

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

Tadhamon Bank (Yemeni Joint Stock Company)

December 31, 2022



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Independent Auditor's Report

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

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Report on Audit of the Consolidated Financial Statements

Qualified 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, 2022, 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 (1-54).

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph of our report, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at December 31, 2022, 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 ended on December 31, 2022.

Basis for Qualified Opinion

1. The Group's management has not applied the Financial Accounting Standard (FAS) No. 32 issued by Accounting and Auditing Organization for Islamic Financial Institutions "AAOIFI" Ijara, where the right-of-use asset and net lease liability have to present in accordance with the requirements of the standard. As a result, we were unable to determine the impact of applying this standard on the Group's consolidated financial statements.
2. The Group's management has not provided a provision for the exposure of foreign currencies positions amount of YR 844,114 thousand. As a result, the other provisions and losses of the year were understated by this amount and the equity was overstated by the same amount.

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.

Independent Auditor's Report (Continued)

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 of 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, 2022 using the official exchange rates. Our opinion is not qualified in respect of this matter.
- Note No. (16) of the accompanying notes to the consolidated financial statements (investments in real estate), which describes that the Group's management has not completed the legal procedures related to the ownership transferring of foreign investments in real estate 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, 2022. Our opinion is not qualified in respect of this matter.
- Note No. (50) 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. (51) 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 matter.
- Note No. (51) of the accompanying notes to the consolidated financial statements (significant 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. This Murabaha was settled through the granting related party equity shares in the Group's investments in the United Kingdom. Our opinion is not qualified in this matter.
- Note No. (52) of the accompanying notes to the consolidated financial statements (subsequent events), as on March 22, 2023, Law No. (4) for the year 1444 H "Prevent Riba Transactions Act" was issued, which will affect the main activity of the bank, especially in the Murabaha financing and credit letters financed through Murabaha. On March 30, 2023 circular No (12) for the year 1444 H was issued by the Central Bank of Yemen, which required banks to liquidate all their foreign investments and reinvest them in the local market in the Republic of Yemen. Our opinion is not qualified in this matter.

Independent Auditor's Report (Continued)

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

- Note No. (52) of the accompanying notes to the consolidated financial statements (subsequent events), which indicates that subsequent to the year ended December 31, 2022 a conflict arose in the Republic of Sudan (Sudan). The existing and anticipated effects of the conflict in Sudan are expected to continue to evolve. Yem Holding Company Limited (Kingdom of Bahrain) as a subsidiary of Tadhamon Investment Limited (United Arab Emirates) owned by the Tadhamon Bank has investments in quoted equities and investment properties in Sudan with an aggregate carrying value of the USD 8,846,090, equivalent of YR 2,214,485 thousand as of December 31, 2022. Based on the Group's management assessment for these circumstances, the management has concluded that these events have not adversely effects on the Group's operations as of December 31, 2022. The scale and duration of these events remain uncertain at the date of the report and could potentially negatively impact the Group's financial performance and cash flows in future. Our opinion is not qualified in this matter.

Other Matters

- The accompanying financial statements represent the consolidated financial statements of the Group as of December 31, 2022. The separate financial statements of the Bank are presented separately in accordance with Islamic Accounting Standard No. (23) regarding the consolidation of financial statements.
- We would like to refer to the Central Bank of Yemen circular No. (26) issued on July 12, 2023 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 further notice.

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.

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.

Independent Auditor's Report (Continued)

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

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.

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.

Independent Auditor's Report (Continued)

**To: The Shareholders' of
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Report on Other Legal and Regulatory Requirements

Except for the matters described in the basis of qualified opinion paragraph, we have obtained from management the information and clarifications that we deemed necessary for our audit. The Group keeps proper books of accounts, 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, 2022, which might have had a material effect on the business of the Group or its consolidated financial position.

Grant Thornton Yemen

Ramzi S. Al-Ariqi

**Sana'a - Republic of Yemen
September 7, 2023**

Consolidated statement of financial position

As at December 31, 2022

	Notes	Dec. 31, 2022 YR '000	Dec. 31, 2021 YR '000
Assets			
Cash on hand and reserve balances with Central Bank of Yemen (CBY)	9	51,293,862	58,728,691
Due from banks and financial institutions	10	192,021,059	206,512,793
Financing Murabaha and Istisna'a contracts transactions	11	18,313,905	21,093,483
Musharaka investments contracts	12	-	-
Mudaraba investments contracts	13	18,928,191	27,008,604
Investments in Islamic Sukuk	14	-	-
Investments in securities	15	41,200,464	38,531,487
Investments in real estate	16	167,957,371	170,256,058
Ijarah Muntahia Bittamleek receivables	17	674,339	665,067
Qard Hasan		-	-
Debit balances and other assets	18	5,731,911	6,646,107
Right-of-use assets	19.1	17,355	821,281
Property and equipment	20	11,364,370	8,286,144
Total assets		507,502,827	538,549,715
Liabilities, investment accounts' holders and equity			
Liabilities			
Due to banks and financial institutions	21	5,111,488	6,551,265
Current accounts and other deposits	22	142,552,347	163,218,575
Credit balances and other liabilities	23	8,731,947	11,219,613
Lease liabilities	19.2	18,213	789,305
Other provisions	24	1,084,219	7,220,575
Total liabilities		157,498,214	188,999,333
Investment accounts' holders			
Equity of unrestricted investments and saving accounts' holders	25	270,772,945	266,819,152
Total liabilities and investment accounts' holders		428,271,159	455,818,485
Equity			
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	38,173,576	44,692,662
Retained earnings (losses)		2,783,367	(225,439)
Total equity		79,194,725	82,705,005
Non-controlling interest		36,943	26,225
		79,231,668	82,731,230
Total liabilities, investment accounts' holders and equity		507,502,827	538,549,715
Contingent liabilities and commitments	28	34,627,520	52,460,196

Finance Manager

Deputy General Manager

General Manager

Chairman

Mr. Hafiz Saeed
Al-Asbahi

Mr. Basheer Sultan
Al-Maqtari

Mr. Mahmoud Atta
Al-Rifai

Mr. Shawqi Ahmed
Hayel

The accompanying notes from (1) to (54) form an integrated part of these consolidated financial statements

Consolidated statement of income

For the year ended December 31, 2022

	Notes	2022 YR '000	2021 YR '000
Income from financing Murabaha and Istisna'a contracts transactions	29	4,110,629	3,182,576
Income from other joint investments	30	16,323,358	21,075,302
		20,433,987	24,257,878
Less:			
Return on unrestricted investments and saving accounts' holders	25.2	(14,295,831)	(14,171,061)
Bank's share from the income on Murabaha, Istisna'a, and Joint Investments		6,138,156	10,086,817
Fees and commission income	31	15,092,560	7,506,898
Less: Fees and commission expenses		(3,266,531)	(822,111)
Net fees and commission income		11,826,029	6,684,787
Gains on foreign currencies transactions	32	813,225	2,006,852
Gains (losses) on sale of property and equipment		83,833	(476)
Other operating income	33	2,361,983	1,993,679
Total operating income		21,223,226	20,771,659
Less:			
Provisions	34	(1,149,498)	(6,414,356)
Impairment provision on Wakala		-	-
Realized losses of investments in subsidiaries companies	35	(3,850,246)	-
Impairment provision on investments in securities	36	(1,825,391)	(756,189)
Impairment provision on investments in real estate	37	(11,716)	(2,350,179)
Staff costs	38	(6,870,127)	(5,956,586)
Depreciation of right-of-use assets	19	(23,256)	(295,433)
Depreciation of property and equipment	20	(643,574)	(563,230)
Other expenses	39	(8,881,941)	(5,458,998)
Net losses for the year before tax		(2,032,523)	(1,023,312)
Income tax for the year	23.1	(760,954)	(800,558)
Net losses for the year after income tax		(2,793,477)	(1,823,870)
Attributable to:			
Shareholders of the bank		(2,788,367)	(1,811,420)
Non-controlling interest		(5,110)	(12,450)
Net losses for the year		(2,793,477)	(1,823,870)
Earnings per share from net losses of the year	40	(139.42)	(90.57)

Finance Manager

Deputy General Manager

General Manager

Chairman

Mr. Hafiz Saeed
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Hayel

Consolidated statement of changes in equity

For the year ended December 31, 2022

	Share Capital YR '000	Statutory Reserve YR '000	General Reserve YR '000	Other Reserves YR '000	Retained Earnings (Losses) YR '000	Total Equity Attributable to Shareholders of the Bank YR '000	Non- Controlling Interest YR '000	Total YR '000
Balance at January 1, 2022	20,000,000	18,080,159	157,623	44,692,662	(225,439)	82,705,005	26,225	82,731,230
Adjustments on retained losses during the year	-	-	-	-	5,797,173	5,797,173	-	5,797,173
Net losses for the year	-	-	-	-	(2,788,367)	(2,788,367)	(5,110)	(2,793,477)
Transferred to statutory reserve	-	-	-	-	-	-	-	-
Change in fair value	-	-	-	(6,519,086)	-	(6,519,086)	-	(6,519,086)
Change in non-controlling interests	-	-	-	-	-	-	15,828	15,828
Balance at December 31, 2022	20,000,000	18,080,159	157,623	38,173,576	2,783,367	79,194,725	36,943	79,231,668
Balance at January 1, 2021	20,000,000	18,080,159	157,623	44,172,108	1,585,981	83,995,871	39,158	84,035,029
Net losses for the year	-	-	-	-	(1,811,420)	(1,811,420)	(12,450)	(1,823,870)
Transferred to statutory reserve	-	-	-	-	-	-	-	-
Change in fair value	-	-	-	520,554	-	520,554	-	520,554
Change in non-controlling interests	-	-	-	-	-	-	(483)	(483)
Balance at December 31, 2021	20,000,000	18,080,159	157,623	44,692,662	(225,439)	82,705,005	26,225	82,731,230

Finance Manager

Deputy General Manager

General Manager

Chairman

Mr. Hafiz Saeed Al-Asbahi

Mr. Basheer Sultan Al-Maqtari

Mr. Mahmoud Atta Al-Rifai

Mr. Shawqi Ahmed Hayel

The accompanying notes from (1) to (54) form an integrated part of these consolidated financial statements

