Contents

Grant Thornton

Independent Auditor's Report

To: The Shareholders' of
International Bank of Yemen (Y.S.C.)
Sana'a - Republic of Yemen

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Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of **International Bank of Yemen (Y.S.C.)**, and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at December 31, 2020, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements (1-42), including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section 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, 2020, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), instructions of Central Bank of Yemen and the prevailing Yemeni Laws and regulations.

Basis for Qualified Opinion

The other provisions item, which are carried in the group's consolidated financial statements at YR 103,483,914 thousand as on December 31, 2020 (2019: YR 75,681,448 thousand), includes a provision provided in accordance with the instructions of the Central Bank of Yemen against losses related to the exposure of foreign currencies positions of YR 91,680,497 thousand (2019: YR 62,204,166 thousand). The aforementioned provision does not meet the definition of a provision and therefore its recognition constitutes a departure from International Financial Reporting Standards. As a result, the retained earnings were understated by YR 91,680,497 thousand (2019: YR 62,204,166 thousand), other provisions were overstated by an amount of YR 91,680,497 thousand (2019: YR 62,204,166 thousand), and the profit for the year were understated by the provision provided for the year to meet the exposure of foreign currencies position amounting of YR 29,476,331 thousand (2019: YR 14,857,556 thousand).

We conducted our audit in accordance with international standards for auditing and the requirements of the relevant Yemeni laws and regulations. Our responsibilities under those 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 International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (IESBA Code) that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Independent Auditor's Report (continued)

To: The Shareholders' of
International Bank of Yemen Group (Y.S.C.)
Sana'a - Republic of Yemen

Emphasis of Matters

We draw attention to:

1. Note No. (12) of the consolidated financial statements, which describes the events that led to the emergence of material indicators that Ocean Breeze for Investment and Development Co. Ltd. (the "subsidiary Company") may not be able to continue as the subsidiary company has not been able until the date of this report to obtain either land ownership or the usufruct contract on which the operation was supposed to be based, for the land provided by the General Authority for Land, Survey and Urban Planning in Aden city. These events and their impact on the auditor's report, in which he disclaimed from expressing an opinion on the financial statements of the subsidiary company for the financial year ending on December 31, 2020, and its effect on the group's management decision to recognize a loss of 100% of the value of usufruct amount (intangible asset).
2. Note No. (3.33) of the accompanying notes to the consolidated financial statements, regarding the Group's exposure to foreign exchange rate risks and their impact on significant foreign currency positions.
3. Note No. (38) of the accompanying notes to the consolidated financial statements, regarding the political crisis, the economic situation and the security events taking place in the Republic of Yemen, as this indicates the existence of a state of uncertainty about the possibility of improving the political and economic conditions, and this constitutes a challenge to the group's management ability to predict future cash flow patterns and their outcomes.
4. Note No. (40) of the accompanying notes to the consolidated financial statements, which indicates that pursuant to the signed agreement on March 18, 2021 between Bank of Beirut - Lebanon and the International Bank of Yemen - Yemen, the Group's management purchased bonds (Eurobonds) via the Government of Lebanon against the bank's financial balances with Bank of Beirut as current accounts and deposits.

Our opinion is not modified in respect of the matters above.

Other Matter

We would like to refer to the Central Bank of Yemen Circular No. (5257) issued on December 23, 2019 regarding the application of the International Financial Reporting Standard No. (9) "Financial Instruments", in which it is decided to postpone the application of the IFRS No. (9) so that the standard will be applied starting from January 1, 2021. On April 13, 2022, the Central Bank of Yemen issued a Circular No. (15) which extends the postpone of the application of IFRS No. (9) until issuing the regulated instructions to apply the standard during the year 2022. Moreover, the necessary procedures that ensure proper implementation of the standard should take place starting from the year 2022.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, instructions of CBY and the prevailing Yemeni Laws and regulations, and for such internal control as management determines which is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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Independent Auditor's Report (continued)

To: The Shareholders' of
International Bank of Yemen Group (Y.S.C.)
Sana'a - Republic of Yemen

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's 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 is free from material misstatement, whether due to fraud or error and to issue an auditor's 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 ISAs 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 ISAs, 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 risk 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 management.
- Conclude on the appropriateness of management's 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 auditor's 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 auditor's 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.

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.

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Independent Auditor's Report (continued)

To: The Shareholders' of
International Bank of Yemen Group (Y.S.C.)
Sana'a - Republic of Yemen

Report on Other Legal and Regulatory Requirements

Except for the matters described in the basis of qualified opinion paragraph, we obtained from the management the information and clarifications that we deemed necessary for auditing purposes, and the Group maintains regular accounts records, 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 Yemen Commercial Companies Law No. (22) for 1997 and its amendments, or Banking Law No. (38) of 1998 occurred during the year in which might have a material impact to the Group's business or its consolidated financial position, except for the following:

1. The bank management's violation of Circular No. (6) of 1998 issued by Central Bank of Yemen regarding non-compliance with the ceilings set by the Central Bank of Yemen for foreign exchange positions as of December 31, 2020, as stated in Note No. (3.33) of the accompanying notes to the consolidated financial statements.
2. As stated in Note No. (19) to the consolidated financial statements, related to the completion of the procedures for amending the articles of association and commercial registeration refelcting the capital increase that incurred during the year ended December 31, 2016.

