Cash on hand and reserve balances with Central Bank of Yemen (CBY)	9	58,728,691	59,114,469
Due from banks and financial institutions	10	206,512,793	194,785,416
Financing Murabaha and Istisna'a transactions	11	21,093,483	36,001,392
Musharaka investments contracts	12	-	-
Mudaraba investments contracts	13	27,008,604	27,008,604
Investments in Islamic Sukuk	14	-	409,084
Investments in securities	15	38,531,487	36,513,631
Investments in real estate	16	170,256,058	171,368,623
Ijarah Muntahia Bittamleek receivables	17	665,067	692,285
Qard Hasan		-	-
Debit balances and other assets	18	6,646,107	5,765,375
Right-of-use assets	19.1	821,281	-
Property and equipment	20	8,286,144	8,236,585
<b>Total assets</b>		<b>538,549,715</b>	<b>539,895,464</b>
<b>Liabilities, investment accounts' holders and equity</b>			
<b>Liabilities</b>			
Due to banks and financial institutions	21	6,551,265	9,932,944
Current accounts and other deposits	22	163,218,575	173,425,625
Credit balances and other liabilities	23	11,219,613	9,107,555
Lease liabilities	19.2	789,305	-
Other provisions	24	7,220,575	1,009,938
<b>Total liabilities</b>		<b>188,999,333</b>	<b>193,476,062</b>
<b>Investment accounts' holders</b>			
Equity of unrestricted investments and saving accounts' holders	25	266,819,152	262,384,373
<b>Total liabilities and investment accounts' holders</b>		<b>455,818,485</b>	<b>455,860,435</b>
<b>Equity</b>			
Share capital	26	20,000,000	20,000,000
Statutory reserve	27.1	18,080,159	18,080,159
General reserve	27.2	157,623	157,623
Other reserves	27.3	44,692,662	44,172,108
Retained (losses) earnings		(225,439)	1,585,981
<b>Total equity</b>		<b>82,705,005</b>	<b>83,995,871</b>
Non-controlling interest		26,225	39,158
		82,731,230	84,035,029
<b>Total liabilities, investment accounts' holders and equity</b>		<b>538,549,715</b>	<b>539,895,464</b>
<b>Contingent liabilities and commitments</b>	28	<b>52,460,196</b>	<b>32,844,485</b>

Finance Manager

Deputy General Manager

General Manager

Chairman

Mr. Hafiz Saeed  
Al-Asbahi

Mr. Basheer Sultan  
Al-Maqta'i

Mr. Mahmoud Atta  
Al-Rifai

Mr. Shawqi Ahmed  
Hayel

The accompanying notes from (1) to (52) form an integrated part of these consolidated financial statements

**Tadhamon Bank**  
(Yemeni Joint Stock Company)

**Consolidated statement of income**

For the year ended December 31, 2021

	Notes	2021 YR '000	2020 YR '000
Income from financing Murabaha and Istisna'a transactions	29	3,182,576	4,526,429
Income from other joint investments	30	21,075,302	24,418,836
		<b>24,257,878</b>	<b>28,945,265</b>
<b>Less:</b>			
Return on unrestricted investments and saving accounts' holders	25.2	(14,171,061)	(12,220,501)
<b>Bank's share from the income on Murabaha, Istisna'a, and Joint Investments</b>		<b>10,086,817</b>	<b>16,724,764</b>
Fees and commission income	31	7,506,898	5,894,992
<b>Less: Fees and commission expenses</b>		<b>(822,111)</b>	<b>(438,152)</b>
<b>Net fees and commission income</b>		<b>6,684,787</b>	<b>5,456,840</b>
Gains (losses) on foreign currencies transactions	32	2,006,852	(3,469,281)
(Losses) gains on sale of property and equipment		(476)	2,387
Other operating income	33	1,993,679	2,610,730
<b>Total operating income</b>		<b>20,771,659</b>	<b>21,325,440</b>
<b>Less:</b>			
Provisions	34	(6,414,356)	(3,998,230)
Impairment provision on Wakalah		-	(2,316,418)
Impairment provision on investments in securities	35	(756,189)	(1,260,062)
Impairment provision on investments in real estate	36	(2,350,179)	(1,331,390)
Staff costs	37	(5,956,586)	(4,521,990)
Depreciation of right-of-use assets	19	(295,433)	-
Depreciation of property and equipment	20	(563,230)	(477,911)
Other expenses	38	(5,458,998)	(5,844,269)
<b>Net (loss) profit for the year before tax</b>		<b>(1,023,312)</b>	<b>1,575,170</b>
Income tax for the year	23.1	(800,558)	(627,514)
<b>Net (loss) profit for the year after income tax</b>		<b>(1,823,870)</b>	<b>947,656</b>
<b>Attributable to:</b>			
Shareholders of the bank		(1,811,420)	949,986
Non-controlling interest		(12,450)	(2,330)
<b>Net (loss) profit for the year</b>		<b>(1,823,870)</b>	<b>947,656</b>
<b>(Loss) earnings per share</b>	39	<b>(90.57)</b>	<b>47.50</b>



The accompanying notes from (1) to (52) form an integrated part of these consolidated financial statements

**Consolidated statement of changes in equity**

For the year ended December 31, 2021

	Share Capital YR '000	Statutory Reserve YR '000	General Reserve YR '000	Other Reserves YR '000	Retained Earnings YR '000	Total Equity Attributable to Shareholders of the Bank YR '000	Non-Controlling Interest YR '000
<b>Balance at January 1, 2021</b>	<b>20,000,000</b>	<b>18,080,159</b>	<b>157,623</b>	<b>44,172,108</b>	<b>1,585,981</b>	<b>83,995,871</b>	<b>39,158</b>
Cash dividends paid to shareholders	-	-	-	-	(1,811,420)	(1,811,420)	-
Net loss for the year	-	-	-	-	-	-	(1,823,870)
Transferred to statutory reserve	-	-	-	-	-	-	-
Change in foreign currencies	-	-	-	-	-	-	-
Change in fair value	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	520,554
<b>Balance at December 31, 2021</b>	<b>20,000,000</b>	<b>18,080,159</b>	<b>157,623</b>	<b>44,692,662</b>	<b>(225,439)</b>	<b>82,705,005</b>	<b>(483)</b>
<b>Balance at January 1, 2020</b>	<b>20,000,000</b>	<b>17,985,160</b>	<b>157,623</b>	<b>56,609,383</b>	<b>2,730,994</b>	<b>97,483,160</b>	<b>59,678</b>
Cash dividends paid to shareholders	-	-	-	-	(2,000,000)	(2,000,000)	-
Net profit for the year	-	-	-	-	949,986	949,986	(2,330)
Transferred to statutory reserve	-	-	-	-	(94,999)	(94,999)	-
Change in foreign currencies	-	-	-	-	-	-	-
Change in fair value	-	-	-	-	914	914	1
Change in non-controlling interests	-	-	-	-	(12,438,189)	(12,438,189)	-
<b>Balance at December 31, 2020</b>	<b>20,000,000</b>	<b>18,080,159</b>	<b>157,623</b>	<b>44,172,108</b>	<b>1,585,981</b>	<b>83,995,871</b>	<b>(18,191)</b>
							(18,191)
							39,158
							84,035,029

Deputy General Manager

Mr. Bashir Sultan Al-Maqtar

General Manager

Mr. Mahmoud Atta Al-Rifaie

Finance Manager

Mr. Hafiz Saeed Al-Asbahi

Chairman

Mr. Shawqi Ahmed Hayel

The accompanying notes from (1) to (52) form an integrated part of these consolidated financial statements



**Tadhamon Bank**  
(Yemeni Joint Stock Company)

**Consolidated statement of cash flows**  
For the year ended December 31, 2021

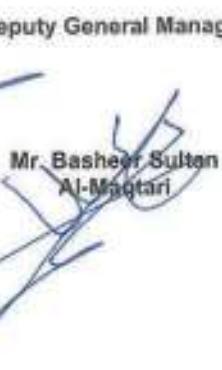
	Notes	2021 YR '000	2020 YR '000
<b>Cash flows from operating activities</b>			
Net (loss) profit for the year before tax		(1,023,312)	1,575,170
<b>Adjustments for:</b>			
Depreciation of right-of-use assets		295,433	-
Depreciation of property and equipment	20	563,230	477,911
Provisions provided to the income statement	34	6,414,356	3,998,280
Provisions used during the year		(195,039)	(2,953,287)
Differences of re-translating the foreign currencies provisions		(1,540)	1,445
Provisions reversed during the year	33	(1,435,224)	(1,962,570)
Losses (against) on sale of property and equipment		476	(2,387)
Return of unrestricted investments and saving accounts' holders	25.2	14,171,061	12,220,501
Impairment provision on investments in securities	35	756,189	1,260,062
Impairment provision on investments in real estate	36	2,350,179	1,331,390
Foreign currencies re-translation differences		-	915
		21,895,609	15,947,380
<b>Changes in:</b>			
Reserve balances with CRY		(380,634)	(332,593)
Financing Murabaha and Ihsana's transactions		15,677,299	11,818,538
Musharaka investments contracts		-	3,677,456
Mudaraba investments contracts		-	5,308,023
Ijarat Murabahah & Ihsaneeek receivables		22,731	(101,551)
Qard Ihsan		-	1,748
Debt balances and other assets		(213,105)	743,589
Current accounts and other deposits		(10,207,050)	9,313,910
Credit balances and other liabilities		1,939,014	(3,045,009)
Non-controlling interest		(483)	(18,191)
<b>Cash generated from operating activities</b>		28,733,581	43,113,296
Paid income tax	23.1	(627,514)	(904,080)
<b>Net cash flows from operating activities</b>		28,106,067	42,209,216
<b>Cash flows from investing activities</b>			
Change in investments in Islamic Sukuk		409,084	1,038,814
Change in investments in securities		(2,774,045)	(3,815,550)
Change in real estate investments		(717,060)	71,213
Change in right-of-use assets		(327,409)	-
Cash payments to acquisition of property and equipment	20	(670,984)	(2,155,768)
Proceeds from sale of property and equipment		65,719	29,907
<b>Net cash flows used in investing activities</b>		(4,022,695)	(4,631,574)

The accompanying notes from (1) to (52) form an integrated part of these consolidated financial statements

**Tadhamon Bank**  
(Yemeni Joint Stock Company)

**Consolidated statement of cash flows (continued)**  
For the year ended December 31, 2021

	Notes	2021 YR '000	2020 YR '000
<b>Cash flows from financing activities:</b>			
Change in due to banks and financial institutions		(3,381,679)	2,301,388
Change in equity of unrestricted investments and saving account's holders		(9,736,282)	(14,108,238)
Cash dividends paid to shareholders		-	(2,000,000)
<b>Net cash flows used in financing activities</b>		<b>(13,117,961)</b>	<b>(13,806,850)</b>
<b>Net change in cash and cash equivalents</b>		<b>10,965,411</b>	<b>23,770,792</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>221,899,754</b>	<b>198,128,962</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>232,865,165</b>	<b>221,899,754</b>
<b>Cash and cash equivalents at the end of the year consist of:</b>			
Cash on hand and reserve balances with (CBY)	9	58,728,691	59,114,469
Due from banks and financial institutions	10	209,780,862	198,049,039
		268,509,553	257,163,508
<b>Less: Mandatory reserve with (CBY)</b>		<b>(35,644,388)</b>	<b>(35,263,754)</b>
		<b>232,865,165</b>	<b>221,899,754</b>

<b>Finance Manager</b>   Mr. Hefiz Saeed Al-Asbahi	<b>Deputy General Manager</b>   Mr. Basheer Sultan Al-Maqtari	<b>General Manager</b>   Mr. Mahmoud Atta Al-Rifai	<b>Chairman</b>   Mr. Shawqi Ahmed Hayel  
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**Consolidated statement of sources and uses of Qard Hasan fund**  
For the year ended December 31, 2021