Consolidated statement of cash flows

For the year ended December 31, 2022

	Notes	2022 YR '000	2021 YR '000
<u>Cash flows from operating activities</u>			
Net losses for the year before tax		(2,032,523)	(1,023,312)
<u>Adjustments for:</u>			
Adjustments on retained losses		5,797,173	-
Depreciation of right-of-use assets		23,256	295,433
Depreciation of property and equipment	20	643,574	563,230
Provisions provided to the income statement	34	1,149,498	6,414,356
Provisions used during the year		(7,052,113)	(195,039)
Adjustment on opening balance of debit and other assets provision		470,995	-
Differences of re-translating the foreign currencies provisions		(2,052)	(1,540)
Provisions reversed during the year	33	(1,540,438)	(1,435,224)
(Gains) losses on sale of property and equipment		(83,833)	476
Return of unrestricted investments and saving accounts' holders	25.2	14,295,831	14,171,061
Impairment provision on investments in securities	36	1,825,391	756,189
Impairment provision on investments in real estate	37	11,716	2,350,179
		13,506,475	21,895,809
<u>Changes in:</u>			
Reserve balances with CBY		(36,787)	(380,634)
Financing Murabaha and Istisna'a contracts transactions		3,340,985	15,677,299
Musharaka investments contracts		-	-
Mudaraba investments contracts		8,245,320	-
Ijarah Muntahia Bittamleek receivables		34,560	22,731
Qard Hasan		-	-
Debit balances and other assets		1,098,014	(213,105)
Current accounts and other deposits		(20,666,228)	(10,207,050)
Credit balances and other liabilities		(2,448,062)	1,939,014
Non-controlling interest		15,828	(483)
Cash generated from operating activities		3,090,105	28,733,581
Paid income tax	23.1	(800,558)	(627,514)
Net cash flows available from operating activities (1)		2,289,547	28,106,067
<u>Cash flows from investing activities</u>			
Change in investments in Islamic Sukuk		-	409,084
Change in investments in securities		(4,496,204)	(2,774,045)
Change in real estate investments		(4,232,115)	(717,060)
Change in right-of-use assets		780,670	(96,232)
Cash payments to acquisition of property and equipment	20	(3,776,665)	(678,984)
Proceeds from sale of property and equipment		138,698	65,719
Net cash flows used in investing activities (2)		(11,585,616)	(3,791,518)

Consolidated statement of cash flows (continued)

For the year ended December 31, 2022

	Notes	2022 YR '000	2021 YR '000
Cash flows from financing activities:			
Change in due to banks and financial institutions		(1,439,777)	(3,381,679)
Change in equity of unrestricted investments and saving account 's holders		(10,342,038)	(9,736,282)
Payments to creditors of the right to use leased assets		(771,092)	(231,177)
Net cash flows used in financing activities (3)		(12,552,907)	(13,349,138)
Net change in cash and cash equivalents (1+2+3)		(21,848,976)	10,965,411
Cash and cash equivalents at the beginning of the year		232,865,165	221,899,754
Cash and cash equivalents at the end of the year		211,016,189	232,865,165
Cash and cash equivalents at the end of the year consist of:			
Cash on hand and reserve balances with (CBY)	9	51,293,862	58,728,691
Due from banks and financial institutions	10	195,403,502	209,780,862
		246,697,364	268,509,553
Less: Mandatory reserve with (CBY)		(35,681,175)	(35,644,388)
		211,016,189	232,865,165

Finance Manager

Deputy General Manager

General Manager

Chairman

Mr. Hafiz Saeed
Al-Asbahi

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Al-Maqtari

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Hayel

Consolidated statement of sources and uses of Qard Hasan fund

For the year ended December 31, 2022

	2022 YR '000	2021 YR '000
<u>Balance at the beginning of the year comprises:</u>		
Outstanding utilized loans	-	-
Add: Sources of fund		
Transferred from customers' current accounts	-	-
Less: Uses of fund		
Transferred to customers' current accounts	-	-
Balance at the end of the year	-	-
Less: Provision for Qard Hasan fund	-	-
	-	-

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

	2022 YR '000	2021 YR '000
Balance of the provision at the beginning of the year	-	-
Provision provided during the year	-	-
Provisions reversed during the year	-	-
Balance of the provision at the end of the year	-	-

Finance Manager

Deputy General Manager

General Manager

Chairman

**Mr. Hafiz Saeed
Al-Asbahi**

**Mr. Basheer Sultan
Al-Maqtari**

**Mr. Mahmoud Atta
Al-Rifai**

**Mr. Shawqi Ahmed
Hayel**

Consolidated statement of changes in restricted investments accounts
For the year ended December 31, 2022

	2022		
	Movements		
	During the Year		
	Investments at	Deposits	Investments at
	Jan. 1, 2022	(Withdrawal)	Dec. 31, 2022
	YR '000	YR '000	YR '000
Investments in securities	2,870,636	4,126,340	6,996,976
Investments in real estate	7,707,099	(3,402,027)	4,305,072
Others	1,831,296	(856,149)	975,147
Total	12,409,031	(131,836)	12,277,195

	2021		
	Movements		
	During the Year		
	Investments at	Deposits	Investments at
	Jan. 1, 2021	(Withdrawal)	Dec. 31, 2021
	YR '000	YR '000	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
Total	12,535,327	(126,296)	12,409,031

Finance Manager

Deputy General Manager

General Manager

Chairman

**Mr. Hafiz Saeed
Al-Asbahi**

**Mr. Basheer Sultan
Al-Maqtari**

**Mr. Mahmoud Atta
Al-Rifai**

Mr. Shawqi Ahmed Hayel

Notes to the consolidated financial statements

For the year ended December 31, 2022

1. Background information

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

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

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

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

Subsidiary Name	2022	2021	Principal Activities
	Percentage of Equity	Percentage of Equity	
Yem Holding Company. W.L.L - Bahrain	-	99%	Holding Company *
Green Land Reality Limited - UAE	100%	100%	Management of Real Estate Assets
TIIB Group Real Estate Limited - UAE	100%	100%	Management of Real Estate Assets
Tadhamon Capital B.S.C. (C) - Bahrain	99.9%	99.9%	Financial Services
Tadhamon investments limited - UAE	100%	100%	General Trading and Property Acquisition
Tadhamon Real Estate Ltd. - Yemen	95%	95%	Real Estate Development

*During the year 2022, and after obtaining the necessary approvals, the bank’s management excluded its investments in Yem Holding Company Limited - Kingdom of Bahrain and transferred its remaining investments to Tadhamon Investment Company Limited - United Arab Emirates as a subsidiary company owned (100%) by the bank. The ownership of Yem Holding Company was transferred to Tadhamon Investment Limited Company.

2. Preparation basis of the consolidated financial statements

2.1 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.

2.2 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 September 6, 2023 note (53).

Notes to the consolidated financial statements

For the year ended December 31, 2022

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, 2022. 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 losses 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 and liabilities at the date of the financial statements and reported amounts of revenues and expenses. Actual results may differ from these estimates.

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

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

2.5.1 Going concern principle

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

2.5.2 Classification of investments

In the process of applying the Group’s accounting policies, management decides on acquisition of an investment whether it should be classified as debt type instruments carried at fair value through equity or amortised cost, or equity-type instruments carried at fair value through equity or fair value through income statement. The

Notes to the consolidated financial statements

For the year ended December 31, 2022

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 (judgmental) decline in the fair value below its cost or where other objective evidence of impairment exists. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and future cash flows and the present value calculation factors for unquoted equities.

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

The investments 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 Bittamleek

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

Notes to the consolidated financial statements

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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 or after January 1, 2022

- **Financial Accounting Standard No. (37) " Financial reporting by Waqf Institutions**

AAOIFI has issued FAS in 2020. The objective of this standard is to establish principles for financial reporting by Waqf Institutions, which are established and operated in line with Shari'a principles and rules. The implementation of this comprehensive standard is expected, in turn, to contribute towards improving effectiveness and efficiency of operations of Waqfs, maximizing benefits to the beneficiaries and encouraging proper accountability and management.

There was no significant impact on the Group when they apply this standard.

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

AAOIFI has issued FAS (38) Wa'ad, Khiyar and Tahawwut in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to Shari'a compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after January 1, 2022 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 Muntahia Bittamleek, etc.; and
- b. "Product Wa'ad and Khiyar" which is used as a stand-alone Shariah compliant arrangement.

There was no significant impact on the Group when they apply this standard.

3.1.2 New standards, amendments and interpretations issued but not yet effective.

The Group has not yet applied the new and amended financial accounting standards that have been issued but not yet effective:

- **Financial Accounting Standard No. (39) Financial Reporting for Zakat**

AAOIFI has issued FAS (39) Financial Reporting for Zakah in 2022. 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 institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each entity within the group, this standard shall be applicable on all consolidated and separate/standalone financial statements of an institution.

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For the year ended December 31, 2022

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period. The Group is currently evaluating the impact of applying the standard.

- **Financial Accounting Standard No. (40) “financial reporting for Islamic finance windows”**

AAOIFI has issued FAS (40) “financial reporting for Islamic finance windows” in 2021. The objective of this revised standard is to establish financial reporting requirements for Islamic finance windows and applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. This standard improves upon and supersedes FAS (18) “Islamic financial services that offered by conventional financial institutions”. This Standard shall be effective for the financial periods beginning on or after January 1, 2024 with early adoption permitted.

There is no impact from this standard on the Group’s financial statements due to the Group provides banking Islamic financial services.

- **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, 2024 with an option to early adopt.

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:

- Revised conceptual framework is now integral part of the AAOIFI FAS’s;
- Definition of Quasi equity is introduced;
- Definitions have been modified and improved;
- Concept of comprehensive income has been introduced;
- Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- Disclosure of Zakah and Charity have been relocated to the notes;
- True and fair override has been introduced;
- Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- Disclosures of related parties, subsequent events and going concern have been improved;
- Improvement in reporting for foreign currency, segment reporting;
- Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI’s and third part prescribes the authoritative status, effective date an amendment to other AAOIFI FAS’s; and
- 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 financial statements.

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For the year ended December 31, 2022

- **Financial Accounting Standard No. (41) Interim Financial Report**

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by AAOIFI. This standard also provides an option for the institution to prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard will be effective for financial statements for the period beginning on or after January 1, 2023 and is not expected to have any significant impact on the Group's interim financial information.

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

- **Financial Accounting Standard No. (30) "impairment, credit losses and onerous commitments"**

AAOIFI issued FAS (30) "Impairment, Credit Losses and Onerous Commitments" in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS (30) will replace FAS (11) Provisions and Reserves and parts of FAS (25) Investment in Sukuk, shares and similar instruments that deal with impairment.

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

On August 27, 2020, the Central Bank of Yemen issued circular No. (3407), regarding the application of FAS 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 FAS No. (30) Impairment, Credit Losses and Onerous Commitments, which states to postpone the application of FAS No. (30) until instructions regulating the application of the standard are issued during the year 2022.

On July 12, 2023, the Central Bank of Yemen issued Circular No. (26) regarding FAS No. (30) Impairment, Credit Losses and Onerous Commitments, which states to postpone the application of FAS No. (30) until further notice, with completing the procedures according to the instructions issued on June 29, 2022 regarding the Business Steering Committee to apply the standard.

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

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

FAS (32) sets out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah (Ijarah asset, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic financial institutions as a lessor and lessee. The bank has not applied FAS (32) "Ijarah and Ijarah Muntahia Bittamleek".

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For the year ended December 31, 2022

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.

Exchange rate differences on monetary items are recognized as part of profits or losses in the period in which they arise, with the exception of exchange rate differences on debts in foreign currencies relating to assets under process produced for future use, which are included in the cost of these assets when considered an adjustment to profit margin costs on those debts are in foreign currencies.