Grant Thornton Yemen

Ramzi Al-Ariqi

Sana'a - Republic of Yemen
May 25, 2022

Consolidated statement of financial position

	Notes	Dec. 31, 2020 YR'000	Dec. 31, 2019 YR'000
Assets			
Cash on hand and reserve balances with Central Bank of Yemen	6	**43,530,226**	48,610,099
Due from banks	7	**96,083,277**	126,216,603
Held to maturity investments	8	**540,847,447**	504,711,273
Customers loans and advances	9	**14,059,375**	19,245,194
Available for sale financing investments	10	**120,000**	120,000
Debit balances and other assets	11	**684,637**	592,244
Intangible assets		**-**	-
Property and equipment	13	**2,144,995**	2,317,657
Right to use leased assets	14	**567,353**	682,878
Total assets		**698,037,310**	**702,495,948**
Liabilities and equity			
Liabilities			
Due to banks	15	**58,377,127**	58,419,286
Customers' deposits	16	**452,707,740**	496,095,603
Credit balances and other liabilities	17	**21,633,264**	19,812,361
Other provisions	18	**103,483,914**	75,681,448
Total liabilities		**636,202,045**	**650,008,698**
Equity			
Share capital	19	**16,500,000**	16,500,000
Statutory reserve	20	**17,885,179**	15,348,121
Foreign currencies revaluation reserve		**(9,179)**	(9,179)
Retained earnings		**27,552,298**	20,741,009
Total equity attributable to equity holders of the bank		**61,928,298**	**52,579,951**
Non-controlling interests		**(93,033)**	(92,701)
Total equity		**61,835,265**	**52,487,250**
Total liabilities and equity		**698,037,310**	**702,495,948**
Contingent liabilities and commitments	21	**25,586,143**	**12,007,660**

First Deputy General Manager	**General Manager**	**Chairman**
Mr. Abdukader Ali Bazara	**Mr. Omar Rashed Abdulhak**	**Mr. Kamal Hussein Al-Jabri**

Consolidated statement of comprehensive income

For the year ended December 31,

	Notes	2020 YR'000	2019 YR'000
Interest income	22	**7,388,753**	7,396,083
Interest income from held to maturity investments		**87,539,534**	78,406,330
Total interest income		**94,928,287**	**85,802,413**
Interest expenses	23	**(33,464,518)**	(33,776,273)
Net interest income		**61,463,769**	**52,026,140**
Fee and commission income from banking services	24	**2,839,159**	2,111,636
Fee and commission expenses from banking services		**(310,671)**	(350,761)
Gain from foreign currencies transactions	25	**22,741,026**	5,528,358
Income from available for sale financing investments		**-**	12,000
Other incomes	26	**3,028,629**	1,015,458
Net operating income		**89,761,912**	**60,342,831**
Less: Impairment loss on financial assets (provision)	27	**(49,752,980)**	(26,301,442)
Less: Impairment of financial investments available for sale		**(198)**	-
Less: Depreciation of property and equipment and right to use leased assets	14.13	**(904,182)**	(331,175)
Less: Staff costs	28	**(3,081,787)**	(1,993,570)
Less: Other expenses	29	**(11,286,723)**	(9,501,668)
Profit for the year before tax		**24,736,042**	**22,214,976**
Income tax for the year	17.1	**(7,822,657)**	(6,513,317)
Net profit for the year after tax		**16,913,385**	**15,701,659**
Other comprehensive income		**-**	-
Total comprehensive income for the year		**16,913,385**	**15,701,659**
Attributable to:			
Equity holders of the bank		**16,913,717**	15,701,995
Non-controlling interests		**(332)**	(336)
		16,913,385	**15,701,659**
Earnings per share (YR)	30	**102.51**	**95.16**

First Deputy General Manager	**General Manager**	**Chairman**
Mr. Abdukader Ali Bazara	**Mr. Omar Rashed Abdulhak**	**Mr. Kamal Hussein Al-Jabri**

البنك اليمني الدولي
INTERNATIONAL BANK OF YEMEN

Consolidated statement of changes in equity

For the year ended December 31,

	2020						
	Paid-up Capital YR'000	Statutory Reserve YR'000	Foreign Currencies Revaluation Reserve YR'000	Retained Earnings YR'000	Total Equity Attributable to Equity Holders of the Bank YR'000	Non-Controlling Interests YR'000	Total YR'000
Balance at January 1, 2020	**16,500,000**	**15,348,121**	**(9,179)**	**20,741,009**	**52,579,951**	**(92,701)**	**52,487,250**
Net profit for the year	-	-	-	16,913,717	16,913,717	(332)	16,913,385
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	**16,500,000**	**15,348,121**	**(9,179)**	**37,654,726**	**69,493,668**	**(93,033)**	**69,400,635**
Changes in equity holders, recorded directly in equity							
Transferred to reserves	-	2,537,058	-	(2,537,058)	-	-	-
Distributions of profits	-	-	-	(7,565,370)	(7,565,370)	-	(7,565,370)
Balances at December 31, 2020	**16,500,000**	**17,885,179**	**(9,179)**	**27,552,298**	**61,928,298**	**(93,033)**	**61,835,265**