	2021 YR '000	2020 YR '000
<b>Balance at the beginning of the year comprises:</b>		
Outstanding utilized loans	-	1,748
<b>Add: Sources of fund</b>		
Transferred from customers' current accounts	-	-
<b>Less: Uses of fund</b>		
Transferred to customers' current accounts	-	( 1,748)
<b>Balance at the end of the year</b>	-	-
<b>Less: Provision for Qard Hasan fund</b>	-	-

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

	2021 YR '000	2020 YR '000
Balance of the provision at the beginning of the year	-	35
<b>Add: Provision provided during the year</b>	-	-
<b>Less: Provisions reversed during the year</b>	-	(35)
<b>Balance of the provision at the end of the year</b>	-	-

Finance Manager



Mr. Hafiz Saeed  
Al-Asbahi

Deputy General Manager



Mr. Basheer Sultan  
Al-Maqtari

General Manager



Mr. Mahmoud Atta  
Al-Rifai

Chairman



Mr. Shawqi Ahmed  
Hayel



**Tadhamon Bank**  
(Yemeni Joint Stock Company)

**Consolidated statement of changes in restricted investments accounts**  
For the year ended December 31, 2021

	2021		
	Investments at Jan. 1, 2021 YR '000	Movements during the Year Deposits (Withdrawal) YR '000	Investments at Dec. 31, 2021 YR '000
Investments in securities	3,116,351	(245,715)	2,870,636
Investments in real estate	8,339,656	(632,557)	7,707,099
Others	1,079,320	751,976	1,831,296
<b>Total</b>	<b>12,535,327</b>	<b>(126,296)</b>	<b>12,409,031</b>

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

Finance Manager      Deputy General Manager      General Manager      Chairman



Mr. Hafiz Saeed Al-Asbahi      Mr. Basheer Sultan Al-Masri      Mr. Mahmoud Atta Al-Rifai      Mr. Shawqi Ahmed Hayel

**Notes to the consolidated financial statements**  
For the year ended December 31, 2021

**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 principles 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:

2021			
Subsidiary Name	Amount YR '000	Percentage of Equity	Principal Activities
Yem Holding Company, W.L.L - Bahrain	36,318,007	99%	Holding Company
Green Land Reality Limited - UAE	25,983,580	100%	Management of Real Estate Assets
TIB Group Real Estate Limited - UAE	10,168,095	100%	Management of Real Estate Assets
Tadhamon Capital R.S.C. (C) - Bahrain	9,087,747	99.9%	Financial Services
Tadhamon Investments limited - UAE	5,087,325	100%	General Trading and Property Acquisition
Tadhamon Real Estate Ltd. - Yemen	142,500	95%	Real Estate Development

2020			
Subsidiary Name	Amount YR '000	Percentage of Equity	Principal Activities
Yem Holding Company, W.L.L - Bahrain	36,318,007	99%	Holding Company
Green Land Reality Limited - UAE	25,983,580	100%	Management of Real Estate Assets
TIB Group Real Estate Limited - UAE	10,168,095	100%	Management of Real Estate Assets
Tadhamon Capital R.S.C. (C) - Bahrain	9,087,747	99.9%	Financial Services
Tadhamon Investments limited - UAE	5,087,325	100%	General Trading and Property Acquisition
Tadhamon Real Estate Ltd. - Yemen	142,500	95%	Real Estate Development

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

**2.1 Statement of compliance**

- The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), the Shari'a rules and principles as determined by the Shari'a Board of the Bank and instructions issued by the Central Bank of Yemen (CBY). The Group has adopted the International Financial Reporting Standards (IFRS) for the matters that are not covered by AAOIFI standards.
- The consolidated financial statements were approved by the Board of Directors on June 20, 2022 note (51).

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **2.2 Basis of preparation**

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

### **2.3 Functional and presentation currency**

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

### **2.4 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at December 31, 2021. 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 statement of income 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 statement of income and within owners' equity in the consolidated statement of financial position, separately from the equity attributable to shareholders of the parent (the Bank).

### **2.5 Significant accounting judgments and estimates**

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

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

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

#### **2.5.1 Going concern principle**

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

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **2.5.2 Classification of investments**

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as debt type instruments carried at fair value through equity or 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).

### **2.5.3 Provision for impairment of assets**

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

### **2.5.4 Impairment on investments securities**

#### **• Investments in equity instruments**

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

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

The investments 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 or at fair value through equity in accordance with the business model and characteristics of cash flows and in line with Islamic financing contracts.

### **2.5.5 Valuation of unquoted private equity and real estate investments**

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

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

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

### **2.5.6 Useful lives of property and equipment**

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

### **2.5.7 Depreciation rates of Ijarah Muntahia Bitamleek**

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

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **3. Significant accounting policies**

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

#### **3.1 New accounting standards and their interpretations**

- 3.1.1 New standards, amendments, and interpretations effective from January 1, 2021, but the Group has not applied any of these standards.**
- **Financial Accounting Standard No. (30) "Impairment, credit losses and onerous commitments"**

AAOIFI issued IAS (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. IAS (30) will replace IAS (11) Provisions and Reserves and parts of IAS (25) Investment in Sukuk, shares and similar instruments that deal with impairment.

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

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

On April 13, 2022, the Central Bank of Yemen issued Circular No. (14) regarding IAS No. (30) Impairment, Credit Losses and Onerous Commitments, which states to postpone the application of IAS No. (30) until instructions regulating the application of the standard are issued during the year 2022.

- **Financial Accounting Standard No. (35): "Risk Reserves"**

AAOIFI issued IAS (35) "Risk Reserves" in 2019. This standard along with IAS (30) "Impairment, Credit Losses and Onerous Commitments" supersede the earlier IAS (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-oriented and risk-bearing investors in Islamic financial 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 IAS (30) "Impairment, Credit Losses and Onerous Commitments". The Group is currently evaluating the impact of this standard.

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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**3.1.2 New standards, amendments and interpretations issued and effective for financial periods beginning on or after January 1, 2021**

• **Financial Accounting Standard No. (32): "Ijarah"**

AAOIFI issued FAS (32) "Ijarah" in 2020, this standard is effective for financial periods beginning on or after 1 January 2021. The standard supersedes the existing FAS (8) "Ijarah and Ijarah Muntahia Bi tamleeq".

FAS (32) sets out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah (Ijarah asset, including different forms of Ijarah Muntahia Bi tamleeq) transactions entered into by the Islamic financial institutions as a lessor and lessee.

The Group has applied FAS (32) "Ijarah" from January 1, 2021.

a. **Change in accounting policy**

### **Identifying an Ijarah**

At inception of a contract, the Group assesses whether the contract is Ijarah, or contains an Ijarah. A contract is Ijarah, or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration. For Ijarah contracts with multiple components, the Group accounts for each Ijarah component within a contract separately from non-Ijarah components of the contract (e.g., service fee, maintenance charges, etc.).

### **Measurement**

For a contract that contains an Ijarah component and one or more additional Ijarah or non-Ijarah components, the Group allocates the consideration in the contract to each Ijarah component on the basis of relative stand-alone price of the Ijarah component and the aggregate estimated stand-alone price of the non-Ijarah components, that may be charged by the lessor, or a similar supplier, to the lessee.

At the commencement date, a lessor shall recognize a right-of-use (usufruct) asset and a net Ijarah liability.

**1. Right-of-use (usufruct) asset**

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of-use asset comprises of:

- The fair value of the right-of-use asset;
- Initial direct costs incurred by the lessee; and
- Dismantling or decommissioning costs.

The prime cost is reduced by the expected terminal value of the underlying asset. If the prime cost of the right-of-use asset is not determinable based on the underlying cost method (particularly in the case of an operating Ijarah), the prime cost at commencement date may be estimated based on the fair value of the total consideration/paid/ payable (i.e. total Ijarah rentals) against the right-of-use assets, under a similar transaction. As per the Group's assessment, at the time of implementation the fair value of right-of-use assets are equal to the net Ijarah liability.

After the commencement date, the lessee measures the right-of-use asset at cost less accumulated amortization and impairment losses, adjusted for the effect of any Ijarah modification or reassessment.

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

The Group amortizes the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The amortizable amount comprises of the right-of-use asset less residual value, if any.

The Group determines the Ijarah term, including the contractually binding period, as well as reasonably certain optional periods, including:

- Extension periods if it is reasonably certain that the Group will exercise that option; and/or
- Termination options if it is reasonably certain that the Group will not exercise that option.

The impairment assessment takes into consideration the salvage value, if any. Any related commitments, including promises to purchase the underlying asset, are also considered in line with FAS 30 "Impairment, Credit Losses and Onerous Commitments".

### **2. Net ijarah liability**

The net ijarah liability comprises of the gross ijarah liability, plus deferred ijarah cost (shown as a contra liability).

The gross ijarah liability are initially recognized as the gross amount of total Ijarah rental payables for the Ijarah term. The rentals payable comprises of the following payments for the right to use the underlying asset during the Ijarah term:

- Fixed Ijarah rentals less any incentives receivable;
- Variable Ijarah rentals including supplementary rentals; and
- Payment of additional rentals, if any, for terminating the Ijarah (if the Ijarah term reflects the lessee exercising the termination option).

Advance rentals paid are netted off with the gross ijarah liability.

Variable Ijarah rentals are Ijarah rentals that depend on an index or rate, such as payments linked to a consumer price index, financial markets, regulatory benchmark rates, or changes in market rental rates. Supplementary rentals are rentals contingent on certain items, such as additional rental charge after provision of additional services or incurring major repair or maintenance. As of December 31, 2021, the Group did not have any contracts with variable or supplementary rentals.

After the commencement date, the Group measures the net ijarah liability by:

- Increasing the carrying amount to reflect return on the Ijarah liability (amortization of deferred Ijarah cost);
- Reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals paid; and
- Re-measuring the carrying amount in the event of reassessment or modifications to Ijarah contract, or to reflect revised Ijarah rentals.

The deferred Ijarah cost is amortized to income over the Ijarah terms on a time proportionate basis, using the effective rate of return method. After the commencement date, the Group recognizes the following in the income statement:

- Amortization of deferred Ijarah cost; and
- Variable Ijarah rentals (not already included in the measurement of Ijarah liability) as and when the triggering events/ conditions occur.

## Notes to the consolidated financial statements

For the year ended December 31, 2021

### Ijarah contract modifications

After the commencement date, the Group accounts for Ijarah contract modifications as follows:

- Change in the Ijarah term: re-calculation and adjustment of the right-of-use asset, the Ijarah liability, and the deferred Ijarah cost; or
- Change in future Ijarah rentals only: re-calculation of the Ijarah liability and the deferred Ijarah cost only, without impacting the right-of-use asset.

An Ijarah modification is considered as a new Ijarah component to be accounted for as a separate Ijarah for the lessee, if the modification both additionally transfers the right to use of an identifiable underlying asset and the Ijarah rentals are increased corresponding to the additional right-of-use asset.

For modifications not meeting any of the conditions stated above, the Group considers the Ijarah as a modified Ijarah as of the effective date and recognizes a new Ijarah transaction. The Group recalculates the Ijarah liability, deferred Ijarah cost, and right-of-use asset, and derecognize the existing Ijarah transaction and balances.

### Expenses relating to underlying asset

Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Group, are recognized by the Group in income statement in the period incurred. Major repair and maintenance, takaful, and other expenses incidental to ownership of underlying assets (if incurred by lessee as agent) are recorded as receivable from lessor.

### Recognition exemptions and simplified accounting for the lessee

The Group has elected not to apply the requirements of Ijarah recognition and measurement of recognizing right-of-use asset and net Ijarah liability for the following:

- Short-term Ijarah; and
- Ijarah for which the underlying asset is of low value.

Short-term Ijarah exemption is applied on a whole class of underlying assets which have similar characteristics and operational utility. However, low value Ijarah exemption is applied on an individual asset/Ijarah transaction, and not on Group basis.