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

3.3 Financial contracts

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

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

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

3.3.2 Equity of unrestricted and saving investments account holders

Equity of unrestricted investments and saving accounts' holders are funds held by the Group in unrestricted investments accounts, which it can invest at its own discretion. The unrestricted investments and saving accounts' holders 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 (Mudarib fees) on the unrestricted investments and saving accounts' holders. Of the total income from unrestricted investments and saving accounts, the income attributable to customers is allocated to unrestricted investments and saving accounts after setting aside provisions, reserves (profit equalisation reserve and investment risk reserve) and deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit-sharing limits as per the terms and conditions of the unrestricted investments and saving accounts. Administrative expenses incurred in connection with the management of the funds are borne directly by the 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.

Notes to the consolidated financial statements

For the year ended December 31, 2022

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

3.3.3 Wakala

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

3.3.4 Sukuk

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

3.3.5 Murabaha receivables

Murabaha is a contract whereby one party ("Seller") sells an asset to the other party ("Purchaser") at cost plus profit and on a deferred payment basis, after the Seller have purchased the asset based on the Purchaser's promise to purchase the same on such Murabaha basis. The sale price comprises the cost of the asset and an agreed profit margin. The sale price (cost plus the profit amount) is paid by the Purchaser to the Seller on 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 agree upon specifications, for an agreed price. Istisna'a transactions are stated at cost, less deferred profits and provision for impairment.

3.3.7 Mudaraba

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

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

Notes to the consolidated financial statements

For the year ended December 31, 2022

3.3.8 Musharaka

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

3.3.9 Ijarah Muntahia Bittamleek

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

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

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

Depreciation is 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.

3.4.1 Classification

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

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

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

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

Notes to the consolidated financial statements

For the year ended December 31, 2022

- **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.

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.

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- **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 losses is recognized in the consolidated statement of income in the period in which they arise. Subsequent to initial recognition, investments classified at amortized cost are measured at amortized cost using the effective profit method less any impairment provision. All gains or losses arising from the amortization process and those arising on de-recognition or impairment of the investments, are recognized in the consolidated statement of income.

Investments at fair value through equity

Policy applicable up to the issuance of (FAS 33): Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or losses, 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 losses previously recognized in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

Policy applicable after the issuance of (FAS 33): Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or losses, 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 losses previously recognized in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

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 profit method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

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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 on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Group of assets such as adverse changes in the payment status of borrowers. If such evidence exists, any impairment losses 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 Istisna'a financing transactions

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

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

Debts relating to Financing Murabaha and Istisna'a contracts 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.

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Debts relating to Financing Murabaha and Istisna'a contracts 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 worthy Banks. Provision is determined based on periodical reviews of the portfolio and is made in accordance with the following minimum rates:

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

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

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

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

Notes to the consolidated financial statements

For the year ended December 31, 2022

3.6 Revenue recognition

3.6.1 Financing Murabaha and Istisna'a contracts 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 Fatwa of Shari'a Board.
- In order to comply with the requirements of CBY, the Bank does not accrue the profit relating to non-performing contracts in the consolidated 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 on these transactions during the year.

3.6.3 Available-for-sale investments

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

3.6.4 Ijarah Muntahia Bittamleek

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

3.6.5 Fees and commission income

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

3.6.6 Wakala income

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

3.6.7 Income from Sukuk and deposits

Income from Sukuks 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".

Notes to the consolidated financial statements

For the year ended December 31, 2022

3.7 Restricted investment accounts

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

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 FAS (26), the investment in real estate is initially recognized at cost and subsequently measured based on intention whether the investment in real estate is held-for-use or held for sale. The Group has adopted the fair value model for its investments in real estate.

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

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 losses 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.

Notes to the consolidated financial statements

For the year ended December 31, 2022

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	50 Years
Machinery & equipment	10 Years
Motor vehicles	5 Years
Furniture and fixtures	4 - 5 Years
Computer and accessories	5 Years

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

3.10 Impairment of non-financial assets

The carrying amounts are reviewed at each reporting date for indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the present value in use and its fair value less costs to sell, whichever is greater. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks related to the asset. Impairment losses are 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.

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.

Notes to the consolidated financial statements

For the year ended December 31, 2022

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

3.14 End of service benefits

- With regard to the Group employees in Yemen, all employees are contributing to the social security scheme in accordance with the Republic of Yemen's Social Insurance Law No. (26) of 1991. Payments are made to the Social Security General Corporation before the 10th day of next month. The Group's contribution is charged to the consolidated 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 religious or legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or intends to realize the asset and settle the liability simultaneously.

3.16 Lease contracts

Leases are classified as finance leases whereby the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases, and they are processed in accordance with the requirement of FAS (32).

3.17 Earnings per share

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

3.18 Comparatives

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

3.19 Taxes

- The Group operations inside Republic of Yemen are subject to taxes in accordance with the applicable prevailing laws and regulations. Thus, income tax expense represents the tax currently payable as per the prevailing Yemeni Income Tax Law No. (17) for 2010 and the provision for tax liabilities is made after conducting the necessary studies and in consideration of tax assessments.
- The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the 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.

Notes to the consolidated financial statements

For the year ended December 31, 2022

- 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 contract, which determines profit (losses) 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.

6. Zakat

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

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

Notes to the consolidated financial statements

For the year ended December 31, 2022

7. Financial instruments and related risk management

7.1 Financial instruments

- a. The Group's financial instruments are represented in financial assets and liabilities. The financial assets include cash balances, due from banks and financial institutions, financing Murabaha and Istisna'a contracts transactions, Musharaka, Mudaraba contracts, Ijarah Muntahia Bittamleek, investments in securities and other assets. The financial liabilities include due to Banks and financial institutions, customers' current accounts, other deposits, equity of unrestricted investments and saving account holders and other financial liabilities. Also, financial instruments include rights and obligations stated in contingent liabilities and commitments.

Note (3) to the consolidated financial statements includes significant accounting policies applied for recording and measuring significant financial instruments and their related revenues and expenses.

- b. Fair value hierarchy

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

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

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

	2022			
	Level 1 YR '000	Level 2 YR '000	Level 3 YR '000	Total YR '000
Investments in securities				
Equity type instruments carried at fair value through equity (available for sale investments)	-	-	7,104,435	7,104,435
Equity type instruments carried at fair value through income statement	1,393,016	-	32,703,013	34,096,029
	1,393,016	-	39,807,448	41,200,464
	2021			
	Level 1 YR '000	Level 2 YR '000	Level 3 YR '000	Total YR '000
Investments in securities				
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
	842,738	-	37,688,749	38,531,487

Notes to the consolidated financial statements

For the year ended December 31, 2022

During the year ended December 31, 2022 as well as the year ended December 31, 2021, there were no transfers between levels of the fair value measurement.

c. Financial instruments for which fair value approximates carrying value

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

d. Fair value of financial instruments

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

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

Notes to the consolidated financial statements

For the year ended December 31, 2022

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

	2022				
	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
Financial assets					
Cash on hand and reserve balances with (CBY)	-	-	51,293,862	51,293,862	51,293,862
Due from banks and financial institutions	-	-	192,021,059	192,021,059	192,021,059
Financing Murabaha and Istisna'a contracts transactions	-	-	18,313,905	18,313,905	18,313,905
Musharaka investments contracts	-	-	-	-	-
Mudaraba investments contracts	-	-	18,928,191	18,928,191	18,928,191
Investments in Islamic Sukuk	-	-	-	-	-
Investments in securities	34,096,029	-	7,104,435	41,200,464	41,200,464
Ijarah Muntahia Bittamleek receivables	-	-	674,339	674,339	674,339
Qard hasan (net)	-	-	-	-	-
	34,096,029	-	288,335,791	322,431,820	322,431,820
Financial liabilities					
Due to banks and financial institutions	-	-	5,111,488	5,111,488	5,111,488
Current accounts and other deposits	-	-	142,552,347	142,552,347	142,552,347
Equity of unrestricted investments and saving accounts' holders	-	-	270,772,945	270,772,945	270,772,945
	-	-	418,436,780	418,436,780	418,436,780

Notes to the consolidated financial statements

For the year ended December 31, 2022

	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	Fair Value YR '000
Financial assets					
Cash on hand and reserve balances with (CBY)	-	-	58,728,691	58,728,691	58,728,691
Due from banks and financial institutions	-	-	206,512,793	206,512,793	206,512,793
Financing Murabaha and Istisna'a contracts transactions	-	-	21,093,483	21,093,483	21,093,483
Musharaka investments contracts	-	-	-	-	-
Mudaraba investments contracts	-	-	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 Bittamleek receivables	-	-	665,067	665,067	665,067
Qard hasan	-	-	-	-	-
	31,071,227	-	321,468,898	352,540,125	352,540,125
Financial liabilities					
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, 2022

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 consolidated financial position in terms of structure, distribution, risk and return and their impact on profitability.
- Audit Committee: The Audit Committee is appointed by the Board of Directors who are nonexecutive directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, the soundness of the internal controls of the Group, the measurement system of risk assessment, and the methods for monitoring compliance with laws, regulations and supervisory and internal policies.
- Shari'a supervisory board: The Shari'a Supervisory Board is entrusted with the responsibility to ensure adherence to Sahri'a rules and principles in its transactions and activities.

7.2.3 Risk measurement

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

a. Credit risk

Financing of Murabaha, Istisna'a contracts transactions, Mudaraba and Musharaka contracts, Ijarah Muntahia Bittamleek and their related debts, due from banks and financial investments and rights and obligations from other parties are considered as financial assets exposed to credit risk. Credit risk represents the inability of these parties to meet their obligations when they fall due.

Notes to the consolidated financial statements

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Management of credit risk

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

Grade	Classification	Criteria
3	Sub-standard debts	Overdue greater than 90 days, and shows some losses 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 losses 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	Classification	2022 YR '000	2021 YR '000
1-2	Performing and watchlist	38,313,288	25,663,496

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

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

Notes to the consolidated financial statements

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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).

	2022 YR '000	2021 YR '000
Cash on hand and reserve balances with CBY (excluding cash on hand and ATMs)	35,681,175	35,644,388
Due from banks and financial institutions	192,021,059	206,512,793
Financing Murabaha and Istisna'a contracts transactions	18,313,905	21,093,483
Musharaka investments contracts	-	-
Mudaraba investments contracts	18,928,191	27,008,604
Investments in Islamic Sukuk	-	-
Investments in securities	41,200,464	38,531,487
Investments in real estate	167,957,371	170,256,058
Ijarah Muntahia Bittamleek receivables	674,339	665,067
Qard Hasan	-	-
Debit balances and other assets after deducting the advance payments	4,268,549	4,087,421
	479,045,053	503,799,301
Contingent liabilities and commitments	39,765,027	63,729,720
Total credit risk exposure	518,810,080	567,529,021

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

	2022		2021	
	Gross Maximum Exposure YR '000	Net Maximum Exposure YR '000	Gross Maximum Exposure YR '000	Net Maximum Exposure YR '000
Governmental	217,027,311	-	214,730,794	-
Financial	17,226,117	8,686,178	43,154,938	21,213,827
Industrial	11,716,101	11,716,101	13,627,870	13,627,870
Commercial	226,046,204	142,067,519	224,702,176	139,574,147
Agricultural and fishing	2,293	2,293	1,407	1,407
Others	7,027,027	7,027,027	7,582,116	7,582,116
	479,045,053	169,499,118	503,799,301	181,999,367
Contingent liabilities and commitments	39,765,027	21,111,188	63,729,720	25,770,933
	518,810,080	190,610,306	567,529,021	207,770,300

The Group manages concentration of risk by distributing the financing and investment portfolio over diversified economic sectors and geographical locations. Note (42) shows the distribution of assets, liabilities, contingent liabilities and commitments based on economic sectors and Note (43) 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 risks arising from the inability to liquidate some funds at reasonable prices and on timely basis.