First Deputy General Manager

Mr. Abdukader Ali Bazara

General Manager

Mr. Omar Rashed Abdulhak

Chairman

Mr. Kamal Hussein Al-Jabri

INTERNATIONAL BANK OF YEMEN

See accompanying notes (1-42) to the consolidated financial statements

Consolidated statement of changes in equity (Continued)

For the year ended December 31,

	2019						
	Paid-up Capital YR'000	Statutory Reserve YR'000	Foreign Currencies Revaluation Reserve YR'000	Retained Earnings YR'000	Total Equity Attributable to Equity Holders of the Bank YR'000	Non-Controlling Interests YR'000	Total YR'000
Balance at January 1, 2019	**16,500,000**	**12,992,822**	**(9,179)**	**15,478,148**	**44,961,791**	**(92,365)**	**44,869,426**
Adjustments to retained earnings for the prior year	-	-	-	(84,077)	(84,077)	-	(84,077)
Net profit for the year	-	-	-	15,701,995	15,701,995	(336)	15,701,659
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	**16,500,000**	**12,992,822**	**(9,179)**	**31,096,066**	**60,579,709**	**(92,701)**	**60,487,008**
Changes in equity holders, recorded directly in equity							
Transferred to reserves	-	2,355,299	-	(2,355,299)	-	-	-
Distributions of profits	-	-	-	(7,999,758)	(7,999,758)	-	(7,999,758)
Balances at December 31, 2019	**16,500,000**	**15,348,121**	**(9,179)**	**20,741,009**	**52,579,951**	**(92,701)**	**52,487,250**

First Deputy General Manager

Mr. Abdukader Ali Bazara

General Manager

Mr. Omar Rashed Abdulhak

Chairman

Mr. Kamal Hussein Al-Jabri

See accompanying notes (1-42) to the consolidated financial statements

Consolidated statement of cash flows

For the year ended December 31,

	Notes	2020 YR'000	2019 YR'000
Cash flows from operating activities			
Net profit for the year before tax		**24,736,042**	22,214,976
Adjustments for profit:			
Zakat recognized on statement of comprehensive income		**4,723,860**	2,827,686
Depreciation of property and equipment and right to use leased assets		**904,182**	331,175
Provisions provided during the year		**49,752,980**	26,301,442
Impairment of available for sale financing investments during the year		**198**	-
Provisions used during the year		**(721,601)**	(230,758)
Differences of revaluation of provisions in foreign currencies		**98,891**	(14,979)
Impairment provisions reversed		**(2,225,322)**	(822,709)
Adjustments on provision of loans and advances		**-**	(203,201)
Adjustments on accumulated depreciation of property and equipment		**(3,472)**	(80,400)
Debit interest on lease contracts liabilities	17.3	**38,365**	44,837
Operating profit before changes in assets and liabilities available from operating activities		**77,304,123**	**50,368,069**
Changes in:			
Reserve balances with Central Bank of Yemen		**2,437,756**	(407,392)
Customers loans and advances		**(2,215,138)**	14,672,208
Debit balances and other assets		**132,929**	709,340
Balances due to banks		**(42,159)**	18,342,844
Customers' deposits		**(43,387,863)**	7,054,337
Credit balances and other liabilities		**(505,703)**	923,595
Paid income tax	17.1	**(7,061,674)**	(2,623,123)
Paid zakat	17.2	**(3,055,482)**	(1,362,432)
Net cash available from operating activities		**23,606,789**	**87,677,446**
Cash flows from investing activities			
Acquisition of property and equipment	13	**(589,081)**	(552,861)
Changes in deposits with banks reserved as guarantee		**(1,141,227)**	1,044,154
Change in available for sale financing investments		**(198)**	-
Net cash (used in) available from investing activities		**(1,730,506)**	**491,293**
Cash flows from financing activities			
Paid Dividends		**(7,565,370)**	(7,999,758)
Adjustments to retained earnings		**-**	(84,077)
Payments to creditors of the right to use leased assets	17.3	**(164,562)**	(155,825)
Net cash used in financing activities		**(7,729,932)**	**(8,239,660)**
Net change in cash and cash equivalents during the year		**14,146,351**	79,929,079
Cash and cash equivalents at the beginning of the year		**643,002,532**	563,073,453
Cash and cash equivalents at the end of the year		**657,148,883**	**643,002,532**

First Deputy General Manager	General Manager	Chairman
Mr. Abdukader Ali Bazara	Mr. Omar Rashed Abdulhak	Mr. Kamal Hussein Al-Jabri