### b. Impact of the adoption of Financial Accounting Standard No. 32: "Ijarah"

The management of the Group has decided to apply FAS 32 "Ijarah" using the modified retrospective approach (i.e. the impact of all the Ijarah contracts outstanding as at 31 December 2020 are reflected in the balances as of January 1, 2021) and therefore comparative information has not been restated. The impact of adoption of FAS 32 as at January 1, 2021 has resulted in an increase in right-of-use asset and an increase in net Ijarah liability by 1,020,482 thousand Yemeni Riyals. The lease contracts comprise of locations and offices rents.

	Total Assets YR '000	Total Liabilities YR '000
Closing balance (December 31, 2020)	509,595,464	193,476,062
Right-of-use asset	1,020,482	-
Net Ijarah liability	1,020,482	-
<b>Opening balance under FAS 32 on date of initial application of January 1, 2021</b>	<b>540,915,946</b>	<b>194,496,544</b>

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **3.1.3 New standards, amendments and interpretations issued but not yet effective.**

The following new standards, amendments and interpretations are effective for financial years beginning on or after January 1, 2022 with an option to early adopt. However, the Group has not early adopted any of these standards.

#### **\* Financial Accounting Standard No. (38): "Wa'ad, Khiyar and Tahawwut"**

AAOIFI issued FAS (38) "Wa'ad, Khiyar and Tahawwut" in 2021. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to Shari'a compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after January 1, 2022, with an option to early adopt.

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

- a. "Ancillary Wa'ad or Khiyar" which is related to a structure of transaction carried out using other products i.e. Murabaha, Ijarah, Murathaa, Birtamook, etc.; and
- b. "Product Wa'ad and Khiyar" which is used as a stand-alone Shari'a compliant arrangement.

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand alone Wa'ad and Khiyar products, and accounting for Tahawwut (hedging) arrangements that are based on a series of Wa'ad and Khiyar contracts.

The Group does not expect any significant impact on adoption this standard.

#### **\* Financial Accounting Standard No. (39) "Financial Reporting for Zakah"**

AAOIFI has issued FAS (39) "Financial Reporting for Zakah" in 2021. The objective of this standard is to establish principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution. This standard supersedes FAS 9 Zakah and is effective for the financial reporting periods beginning on or after January 1, 2023 with an option to early adopt.

This standard shall apply to Group with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. The Group shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period, for example (AAOIFI FAS 35, Zakah, regulatory requirement or Shari'a supervisory Board instructions as applicable).

The Group is assessing the impact of adoption of this standard.

#### **\* Financial Accounting Standard No. (1) - "General Presentation and Disclosures in Financial Statements"**

AAOIFI has issued the revised FAS (1) "General Presentation and Disclosures in the Financial Statements" in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after January 1, 2023 with an option to early adopt.

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

The revision of FAS (1) is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

Some of the significant revisions to the standard are as follows:

- a. Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b. Definition of Quasi equity is introduced;
- c. Definitions have been modified and improved;
- d. Concept of comprehensive income has been introduced;
- e. Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f. Disclosure of Zakat and Charity have been relocated to the notes;
- g. True and fair overide has been introduced;
- h. Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i. Disclosures of related parties, subsequent events and going concern have been improved;
- j. Improvement in reporting for foreign currency, segment reporting;
- k. Presentation and disclosure requirements have been divided in to three parts. First part is applicable to all institutions; second part is applicable only to banks and similar IFT's and third part prescribes the authoritative status, effective date an amendment to other AAOIFI FAS's; and
- l. The illustrative financial statements are not part of this standard and will be issued separately.

The Group is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its consolidated financial statements.

### **3.2 Foreign currencies transactions**

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

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

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

### **3.3 Financial contracts**

Financial contracts consist of due from banks and financial institutions, Central Bank of Yemen, Waleea, Sukuk, Murabaha and Ijara (less deferred profit), Mudaraba, Musharakah and Ijara Muntahia Bi Amalik. Balances relating to these contracts are stated net of provisions for impairments.

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

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

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **3.3.2 Equity of unrestricted and saving investments accountholders**

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

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

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

### **3.3.3 Wakala**

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

### **3.3.4 Sukuk**

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

### **3.3.5 Murabaha receivables**

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

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

### **3.3.6 Istisna'a**

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

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **3.3.7 Mudaraba**

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

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

### **3.3.8 Musharakah**

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

### **3.3.9 Ijarah Muntahia Bittamleek**

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

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

The Group (lessor) retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfilment 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.

### **3.4 Investment in securities**

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

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **3.4.1 Classification**

Under FAS (35) "Investment in Sukuk, shares and similar instruments", each investment is to be categorized as investment in:

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

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

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

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

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

- **Fair value through equity**

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

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

- **Fair value through income statement**

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

- **Irrevocable classification at initial recognition**

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

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

## **Notes to the consolidated financial statements**

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### **3.4.2 Recognition and derecognition**

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 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 when the Group has transferred substantially all risk and rewards of ownership.

### **3.4.3 Measurement**

#### **• Initial recognition**

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

#### **• Subsequent measurement**

##### **Investments at fair value through income statement**

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

##### **Investments at fair value through equity**

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

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

The Group may elect to present in statement of changes in equity changes in the fair value of certain investments in equity-type instruments that are held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

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

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **3.4.4 Measurement principles**

#### **Amortised cost measurement**

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

#### **Fair value measurement**

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

### **3.5 Impairment of financial assets**

An assessment is made at each reporting date to determine whether there is 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 or terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers. If such evidence exists, any impairment loss is recognized in the consolidated statement of income.

Impairment is determined as follows:

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

#### **3.5.1 Valuation of Murabaha and Ihsana'a financing transactions**

Debt related to Murabaha and Ihsana'a financing transactions, whether short or long term, are recorded at cost plus agreed-upon profits in Murabaha or Ihsana'a contracts. In order to comply with the requirements of the Central Bank of Yemen, provision is allocated for specific debts of Murabaha, Ihsana'a and contingent liabilities, in addition to a percentage for general risk calculated on the total of other Murabaha, Ihsana'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, Ihsana'a and contingent liabilities and is made in accordance with the following minimum rates:

## Notes to the consolidated financial statements

For the year ended December 31, 2021

Description	Percentage
Performing debts of Murabaha and Istisna'a financing	
Performing debts including watch list (due within 90 days)	2%
<b>Non - performing debts:</b>	
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%

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.

Debts relating to financing Murabaha and Istisna'a transactions whether short or long term, are presented on the statement of financial position net of their related provisions, (non performing provision and general risk provision for performing debts) and deferred and suspense revenues at the consolidated financial statements date.

### 3.5.2 Valuation of investments in Mudaraba and Musharaka contracts

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

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 branches of Banks. Provision is determined based on periodical reviews of the portfolio and is made in accordance with the following minimum rates:

Description	Percentage
Performing debts of Murabaha and Istisna'a financing	
Performing debts including watch list (due within 90 days)	2%
<b>Non - performing debts:</b>	
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 statement of income.

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

### 3.5.3 Ijarah Muntahia Bittamleek

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

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

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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

According to CBY instructions, assets whose titles have been transferred to the Group are presented in the statement of consolidated financial position under debt 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 statement of income. In case the assets value are increased, the difference is recognized in the consolidated statement of income to the extent of impairment previously recognized.

### **3.6 Revenue recognition**

#### **3.6.1 Financing Murabaha and Istisna'a transactions**

- Profit on financing Murabaha and Istisna'a contracts are recorded on accrual basis as all profits at the completion of Murabaha contracts are recorded as deferred revenues, and taken into the consolidated statement of income 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 Ijara of Shar's Board.
- In order to comply with the requirements of CBY, the Bank does not accrue the profit relating to non-palming contracts in the consolidated statement of income.

#### **3.6.2 Investment in Mudaraba and Musharaka contracts**

- Investment on Mudaraba and Musharaka contracts, which are initiated and terminated during the financial year, are recorded in the consolidated statement of income 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 in these transactions during the year.

#### **3.6.3 Available-for-sale investments**

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

#### **3.6.4 Ijarah Muntahia Bittamleek**

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

#### **3.6.5 Fees and commission income**

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

#### **3.6.6 Wakala income**

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

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **3.6.7 Income from Sukuk and deposits**

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

### **3.6.8 Reversed provisions**

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

### **3.7 Restricted investment accounts**

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

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

### **3.8 Evaluation of investments in real estate**

Investments in real estate are properties held for rental or for capital appreciation (including property under construction for such purposes) or for both. In accordance with IAS (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 statement of income.

In case there are unrealized losses relating to investment in real estate that have been recognized in the consolidated statement of income 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 statement of income.

### **3.9 Property, equipment and their depreciation**

#### **3.9.1 Recognition and measurement**

Property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, 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.

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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 statement of income.

### **3.9.2 Subsequent costs**

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

### **3.9.3 Depreciation**

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

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

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

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

Description	Estimated Useful Lives
Buildings	30 Years
Machinery & equipment	10 Years
Motor vehicles	5 Years
Furniture and fixtures	4 - 5 Years
Computer and accessories	5 Years

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

### **3.10 Impairment of non-financial assets**

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

### **3.11 Contingent liabilities and commitments**

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

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **3.12 Cash and cash equivalents**

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

### **3.13 Other provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Within the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### **3.14 End of service benefits**

- With regard to the Group employees in Yemen, all employees are contributing to the social security schemes 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 in the consolidated statement of income.
- The rules 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 statement of income when they are due.

### **3.15 Offsetting**

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

### **3.16 Lease contracts**

Leases are classified as finance leases whereby the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases, and they are processed in accordance with the requirement of FAS (33).

### **3.17 Earnings per share**

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

### **3.18 Comparatives**

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

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **3.19 Taxes**

- The Group's operations inside the 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 2019 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 consolidated statement of income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that are enacted at the consolidated statement of financial position date.
- The tax due from the Group outside Yemen is calculated according to the prevailing laws and regulations in the countries where the Group's subsidiaries are operating.

### **3.20 Revenues prohibited by Shari'a rules and principles**

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

### **3.21 Customers' current accounts**

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

### **3.22 Equity of investments accounts holders**

Equity of investments account holders are funds held by the Group in unrestricted investments accounts, which it can invest at its own discretion. The investments accounts' holders authorize 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 contracts, 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 rules of Islamic Shari'a.

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

### **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 bank's related investments and other accounts is the responsibility of the investments accounts' holders.

### **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 Ihsan's transactions, Musharaka, Mudaraba contracts, Ijara Muhibba Islamic, 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 price). 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:

	<b>2021</b>			
	<b>Level 1 YR '000</b>	<b>Level 2 YR '000</b>	<b>Level 3 YR '000</b>	<b>Total YR '000</b>
<b>Investments in securities</b>				
Equity type instruments carried at fair value through equity (available for sale investments)	-	-	7,460,260	7,460,260
Equity type instruments carried at fair value through income statement	842,738	-	30,228,489	31,071,227
	<b>842,738</b>	<b>-</b>	<b>37,688,749</b>	<b>38,531,487</b>

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

	<b>2020</b>			
	<b>Level 1</b> <b>YR '000</b>	<b>Level 2</b> <b>YR '000</b>	<b>Level 3</b> <b>YR '000</b>	<b>Total</b> <b>YR '000</b>
<b>Investments in securities</b>				
Equity type instruments carried at fair value through equity (available for sale investments)	-	-	13,279,258	13,279,258
Equity type instruments carried at fair value through income statement	1,638,733	-	21,595,640	23,234,373
	<b>1,638,733</b>	<b>-</b>	<b>34,874,898</b>	<b>36,513,631</b>

During the year ended December 31, 2021 as well as the year ended December 31, 2020, 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 quoted 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 realistic measure of the fair value is available.

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

## Notes to the consolidated financial statements

For the year ended December 31, 2021

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 non-financial assets and non-financial liabilities).