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Management of liquidity risk

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

The Central Bank of Yemen Circular No. 3 of 1997 requires that the liquidity ratio be 25% as a minimum. The liquidity rate as at December 31, 2022 was 46.82% (as at December 31, 2021 was 49.61%).

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

Liabilities	2022				
	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	Total YR '000
Due to banks and financial institutions	5,111,488	-	-	-	5,111,488
Current accounts and other deposits	142,552,347	-	-	-	142,552,347
Equity of unrestricted investments and saving accounts' holders	49,047,239	53,723,784	99,697,319	68,304,603	270,772,945
Credit balances and other liabilities	8,731,947	-	-	-	8,731,947
	205,443,021	53,723,784	99,697,319	68,304,603	427,168,727

Liabilities	2021				
	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	Total 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	36,984,258	25,701,662	48,734,956	155,398,276	266,819,152
Credit balances and other liabilities	11,219,613	-	-	-	11,219,613
	217,973,711	25,701,662	48,734,956	155,398,276	447,808,605

Note (41) 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).

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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 revaluation of statement of financial position assets and liabilities. The responsibility for monitoring and managing the related risks also rests with the Treasury Department.

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

- **Return rate risk**

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

Note (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 rule according to Circular No. (4975) issued by the Central Bank of Yemen on December 4, 2019, and that the aggregate long position for all foreign currencies should not exceed 25% of the Bank's capital rule.

In order to comply with CBY circular No. 6 of 1998 and Circular No. (4975) issued by the Central Bank of Yemen the Group regularly monitors its foreign currency positions and sells the excess funds in foreign currencies at the prevailing exchange rates at the date of transaction.

Notes to the consolidated financial statements

For the year ended December 31, 2022

The table below shows the Group's net exposures to foreign currencies compared with last year according to the closing rates set in the Central Bank of Yemen's bulletin for December:

	2022						Total YR '000
	US Dollar YR '000	Euro YR '000	Saudi Riyal YR '000	Sterling Pound YR '000	AED YR '000	Others YR '000	
Assets	131,931,790	798,276	92,504,227	243,759	6,070,330	101,839	231,650,221
Liabilities	(132,501,051)	(2,997,928)	(99,562,169)	(243,783)	2,969,761	(38,248)	(232,373,418)
Net foreign currency position	(569,261)	(2,199,652)	(7,057,942)	(24)	9,040,091	63,591	(723,197)

	2021						Total YR '000
	US Dollar YR '000	Euro YR '000	Saudi Riyal YR '000	Sterling Pound YR '000	AED YR '000	Others YR '000	
Assets	312,913,684	13,183,176	223,364,991	611,150	14,520,993	217,657	564,811,651
Liabilities	(332,304,111)	(17,964,935)	(215,629,534)	(610,917)	5,635,723	(71,975)	(560,945,749)
Net foreign currency position	(19,390,427)	(4,781,759)	7,735,457	233	20,156,716	145,682	3,865,902

The table below shows the net exposure to foreign currencies during the year compared with last year according to the average market exchange rate:

	2022						Total YR '000
	US Dollar YR '000	Euro YR '000	Saudi Riyal YR '000	Sterling Pound YR '000	AED YR '000	Others YR '000	
Assets	296,681,778	1,750,829	206,913,699	459,909	13,551,433	227,346	519,584,994
Liabilities	(297,961,904)	(6,575,243)	(222,700,922)	(459,954)	6,629,708	(85,385)	(521,153,700)
Net foreign currency position	(1,280,126)	(4,824,414)	(15,787,223)	(45)	20,181,141	141,961	(1,568,706)

	2021						Total YR '000
	US Dollar YR '000	Euro YR '000	Saudi Riyal YR '000	Sterling Pound YR '000	AED YR '000	Others YR '000	
Assets	752,305,766	32,114,724	530,240,618	1,485,660	35,012,201	524,802	1,351,683,771
Liabilities	(798,924,149)	(43,763,274)	(511,877,609)	(1,485,094)	13,588,538	(173,542)	(1,342,635,130)
Net foreign currency position	(46,618,383)	(11,648,550)	18,363,009	566	48,600,739	351,260	9,048,641

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	
	2022	2021	2022	2021
	Equivalent YR	Equivalent YR	Equivalent YR	Equivalent YR
US Dollar	250.25	250.25	562.75	601.65
Euro	266.27	283.53	584.00	690.69
Saudi Riyal	66.68	66.68	149.15	158.29
Sterling Pound	300.89	337.39	567.70	820.17
AED	68.20	68.2	152.25	164.44

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, 2022 and 2021.

Notes to the consolidated financial statements

For the year ended December 31, 2022

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	
	2022	2021
US Dollar	(710,865)	(11,937,231)
Euro	(2,624,762)	(2,943,771)
Saudi Riyal	(8,728,469)	4,762,141
Sterling Pound	(21)	143
AED	11,140,594	12,408,979
Other Currencies	79,409	89,685

Note (44) 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 losses due to an event or action causing failure of technology, process, infrastructure, personnel and other risks having an operational risk impact. The Group seeks to minimize actual or potential losses from operational risks through a framework of policies and procedures that identify, assess, control, manage and report those risks. Controls include affective separation of duties, access, authorization and reconciliation procedures, and raising staff awareness about those risks and the means to assess them.

e. Other risks

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

8. Capital management

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

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

Notes to the consolidated financial statements

For the year ended December 31, 2022

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

	2022 YR Millions	2021 YR Millions
Core capital	40,971	37,962
Supplementary capital	18,329	21,604
Total capital	59,300	59,566
<u>Risk-weighted assets and liabilities:</u>		
Total assets	183,275	194,253
Contingent liabilities and commitments	21,111	25,771
Total risk-weighted assets and liabilities	204,386	220,024
Capital adequacy ratio	29.01%	27.07%

The core capital consists of share capital, statutory and general reserves and retained earnings (losses) after deducting investment in any local bank or financial company while supplementary capital consists of general provisions on performing debts which should not exceed 2% of risk weighted assets. The supplementary capital must not exceed 100% of the core capital.

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

This item consists of the following as of December 31:

	2022 YR '000	2021 YR '000
Cash on hand and ATM - local currency	12,424,624	15,844,955
Cash on hand and ATM - foreign currencies	3,186,591	7,237,899
	15,611,215	23,082,854
Mandatory reserve with CBY - local currency	15,325,089	15,325,089
Mandatory reserve with CBY - foreign currency	20,356,086	20,319,299
	35,681,175	35,644,388
Valuable metals (gold and silver)	1,472	1,449
	51,293,862	58,728,691

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.

Notes to the consolidated financial statements
For the year ended December 31, 2022

10. Due from banks and financial institutions

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
<u>Balance at Central Bank of Yemen</u>			
Current accounts - local currency		108,897,695	97,447,904
Wakala deposit - local currency		70,700,000	80,000,000
Current accounts - foreign currency		1,748,441	1,638,502
		181,346,136	179,086,406
<u>Balances with local banks</u>			
Current accounts - local currency		122,324	99,960
		122,324	99,960
<u>Foreign Banks and financial institutions</u>			
Current accounts - foreign currency		13,249,298	25,912,975
Wakala placements - foreign currency		550,906	3,789,975
Collateral accounts - foreign currency		134,786	134,786
Investments deposits - foreign currency		52	756,760
		13,935,042	30,594,496
Less: Impairment provision on balances with banks and financial institutions*	10.1	(3,382,443)	(3,268,069)
		192,021,059	206,512,793

* 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%.

10.1 Impairment provision on balances with banks and financial institutions

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Balance at the beginning of the year		3,268,069	3,263,623
Provided during the year	34	117,700	4,711
Differences in re-translation of the provision in foreign currencies		(218)	(265)
Provisions reversed	33	(3,108)	-
		3,382,443	3,268,069

Notes to the consolidated financial statements

For the year ended December 31, 2022

11. Financing Murabaha and Istisna'a contracts transactions

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Financing Murabaha contracts transactions		19,628,545	20,821,634
Financing Istisna'a contracts transactions		2,737,586	5,031,129
		22,366,131	25,852,763
Less: Provision for Financing Murabaha and Istisna'a contracts transactions	11.1	(1,434,161)	(1,995,568)
Less: Deferred revenues		(2,618,065)	(2,763,712)
		18,313,905	21,093,483

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

Non-performing Financing Murabaha and Istisna'a contracts transactions amounted to YR 1,229,099 thousand as at December 31, 2022 after deducting balances secured by cash and deposits amounted to YR 15,026 thousand (YR 1,778,480 thousand as at December 31, 2021 after deducting balances secured by cash and deposits amounted to YR 11 thousand). The break-up of the above amounts are as follows:

	2022 YR '000	2021 YR '000
Bad financing debts	72,922	21,736
Doubtful financing debts	158,941	421,732
Substandard financing debts	997,236	1,335,012
	1,229,099	1,778,480

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

This item consists of the following as of December 31:

	Notes	2022			2021		
		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		1,530,844	464,724	1,995,568	2,017,434	747,524	2,764,958
Provided during the year	34	34,050	95,912	129,962	7,108	46,126	53,234
Used during the year		-	-	-	(53,596)	-	(53,596)
Transferred from specific provision to general provision		-	-	-	(1,499)	1,499	-
Reversed provision	33	(595,015)	(96,354)	(691,369)	(438,603)	(330,425)	(769,028)
		969,879	464,282	1,434,161	1,530,844	464,724	1,995,568

Notes to the consolidated financial statements

For the year ended December 31, 2022

11.2 Financing Murabaha and Istisna'a contracts transactions and provisions according to currency

This item consists of the following as of December 31:

Description	2022											
	Total Financing			Guaranties			Deferred Revenues			Provision		
	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's
Performing	11,802,178	7,948,211	19,750,389	1,044,857	49,730	1,094,587	2,457,110	-	2,457,110	187,974	157,892	345,866
Watchlist	673,574	549,827	1,223,401	-	-	-	11,480	-	11,480	107,420	10,997	118,417
Substandard	66,413	30,451	96,864	2,291	-	2,291	22,910	-	22,910	9,373	4,568	13,941
Doubtful	35,187	140,890	176,077	-	-	-	16,842	-	16,842	(12,821)	63,400	50,579
Bad	441,100	678,300	1,119,400	12,735	-	12,735	109,723	-	109,723	227,058	678,300	905,358
Total	13,018,452	9,347,679	22,366,131	1,059,883	49,730	1,109,613	2,618,065	-	2,618,065	519,004	915,157	1,434,161

The above table data were added as supplementary additional disclosures starting from 2022 according to the requirements of Circular No. (18) of 2022 "Additional disclosures in supplementary data regarding to the balance sheet and additional reports required from external auditor for the Central Bank of Yemen" issued on May 26, 2022.