See accompanying notes (1-42) to the consolidated financial statements

Consolidated statement of cash flows (continued)

For the year ended December 31,

	Notes	2020 YR'000	2019 YR'000
Cash and cash equivalents at the end of the year consist of:			
Cash on hand and reserve balances with Central Bank of Yemen		**43,530,226**	48,610,099
Due from banks		**114,728,018**	132,934,497
Held to maturity investments		**540,847,447**	504,711,273
		699,105,691	**686,255,869**
Less: Deposits with banks reserved as guarantee		**(5,142,263)**	(4,001,036)
Less: Mandatory reserve balances with Central Bank of Yemen		**(36,814,545)**	(39,252,301)
		657,148,883	**643,002,532**

First Deputy General Manager	General Manager	Chairman
Mr. Abdukader Ali Bazara	Mr. Omar Rashed Abdulhak	Mr. Kamal Hussein Al-Jabri

1. General overview

International Bank of Yemen ("the Bank") was established as a Yemeni Shareholding Company (Y.S.C.) in the Republic of Yemen on January 14, 1979 under Presidential Decree No. (4) of 1979, the Bank carries its banking activities according to the provisions of the law of commercial banks (38) of 1998 and its by laws. The Bank engaged in activities through the head office in the city of Sana'a and 26 branches in the cities of Sana'a, Aden, Taiz, Mukalla, Seiyuon, Dhamar, Hodeidah, Marib, Al-Qttn, Ibb and Tareem.

The consolidated financial statements include the financial statements of the Bank and the financial statements of the subsidiary in Yemen (together referred to as the "Group") as follows:

Name of the Subsidiary	Country of Incorporation	Main Activity	The Company's Capital Thousand USD	Year Incorporation	Ownership Percentage	
					2020	2019
Ocean Breeze for Investment & Development Ltd. Co.	Republic of Yemen	Establishment of investments projects in the fields of tourism, construction and overall trade	4,400	2009	80%	80%

2. Adoption of new and revised international financial reporting standards ("IFRS")

2.1 New and revised standards that are effective for annual periods beginning on or after January 1, 2020

The standards and amendments that are effective for the first time in 2020 (for entities with a December 31, 2020 year-end) are:

- Amendments to References to the Conceptual Framework (Various Standards).
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7).

These amendments have no material impact on the Group consolidated financial statements. Accordingly, the Group Management did not make any changes to its accounting policies in 2020. Below is information on these new standards/amendments:

1. Amendments to References to the Conceptual Framework (Various Standards)

In March 2018, the IASB published a revised 'Conceptual Framework for Financial Reporting (Conceptual Framework), concluding its long-running project in this area. Although it is not a Standard and will not immediately change or override any existing Standards, it may affect entities that develop or select accounting policies according to the previous version of the Conceptual Framework issued in 2010.

The Conceptual Framework describes the objective of, and the concepts for, general purpose financial reporting. It is mainly a tool for the IASB to develop and revise standards that are based on consistent concepts. Still, entities might also use it when they have to develop accounting policies when no Standard applies or when a Standard allows a choice of accounting policy.

The main issues addressed by the revised Conceptual Framework:

The revised Conceptual Framework now sets out a complete set of concepts in eight chapters:

1. The objective of general-purpose financial reporting.
2. The qualitative characteristics of useful financial information.
3. Financial statements and the reporting entity.
4. The elements of financial statements.
5. Recognition and derecognition.
6. Measurement.
7. Presentation and disclosure.
8. Concepts of capital and capital maintenance.

Alongside the revised Conceptual Framework, the IASB has published 'Amendments to References to the Conceptual Framework in IFRS Standards'. This publication updates nearly all of the references to previous versions with references to the 2018 Conceptual Framework.

The IASB is confident that the updated references will have no impact on preparers of financial statements and reminds them that the Conceptual Framework is not a Standard and does not change or override requirements of any existing Standards. It is primarily a tool for the IASB to help them develop Standards based on consistent concepts. However, some references have not been updated or allow preparers to continue applying the 2010 Conceptual Framework.

To avoid unintended consequences, preparers are required to apply the definitions of assets and liabilities from the 2010 Conceptual Framework when accounting for business combinations under IFRS 3. The IASB plans to explore in due course how those references can be updated without having any effects on preparers of financial statements. Also, preparers will continue using the 2010 definitions of assets and liabilities when accounting for regulatory account balances, which means preparers will not have to change their accounting for rate-regulated assets and liabilities twice within a short period as the IASB is planning to replace the interim Standard IFRS 14 'Regulatory Deferral Accounts' in the near future.

Over the last few years, the IASB has already started applying some of the new or revised concepts when developing or amending Standards.

These amendments had no impact on the financial statements of the Group.

2. Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued 'Definition of a Business' making amendments to IFRS (3) 'Business Combinations. The amendments are a response to feedback received from the post-implementation review of IFRS 3. They clarify a business's definition to help entities determine whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments are as follow:

- Clarify the minimum attributes that the acquired assets and activities must have to be considered a business.
- Remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs.
- Narrow the definition of a business and the definition of outputs.
- Add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments replace the wording in the definition of a business from:

- 'Providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants' to
- 'Providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.'