	2021				
	Carried at Fair Value Through Income Statement YR '000	Available for Sale	Carried at Fair Value Through Equity YR '000	Amortized Cost / Other YR '000	Total Carrying Amount YR '000
<b>Financial assets</b>					
Cash on hand and reserve balances with (CBY)	-	-	50,726,891	50,726,891	50,726,891
Due from banks and financial institutions	-	-	206,512,793	206,512,793	206,512,793
Financing Murabaha and Istisna'a transactions (net)	-	-	21,093,483	21,093,483	21,093,483
Musharaka investments contracts (net)	-	-	-	-	-
Mudaraba investments contracts (net)	-	-	27,008,604	27,008,604	27,008,604
Investments in Islamic Sukuk	-	-	-	-	-
Investments in securities	31,071,227	-	7,460,260	38,531,487	38,531,487
Ijarah Muntahia Bit Tamleek receivables (net)	-	-	665,067	665,067	665,067
Qard hasan (net)	31,071,227	-	321,648,898	352,540,125	352,540,125
<b>Financial liabilities</b>					
Due to banks and financial institutions	-	-	6,551,265	6,551,265	6,551,265
Current accounts and other deposits	-	-	163,218,575	163,218,575	163,218,575
Equity of unrestricted investments and saving accounts' holders	-	-	266,819,152	266,819,152	266,819,152
	-	-	436,588,992	436,588,992	436,588,992

## Notes to the consolidated financial statements

For the year ended December 31, 2021

	2020				
	Carried at Fair Value Through Income Statement YR '000	Available for Sale Carried at Fair Value Through Equity YR '000	Amortized Cost / Other YR '000	Total Carrying Amount YR '000	Fair Value YR '000
<b>Financial assets</b>					
Cash on hand and reserve balances with (CBY)	-	-	59,114,469	59,114,469	59,114,469
Due from banks and financial institutions	-	-	194,785,416	194,785,416	194,785,416
Financing Murabaha and Istisna'a Transactions (net)	-	-	38,001,392	38,001,392	38,001,392
Musharaka investments contracts (net)	-	-	-	-	-
Mudaraba investments contracts (net)	-	-	27,005,604	27,005,604	27,005,604
Investments in Islamic Sukuk			409,084	409,084	409,084
Investments in securities	23,234,373	13,279,258	-	36,513,631	36,513,631
Ijarah Muntahia Bittamleek receivables (net)			692,285	692,285	692,285
Qard hasan (net)	-	-	-	-	-
	23,234,373	13,279,258	318,011,250	354,524,881	354,524,881
<b>Financial liabilities</b>					
Due to banks and financial institutions	-	-	9,932,944	9,932,944	9,932,944
Current accounts and other deposits	-	-	173,425,625	173,425,625	173,425,625
Equity of unrestricted investments and saving accounts' holders	-	-	282,384,373	282,384,373	282,384,373
	-	-	445,742,942	445,742,942	445,742,942

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **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 function, 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.
- Shar'a supervisory board: The Shar'a Supervisory Board is entrusted with the responsibility to ensure adherence to Shar'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 Muhibba, Iftisaa' transactions, Mudaraba and Musharaka contracts, Ijara, Murabaha, Bismileek 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.

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

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### **Management of credit risk**

The Group uses an internal risk rating system to assess the credit quality of borrowers and counterparties. The risk rating system has 5 grades. Grades 1 and 2 are performing debts and Grades 3-5 are non-performing. Nonperforming debts 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):

Grade	Category	2021	2020
		YR '000	YR '000
1-2	Performing and watchlist	25,663,496	40,301,241

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 collateral 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 movements over diversified sectors to minimize concentration of credit risk.

## Notes to the consolidated financial statements

For the year ended December 31, 2021

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).

	2021 YR '000	2020 YR '000
Cash on hand and reserve balances with CBY (excluding cash on hand and AIMS)	35,614,388	35,263,754
Due from banks and financial institutions	206,512,793	194,785,416
Financing Murabaha and Ijтихād transactions (net)	21,093,483	36,001,392
Musharaka investments contracts (net)	-	-
Mudaraba investments contracts (net)	27,000,604	27,000,604
Investments in Islamic Sukuk	-	409,064
Investments in securities	38,531,187	36,513,631
Investments in real estate	170,256,058	171,360,623
Ijarah Muntahia Bitamleek receivables (net)	665,067	692,285
Qard Hasan (net)		
Debit balances and other assets (net) after deducting the advance payments	4,007,421	3,603,502
	<b>503,799,301</b>	<b>505,646,291</b>
Contingent liabilities and commitments	63,729,720	38,488,105
<b>Total credit risk exposure</b>	<b>567,529,021</b>	<b>544,134,396</b>

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

	2021		2020	
	Gross Maximum Exposure YR '000	Net Maximum Exposure YR '000	Gross Maximum Exposure YR '000	Net Maximum Exposure YR '000
Governmental	214,730,794	-	205,663,841	-
Financial	43,154,938	21,213,827	40,657,564	20,822,033
Industrial	13,827,870	13,827,870	21,328,471	21,281,075
Commercial	224,702,176	129,574,147	230,547,500	144,910,264
Agricultural and fishing	1,407	1,407	2,276,794	2,276,794
Others	7,582,116	7,582,116	5,172,121	5,172,402
	<b>503,799,301</b>	<b>181,999,367</b>	<b>505,646,291</b>	<b>194,462,588</b>
Contingent liabilities and commitments	63,729,720	25,770,933	38,488,105	19,952,463
<b>Total</b>	<b>567,529,021</b>	<b>207,770,300</b>	<b>544,134,396</b>	<b>214,415,051</b>

The Group manages concentration of risk by distributing the financing and investment portfolio over diversified economic sectors and geographical locations. Note (41) shows the distribution of assets, liabilities, contingent liabilities and commitments based on economic sectors and Note (42) 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 any other costs.

Liquidity risk is the risk that the Bank will be unable to meet its obligations when they fall due and in addition to the risk is arising from the inability to liquidate some funds on timely basis without incurring losses.

## Notes to the consolidated financial statements

For the year ended December 31, 2021

### 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 ratio as at December 31, 2021 was 49.61% (as at December 31, 2020 was 46.64%).

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

Liabilities	2021					Total YR '000
	Due within 3 Months YR '000	Due from 3 to 6 Months YR '000	Due from 6 Months to 1 Year YR '000	Due More than 1 Year YR '000		
Due to banks and financial institutions	6,551,265					6,551,265
Current accounts and other deposits	163,218,575	-	-	-	-	163,218,575
Equity of unrestricted investments and saving accounts' holders	36,984,256	25,701,682	48,734,956	155,398,276	286,519,152	
Credit balances and other liabilities	11,219,613	-	-	-	-	11,219,613
<b>Liabilities</b>	<b>217,973,711</b>	<b>25,701,682</b>	<b>48,734,956</b>	<b>155,398,276</b>	<b>447,808,605</b>	
Liabilities	2020					Total YR '000
	Due within 3 Months YR '000	Due from 3 to 6 Months YR '000	Due from 6 Months to 1 Year YR '000	Due more than 1 Year YR '000		
Due to banks and financial institutions	9,932,944					9,932,944
Current accounts and other deposits	173,425,625	-	-	-	-	173,425,625
Equity of unrestricted investments and saving accounts' holders	38,434,000	27,097,000	52,883,000	143,970,373	262,384,373	
Credit balances and other liabilities	9,107,556	-	-	-	-	9,107,556
<b>Liabilities</b>	<b>230,900,124</b>	<b>27,097,000</b>	<b>52,883,000</b>	<b>143,970,373</b>	<b>454,850,497</b>	

Note (40) 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 return 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).

## Notes to the consolidated financial statements

For the year ended December 31, 2021

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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 evaluation 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 rates that the Group could pay to unrestricted investors' and saving accounts' holders. Therefore, the Group is not exposed, directly, to the risk of change in return rate.

Note (25.1) to the consolidated financial statements shows the average return (rate) allocated to equity of unrestricted investments & saving accounts' holders during the year compared with the last year.

- **Exchange rate risk for foreign currencies**

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

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

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

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

	US Dollar YR '000	Euro YR '000	Saudi Riyal YR '000	2021 Sterling Pound YR '000	AED YR '000	Others YR '000	Total YR '000
Assets	312,913,684	13,183,176	223,361,391	611,150	14,520,803	217,867	564,811,601
Liabilities	(332,304,111)	(17,964,935)	(215,629,534)	(610,917)	5,635,723	(71,975)	(560,645,749)
Net currency position	(19,390,427)	(4,781,759)	7,735,457	233	20,156,716	145,882	3,865,902

**Notes to the consolidated financial statements**  
For the year ended December 31, 2021

	2020						
	US Dollar YR '000	Euro YR '000	Saudi Riyal YR '000	Sterling Pound YR '000	AED YR '000	Others YR '000	Total YR '000
Assets	144,063,007	4,807,250	135,771,006	206,582	1,640,771	90,957	255,668,732
Liabilities	(160,821,000)	(7,125,992)	(92,525,001)	(292,713)	(1,092,322)	(34,804)	(256,938,894)
Net currency position	(16,568,623)	(2,318,702)	13,245,924	2,879	6,342,083	66,163	759,834

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

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

Currency	The closing Exchange Rates According to CBY as at		The average Exchange Rate According to the Market Rates as at	
	2021		2020	
	Equivalent YR	Equivalent YR	Equivalent YR	Equivalent YR
US Dollar	250.25	250.25	601.65	589
Euro	283.53	307.46	690.89	734.5
Saudi Riyal	66.68	66.65	158.20	155.5
Sterling Pound	337.39	340.72	820.17	808.6
AED	68.2	68.2	164.44	160.52

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, 2021 and 2020.

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 statement of income, with all other variables held constant:

Currency	Effect on Consolidated statement of Income Increase (Decrease) YR '000	
	2021	2020
US Dollar	(11,937,231)	(22,425,057)
Euro	(2,943,771)	(3,220,511)
Saudi Riyal	4,762,141	17,644,016
Sterling Pound	143	4,098
AED	12,408,979	8,590,654
Other Currencies	69,685	78,024

Note (45) to the consolidated financial statements indicates the significant foreign currencies' positions at the consolidated financial statements date compared with last year.

**d. Operational risk**

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

**Notes to the consolidated financial statements**  
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**e. Other risks**

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

**8. Capital management**

The primary objectives of the Group's capital management are to ensure that the Group complies with capital requirements which are issued by the Central Bank of Yemen (CBY), and that the Group maintains strong credit ratings and excellent capital ratios. The capital adequacy is monitored on a quarterly basis by the management of the Group employing techniques based on the guidelines as implemented by the CBY for supervisory purposes. The Bank prepares a quarterly report for capital adequacy ratio in accordance with Central Bank of Yemen (CBY) Circular no. (2) of 1992.

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:

	<b>2021</b> <b>YR Millions</b>	<b>2020</b> <b>YR Millions</b>
Core capital	37,982	39,799
Supplementary capital	21,604	21,458
<b>Total capital</b>	<b>59,586</b>	<b>61,257</b>
<hr/>		
<b>Risk-weighted assets and liabilities:</b>		
Total assets	194,253	205,128
Contingent liabilities and commitments	25,771	19,952
<b>Total risk-weighted assets and liabilities</b>	<b>220,024</b>	<b>225,080</b>
<hr/>		
<b>Capital adequacy ratio</b>	<b>27.07%</b>	<b>27.22%</b>

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 or performing debts which should not exceed 2% of risk weighted assets.