Notes to the consolidated financial statements

For the year ended December 31, 2022

12. Musharaka investments contracts

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 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, 2022 (YR 312,813 thousand as at December 31, 2021).

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

This item consists of the following as of December 31:

	2022			2021		
	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	-	312,813
Provided during the year	-	-	-	-	-	-
	312,813	-	312,813	312,813	-	312,813

Notes to the consolidated financial statements

For the year ended December 31, 2022

12.2 Musharaka investments contracts and provisions according to currency

This item consists of the following as of December 31:

Description	2022											
	Total financing			Guaranties			Deferred revenues			Provision		
	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's
Performing	-	-	-	-	-	-	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Bad	-	312,813	312,813	-	-	-	-	-	-	-	312,813	312,813
Total	-	312,813	312,813	-	-	-	-	-	-	-	312,813	312,813

The above table data were added as supplementary additional disclosures starting from 2022 according to the requirements of Circular No. (18) of 2022 "Additional disclosures in supplementary data regarding to the balance sheet and additional reports required from external auditor for the Central Bank of Yemen" issued on May 26, 2022.

Notes to the consolidated financial statements

For the year ended December 31, 2022

13. Mudaraba investments contracts

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Mudaraba investments contracts - Local		1,075,509	9,320,829
Mudaraba investments contracts - Foreign		19,445,011	19,445,011
		20,520,520	28,765,840
Less: provision for Mudaraba investments contracts	13.1	(1,592,329)	(1,757,236)
		18,928,191	27,008,604

Non-performing Mudaraba investments contracts amounted to YR 1,265,865 thousand as at December 31, 2022 after deducting unused balances from Mudaraba and cash guarantees by YR 2,931,392 thousand (YR 1,265,865 as at December 31, 2021 after deducting unused balances and cash guarantees by YR 2,931,392 thousand).

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

	2022 YR '000	2021 YR '000
Substandard	-	-
Doubtful debts	-	-
Bad debts	1,265,865	1,265,865
	1,265,865	1,265,865

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

This item consists of the following as of December 31:

	Notes	2022			2021		
		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	1,265,865	491,371	1,757,236
Provided during the year		-	-	-	-	-	-
Reversed during the year	33	-	(164,907)	(164,907)	-	-	-
		1,265,865	326,464	1,592,329	1,265,865	491,371	1,757,236

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13.2 Mudaraba investments contracts and provisions according to currency

This item consists of the following as of December 31:

2022												
Description	Total Financing			Guaranties			Deferred Revenues			Provision		
	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's
Performing	-	16,323,264	16,323,264	-	-	-	-	-	-	-	326,464	326,464
Watchlist	-	-	-	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Bad	1,080,509	3,116,747	4,197,256	-	2,931,392	2,931,392	-	-	-	1,080,509	185,356	1,265,865
Total	1,080,509	19,440,011	20,520,520	-	2,931,392	2,931,392	-	-	-	1,080,509	511,820	1,592,329

The above table data were added as supplementary additional disclosures starting from 2022 according to the requirements of Circular No. (18) of 2022 "Additional disclosures in supplementary data regarding to the balance sheet and additional reports required from external auditor for the Central Bank of Yemen" issued on May 26, 2022.

Notes to the consolidated financial statements

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14. Investments in islamic Sukuk

This item consists of the following as of December 31:

	2022 YR '000	2021 YR '000
Debt-type instruments - Sukuks at amortized cost		
Islamic Sukuk - local (unquoted)	-	-
Islamic Sukuk - foreign (quoted)	-	-
	-	-

Investments in local Islamic Sukuk are issued by the unit of the Islamic Sukuk at CBY (unquoted), the nominal value of Suk is YR (Nil) as at December 31, 2022 (YR (Nil) as at December 31, 2021 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.

15. Investments in securities

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Equity instruments			
At fair value through equity			
Available-for-sale investments - unquoted		7,270,220	7,624,209
Change in fair value (unrealized gain)		-	-
		7,270,220	7,624,209
Less:			
Impairment provision on available-for-sale investments	15.1	(165,785)	(163,949)
		7,104,435	7,460,260
Investments - instruments at fair value through income statement			
Unquoted investments		34,528,404	30,228,489
Quoted investments		1,393,016	842,738
		35,921,420	31,071,227
Less:			
Impairment provision on investments in securities at fair value through income statement	15.2	(1,825,391)	-
		34,096,029	31,071,227
Investments instruments at amortized cost			
Unquoted investments		1,401,400	1,401,400
Less: impairment provision on investments at amortized cost	15.3	(1,401,400)	(1,401,400)
		-	-
		41,200,464	38,531,487

As at December 31, 2022 and 2021, 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.

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15.1 Impairment provision on available-for-sale investments

This item consists of the following as of December 31:

	2022 YR '000	2021 YR '000
Balance at the beginning of the year	163,949	163,949
Impairment during the year	1,836	-
	165,785	163,949

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

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Balance at the beginning of the year		-	1,122,548
Used during the year		-	(1,878,737)
Impairment during the year	36	1,825,391	756,189
		1,825,391	-

15.3 Impairment provision on investments at amortized cost

This item consists of the following as of December 31:

	2022 YR '000	2021 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	2022 YR '000	2021 YR '000
Investments in real estate - Local		24,367,885	14,405,355
Investments in real estate - Foreign		113,803,452	120,658,732
		138,171,337	135,064,087
Changes in fair value (unrealized gain)	27.3	39,578,189	44,972,410
		177,749,526	180,036,497
Impairment provision on investments in real estate	16.1	(9,792,155)	(9,780,439)
		167,957,371	170,256,058

Foreign investments in real estate as of December 31, 2022 amounted to YR 72,241,343 thousand registered in the name of others against concessions in benefit of the Bank (amounting of YR 72,241,343 thousand as of December 31, 2021).

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Real estate investments are as follows:

	Notes	2022 YR '000	2021 YR '000
Balance in beginning of the year		135,064,087	134,268,159
Additional during the year		12,404,393	1,492,637
Disposal during the year		(9,297,143)	(696,709)
Total Cost		138,171,337	135,064,087
Add: Changes in fair value (unrealized gain)	27.3	39,578,189	44,972,410
Less: Impairment provision on value of real estate investments	16.1	(9,792,155)	(9,780,439)
		167,957,371	170,256,058

16.1 Impairment provision on value of real estates investments

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Balance at the beginning of the year		9,780,439	7,430,260
Provided during the year	37	11,716	2,350,179
		9,792,155	9,780,439

17. Ijarah muntahia bittamleek receivables

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Ijarah Muntahia Bittamleek receivables		891,655	912,611
Less: deferred revenues		(203,554)	(189,950)
Less: Impairment provision of Ijarah Muntahia Bittamleek receivables	17.1	(13,762)	(57,594)
		674,339	665,067

17.1 Impairment provision of Ijarah Muntahia Bittamleek receivables

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Balance at the beginning of the year		57,594	53,107
Provided during the year	34	-	4,487
Reversed during the year	33	(43,832)	-
		13,762	57,594

Tadhamon Bank
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For the year ended December 31, 2022

17.2 Ijarah muntahia bittamleek receivables and provisions according to currency

This item consists of the following as of December 31:

2022												
Description	Total Financing			Guaranties			Deferred revenues			Provision		
	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's	Local Currency YR 000's	Foreign Currency YR 000's	Total YR 000's
Performing	342,407	525,948	868,355	-	-	-	106,715	96,839	203,554	2,777	10,519	13,296
Watchlist	-	23,300	23,300	-	-	-	-	-	-	-	466	466
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Bad	-	-	-	-	-	-	-	-	-	-	-	-
Total	342,407	549,248	891,655	-	-	-	106,715	96,839	203,554	2,777	10,985	13,762

The above table data were added as supplementary additional disclosures starting from 2022 according to the requirements of Circular No. (18) of 2022 "Additional disclosures in supplementary data regarding to the balance sheet and additional reports required from external auditor for the Central Bank of Yemen" issued on May 26, 2022.

Notes to the consolidated financial statements

For the year ended December 31, 2022

18. Debit balances and other assets

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Accrued income		2,182,476	420,141
Projects in process (advances)		947,486	2,212,831
Loans and advances		615,296	1,481,629
Prepaid expenses		515,876	345,855
Stationery, property and equipment inventory		201,530	221,147
Assets transferred to Bank's ownership		149,302	461,255
Current account overdrawn		10,602	48,096
Other debit balances		2,335,835	2,865,463
		6,958,403	8,056,417
Less: Provision for doubtful debt balances and other assets	18.1	(1,226,492)	(1,410,310)
		5,731,911	6,646,107

18.1 Provision for doubtful debt balances and other assets

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Balance at the beginning of the year		1,410,310	2,077,937
Adjustments to opening balance		470,995	-
Provided during the year		-	-
Used during the year		(194,084)	(673)
Reversed during the year	33	(460,646)	(666,196)
Foreign currency translation differences		(83)	(758)
		1,226,492	1,410,310

19. Right-of-use assets and lease liabilities

19.1 Right-of-use assets

This item consists of the following as of December 31:

	2022 Locations and Offices Rents YR '000	2021 Locations and Offices Rents YR '000
Balance at the beginning of the year	1,122,515	1,020,482
Additions	-	102,033
Disposals	(1,052,898)	-
Balance at the end of the year	69,617	1,122,515
Accumulated depreciation at the beginning of the year	301,234	5,801
Depreciation for the year	23,256	295,433
Disposals	(272,228)	-
Balance at the end of the year	52,262	301,234
The carrying amount at the end of the year	17,355	821,281

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For the year ended December 31, 2022

19.2 Lease liabilities

This item consists of the following as of December 31:

	2022 YR '000	2021 YR '000
Balance at the beginning of the year	789,305	1,020,482
Additions	-	-
Accumulated returns	-	-
Payments during the year	(771,092)	(231,177)
Balance at the end of the year	18,213	789,305