This narrows the definition by focusing on goods or services rather than returns.

These amendments had no impact on the Group's financial statements but may impact future periods should the Group enter into any business combinations.

3. Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued 'Definition of Material,' making amendments to IAS 1 'Presentation of Financial Statements and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors.'

The amendments respond to findings that some companies experienced difficulties using the previous definition when judging whether the information was material for inclusion in the financial statements. In fact, up to now, the wording of the definition of material in the Conceptual Framework for Financial Reporting differed from the wording used in IAS 1 and IAS 8. In addition, the existence of more than one definition of material was potentially confusing, leading to questions over whether the definitions had different meanings or should be applied differently.

The amendments note that many existing and potential investors, lenders, and other creditors cannot require reporting entities to provide information directly to them and must rely on general-purpose financial statements for much of the financial information they need.

Consequently, they are the primary users to whom general-purpose financial statements are directed.

The amendments are designed to rectify this problem and make it easier for companies to define materiality judgments.

They do this by:

- including in the definition guidance that until now has featured elsewhere in IFRS.
- improving the explanations that accompany the definition.
- ensuring that the definition of material is consistent across all IFRS.

These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group.

4. Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7)

In October 2019, the IASB published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7) in response to the ongoing reform of interest rate benchmarks worldwide. The amendments aim to provide relief for hedging relationships.

Many interbank offered rates (IBORs) will be replaced by new benchmark Risk-Free Rates (RFRs) in the next few years.

One of the biggest issues presented by the replacement of IBORs is the potential effect on hedge accounting given the extensive use of interest rate benchmarks in global financial markets, and it's this subject that is addressed by the IASB's amendments. The main amendments can be summarised as follows:

a. Highly probable requirement and prospective assessments of hedge effectiveness

Where an entity currently designates IBOR cash flows, the replacement of IBORs with new interest rate benchmarks raises questions over whether it will be possible to make the assertion that those cash flows will still occur in a hedge of highly probable future cash flows and whether the hedging relationship meets the requirements to be viewed as effective on a prospective basis.

The IASB therefore has provided exceptions for determining whether a forecast transaction is highly probable or whether it's no longer expected to occur. Specifically, the amendments state that an entity should apply those requirements assuming that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.

They also include exceptions to the hedge accounting requirements in IFRS 9 and IAS 39 so that an entity assumes that the interest rate benchmark on which the hedged cash flows are based and/or the interest rate benchmark on which the cash flows of the hedging instrument are based are not altered as a result of interest rate benchmark reform when the entity determines whether:

- there is an economic relationship between the hedged item and the hedging instrument applying IFRS 9.
- or the hedge is expected to be highly effective in achieving offsetting by applying IAS 39.

b. Designating a component of an item as the hedged item

The changes amend the hedge accounting requirements in IFRS 9 and IAS 39 for hedges of the benchmark component of interest rate risk that is not contractually specified and affected by interest rate benchmark reform. Specifically, they state that an entity applies the requirement (that the designated risk component or designated portion is separately identifiable) only at the inception of the hedging relationship. However, there is one exception to this. When an entity frequently resets a hedging relationship because both the hedging instruments and the hedged item often change, the entity applies the requirement only when it initially designates a hedged item in it that hedging relationship.

The amendments affect entities with hedging relationships directly affected by IBORs.

In accordance to the instructions of the Central Bank of Yemen circular No. (5257)) issued on December 23, 2019 regarding the application of the International Financial Reporting Standard No. (9) "Financial Instruments", in which it is decided to postpone the application of the IFRS No. (9) so that the standard will be applied starting from January 1, 2021. On April 13, 2022 the Central Bank of Yemen issued Circular No. (15) which extends the postpone of the application of IFRS No. (9) "Financial Instruments" until issuing the regulated instructions to applying the standard during the year 2022. Moreover, that the necessary procedures that ensure implementation of the standard have to be taken place starting from the year 2022.

2.2 Standards, amendments, and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorization of these financial statements, specific new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Group as follows:

Standard	Title of Standard or Interpretation	Effective for Accounting Periods Beginning on or after
IFRS 3	References to the Conceptual Framework (Amendments to IFRS 3)	January 01, 2022
IAS 16	Proceeds before intended use (Amendments to IAS 16)	January 01, 2022
IAS 37	Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	January 01, 2022
IFRS 1, IFRS 9, IFRS 16, and IAS 41	Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)	January 01, 2022
IFRS 17	Insurance Contracts	January 01, 2023
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 01, 2023
IAS 1	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 01, 2023

Group's management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the pronouncement's effective date. New standards, interpretations, and amendments are not expected to have a material impact on the Group's consolidated financial statements.

3. The significant accounting policies adopted

3.1 Policies applicable on or after January 1, 2019

3.1.1 Right to use leased assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasure of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment starting from January 1, 2019, the right of use assets amounted to YR 567,353 thousand as of December 31, 2020 (2019: YR 682,878 thousand).