**Notes to the consolidated financial statements**  
For the year ended December 31, 2021

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

This item consists of the following as of December 31:

	2021 YR '000	2020 YR '000
Cash on hand and ATM - local currency	15,644,955	7,892,140
Cash on hand and ATM - foreign currencies	7,237,899	16,167,056
	<u>23,882,854</u>	<u>23,849,196</u>
Mandatory reserve with CBY - local currency	15,325,089	16,076,086
Mandatory reserve with CBY - foreign currency	20,319,299	20,187,686
	<u>35,644,388</u>	<u>36,263,754</u>
Valuable metals (gold and silver)	1,449	1,519
	<u>58,728,691</u>	<u>59,114,489</u>

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

**10. Due from banks and financial institutions**

This item consists of the following as of December 31:

	Notes YR '000	2021 YR '000	2020 YR '000
<b>Central Bank of Yemen</b>			
Current accounts - local currency	97,447,904	95,798,231	
Wakala deposit-local currency	80,000,000	70,700,000	
Current accounts - foreign currency	1,638,502	3,903,856	
	<u>179,086,406</u>	<u>170,400,087</u>	
<b>Balances with local banks</b>			
Current accounts - local currency	99,960	113,844	
	<u>99,960</u>	<u>113,844</u>	
<b>Foreign Banks and financial institutions</b>			
Current accounts - foreign currency	25,912,975	23,267,456	
Wakala placements - foreign currency	3,789,975	2,549,250	
Investments deposits - foreign currency	756,760	756,786	
Collateral accounts - foreign currency	134,786	961,614	
	<u>30,594,496</u>	<u>27,535,108</u>	
<b>Less: Impairment provision for due from banks and financial institutions*</b>	<b>10.1</b>	<b>(3,268,060)</b>	<b>(3,263,623)</b>
		<u>206,512,793</u>	<u>194,785,416</u>

\* The economic situation in the Republic of Lebanon and its local banking system has been subjected to a great degree of uncertainty and the current lack of clarity about the potential negative effects on the Lebanese economy and the banking sector. As a result of these events, a provision for impairment was provided on the bank balances due from Bank of Beirut and other Lebanese banks at 100% of the business result of the year ended December 31, 2021.

**Notes to the consolidated financial statements**  
For the year ended December 31, 2021

**10.1 Impairment provision for due from banks and financial institutions**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Balance at the beginning of the year		3,263,623	-
Add: Provided during the year	34	4,711	3,263,623
Differences in re-translation of the provision in foreign currencies		(265)	-
		3,268,069	3,263,623

**11. Financing Murabaha and Istim'a transactions**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Financing Murabaha transactions		20,621,631	32,151,176
Financing Istim'a transactions		5,031,129	9,582,585
		25,652,763	42,033,760
<b>Less: Provision for financing Murabaha and Istim'a transactions</b>	11.1	(1,995,008)	(2,704,958)
<b>Less: Deferred revenues</b>		(2,763,712)	(3,267,410)
		<b>21,003,483</b>	<b>36,001,392</b>

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

Non-performing financing Murabaha and Istim'a transactions amounted to YR 1,778,480 thousand as at December 31, 2021 after deducting balances secured by cash deposits amounted to YR 11 thousand (YR 3,027,028 thousand as at December 31, 2020 after deducting balances secured by cash deposits amounted to YR 822 thousand). The break-up of the above amounts are as follows:

	2021 YR '000	2020 YR '000
Bad financing debts	21,736	2,011,719
Doubtful financing debts	421,732	7,552
Substandard financing debts	1,335,012	7,757
	<b>1,778,480</b>	<b>2,027,028</b>

**Notes to the consolidated financial statements**  
For the year ended December 31, 2021

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

This item consists of the following as of December 31:

Notes	2021			2020		
	Specific YR '000	General YR '000	Total YR '000	Specific YR '000	General YR '000	Total YR '000
Balance at the beginning of the year	2,017,434	747,524	2,764,958	2,635,798	932,845	3,768,643
Add:						
Provided during the year	34	7,126	46,126	53,234	17,727	50,105
Less:						
Used during the year		(53,596)	-	(53,596)	(40,898)	-
Transferred to allowance for doubtful debt balances and other assets		-	-	-	(2,300)	-
Transferred from specific provision to general provision		(1,499)	1,499	(512)	512	-
Reversed during the year	33	(430,600)	(300,425)	(789,025)	(245,939)	(1,038,319)
	1,530,844	464,724	1,995,568	2,017,434	747,524	2,764,858

**12. Musharaka investments contracts**

This item consists of the following as of December 31:

Notes	2021		2020	
	YR '000	YR '000	YR '000	YR '000
Musharaka investments contracts – Local			312,813	312,813
Less: Provision for Musharaka investments contracts	12.1		(312,813)	(312,813)

Non-performing Musharaka investments contracts which were classified as bad debts amounted to YR 312,813 thousand as at December 31, 2021 (YR 312,813 thousand as at December 31, 2020).

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

This item consists of the following as of December 31:

Notes	2021			2020		
	Specific YR '000	General YR '000	Total YR '000	Specific YR '000	General YR '000	Total YR '000
Balance at the beginning of the year	312,813	-	312,813	312,813	73,549	386,362
Add: Provided during the year	-	-	-	-	-	-
Less: Reversed during the year	33	-	-	-	(73,549)	(73,549)
Balance at the end of the year	312,813	-	312,813	312,813	-	312,813

**13. Mudaraba investments contracts**

This item consists of the following as of December 31:

Notes	2021		2020	
	YR '000	YR '000	YR '000	YR '000
Mudaraba investments contracts - Local			9,320,829	9,320,829
Mudaraba investments contracts - Foreign			19,445,011	19,445,011
			28,765,840	28,765,840
Less: provision for Mudaraba investments contracts	13.1		(1,757,238)	(1,757,238)
			27,008,604	27,008,604

**Notes to the consolidated financial statements**  
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Non-performing Mudaraba investments contracts amounted to YR 1,265,865 thousand as at December 31, 2021 after deducting balances secured as cash guarantees by YR 1,265,865 thousand (YR 1,265,865 thousand as at December 31, 2020 after deducting balances secured as cash guarantees by YR 2,931,392 thousand).

The break-up of the above amounts are as follows:

	2021 YR '000	2020 YR '000
Doubtful debts		
Bad debts	1,265,865	1,265,865
	<b>1,265,865</b>	<b>1,265,865</b>

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

This item consists of the following as of December 31:

Notes	2021			2020		
	Specific YR '000	General YR '000	Total YR '000	Specific YR '000	General YR '000	Total YR '000
Balance at the beginning of the year	1,265,865	491,371	1,757,236	1,169,106	538,187	1,708,573
Add: Provided during the year	-	-	-	(2,176,430)	-	(2,176,430)
Less: Used during the year	-	-	-	(726,911)	(48,096)	(774,907)
Less: Reversed during the year	33	-	-	-	-	-
	<b>1,265,865</b>	<b>491,371</b>	<b>1,757,236</b>	<b>1,265,865</b>	<b>491,371</b>	<b>1,757,236</b>

**14. Investments in Islamic Sukuk**

This item consists of the following as of December 31:

	2021 YR '000	2020 YR '000
<b>Debt-type Instruments - Sukuk at amortized cost</b>		
Islamic Sukuk - local (unquoted)	-	-
Islamic Sukuk - foreign (quoted)	-	409,084
	<b>-</b>	<b>409,084</b>

Investments in local Islamic Sukuk are issued by the unit of the Islamic Sukuk at CRV (unquoted), the nominal value of Sukuk is YR (Nil) as at December 31, 2021 (YR (Nil) as at December 31, 2020 for each sukuk).

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

**Notes to the consolidated financial statements**  
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**15. Investments in securities**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
<b>Equity Instruments</b>			
At fair value through equity			
Available-for-sale investments - unquoted		7,624,209	13,443,207
Change in fair value (unrealized gain)		7,624,209	13,443,207
<b>Less: Impairment provision on available-for-sale investments</b>	15.1	(163,949)	(163,949)
		7,460,260	13,279,258
<b>Investments - instruments</b>			
At fair value through income statement			
Unquoted investments		30,220,469	22,715,100
Quoted investments		842,735	1,638,733
		31,071,227	24,358,921
<b>Less:</b>			
Impairment provision on investments in securities at fair value through income statement	15.2		(1,122,548)
		31,071,227	23,234,373
<b>Investments instruments at amortized cost</b>			
Unquoted investments		1,401,400	1,401,400
<b>Less: Impairment provision on investments at amortized cost</b>	15.3	(1,401,400)	(1,401,400)
		38,531,487	38,513,831

As at December 31, 2021 and 2020, 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 provision on available-for-sale investments**

This item consists of the following as of December 31:

	2021 YR '000	2020 YR '000
Balance at the beginning of the year	163,949	163,819
Impairment during the year	-	-
Reversed during the year	-	-
	163,949	163,949

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For the year ended December 31, 2021

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

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Balance at the beginning of the year		1,122,548	1,888,948
Used during the year		(1,878,737)	(2,024,462)
Impairment during the year	35	756,189	1,250,062
		-	1,122,548

**15.3 Impairment provision on investments at amortized cost**

This item consists of the following as of December 31:

	2021 YR '000	2020 YR '000
Balance at the beginning of the year	1,401,400	1,401,400
Impairment during the year	-	-
	1,401,400	1,401,400

**16. Investments in real estate**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Investments in real estate - Local		14,405,356	13,351,060
Investments in real estate - Foreign		120,658,732	120,917,098
		135,064,087	134,268,159
Changes in fair value (unrealized gain)	27.3	44,972,410	44,530,724
		180,036,497	178,798,883
<b>Less: Impairment provision on investments in real estate</b>		(9,780,439)	(7,430,260)
		170,256,058	171,368,623

Real estate investments are as follows:

	Notes	2021 YR '000	2020 YR '000
Balance in beginning of the year		134,268,159	134,039,371
Additional during the year		1,492,637	3,005,967
Disposal during the year		(696,709)	(3,077,179)
<b>Total Cost</b>		135,064,087	134,268,159
<b>Add: Changes in fair value (unrealized gain)</b>	27.3	44,972,410	44,530,724
<b>Less: Impairment provision on value of real estate investments</b>	16.1	(9,780,439)	(7,430,260)
		170,256,058	171,368,623

**Notes to the consolidated financial statements**  
For the year ended December 31, 2021

**16.1 Impairment provision on value of real estates investments**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Balance at the beginning of the year		7,430,260	6,126,028
Provided during the year	38	2,350,179	1,331,390
Reversed during the year	33	-	(27,158)
		<b>9,780,439</b>	<b>7,430,260</b>

**17. Ijarah muntahia bittamleek receivables**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Ijarah Muntahia Bittamleek receivables		912,611	956,362
Less: deferred revenues		(189,950)	(210,970)
Less: Impairment provision of Ijarah Muntahia Bittamleek receivables	17.1	(57,594)	(53,107)
		<b>685,067</b>	<b>692,285</b>

**17.1 Impairment provision of Ijarah muntahia bittamleek receivables**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Balance at the beginning of the year		53,107	29,347
Add: Provided during the year	34	4,487	23,760
Less: Reversed during the year		-	-
		<b>57,594</b>	<b>53,107</b>

**18. Debit balances and other assets**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Projects in process (advances)		2,212,831	1,771,303
Loans and advances		1,481,629	796,060
Assets transferred to Bank's ownership		461,255	571,605
Accrued income		420,141	624,619
Prepaid expenses		345,855	390,570
Stationery, property and equipment inventory		221,147	203,819
Current account overdrawn		40,096	195,536
Other debit balances		2,805,463	3,289,800
		<b>8,056,417</b>	<b>7,843,312</b>
Less: Provision for doubtful debt balances and other assets	18.1	(1,410,310)	(2,077,937)
		<b>6,646,107</b>	<b>5,765,375</b>

**Notes to the consolidated financial statements**  
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**18.1 Provision for doubtful debt balances and other assets**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Balance at the beginning of the year		2,077,937	2,197,491
Foreign currency translation differences		(758)	859
Transferred from provision for financing Murabaha and Ihsan'a transactions (performing and non-performing)		-	2,300
Add: Provided during the year		(673)	(74,111)
Less: Used during the year		(666,196)	(48,602)
Less: Reversed during the year	33		
		1,410,310	2,077,937

**19. Right-of-use assets and lease liabilities**

**19.1 Right-of-use assets**

This item consists of the following as of December 31:

	Locations and Offices Renta YR '000	Total YR '000
Gross carrying amount balance at January 1, 2021	1,020,482	1,020,482
Additions	102,033	102,033
Disposals	-	-
Balance at December 31, 2021	1,122,515	1,122,515
Accumulated depreciation at January 1, 2021	5,801	5,801
Depreciation for the year	295,433	295,433
Disposals	-	-
Balance at December 31, 2021	301,234	301,234
The carrying amount at December 31, 2021	821,281	821,281