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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
Gross carrying amount							
Balance at January 1, 2022	3,397,830	3,433,072	704,988	571,336	2,793,213	3,709,004	14,609,443
Additions	514,948	2,126,220	125,690	151,706	546,621	311,480	3,776,665
Disposals	-	-	(44,944)	(23,137)	(89,015)	(54,363)	(211,459)
Balance at December 31, 2022	3,912,778	5,559,292	785,734	699,905	3,250,819	3,966,121	18,174,649
Accumulated depreciation							
Balance at January 1, 2022	-	740,164	489,924	406,525	1,508,188	3,178,498	6,323,299
Depreciation for the year	-	74,210	37,181	53,969	269,344	208,870	643,574
Disposals	-	-	(35,623)	(23,102)	(61,614)	(36,255)	(156,594)
Balance at December 31, 2022	-	814,374	491,482	437,392	1,715,918	3,351,113	6,810,279
The carrying amount at December 31, 2022	3,912,778	4,744,918	294,252	262,513	1,534,901	615,008	11,364,370
Gross carrying amount							
Balance at January 1, 2021	3,396,409	3,433,072	673,879	462,694	2,662,884	3,548,547	14,177,485
Additions	1,421	-	79,917	108,642	231,089	257,915	678,984
Disposals	-	-	(48,808)	-	(100,760)	(97,458)	(247,026)
Balance at December 31, 2021	3,397,830	3,433,072	704,988	571,336	2,793,213	3,709,004	14,609,443
Accumulated depreciation							
Balance at January 1, 2021	-	671,500	469,825	371,938	1,313,153	3,114,484	5,940,900
Depreciation for the year	-	68,664	42,618	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

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For the year ended December 31, 2022

21. Due to banks and financial institutions

This item consists of the following as of December 31:

	2022 YR '000	2021 YR '000
<u>Central Bank of Yemen</u>		
Current accounts - Local currency	-	-
	-	-
<u>Local Banks</u>		
Current accounts - Foreign currency	1,682,138	1,142,709
Current accounts - Local currency	1,549,748	280,630
	3,231,886	1,423,339
<u>Foreign Banks and Financial Institutions</u>		
Current accounts - Foreign currency	1,850,678	5,099,561
Current accounts - Local currency	28,924	28,365
	1,879,602	5,127,926
	5,111,488	6,551,265

22. Current accounts and other deposits

This item consists of the following as of December 31:

	2022 YR '000	2021 YR '000
Current accounts - Foreign currency	97,340,202	102,470,762
Current accounts - Local currency	33,644,864	30,568,137
	130,985,066	133,038,899
Cash margin - letters of guarantee	3,906,423	2,869,701
Cash margin - letters of credit	1,231,084	8,399,823
Other deposits	6,324,255	18,786,227
Other margin	105,519	123,925
	11,567,281	30,179,676
	142,552,347	163,218,575

23. Credit balances and other liabilities

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Accrued expenses		2,208,461	1,821,135
Deposits of profit for unrestricted accounts' holders		1,278,608	6,592,061
Income tax for the year	23.1	760,954	800,558
Letters of credit payment forward		116,877	88,567
Salary tax		79,390	37,303
Revenue received in advance		16,167	10,120
Prohibited revenues by Islamic Shari'a	23.2	1,544	1,443
Other credit balances		4,269,946	1,868,426
		8,731,947	11,219,613

Notes to the consolidated financial statements

For the year ended December 31, 2022

23.1 Income tax for the year

This item consists of the following as of December 31:

	2022 YR '000	2021 YR '000
Income tax at the beginning of the year	800,558	627,514
Provided income tax during the year	760,954	800,558
Paid during the year	(800,558)	(627,514)
	760,954	800,558

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:

	2022 YR '000	2021 YR '000
Balance at the beginning of the year	1,443	1,639
Add: Resources (revenues) during the year	1,544	1,459
	2,987	3,098
Add: Differences of retranslating foreign currencies balances	-	-
Total available balance during the year	2,987	3,098
Less: Uses (represent):		
Donations and charities	(1,443)	(1,655)
Balances at the end of the year (represent):		
Amounts available for donations and grants	1,544	1,443

24. Other provisions

This item consists of the following as of December 31:

2022					
	Balance at Jan. 1, 2022 YR '000	Provided During the Year YR '000	Used During the Year YR '000	Revaluation Difference of Provision in Foreign Currencies YR '000	Reversed During the Year YR '000
Provision for contingent liabilities	524,602	-	-	(1,751)	(176,576)
Provision for contingent claims	6,695,973	900,000	(6,858,029)	-	-
	7,220,575	900,000	(6,858,029)	(1,751)	(176,576)
					1,084,219
2021					
	Balance at Jan. 1, 2021 YR '000	Provided During the Year YR '000	Used During the Year YR '000	Revaluation Difference of Provision in Foreign Currencies YR '000	Reversed during the Year YR '000
Provision for contingent liabilities	328,445	196,674	-	(517)	-
Provision for contingent claims	681,493	6,155,250	(140,770)	-	-
	1,009,938	6,351,924	(140,770)	(517)	-
					7,220,575

Notes to the consolidated financial statements

For the year ended December 31, 2022

25. Equity of unrestricted investments and saving accounts' holders

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Unrestricted investments deposits - local currency		104,203,573	102,155,570
Unrestricted investments deposits - foreign currency		76,713,957	78,031,802
	25.1	180,917,530	180,187,372
Investments saving deposits - local currency		41,091,027	39,003,273
Investments saving deposits - foreign currency		34,468,557	33,457,446
	25.1	75,559,584	72,460,719
Return on unrestricted investments and saving accounts' holders	25.2	14,295,831	14,171,061
		270,772,945	266,819,152

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:

	2022 YR '000	2021 YR '000
Mudaraba	256,477,114	252,648,091
	256,477,114	252,648,091
Mudaraba represents as the following:		
Customers' investment accounts based on Mudaraba	180,917,530	180,187,372
Balances on demand	75,559,584	72,460,719
	256,477,114	252,648,091

25.2 Return of unrestricted investments and saving accounts' holders

This item consists of the following as of December 31:

	2022 YR '000	2021 YR '000
Total return of investments and savings accounts' holders	20,864,925	21,331,349
Bank's share as a Mudarib	(6,569,094)	(7,160,288)
Net return of unrestricted investments and savings accounts' holders	14,295,831	14,171,061

25.3 Profits distribution by account type

The share of return for unrestricted investments and saving accounts' holders from the return of realised 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.

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The following table represents the average percentage of profit allocation between the shareholder' 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	2022			2021		
	Used	The Speculator's Share	Rate of Distributed Profit	Used	The Speculator's Share	Rate of Distributed Profit
Saving accounts - local currency	48%	52%	5.06%	48%	52%	4.91%
Investments saving deposits - local currency	85%	15%	9.02%	85%	15%	8.75%
Saving accounts - foreign currency	45%	55%	1.56%	45%	55%	1.52%
Investments saving deposits - foreign currency	80%	20%	2.70%	80%	20%	2.70%

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:

	2022 YR '000	2021 YR '000
Investments in securities and real estate, net	144,998,320	142,554,009
Financing assets, net	67,789,643	67,237,134
Cash on hand and reserve balances with Central Bank of Yemen	43,122,241	42,292,477
Ijarah Muntahia Bittamleek and debit rent receivables, net	566,910	564,471
	256,477,114	252,648,091

26. Share capital

As at December 31, 2022, the authorized, issued and paid-up capital is YR 20 Billion (YR 20 Billion as at December 31, 2021) 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 (21) of 1996 which amended by Law No. (16) of 2009, 10% of the net profit for the year is transferred to statutory reserve until the balance of this reserve reaches twice the share capital. On August 21, 2022 (Muharram 23, 1444 H), the Central Bank of Yemen issued Circular No. (1) for the year 1444 H. Article No. (4) stipulated that every bank must maintain a legal reserve of no less than (15%) of its net profits after approving and deducting the necessary amounts for taxes and other potential liabilities, and before distributing any share or transferring it to its main headquarter abroad or at any other place, until the reserve balance equals twice the paid-up capital for commercial banks, and until the reserve balance equals the paid-up capital for Islamic banks.
- The Bank cannot use this reserve without the prior approval of the Central Bank of Yemen. As at December 31, 2022, the statutory reserve amounted to YR 18,080,159 thousand (YR 18,080,159 thousand as at December 31, 2021).

Notes to the consolidated financial statements

For the year ended December 31, 2022

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, 2022, the general reserve amounted to YR 157,623 thousand (YR 157,623 thousand as at December 31, 2021).

27.3 Other reserves

This item consists of the following as of December 31:

	Notes	2022 YR '000	2021 YR '000
Fair value reserve for real estate investments - local	16	33,917,410	39,806,016
Fair value reserve for real estate investments - foreign	16	5,660,779	5,166,394
Fair value reserve for investments in securities		(1,517,649)	(392,784)
Reserve for translation of foreign currencies		113,036	113,036
		38,173,576	44,692,662

28. Contingent liabilities and commitments

This item consists of the following as of December 31:

	2022			2021		
	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	13,873,809	(1,231,084)	12,642,725	37,404,224	(8,399,823)	29,004,401
Letters of guarantee	25,891,218	(3,906,423)	21,984,795	26,325,496	(2,869,701)	23,455,795
	39,765,027	(5,137,507)	34,627,520	63,729,720	(11,269,524)	52,460,196

29. Income from financing Murabaha and Istisna'a contracts transactions

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

	2022 YR '000	2021 YR '000
Income from financing Murabaha contracts transactions	3,752,851	2,643,893
Income from Istisna'a contracts transactions	357,778	538,683
	4,110,629	3,182,576

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30. Income from other joint investments

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

	2022 YR '000	2021 YR '000
Income from banks and financial institutions		
Income from Wakala placements	16,380,263	15,453,100
Income from investments deposits	-	3,611
	16,380,263	15,456,711
Income from investments in securities		
(Losses) Income from financial investments available for sale	(1,945,600)	71,931
Investments income through income statement	-	1,869,978
	(1,945,600)	1,941,909
Other revenues		
Income from Ijarah Muntahia Bittamleek	117,230	75,279
(Losses) Income from investments in real estate	(26,086)	2,488,175
(Losses) Income from Islamic Sukuk	(692,313)	37,689
Other joint income	2,489,864	1,075,539
	1,888,695	3,676,682
	16,323,358	21,075,302

31. Fees and commission income

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

	2022 YR '000	2021 YR '000
Commissions on letter of credit	7,163,256	4,813,994
Commissions on cash transfers	6,026,264	1,749,052
Commissions on letter of guarantee	206,940	285,849
Other fees and commissions	1,696,100	658,003
	15,092,560	7,506,898

32. Gains on foreign currency transactions

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

	2022 YR '000	2021 YR '000
Net gains on dealing in foreign currencies	813,225	2,006,852
Net retranslation of foreign currencies balances	-	-
	813,225	2,006,852

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For the year ended December 31, 2022

33. Other operating income

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

	Notes	2022 YR '000	2021 YR '000
Provisions reversed			
Provision for financing Murabaha and Istisna'a contracts transactions	11.1	691,369	769,028
Provision for doubtful debt balances and other assets	18.1	460,646	666,196
Other provision (provision for contingent liabilities)	24	176,576	-
Provision for Mudaraba investments contracts	13.1	164,907	-
Impairment provision of Ijarah Muntahia Bittamleek receivables	17.1	43,832	-
Impairment provision on balances with banks and financial institutions	10.1	3,108	-
		1,540,438	1,435,224
Others		821,545	558,455
		2,361,983	1,993,679

34. Provisions

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

	Notes	2022 YR '000	2021 YR '000
Provision for financing Murabaha and Istisna'a contracts transactions	11.1	129,962	53,234
Impairment provision for Ijarah Muntahia Bittamleek receivables	17.1	-	4,487
Impairment provision on available-for-sale investments	15.1	1,836	-
Impairment provision on balances with banks and financial institutions	10.1	117,700	4,711
		249,498	62,432
Other provisions			
Provision for contingent claims	24	900,000	6,155,250
Provision for contingent liabilities	24	-	196,674
		900,000	6,351,924
		1,149,498	6,414,356

Notes to the consolidated financial statements

For the year ended December 31, 2022

35. Realized losses of investments in subsidiaries companies

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

	Notes	2022 YR '000	2021 YR '000
Investments losses in subsidiaries*		3,850,246	-
		3,850,246	-

* Realized investment losses in subsidiaries companies represent in accumulated losses at Tadhamon Capital Company - Bahrain (A subsidiary for Tadhamon Bank with ownership percentage 99.9%), where the Company's capital was reduced from USD 34,401,000 to USD 18,000,000 by the accumulated losses according to the minutes of the extraordinary general assembly meeting of Tadhamon Capital Company that was held on November 1, 2022 and after obtaining the necessary approvals from regulators, whereas the accumulated losses amounting to USD 15,401,000 was reduced from the capital of the Company and the Bank's share from the losses was amounting of USD 15,385,599 equivalent to YR 3,850,246 thousand.