3.1.2 Lease contracts liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the internal cost of funds as incremental borrowing rate at the lease commencement date (20% for YR leases, 4% for foreign currency leases) after the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and is reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities are included within credit balances and other liabilities, and these liabilities amounted of YR 600,020 thousand as of December 31, 2020 (2019: YR 702,775 thousand).

3.1.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

3.1.4 Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (a change in business strategy).

3.2 Statement of compliance

The consolidated financial statements have been prepared on going concern basis and in accordance with International Financial Reporting Standards ("IFRS") and the amendments of Central Bank of Yemen in respect of recognition, measurement, disclosure of financial instruments, according to the circular of the Central Bank of Yemen, addressed to all banks operating in the Republic of Yemen, which states that "defer the implementation of IFRS (9)" Financial Instruments" to the beginning of the year 2022 ", and the requirements of the relevant Yemeni laws and regulations.

Therefore, it is required to comply with circular No. (6) of 1996 and circular No. (5) of 1998 and circular No. (8) of 2015, in respect of assets and liabilities classification. Furthermore, a provision should be made for direct facilities at amortized cost and contingent liabilities itself, in addition to a provision for general risks calculated on the total of loans and advances and other liabilities after deducting any balance secured by deposits and bank guarantees issued by foreign worthy banks. The provision is determined based on periodic comprehensive reviews of the credit portfolio and contingent liabilities, and percentages identified in the Central Bank of Yemen instructions. Therefore, general risk provisions calculated on performing loans and advances and contingent liabilities provision are to be recognized in other provisions, rather than in equity.

3.3 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. The historical cost basis is based on the fair value paid for those assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and\or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS (2), leasing transactions that are within the scope of IAS (17), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS (2) or value in use in IAS (36).

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1:** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2:** when the inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3:** inputs are unobservable inputs for the asset or liability.

3.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank:

- Has power over the subsidiary;
- Is exposed, or has rights, to variable returns from its involvement with the subsidiary; and
- Has the ability to use its power to affect its subsidiary's returns.

The Bank reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of a subsidiary, it has power over the subsidiary when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the subsidiary unilaterally.

The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in a subsidiary are sufficient to give it power, including:

- The size of the Bank's holding of voting rights, its concentration in relation to the remaining holding of voting rights of the other shareholders and the size of its distribution among them.

- The expected and potential voting power of the bank to the remaining voting power of the owners and other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances may indicate that the Bank has, or does not have, the ability to manage and direct the main activities of the subsidiary at the time require decision-making, and this includes the voting methodology that the shareholders used in previous meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the bank and subsidiary are eliminated upon consolidation of the financial statements.

3.5 Foreign currencies transactions

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at date of preparing consolidated financial statements, profits/losses are recognized in the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost are retranslated at the rates prevailing at the date of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined, revaluation gain/loss are recognized as part of the fair value.

When preparing the consolidated financial statements, assets and liabilities of the subsidiary which are prepared in currency other than the currency used in the preparation of consolidated financial statements are translated at the average rates of currencies at the date of the consolidated financial statements. Exchange rates differences resulted from revaluating net investment in the subsidiary are recognized in the consolidated statement of comprehensive income.

The Consolidated Financial Statements are presented in Yemeni Rial ("YR") and all the values are rounded to nearest thousand Rials, except when otherwise indicated.

3.6 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument except for "regular way" purchases and sales of financial assets which are recognized on settlement date basis.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss, if any) are added to or deducted from fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of comprehensive income.

3.7 Financial assets

All regular way purchases or sales of financial assets are recognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets into the following specific categories: held-to-maturity investments, loans and advances to customers and available-for-sale financial investments. The classification of financial assets is determined upon initial listing, depending on the nature of the financial assets and the purpose of their acquisition.

3.7.1 Held to maturity investments

Financial assets at amortized cost with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held to maturity investments.

Financial instruments are initially recognized at fair value plus any directly attributable transaction costs.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses, with revenue recognized on an effective yield basis i.e. based on actual results.

If there is objective evidence that an impairment on held to maturity investments carried at amortized cost has been incurred, the amount of impairment loss recognized in the consolidated statement of comprehensive income is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the investments' original effective interest rate.

Amortized cost is calculated by taking into account any discount or premium on acquisition using an effective interest rate method. Therefore, held to maturity investments are recognized at nominal value after deducting issuance discount as at the date of the consolidated financial statements.

3.7.2 Loans and advance

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investments will be recovered other than because of credit deterioration. Loans and receivables (including direct credit facilities to customers, Loans, advances, and debit balances and other assets) are initially measured at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in the consolidated statement of comprehensive income.

3.7.3 Available for sale financial investments

Available for sale financial investments are non-derivatives that are either designated as available for sale financial investments or are not classified as (a) loans and receivables, (b) held-to-maturity investments. AFSFI are those intended to be held for an indefinite period of time and may be sold to meet liquidity requirements or changes in interest rates, exchange rates or equity prices.