**19.2 Lease liabilities**

This item consists of the following as of December 31:

	2021 YR '000	Total YR '000
Balance at January 1, 2021	1,020,482	1,020,482
Additions	-	-
Accumulated columns	(231,177)	(231,177)
Payments	789,305	789,305
Balance at December 31, 2021		

## Notes to the consolidated financial statements

For the year ended December 31, 2021

### 20. Property and equipment

This item consists of the following as of December 31:

	Land YR '000	Buildings YR '000	Machinery and Equipment YR '000	Vehicles YR '000	Furniture and Fixtures YR '000	Computer and Accessories YR '000	Total YR '000
<b>Gross carrying amount</b>							
Balance at January 1, 2021	3,396,409	3,433,072	673,879	482,694	2,662,884	3,548,547	14,177,485
Additions	1,421	-	79,917	108,642	231,089	257,915	678,984
Disposals	-	-	(16,808)	-	(100,760)	(97,658)	(247,026)
Balance at December 31, 2021	3,397,830	3,433,072	704,986	571,336	2,793,213	3,709,004	14,609,443
<b>Accumulated depreciation</b>							
Balance at January 1, 2021	-	671,500	469,825	371,938	1,313,153	3,114,484	5,940,900
Depreciation for the year	-	68,884	47,616	34,587	240,503	176,858	563,230
Disposals	-	-	(22,519)	-	(45,468)	(112,844)	(180,831)
Balance at December 31, 2021	-	740,164	489,924	406,525	1,508,188	3,178,498	6,323,299
The carrying amount at December 31, 2021	3,397,830	2,692,908	215,064	164,811	1,285,025	530,506	8,286,144
<b>Gross carrying amount</b>							
Balance at January 1, 2020	2,106,628	3,355,024	629,163	420,632	2,303,931	3,459,445	12,274,843
Additions	1,289,781	78,048	72,380	45,541	422,931	247,077	2,155,758
Disposals	-	-	(27,681)	(3,179)	(63,978)	(157,975)	(253,116)
Balance at December 31, 2020	3,396,409	3,433,072	673,879	462,694	2,662,884	3,548,547	14,177,485
<b>Accumulated depreciation</b>							
Balance at January 1, 2020	-	604,091	465,176	351,016	1,178,947	3,089,355	5,688,585
Depreciation for the year	-	67,409	44,276	24,401	211,347	130,478	477,911
Disposals	-	-	(39,627)	(3,479)	(77,141)	(105,349)	(225,596)
Balance at December 31, 2020	-	671,500	489,825	371,938	1,313,153	3,114,484	5,940,900
The carrying amount at December 31, 2020	3,396,409	2,761,572	204,054	90,756	1,349,731	434,063	8,236,585

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**21. Due to banks and financial institutions**

This item consists of the following as of December 31:

	2021 YR '000	2020 YR '000
<b>Central Bank of Yemen</b>		
Current accounts - Local currency		
	-	-
<b>Local Banks</b>		
Current accounts - Local currency	1,112,709	2,186,051
Current accounts - Foreign currency	280,630	1,834,316
	<b>1,423,339</b>	<b>4,320,367</b>
<b>Foreign Banks and Financial Institutions</b>		
Current accounts - Foreign currency	28,355	6,567,102
Current accounts - Local currency	5,099,581	45,475
	<b>5,127,926</b>	<b>6,512,577</b>
	<b>6,551,265</b>	<b>9,932,944</b>

**22. Current accounts and other deposits**

This item consists of the following as of December 31:

	2021 YR '000	2020 YR '000
Current accounts - Foreign currency	102,470,762	111,982,910
Current accounts - Local currency	30,568,137	38,283,778
	<b>133,038,899</b>	<b>150,266,688</b>
Cash margin - letters of guarantee	2,809,701	2,465,230
Other margin	123,925	1,853,777
Cash margin - letters of credit	8,399,823	1,420,640
Other deposits	18,786,227	17,413,290
	<b>30,179,676</b>	<b>23,158,937</b>
	<b>163,218,575</b>	<b>173,425,625</b>

**23. Credit balances and other liabilities**

This item consists of the following as of December 31:

	Notes 2021 YR '000	2020 YR '000
Deposits of profit for unrestricted accounts' holders	6,592,061	5,340,788
Accrued expenses	1,821,135	1,679,061
Income tax for the year	23.1 800,558	827,514
Letters of credit payment forward	88,567	8,888
Salary tax	37,303	39,660
Revenue received in advance	10,120	38,457
Prohibited revenues by Islamic Shari'a	23.2 1,443	1,639
Other credit balances	1,868,126	1,375,545
	<b>11,219,613</b>	<b>9,107,555</b>

**Notes to the consolidated financial statements**  
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**23.1 Income tax for the year**

This item consists of the following as of December 31:

	2021 YR '000	2020 YR '000
Income tax at the beginning of the year	827,514	904,080
Add: income tax for the year	800,558	627,514
Less: paid during the year	(627,514)	(801,080)
	<b>800,558</b>	<b>627,514</b>

**23.2 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:

	2021 YR '000	2020 YR '000
Balance at the beginning of the year	1,639	478
Add: Resources (revenues) during the year	1,459	1,173
Total available balance during the year	<b>3,098</b>	<b>1,651</b>
 Add: Differences of retranslating foreign currencies balances		
Total available balance during the year	<b>3,098</b>	<b>1,651</b>
 Less: Uses (expenses):		
Donations and charities	(1,666)	(12)
 Balances at the end of the year		
Amounts available for donations and grants	1,443	1,639

**24. Other provisions**

This item consists of the following as of December 31:

	2021					
	Balance at Jan. 1, 2021 YR '000	Provided during the Year YR '000	Used during the Year YR '000	Provision in Foreign Currencies YR '000	Reversed during the Year YR '000	Balance at Dec. 31, 2021 YR '000
Provision for contingent liabilities	325,440	193,674	(140,770)	(517)	-	524,662
Provision for contingent claims	691,493	6,155,200	(140,770)	-	-	6,595,973
	<b>1,009,933</b>	<b>6,351,924</b>	<b>(140,770)</b>	<b>(517)</b>	<b>-</b>	<b>7,220,575</b>
	2020					
	Balance at Jan. 1, 2020 YR '000	Provided during the Year YR '000	Used during the Year YR '000	Provision in Foreign Currencies YR '000	Reversed during the Year YR '000	Balance at Dec. 31, 2020 YR '000
Provision for contingent liabilities	294,040	43,014	(100,947)	(88)	-	325,440
Provision for contingent claims	753,340	590,000	(661,847)	586	-	691,493
	<b>1,038,185</b>	<b>633,014</b>	<b>(661,847)</b>	<b>586</b>	<b>-</b>	<b>1,009,933</b>

## **Notes to the consolidated financial statements**

For the year ended December 31, 2021

### **25. Equity of unrestricted investments and saving accounts' holders**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Unrestricted investments deposits - local currency		102,165,570	100,355,371
Unrestricted investments deposits - foreign currency		78,031,802	76,414,696
		<b>180,197,372</b>	<b>176,770,067</b>
Investments saving deposits - local currency		39,003,273	38,185,189
Investments saving deposits - foreign currency		33,457,446	35,228,616
		<b>72,460,719</b>	<b>73,393,805</b>
Return on unrestricted investments and saving accounts' holders 26.2		<b>14,171,061</b>	<b>12,220,501</b>
		<b>266,819,152</b>	<b>262,384,373</b>

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.

#### **25.1 Equity balances of unrestricted investments and savings accounts' holders**

This item consists of the following as of December 31:

	2021 YR '000	2020 YR '000
Mudaraba	252,648,091	250,163,872
	<b>252,648,091</b>	<b>250,163,872</b>
AS the following:		
Customers' investment accounts based on Mudaraba	180,197,372	176,770,067
Balances on demand	72,460,719	73,393,805

#### **25.2 Return of unrestricted investments and saving accounts' holders**

This item consists of the following as of December 31:

	2021 YR '000	2020 YR '000
Total return of investments and savings accounts' holders	21,331,349	28,100,920
Bank's share as a Mudarib	(7,160,288)	(15,880,419)
<b>Net return of unrestricted investments and savings accounts' holders</b>	<b>14,171,061</b>	<b>12,220,501</b>

#### **25.3 Profits distribution by account type**

The share of return for unrestricted investments and saving accounts' holders from the return of related investments during the year are allocated by dividing the total return from various financing and joint investments between customers and shareholders; then the customers' shares are distributed among them based on the percentage of their participation weighted in numbers, and according to the percentage of profit shares of customers' deposits approved by the board of directors based on a proposal from the budget committee which calculates the invested amount in local and foreign currencies and their respective setting and participation rates.

**Notes to the consolidated financial statements**  
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The following table represents the average percentage of profit allocation between the shareholder's accounts applied during the year for each type of unrestricted investments and savings accounts' holders based on the agreed contractually terms with the customer:

Account Type	2021			2020		
	User	The Speculator's Share	Rate of Distributed profit	User	The Speculator's Share	Rate of Distributed Profit
Saving accounts - local currency	48%	52%	4.91%	48%	52%	5.14%
Investments saving deposits - local currency	65%	15%	8.75%	85%	15%	9.15%
Saving accounts - foreign currency	15%	65%	1.52%	15%	65%	1.63%
Investments saving deposits - foreign currency	80%	20%	2.70%	80%	20%	3.00%

**25.4 The assets in which the funds of the unrestricted investments and saving accounts' holders were invested**

This item consists of the following as of December 31:

	2021 YR '000	2020 YR '000
Investments in securities and real estate, net	142,054,009	144,763,246
Financing assets, net	67,237,134	67,588,076
Cash on hand and reserve balances with Central Bank of Yemen	42,292,477	47,220,000
Ijarah Muntahia Bittamleek and debit rent receivables, net	564,471	592,561
	<b>252,848,091</b>	<b>250,163,872</b>

**26. Share capital**

As at December 31, 2021, the authorized, issued and paid-up capital is YR 20 Billion (YR 20 Billion as at December 31, 2020) 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.

**27. Reserves**

**27.1 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, 2021, the statutory reserve amounted to YR 18,680,159 thousand (YR 17,985,160 thousand as at December 31, 2020).

**27.2 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, 2021, the general reserve amounted to YR 157,623 thousand (YR 157,623 thousand as at December 31, 2020).