36. Impairment provision on investments in securities

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

	Notes	2022 YR '000	2021 YR '000
Impairment provision on investments securities at fair value through income statement	15.2	1,825,391	756,189
		1,825,391	756,189

37. Impairment provision on investments in real estate

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

	Notes	2022 YR '000	2021 YR '000
Impairment provision on investments real estate	16.1	11,716	2,350,179
		11,716	2,350,179

38. Staff costs

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

	2022 YR '000	2021 YR '000
Basic salaries	3,586,943	2,546,872
Bonuses and incentives	2,954,777	2,972,545
Contributions to social security	271,397	347,055
Others	57,010	90,114
	6,870,127	5,956,586

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39. Other expenses

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

	2022 YR '000	2021 YR '000
Advertising expenses	2,496,356	577,831
Maintenance expenses	803,400	461,600
Zakat	737,016	747,625
Subscriptions	671,522	257,021
Insurance expenses	632,263	293,708
Rent	556,367	193,870
Cleaning expenses	474,361	453,506
Professional and consulting fees	435,038	779,388
Water and electricity	397,196	277,648
Transportation	348,719	272,864
Subscription to deposit insurance corporation	308,748	317,962
Training and studies expenses	114,328	62,666
Stationery	97,615	73,271
Fuel and lubricants	86,960	65,588
Donations and charities	53,338	87,169
Information systems expenses	47,081	-
Hospitality	25,240	15,107
Communication	25,152	23,451
Government fees	13,321	25,569
Others	557,920	473,154
	8,881,941	5,458,998

40. Earnings per share from net losses of the year

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

	2022	2021
Net losses for the year (YR '000)	(2,788,367)	(1,811,420)
Number of shares (thousand shares)	20,000	20,000
Earnings per share from losses for the year (YR)	(139.42)	(90.57)

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41. Maturities of financial assets and liabilities

	2022				
	Due Within 3 Months YR Millions	Due from 3 to 6 Months YR Millions	Due from 6 Months to One year YR Millions	Due More than One Year YR Millions	Total YR Millions
Assets					
Cash on hand and reserve balances with CBY	51,294	-	-	-	51,294
Due from banks and financial institutions	192,021	-	-	-	192,021
Financing Murabaha and Istisna'a contracts transactions	6,449	2,702	2,771	6,392	18,314
Musharaka investments contracts	-	-	-	-	-
Mudaraba investments contracts	-	-	-	18,928	18,928
Investment in Islamic Sukuk	-	-	-	-	-
Investments in securities	-	-	7,586	33,614	41,200
Investments in real estate	-	-	-	167,957	167,957
Ijarah Muntahia Bittamleek receivables	92	77	117	388	674
Qard Hasan	-	-	-	-	-
	249,856	2,779	10,474	227,279	490,388
Liabilities					
Due to banks and financial institutions	5,111	-	-	-	5,111
Current accounts and other deposits	142,552	-	-	-	142,552
Equity of unrestricted investments and saving accounts' holders	49,047	53,724	99,697	68,305	270,773
	196,710	53,724	99,697	68,305	418,436
Net	53,146	(50,945)	(89,223)	158,974	71,952

	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
Assets					
Cash on hand and reserve balances with CBY	58,729	-	-	-	58,729
Due from banks and financial institutions	206,378	-	135	-	206,513
Financing Murabaha and Istisna'a contracts transactions	7,427	3,112	3,192	7,362	21,093
Musharaka investments contracts	-	-	-	-	-
Mudaraba investments contracts	-	-	-	27,009	27,009
Investment in Islamic Sukuk	-	-	-	-	-
Investments in securities	842	-	12,987	24,702	38,531
Investments in real estate	819	-	-	169,437	170,256
Ijarah Muntahia Bittamleek receivables	91	76	115	383	665
Qard Hasan	-	-	-	-	-
	274,286	3,188	16,429	228,893	522,796
Liabilities					
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	36,984	25,702	48,735	155,398	266,819
	206,754	25,702	48,735	155,398	436,589
Net	67,532	(22,514)	(32,306)	73,495	86,207

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For the year ended December 31, 2022

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

	2022					
	Industrial	Commercial	Agriculture	Financial	Individuals	Total
	YR	YR	and Fishing	YR	& Others	YR
	Millions	Millions	Millions	Millions	Millions	Millions
Assets						
Cash on hand and reserve balances with CBY	-	-	-	51,294	-	51,294
Due from banks and financial institutions	-	-	-	192,021	-	192,021
Financing Murabaha and Istisna'a contracts transactions	4,704	7,728	2	-	5,880	18,314
Musharaka investments contracts	-	-	-	-	-	-
Mudaraba investments contracts	-	18,928	-	-	-	18,928
Investments in Islamic Sukuk	-	-	-	-	-	-
Investments in securities	7,012	31,101	-	3,087	-	41,200
Investments in real estate	-	167,957	-	-	-	167,957
Ijarah Muntahia Bittamleek receivables	-	354	-	-	320	674
Qard Hasan	-	-	-	-	-	-
Liabilities						
Due to banks and financial institutions	-	-	-	5,111	-	5,111
Current accounts and other deposits	13,320	105,705	827	5,724	16,976	142,552
Equity of unrestricted investments and saving accounts' holders	1,012	113,630	2,506	58	153,567	270,773
Contingent liabilities and commitments						
Letters of guarantee	1,217	12,071	-	1,002	7,695	21,985
Letters of credit	9,916	2,706	-	21	-	12,643

	2021					
	Industrial	Commercial	Agriculture	Financial	Individuals	Total
	YR	YR	and Fishing	YR	& Others	YR
	Millions	Millions	Millions	Millions	Millions	Millions
Assets						
Cash on hand and reserve balances with CBY	-	-	-	58,729	-	58,729
Due from banks and financial institutions	-	-	-	206,513	-	206,513
Financing Murabaha and Istisna'a contracts transactions	6,354	9,350	1	-	5,388	21,093
Musharaka investments contracts	-	-	-	-	-	-
Mudaraba investments contracts	-	27,009	-	-	-	27,009
Investments in Islamic Sukuk	-	-	-	-	-	-
Investments in securities	7,274	17,813	-	13,392	52	38,531
Investments in real estate	-	170,256	-	-	-	170,256
Ijarah Muntahia Bittamleek receivables	-	275	-	-	390	665
Qard Hasan	-	-	-	-	-	-
Liabilities						
Due to banks and financial institutions	-	-	-	6,551	-	6,551
Current accounts and other deposits	16,847	114,756	596	2,875	28,145	163,219
Equity of unrestricted investments and saving accounts' holders	1,135	112,934	2,604	66	150,080	266,819
Contingent liabilities and commitments						
Letters of guarantee	1,189	13,803	-	1,056	7,408	23,456
Letters of credit	24,912	4,092	-	-	-	29,004

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For the year ended December 31, 2022

The table below shows the distribution of total financing according to economic sectors as at December 31:

	2022		
	Local Currency YR Millions	Foreign Currency YR Millions	Total YR Millions
Industrial	2,903	2,246	5,149
Commercial	3,546	26,887	30,433
Agriculture and Fishing	3	-	3
Financial	-	-	-
Individuals & Others	7,990	517	8,507
	14,442	29,650	44,092

The above table data were added as supplementary additional disclosures starting from 2022 according to the requirements of Circular No. (18) of 2022 *"Additional disclosures in supplementary data regarding to the balance sheet and additional reports required from external auditor for the Central Bank of Yemen"* issued on May 26, 2022.

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For the year ended December 31, 2022

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

	2022					
	Republic of Yemen YR Millions	America YR Millions	Europe YR Millions	Asia YR Millions	Africa YR Millions	Total YR Millions
Assets						
Cash on hand and reserve balances with CBY	51,294	-	-	-	-	51,294
Due from banks and financial institutions	184,662	-	1,240	5,595	524	192,021
Financing Murabaha and Istisna'a contracts transactions	18,314	-	-	-	-	18,314
Musharaka investments contracts	-	-	-	-	-	-
Mudaraba investments contracts	2,931	-	-	15,997	-	18,928
Investments in Islamic Sukuk	-	-	-	-	-	-
Investments in securities	5,725	-	2,995	26,610	5,870	41,200
Investments in real estate	58,029	-	-	108,995	933	167,957
Ijarah Muntahia Bittamleek receivables	674	-	-	-	-	674
Qard Hasan	-	-	-	-	-	-
Liabilities						
Due to banks and financial institutions	3,250	-	1,331	25	505	5,111
Current accounts and other deposits	142,552	-	-	-	-	142,552
Equity of unrestricted investments and saving accounts' holders	270,773	-	-	-	-	270,773
Contingent liabilities and commitments						
Letters of guarantee	21,887	-	98	-	-	21,985
Letters of credit	-	-	1,794	10,849	-	12,643
	2021					
	Republic of Yemen YR Millions	America YR Millions	Europe YR Millions	Asia YR Millions	Africa YR Millions	Total YR Millions
Assets						
Cash on hand and reserve balances with CBY	58,729	-	-	-	-	58,729
Due from banks and financial institutions	183,021	-	3,768	19,188	536	206,513
Financing Murabaha and Istisna'a contracts transactions	21,093	-	-	-	-	21,093
Musharaka investments contracts	-	-	-	-	-	-
Mudaraba investments contracts	11,012	-	-	15,997	-	27,009
Investments in Islamic Sukuk	-	-	-	-	-	-
Investments in securities	4,962	-	1,390	30,356	1,823	38,531
Investments in real estate	53,717	-	-	115,488	1,051	170,256
Ijarah Muntahia Bittamleek receivables	665	-	-	-	-	665
Qard Hasan	-	-	-	-	-	-
Liabilities						
Due to banks and financial institutions	440	-	5,580	25	506	6,551
Current accounts and other deposits	163,495	-	-	(276)	-	163,219
Equity of unrestricted investments and saving accounts' holders	266,819	-	-	-	-	266,819
Contingent liabilities and commitments						
Letters of guarantee	23,358	-	98	-	-	23,456
Letters of credit	-	-	9,075	19,929	-	29,004

Notes to the consolidated financial statements

For the year ended December 31, 2022

The below table shows the distribution of total financing according to geographical locations as at December 31:

	2022
	Total Financing
	YR Millions
Republic of Yemen	27,768
America	-
Europe	-
Asia	16,324
Africa	-
	44,092

The above table data were added as supplementary additional disclosures starting from 2022 according to the requirements of Circular No. (18) of 2022 "Additional disclosures in supplementary data regarding to the balance sheet and additional reports required from external auditor for the Central Bank of Yemen" issued on May 26, 2022.