Available-for-sale investments are initially recognized at fair value plus any directly attributable transaction costs and are subsequently measured at fair value.

The fair values of quoted financial assets in active markets are based on current prices. The Group's AFSFI these are unquoted and are not traded in an active market, are stated at cost less impairment unless fair value at the end of each reporting period can be reliably measured.

If an available-for-sale financial investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortization) and the current fair value, less any previous impairment loss recognized in the consolidated statement of comprehensive income is removed from equity and recognized in the consolidated statement of comprehensive income.

Gains and losses arising from changes in fair value are recognized in the other comprehensive income statement and recorded in cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognized directly in the consolidated statement of comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity in the cumulative changes in fair value is included in the consolidated statement of comprehensive income for the year.

3.7.4 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is calculated using the effective interest rate method and the dividends from available for sale financing investments are recognized in the consolidated statement of comprehensive income. Any other changes in the value of financial assets are included in the consolidated statement of comprehensive income, as well as reserves of the fair value of the investments. Interest income is recognized by applying the effective interest rate, except for loans and short-term receivables when the effect of discounting is immaterial.

When financial assets are sold or when impairment is recognized, gains or losses which were previously assembled in fair value reserve of investments are reclassified in profit or loss.

Dividends on financial assets are recognized in profit or loss when the Group's right to receive the dividends is established.

3.7.5 Impairment of financial assets

The Group assesses at the date of each consolidated statement of financial position whether there is objective evidence of impairment of a financial asset or a Group of financial assets. The value of the financial asset or Group of financial assets decreases and the impairment loss incurred if, and only if, there was objective evidence as a result of one or more events after the initial recognition of the asset ("loss event"), and that loss event (or events) has an impact on the expected future cash flows for a financial asset or Group of financial assets that can be estimated reliably.

Objective evidence of impairment of a financial asset or a Group of financial assets includes observable data that comes to the Group's attention about loss events:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- Group grants a waiver to the borrower, for economic or legal reasons due to the borrower's financial difficulty, which in its absence the lender is not seen the subject of such waiver; or
- It is becoming probable that borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for such financial asset because of financial difficulties.

- Observable information indicating that there is a measurable decrease in the estimated future cash flows of a class of financial assets since the initial recognition of those assets, although it was not possible to determine impairment of individual financial asset in the class, including:
  - There is adverse change in the payment status of the borrower or,
  - Economic conditions national or local that coincides with settlement defaults on assets in the class.

Group assess availability of any objective evidence for impairment in values of financial assets on a collective basis even if they were assessed not to be impaired individually. If the Group identified the absence of objective evidence about existence of impairment of financial asset which is individually assessed, whether significant or not, is added to a class of financial assets with similar credit risk characteristics for assessing impairment existence in this class collectively.

Assets that are individually assessed for impairment is inserted into or continued to insert an impairment loss in its value are not included in the collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred on loans and advances carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted according to the actual interest rate of the financial asset. The carrying amount of the asset is reduced through the use of the provision and the amount of the loss is included in the consolidated statement of comprehensive income. If the loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined according to the contract. As a practical expedient, the Group may measure impairment on the basis of the instrument's fair value using an observable market price

Future cash flows in a Group of financial assets that are collectively evaluated for impairment are estimated on the basis of contractual cash flows to financial assets and historical loss experience to financial assets with similar credit risk characteristics. Historical experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

The estimations must be reflected in the future cash flows of a Group of assets, and should be in line with the changes in the related information that can be monitored from time to time. (For example, changes in the unemployment rates, real estate prices, payment position or other factors that indicate changes in the loss possibilities in the group and its size).

The calculation of the present value of estimated future cash flows of the financial asset reflects the cash flows that may result from mortgage less costs for obtaining and selling the mortgage, whether a potential foreclosure or not.

The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between estimated losses and actual loss.
Financial assets with similar credit risk characteristics are added to a class for assessing impairment existence in this class collectively (i.e. taking into account asset type, location, warranty. Previous accrual and other related characteristics).

These characteristics are related to the estimation of future cash flows for groups of those assets, as they indicate the ability of the debtor to pay all accruals amounts according to the contractual terms of the assets being evaluated.

If a loan is uncollectible, were to follow all the necessary legal procedures and the final loss has been determined, it is written off against the provision associated with a decrease the value of the loan. And such loans are written off after completing all the necessary procedures and determine the amount of the loss. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in in the consolidated statement of comprehensive income.

In case of loans if the decreased amount of the impairment loss in a subsequent period can be attributed objectively to an event occurred after the impairment was recognized (such as an improvement in the credit rating of the debtor), the impairment loss previously recognized will be reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of comprehensive income.

In case of significant or prolonged decline at fair value of financial assets below its cost is considered in determining the existence of decline in the value of the asset. If such evidence exists for available for sale financial assets, then its accumulative losses are removed, which is measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset listed previously with profit or loss, from the consolidated statement of equity and to be included in the consolidated statement of comprehensive income.