**Notes to the consolidated financial statements**  
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**27.3 Other reserves**

This item consists of the following as of December 31:

	Notes	2021 YR '000	2020 YR '000
Fair value reserve for real estate investments - local	16	39,806,016	40,035,680
Fair value reserve for real estate investments - foreign	16	5,166,394	4,495,044
Fair value reserve for investments in securities		(392,764)	(471,652)
Reserve for translation of foreign currencies		113,036	113,036
		<b>44,692,662</b>	<b>44,172,108</b>

**28. Contingent liabilities and commitments**

This item consists of the following as of December 31:

	2021			2020		
	Gross Commitments YR '000	Cash Margin Held YR '000	Net Commitments YR '000	Gross Commitments YR '000	Cash Margin Held YR '000	Net Commitments YR '000
Letters of credit	37,404,224	(8,339,623)	29,004,401	14,687,219	(3,178,390)	11,508,829
Letters of guarantee	26,325,490	(2,489,701)	23,435,795	23,600,806	(2,485,210)	21,305,596
	<b>63,729,720</b>	<b>(11,269,524)</b>	<b>52,460,196</b>	<b>38,488,105</b>	<b>(5,643,620)</b>	<b>32,844,485</b>

**29. Income from financing murabaha and Istisna'a transactions**

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

	2021 YR '000	2020 YR '000
Income from financing Murabaha transactions	2,643,893	3,537,124
Income from Istisna'a transactions	536,633	989,005
	<b>3,182,576</b>	<b>4,526,429</b>

**30. Income from other joint investments**

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

	2021 YR '000	2020 YR '000
<b>Income from banks and financial institutions</b>		
Income from investments deposits	15,453,100	20,203,300
Income from Wakala placements	3,611	1,114
	<b>15,456,711</b>	<b>20,204,414</b>
<b>Income from investments in securities</b>		
Investments income through income statement	1,889,978	245,186
Income from financial investments available for sale	71,931	373,263
	<b>1,941,909</b>	<b>618,419</b>
<b>Other revenues</b>		
Income from investments in real estate	2,488,175	2,182,363
Income from Ijarah Muntahia Bittamleek	75,279	78,635
Income from Islamic Sukuk	37,689	32,384
Other joint income	1,075,509	1,302,721
	<b>3,676,682</b>	<b>3,596,003</b>
	<b>21,075,302</b>	<b>24,418,836</b>

**Notes to the consolidated financial statements**  
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**31. Fees and commission income**

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

	2021 YR '000	2020 YR '000
Commissions on letter of credit	4,813,994	3,565,449
Commissions on cash transfers	1,749,052	805,832
Commissions on letter of guarantee	205,849	277,650
Other fees and commissions	658,003	1,245,961
	<b>7,506,898</b>	<b>5,894,992</b>

**32. Gains (losses) on foreign currency transactions**

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

	2021 YR '000	2020 YR '000
Net gains (losses) on dealing in foreign currencies	2,006,852	(3,469,281)
Translation of foreign currencies balances	-	-
	<b>2,006,852</b>	<b>(3,469,281)</b>

**33. Other operating income**

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

	Notes YR '000	2021 YR '000	2020 YR '000
<b>Provisions reversed</b>			
Allowance for financing Murabaha and Istimai'a transactions	11.1	759,028	1,038,319
Provision for debit balances and other assets	10.1	666,196	40,602
Provision for investments in real estate	10.1	-	27,158
Provision for financing Mudaraba investments contracts	13.1	-	774,807
Provision for Musharaka contracts	12.1	-	73,549
Qard Hasan provision	-	-	35
		<b>1,435,224</b>	<b>1,962,570</b>
Others		558,455	548,160
		<b>1,993,679</b>	<b>2,610,730</b>

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**34. Provisions**

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

	Notes	2021 YR '000	2020 YR '000
Provision for financing Murabaha and Ijara's transactions	11.1	53,234	77,833
Impairment provision for Ijarah Muntahia Bittameek receivables	17.1	4,487	23,760
Impairment provision for due from banks and financial institutions	10.1	4,711	3,263,623
		<b>62,432</b>	<b>3,365,216</b>
<b>Other provisions</b>			
Provision for contingent liabilities	24	6,155,250	590,000
Provision for contingent claims	24	196,574	43,014
		<b>6,351,924</b>	<b>633,014</b>
		<b>6,414,356</b>	<b>3,998,230</b>

**35. Impairment provision on investments in securities**

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

	Notes	2021 YR '000	2020 YR '000
Impairment provision on investments securities at fair value through income statement	15.2	756,189	1,260,062
		<b>756,189</b>	<b>1,260,062</b>

**36. Impairment provision on investments in real estate**

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

	Notes	2021 YR '000	2020 YR '000
Impairment provision on investments real estate	16.1	2,350,179	1,331,390
		<b>2,350,179</b>	<b>1,331,390</b>

**37. Staff costs**

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

		2021 YR '000	2020 YR '000
Basic salaries		2,546,872	2,221,281
Bonuses and incentives		2,972,545	2,069,204
Contributions to social security		347,055	159,665
Others		90,114	71,840
		<b>5,956,586</b>	<b>4,521,990</b>

**Notes to the consolidated financial statements**  
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**38. Other expenses**

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

	2021 YR '000	2020 YR '000
Professional and consulting fees	779,388	500,030
Zakat	747,625	572,761
Advertising expenses	577,031	281,274
Maintenance expenses	461,600	401,256
Cleaning expenses	463,506	310,820
Subscription to deposit insurance corporation	317,062	336,442
Insurance expenses	293,708	275,682
Water and electricity	277,848	210,631
Transportation	272,064	303,067
Subscriptions	257,021	277,351
Rent	193,870	450,124
Donations and charities	87,169	51,706
Stationery	73,271	69,217
Fuel and lubricants	65,506	51,839
Training and studies expenses	62,066	63,396
Government fees	26,569	19,313
Communication	23,451	24,300
Hospitality	15,107	14,012
Cash deficits*	-	1,100,200
Others	473,154	430,788
	<b>5,458,998</b>	<b>5,844,269</b>

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

**39. (Loss) earnings per share from net (loss) profit for the year**

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

	2021	2020
Net (loss) profit for the year (YR '000)	(1,811,420)	949,986
Number of shares (thousand shares)	20,000	20,000
(Loss) earnings per share from (loss) profit for the year (YR)	<b>(90.57)</b>	<b>47.50</b>

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**40. Maturities of financial assets and liabilities**

	2021				
	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
<b>Assets</b>					
Cash on hand and reserve balances with CBY	58,729	-	-	-	58,729
Due from banks and financial institutions	208,378	-	135	-	208,513
Financing Murabaha and Ibtisam's transactions	7,427	3,112	3,192	7,362	21,003
Musharaka investments contracts	-	-	-	-	-
Mudaraba investments contracts	-	-	-	27,039	27,003
Investment in Islamic Sukuk	-	-	-	-	-
Investments in securities	842	-	12,907	24,702	36,551
Investments in real estate	819	-	-	169,437	170,256
Ijarah Murabaha Bittanfeek receivables	91	76	115	383	665
Gard Hasani	274,286	3,188	16,429	228,893	522,798
<b>Liabilities</b>					
Due to banks and financial institutions	6,551	-	-	-	6,551
Current accounts and other deposits	163,219	-	-	-	163,219
Equity of unrestricted investments and saving accounts' holders	36,981	25,702	48,735	155,398	266,213
<b>Net</b>	<b>67,532</b>	<b>(22,514)</b>	<b>(32,306)</b>	<b>73,405</b>	<b>86,207</b>

	2020				
	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
<b>Assets</b>					
Cash on hand and reserve balances with CBY	58,114	-	-	-	58,114
Due from banks and financial institutions	194,785	-	-	-	194,785
Financing Murabaha and Ibtisam's transactions	13,298	6,265	3,903	12,735	36,001
Musharaka investments contracts	-	-	-	-	-
Mudaraba investments contracts	2,932	-	8,080	15,997	27,009
Investment in Islamic Sukuk	400	-	-	-	400
Investments in securities	1,767	-	10,985	23,759	36,511
Investments in real estate	-	-	-	171,389	171,389
Ijarah Murabaha Bittanfeek receivables	63	73	116	423	692
Gard Hasan	-	-	-	-	-
<b>Net</b>	<b>272,388</b>	<b>6,135</b>	<b>23,087</b>	<b>224,283</b>	<b>525,893</b>
<b>Liabilities</b>					
Due to banks and financial institutions	9,933	-	-	-	9,933
Current accounts and other deposits	173,426	-	-	-	173,426
Equity of unrestricted investments and saving accounts' holders	38,434	27,097	52,883	143,970	262,304
<b>Net</b>	<b>50,595</b>	<b>(20,962)</b>	<b>(29,796)</b>	<b>80,313</b>	<b>80,150</b>

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

	2021					
	Industrial YR Millions	Commercial YR Millions	Agriculture and Fishing YR Millions	Financial YR Millions	Individuals & Others YR Millions	Total YR Millions
<b>Assets</b>						
Cash on hand and reserve balances with CBY	-	-	-	56,729	-	56,729
Due from banks and financial institutions	-	-	-	206,513	-	206,513
Financing Murabaha and Istisna'a transactions	6,354	9,350	1	-	5,380	21,093
Musharaka investments contracts	-	-	-	-	-	-
Murabaha investments contracts	-	27,000	-	-	-	27,000
Investments in Islamic Sukuk	-	-	-	-	-	-
Investments in securities	7,274	17,813	-	13,392	52	36,531
Investments in real estate	-	170,256	-	-	-	170,256
Ijarah Murabaha Bitarakeek receivables	-	275	-	-	390	665
Qard Hasan	-	-	-	-	-	-

	2021					
	Industrial YR Millions	Commercial YR Millions	Agriculture and Fishing YR Millions	Financial YR Millions	Individuals & Others YR Millions	Total YR Millions
<b>Liabilities</b>						
Due to banks and financial institutions	-	-	-	6,561	-	6,561
Current accounts and other deposits	16,817	111,756	596	2,875	23,145	163,213
Equity of unrestricted investments and saving accounts' holders	1,135	112,934	2,604	63	150,080	266,813
<b>Contingent liabilities and commitments</b>						
Letters of guarantee	1,189	13,803	-	1,096	7,408	23,490
Letters of credit	24,512	4,092	-	-	-	29,004

	2020					
	Industrial YR Millions	Commercial YR Millions	Agriculture and Fishing YR Millions	Financial YR Millions	Individuals & Others YR Millions	Total YR Millions
<b>Assets</b>						
Cash on hand and reserve balances with CBY	-	-	-	59,114	-	59,114
Due from banks and financial institutions	-	-	-	191,785	-	191,785
Financing Murabaha and Istisna'a transactions	6,013	24,065	2,277	-	2,846	36,001
Musharaka investments contracts	-	-	-	-	-	-
Murabaha investments contracts	6,080	19,929	-	-	-	27,009
Investments in Islamic Sukuk	-	-	-	103	-	103
Investments in securities	7,140	15,480	-	13,455	439	36,514
Investments in real estate	95	171,274	-	-	-	171,369
Ijarah Murabaha Bitarakeek receivables	-	-	-	-	692	692
Qard Hasan	-	-	-	-	-	-
<b>Liabilities</b>						
Due to banks and financial institutions	-	-	-	9,933	-	9,933
Current accounts and other deposits	7,816	61,400	486	11,129	82,796	173,425
Equity of unrestricted investments and saving accounts' holders	177	15,037	312	5,068	241,790	262,304
<b>Contingent liabilities and commitments</b>						
Letters of guarantee	2	8,663	-	6,833	5,817	21,335
Letters of credit	1,764	8,000	1,678	-	87	11,503

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

	2021					
	Republic of Yemen YR Millions	America YR Millions	Europe YR Millions	Asia YR Millions	Africa YR Millions	Total YR Millions
<b>Assets</b>						
Cash on hand and reserve balances wth CBY	56,729	-	-	-	-	56,729
Due from banks and financial institutions	183,021	-	3,768	19,186	536	206,513
Financing Murabaha and Ijtsma'a transactions	21,093	-	-	-	-	21,093
Musharaka investments contracts	-	-	-	-	-	-
Mucaraba investments contracts	11,012	-	-	15,997	-	27,009
Investments in Islamic Sukuk	-	-	-	-	-	-
Investments in securities	4,962	-	1,390	30,356	1,023	36,531
Investments in real estate	53,717	-	-	116,488	1,051	170,256
Ijarah Murabaha Bitanfeek receivables	665	-	-	-	-	665
Qard Hasen	-	-	-	-	-	-
<b>Liabilities</b>						
Due to banks and financial institutions	440	-	5,080	26	506	5,601
Current accounts and other deposits	163,455	-	-	(276)	-	163,213
Equity of unrestricted investments and saving accounts' holders	266,819	-	-	-	-	266,819
<b>Contingent Liabilities and commitments</b>						
Letters of guarantee	23,358	-	38	-	-	23,358
Letters of credit	-	-	9,075	19,929	-	29,004

	2020					
	Republic of Yemen YR Millions	America YR Millions	Europe YR Millions	Asia YR Millions	Africa YR Millions	Total YR Millions
<b>Assets</b>						
Cash on hand and reserve balances wth CBY	59,114	-	-	-	-	59,114
Due from banks and financial institutions	170,443	-	7,948	16,857	536	194,785
Financing Murabaha and Ijtsma'a transactions	33,999	-	2,032	-	-	36,001
Musharaka investments contracts	-	-	-	-	-	-
Mucaraba investments contracts	11,012	-	-	15,997	-	27,009
Investments in Islamic Sukuk	-	-	-	409	-	409
Investments in securities	4,388	-	1,401	28,622	1,603	36,514
Investments in real estate	53,387	-	-	116,931	1,051	171,269
Ijarah Murabaha Bitanfeek receivables	692	-	-	-	-	692
Qard Hasen	-	-	-	-	-	-
<b>Liabilities</b>						
Due to banks and financial institutions	4,320	-	5,042	65	536	9,533
Current accounts and other deposits	174,140	-	-	(714)	-	173,426
Equity of unrestricted investments and saving accounts' holders	262,384	-	-	-	-	262,384
<b>Contingent Liabilities and commitments</b>						
Letters of guarantee	19,422	-	-	1,913	-	21,335
Letters of credit	-	-	5,342	6,167	-	11,509

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**43. 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.