44. Significant foreign currencies' positions

In order to comply with Central Bank of Yemen Circular No. (6) of 1998 and requirements circular No (4975) issued from Central Bank of Yemen, the Group establishes limits for each individual currency position as well as an aggregate limit for all currencies. Accordingly, the surplus in each individual currency position should not exceed 15% of the capital rule, while the surplus in the aggregate currency position should not exceed 25% of the capital rule. The following schedule reflects the Group's significant foreign currencies positions at the consolidated financial statements date.

	2022	% Of Capital rule	2021	% Of Capital rule
	Surplus (Deficit)	YR '000	Surplus (Deficit)	YR '000
US Dollar	(569,261)	(0.96%)	(19,390,427)	(30.39%)
EURO	(2,199,652)	(3.71%)	(4,781,759)	(7.49%)
Saudi Riyals	(7,057,942)	(11.90%)	7,735,457	12.12%
Sterling Pound	(24)	0%	233	0%
Emirates Dirham	9,040,091	15.24%	20,156,716	31.59%
Other	63,591	0.11%	145,682	0.23%
Net surplus	(723,197)	(1.22%)	3,865,902	6.06%

The US Dollar exchange rate at December 31, 2022 was 250.25 YR (at December 31, 2021: US Dollar exchange rate was 250.25 YR) according to (CBY) instructions.

45. Transactions with related parties

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

Related parties are presented by the Board of Directors, executive management, and companies owned by shareholders and board members.

The Group deals with related parties on the same basis applied to third parties in accordance with Banks Law and Central Bank of Yemen instructions, included in Circular No. (4) of 1999, which limits credit transactions with related parties.

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

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

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For the year ended December 31, 2022

Nature of transactions	2022 YR Millions	2021 YR Millions
Financing Murabaha and Istisna'a contracts transactions	1,379	4,468
Current accounts and other deposits	2	286
Indirect financing	1,174	2,838
Income from financing Murabaha and Istisna'a contracts transactions	9	218
Fees and commissions income	-	1
Executive management salaries and benefits	117	117

46. Tax position

- Corporate and salaries taxes have been cleared up to the year 2007, and for the years from 2009 up to 2016.
- The Bank has submitted the tax declaration for the year 2008. The Bank was notified with additional assessment amounted to YR 802 Million related to corporate tax according to Appeal Committee decision No (1) of 2017. The Bank has paid part of tax assessment related to some agreed items and the rest amount is referred to judicial authorities amounted to YR 784 Million. The case is still pending with court up to the date of issuing these consolidated financial statements. The Bank's management believes that this additional assessment will not result in any additional liabilities.
- The 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 398,219,658 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 1,165,465,545. The Bank agreed to part of that tax assessment in the amount of YR 412,210,505 and the payment was made. Moreover, he 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 up to the date of issuing these consolidated financial statements.
- The tax declaration for the year 2021 was submitted on the legal deadline, and inspection is currently ongoing by the tax authority up to the date of issuing these consolidated financial statements.
- The Bank has paid the salary tax for the period till the end of 2022 based on monthly declarations. No notification of any additional assessment was received for the years 2020, 2021 and 2022 up to the date of issuing these consolidated financial statements.
- The tax declaration for the year 2022 was submitted on the legal deadline. No notification of any additional assessment was received up to the date of issuing these consolidated financial statements.

47. 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 2022 according to the Zakat declaration. No additional assessment notification was issued by the General Authority of Zakat.

Notes to the consolidated financial statements

For the year ended December 31, 2022

48. 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.

49. 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, 2022, 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 4, 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. "51").
- In addition, the Group has raised number of legal cases against third parties in the Public Fund Court and the Commercial Court, and management has provided for the necessary provisions for these cases. Also, there are 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.

50. Current events in Republic of Yemen

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.

Notes to the consolidated financial statements

For the year ended December 31, 2022

51. Significant events

- On June 27, 2021, the Public Prosecution (The Specialized Criminal Prosecution) has sent an official letter No. (3830) to the Governor of the Central Bank of Yemen which states to withhold all 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. 102 for the year 2019 and the case No. 407 for the year 2019 filed against one of the bank's clients. As a result, the Central Bank of Yemen (Financial Data Collection Unit) on June 28, 2021 issued a circular to all 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.
- The lawsuit (Note "49") was settled and partly funded by a Murabaha financing that the Group obtained from a related party amounted to USD 15 million. The Murabaha financing agreement includes a profit amounted to USD 5 million to be paid to the related party during the year 2022, on the condition that the Group is able to 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. This Murabaha was settled by granting the related party equity shares in the Group's investments in the United Kingdom.

52. Subsequent events

- On March 22, 2023 (30 Shaban 1444 "H"), Law No. (4) under the name of the Law "Prevent Riba Transactions Act" was issued, which will affect the main activity of the bank, especially in the Murabaha financing and credit letters financed through Murabaha. The article No. (9) of the law cancelled the article No. (5/a) of the Islamic Banks law No. (21) for the year 1996 regarding to the increase collected under the name of the sale of Murabaha stipulated in the Islamic Banking Law. The transactions of Murabaha in the bank represents a main proportion of the banking activity which may affect the financial performance. Moreover, on March 30, 2023, circular No. (12) for the year 1444 H was issued by the Central Bank of Yemen, which required that all bank's investments should be in the local market and in case it any bank at the date of circular has investments abroad at the rate of 30% that was allowed from the total investments of the bank, it should be collected and reinvested in the local market in the Republic of Yemen. Consequently, this matter will affect the Bank's foreign investments and their returns.
- After the year ended December 2022, a conflict arose in the Republic of Sudan (Sudan). The existing and anticipated effects of the conflict in Sudan are expected to continue to evolve. Yem Holding Company Limited (Kingdom of Bahrain) as a subsidiary of Tadhamon Investment Limited (United Arab Emirates) owned by the Tadhamon Bank has investments in quoted equities and investment properties in Sudan with an aggregate carrying value of USD 8,846,090, equivalent of YR 2,214,485 thousand as of December 31, 2022. Based on the Group's management assessment for these circumstances, the management has concluded that these events have not adversely effects on the Group's operations as of December 31, 2022. The scale and duration of these events remain uncertain at the date of the report and could potentially negatively impact the Group's financial performance and cash flows in future.

53. Authorization of financial statements

The financial statement for the year ended December 31, 2022 were approved by management of Group on September 6, 2023.

Notes to the consolidated financial statements

For the year ended December 31, 2022

54. The separate financial statements for Tadhamon Bank

54.1 Statement of Financial Position as at December 31,

	Dec. 31, 2022 Restated* YR '000	Dec. 31, 2021 YR '000
Assets		
Cash on hand and reserve balances with Central Bank of Yemen (CBY)	51,293,862	58,728,691
Due from banks and financial institutions	190,671,158	201,163,746
Financing Murabaha and Istisna'a contracts transactions	18,313,905	21,093,450
Musharaka investments contracts	-	-
Mudaraba investments contracts	18,928,191	27,008,604
Investments in securities	5,724,584	4,962,204
Investments in real estate	134,621,019	130,052,711
Ijarah Muntahia Bittamleek receivables	674,339	665,067
Qard Hasan	-	-
Investments in subsidiaries	4,827,627	8,667,890
Debit balances and other assets	78,210,133	81,969,740
Property and equipment	11,197,299	8,182,590
Total assets	514,462,117	542,494,693
Liabilities, investments accounts' holders and equity		
Liabilities		
Due to banks and financial institutions	5,111,488	6,551,265
Current accounts and other deposits	142,840,392	163,495,018
Credit balances and other liabilities	7,613,928	11,141,468
Other provisions	1,084,219	1,965,325
Total liabilities	156,650,027	183,153,076
Investments accounts' holders		
Equity of unrestricted investments and saving accounts' holders	270,772,945	266,819,152
Total liabilities and investments accounts' holders	427,422,972	449,972,228
Equity		
Share capital	20,000,000	20,000,000
Statutory reserve	18,442,765	18,442,765
General reserve	157,623	157,623
Other reserves	39,578,189	44,972,410
Retained earnings	8,860,568	8,949,667
Total equity	87,039,145	92,522,465
Total liabilities, investments accounts' holders and ' equity	514,462,117	542,494,693
Contingent liabilities and commitments	34,627,520	52,460,196

Notes to the consolidated financial statements

For the year ended December 31, 2022

54.2 Income Statement for the year ended December 31,

	Dec. 31, 2022 Restated* YR '000	Dec. 31, 2021 YR '000
Income from financing Murabaha and Istisna'a contracts transactions	4,110,629	3,182,576
Income from other joint investments	16,754,296	18,148,773
	20,864,925	21,331,349
Less:		
Return on unrestricted investments and saving accounts' holders	(14,295,831)	(14,171,061)
Bank's share from the income on Murabaha, Istisna'a, and joint investment	6,569,094	7,160,288
Fees and commission income	15,092,560	7,506,898
Less: Fees and commission expenses	(3,755,336)	(1,040,467)
Net fees and commission income	11,337,224	6,466,431
Gains on foreign currency transactions	876,554	2,015,503
Other operating income	1,410,645	1,480,710
Total operating income	20,193,517	17,122,932
Less:		
Provisions	(1,149,498)	(1,154,395)
Staff costs	(6,150,324)	(5,074,942)
Depreciation of property and equipment	(601,887)	(541,060)
Realized losses of investments in subsidiaries companies	(3,850,246)	-
Real estate investment impairment losses	-	(1,566,397)
Other expenses	(7,769,707)	(4,607,514)
Net profit for the year before tax	671,855	4,178,624
Income tax for the year	(760,954)	(791,589)
Net (losses) profit for the year after income tax	(89,099)	3,387,035
Earnings per share from net (losses) profits of year	(4)	169

- * The separate statement of financial position and separate statement of income have been restated due to that the capital of Tadhamon Capital Company - Bahrain (a subsidiary of Tadhamon Bank with ownership percentage 99.9%) was reduced from USD 34,401,000 to USD 18,000,000 by the accumulated losses in the amounting of USD 15,401,000 according to the minute of the extraordinary general assembly meeting of Tadhamon Capital Company that was held on November 1, 2022, as the necessary approvals were not obtained from the regulatory authorities to reduce the capital of the Company only after the separate financial statements was issued, and the Bank's share from the losses was amounting of USD 15,385,599 equivalent to YR 3,850,246 thousand.