	2021		2020	
	Surplus (Deficit) YR '000	% Of Capital YR '000	Surplus (Deficit) YR '000	% Of Capital YR '000
US Dollar	(19,390,427)	(30.39%)	(18,568,823)	(25.20%)
EURO	(4,781,759)	(7.49%)	(2,315,702)	(3.53%)
Saudi Riyals	7,735,457	12.12%	13,245,924	20.14%
Sterling Pound	233		2,979	
Emirates Dirham	20,160,716	31.59%	6,342,093	9.04%
Other	145,682	0.23%	56,163	0.09%
<b>Net surplus</b>	<b>3,865,902</b>	<b>6.06%</b>	<b>759,834</b>	<b>1.14%</b>

The US Dollar exchange rate at December 31, 2021 was 250.25 YR (at December 31, 2020: US Dollar exchange rate was 250.25 YR) according to CBY instructions.

**44. 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. (1) 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:

	2021 YR Millions	2020 YR Millions
Financing Murabaha and Istisna a transactions	4,468	3,733
Current accounts and other deposits	286	11
Indirect financing	2,838	3,940
Income from financing Murabaha and Istisna a transactions	218	328
Fees and commissions income	1	1
Executive management salaries and benefits	117	124

**45. Tax position**

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

## **Notes to the consolidated financial statements**

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- The tax declaration for the year 2017 was submitted on the legal deadline, and the bank received an additional tax assessment on the profits of the year in the amount of YR 2,317,085,438 with a penalty of YR 46,341,705. The Bank agreed to part of that assessment in the amount of YR 398,219,058 and payment was made. Moreover, the Bank has submitted its objection on the assessment remaining amount to the settlement committee, and it is still pending in front of the committee.
- The tax declaration for the year 2018 was submitted on the legal deadline, and the bank was received an additional tax assessment on the profits for the year in the amount of YR 1,516,451,945. The Bank agreed to part of that tax assessment in the amount of YR 215,858,587 and the payment was made. Moreover, the Bank submitted its objection on the assessment remaining amount to the settlement committee, and it is still pending in front of the committee.
- The tax declaration for the year 2019 was submitted on the legal deadline, and the bank received an additional tax assessment in the amount of YR 1,163,465,545. The Bank agreed to part of the tax assessment in the amount of YR 412,210,505 and the payment was made. Moreover, the Bank submitted its objection on the assessment remaining amount to the settlement committee, and it is still pending in front of the committee.
- The tax declaration for the year 2020 was submitted on the legal deadline, and inspection is currently ongoing by the tax authority. The bank has not received any additional notification up to the issuing these consolidated financial statements.
- The Bank has paid the salary tax for the period till the end of 2021 based on monthly declarations. No notification of any additional assessment was received for the years 2020 and 2021 up to the date of issuing these consolidated financial statements.
- The tax declaration for the year 2021 was submitted on the legal deadline, and the bank has not been notified of any additional assessment notifications up to date of issuing these consolidated financial statements.

### **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 2021 according to the Zakat declaration. No additional assessment notification was issued by the General Authority of Zakat.

### **47. Significant accounting estimates**

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

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

**Notes to the consolidated financial statements**  
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**48. Contingent liabilities**

- In the year 2013, Arcapita Bank B.S.C. has filed a legal case against the Group in U.S. Bankruptcy Court Southern District of New York for setting off approximately USD 20 million (including the assets under management) of Wakala deposit against the amount placed with Arcapita Bank B.S.C. of USD 18.4 million (including the assets under management). The legal case is currently in progress in U.S. 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.
- On September 22, 2021, the U.S. Bankruptcy Court issued an order awarding previous judgment interest to the counterparty and setting the rate of the previous judgment interest. On September 23, 2021, the U.S. Bankruptcy Court issued a final judgment against the Company and in favor of the counterparty for an amount of approximately USD 34.4 million, consisting of the wakala deposit amount deposited by the counterparty, profits due on the wakala deposit, and the daily compensation between initial judgment date and the order court date.
- On February 8, 2022, the Group and the counterparty entered into an out-of-court settlement agreement, in which the counterparty agreed to withdraw its claim against the Group in return for a one-off immediate payment (the settlement amount) of USD 21 million within three days of signing the settlement agreement, and the instalment amount was paid on February 8, 2022. (Note No. "49").
- In addition, the Group has raised a number of legal cases against a third party in 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 a number of other legal cases raised against the Group at the respective courts, and the Group's management believes that there are no liabilities that will arise on those cases.
- The Group obtained the required approvals to acquire a plot of investment land (foreign). As a result of this, the Group is committed to purchase the plot of land for an aggregate cost of USD 6.13 million comprising purchase price and transaction costs.

**49. Current events in Republic of Yemen and subsequent events**

- Due to the current political crisis, economic situation and security events in the Republic of Yemen, it is difficult for management to predict the effects of these events to the Group activities and its financial position for the coming period. The management is studying the effects of this crisis in the short term on the Group and making the necessary precautions to ensure continuity.
- The settlement of legal claim (Note "48") was partly funded by a Murabaha financing that the Group obtained from a related party for an amount of USD 15 million. The Murabaha financing agreement includes a profit in the amount of USD 5 million to be paid to the related party during the year 2022, on the condition that the Group will be able to exit from its investments during the year 2022. If the Group is unable to comply with this condition, the Murabaha installments will be rescheduled accordingly.

**50. Significant events**

- Due to the impact of the outbreak of the Coronavirus (Covid-19) at the beginning of the year 2020, causing disturbances to economic activities and businesses around the world, which may affect the continuity of the Group, and in the Republic of Yemen, there are no indications of the outbreak of Coronavirus (Covid-19) to date, and the Group's management sees that there is not yet any material impact or quantitative estimate of the potential effects on the future financial statements at this stage. Management and those responsible for governance will continue to monitor the situation and provide stakeholders with developments as required by the laws and regulations in the event of any material

**Notes to the consolidated financial statements**  
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- changes in the current circumstances or approve any modifications in the financial statements for subsequent periods.
- On June 27, 2021, the Public Prosecution (the Specialized Criminal Prosecution) has sent an official letter No. (3800) to the Governor of the Central Bank of Yemen which states to withhold all Tadhamon Bank funds deposited with the Central Bank of Yemen and in all banking sectors in a manner that ensures that the amounts ordered to be confiscated in the case No. 192 for the year 2019 and the case No. 407 for the year 2019 filed against one of the bank's clients.  
As a result, the Central Bank of Yemen (Financial Data Collection Unit) on June 28, 2021 issued a circular to all Money Exchange companies and establishments operating in the Republic of Yemen to withhold all funds and balances of Tadhamon Bank deposited with Money Exchange companies and establishment in any form and to provide the Central Bank of Yemen with all funds and balances withheld until the date of the circular. It is noted that the Bank does not hold any outstanding balances with Money Exchange companies and establishments.

**51. Authorization of financial statements**

The financial statement for the year ended December 31, 2021 were approved by management of group on June 20, 2022.

**Notes to the consolidated financial statements**  
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**52. The separate financial statements for Tadhamon Bank - Sana'a, Republic of Yemen**

**52.1 Statement of Financial Position as at December 31**

	Dec. 31, 2021 YR '000	Dec. 31, 2020 YR '000
<b>Assets</b>		
Cash on hand and reserve balances with Central Bank of Yemen (CBY)	58,728,691	50,114,469
Due from banks and financial institutions	201,163,746	190,345,987
Financing Murabaha and Istisna'a transactions	21,093,450	33,999,392
Musharaka investments contracts	-	-
Mudaraba investments contracts	27,008,604	27,008,604
Investments in securities	4,952,204	4,888,056
Investments in real estate	130,052,711	130,123,127
Jerah Muntahia Bitamleek receivables	555,067	692,285
Qard Hasan	-	-
Investments in subsidiaries	8,667,890	8,667,890
Debit balances and other assets	81,937,516	82,097,510
Right of use assets	780,671	-
Property and equipment	8,182,590	8,184,618
<b>Total assets</b>	<b>543,243,140</b>	<b>545,121,968</b>
<b>Liabilities, investments accounts' holders and equity</b>		
<b>Liabilities</b>		
Due to banks and financial institutions	6,551,265	9,932,944
Current accounts and other deposits	163,495,018	174,140,072
Credit balances and other liabilities	11,141,468	8,960,595
Lease liabilities	748,447	-
Other provisions	1,965,325	1,000,938
<b>Total Liabilities</b>	<b>183,901,523</b>	<b>194,043,849</b>
<b>Investments accounts' holders</b>		
Equity of unrestricted investments and saving accounts' holders	286,819,152	282,304,375
<b>Total Liabilities and Investments accounts' holders</b>	<b>450,720,675</b>	<b>456,428,224</b>
<b>Equity</b>		
Share capital	20,000,000	20,000,000
Statutory reserve	18,442,765	18,104,061
General reserve	157,623	157,623
Other reserves	44,972,410	44,530,724
Retained earnings	8,949,667	5,901,336
<b>Total equity</b>	<b>92,522,465</b>	<b>88,693,744</b>
<b>Total Liabilities, investments accounts' holders and equity</b>	<b>543,243,140</b>	<b>545,121,968</b>
<b>Contingent liabilities and commitments, net</b>	<b>52,460,196</b>	<b>32,844,485</b>

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**52.2 Income Statement for the year ended December 31**

	Dec. 31, 2021 YR '000	Dec. 31, 2020 YR '000
Income from financing Murabaha and Istisna'a transactions	3,182,576	4,526,429
Income from other joint investments	18,148,773	23,574,493
	<b>21,331,349</b>	<b>28,100,922</b>
<b>Less:</b>		
Return on unrestricted investments and saving accounts' holders	(14,171,061)	(12,220,503)
Bank's share from the income on Murabaha, Istisna'a, and joint investment	7,160,288	15,880,419
Fees and commission income	7,506,898	5,894,992
<b>Less: Fees and commission expenses</b>	<b>(1,040,467)</b>	<b>(438,152)</b>
<b>Net fees and commission income</b>	<b>6,466,431</b>	<b>5,456,840</b>
Gains (losses) on foreign currency transactions	2,015,503	(3,485,332)
Other operating income	1,480,710	1,971,160
<b>Total operating income</b>	<b>17,122,932</b>	<b>19,823,087</b>
<b>Less:</b>		
Provisions	(1,154,395)	(3,996,523)
Staff costs	(5,074,942)	(3,803,911)
Depreciation of property and equipment	(541,060)	(462,189)
Depreciation of right-of-use assets	(272,228)	
Impairment provision on Wakalah	-	(2,292,129)
Real estate investment losses	(1,566,397)	
Other expenses	(4,335,286)	(5,249,201)
<b>Net profit for the year before tax</b>	<b>4,178,624</b>	<b>4,019,201</b>
Income tax for the year	(791,589)	(570,831)
<b>Net profit for the year after income tax</b>	<b>3,387,035</b>	<b>3,448,370</b>
<b>Earnings per share</b>	<b>169</b>	<b>172</b>