3.7.6 Provision for loans, advances to customers, and contingent liabilities

In addition to the above, and for the purpose of applying the Central Bank of Yemen instructions as per circular No. (6) of 1996, and circular No. (5) of 1998 and circular No. (8) of 2015 regarding the classification of assets and liabilities; a provision of direct credit facilities at amortized cost and contingent liabilities is made, in addition to a provision for general risks calculated on the total of loans and advances and other liabilities after deducting any balance secured by deposits and bank guarantees issued by foreign worthy banks. The provision is determined based on periodic comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, the provision is provided in accordance with the following rates at least:

Description	%
Performing loans and advances, contingent liabilities	
Performing Loans and advances (including watch list accounts)	2%
Performing contingent liabilities (including watch list accounts)	1%
Non-performing loans, advances and contingent liabilities	
Substandard loans, advances and contingent liabilities	15%
Doubtful loans, advances and contingent liabilities	45%
Bad loans, advances and contingent liabilities	100%

Loans, and advances to customers are presented on the consolidated statement of financial position net of provisions and uncollected interests. Loans are written off if procedures taken towards their collection prove useless, or if directed by CBY inspection upon review of the portfolio by debiting the provision. Proceeds from loans previously written off in prior years are included in the consolidated statement of comprehensive income under "other income".

During the year ended December 31, 2015, the CBY issued circular No. (8) of 2015, including an amendment of provision percentage on performing direct loans and advances from 1% to 2%.

3.7.7 De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Derecognizing of a financial asset at amortized cost in its entirety is measured by the difference between the asset's carrying amount and the sum of the consideration received in addition to receivable and is recognized in the consolidated statement of comprehensive income.

3.8 Financial liabilities

The Group classifies its financial liabilities into financial liabilities at amortized cost only (i.e. other financial liabilities).

3.8.1 Other financial liabilities

Other financial liabilities (including amounts due to banks, customer's deposits, credit balances and other liabilities) are initially measured at their fair value which is the cost at the time of transaction and subsequently measured at amortized cost, using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis, except for short-term payables when the recognition of interest would be immaterial. All the financial liabilities of the Group are short term in nature.

3.8.2 De-recognition of financial liabilities

The Group de-recognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the consolidated statement of comprehensive income.

3.9 Cash and cash equivalents

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, balances with the Central Bank (other than reserve balances), current accounts with other banks in addition to held to maturity investments and certificates of deposits which are due within three months.

3.10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair value of a liability reflects its non-performance risk.

The Bank measures the fair value of an instrument using the quoted price in an active market for that instrument if available. A market is regarded as active if transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The fair value is measured by one of the following methods:

- Comparing the fair value of another similar financial asset;
- Discounting estimated future cash flows; or
- Pricing options techniques.

The valuation methods aim to arrive at a fair value that reflects the expectations of market participants, expected risks and expected benefits of fair value estimation. When the fair value cannot be measured reliably, financial assets are stated at cost or amortized cost.

3.11 Intangible assets

Usufruct is recorded at acquisition cost less accumulated depreciation and impairment losses, if any, and is depreciated over the period of usufruct contract.

Usufruct is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of the asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income.

3.12 Property and equipment

3.12.1 Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is 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 is 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 benefit is expected to arise from the continued use of the asset. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognized net within "other income/expenses" in the statement of comprehensive income. When revalued assets are sold, any related amount included in the revaluation surplus reserve is transferred to retained earnings.

3.12.2 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 Group, 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 statement of comprehensive income as incurred.

3.12.3 Depreciation

Depreciation is calculated based on the cost of property and equipment less its residual value - if any -.

The useful life is estimated for each part of the fixed asset, and if this part has a different useful life from the rest of the components of the asset, it will be depreciated separately.

These properties - except for land - are depreciated using a straight-line method and the amount of which is charged to the consolidated statement of comprehensive income and over its estimated useful life.

The following is a statement of the estimated useful lives of those properties for the purposes of calculating depreciation:

Statement	Estimated Useful Lives
Buildings and constructions	5-50 years
Furniture and fixtures	5 - 10 years
Machinery and equipment	5-20 years
Motor vehicles	5 - 10 years
Computer equipment	2 - 5 years

It is reviewed annually by the Group's management knowledge of both the depreciation method and the estimated useful life as well as the values estimated as scrap at the end of the estimated useful life of that property (if any).

3.13 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are allocated to individual cash-generating units, or they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than it carrying amount, the carrying amount of it is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.14 Valuation of assets transferred to the Group's ownership as a repayment of loans

The assets that the ownership transferred to the group are included in the consolidated statement of financial position under the item "debit balances and other assets" in accordance with the instructions of the Central Bank of Yemen, with the value they have transferred to the Group minus any decrease in their value at the date of the financial statements - if any -, and the value of this decrease is charged to the consolidated statement of comprehensive income.

3.15 Contingent liabilities and commitments

Contingent liabilities and commitments (after deducting retained guarantees) in which the Group is a party are shown outside the consolidated statement of financial position under the item "Contingent liabilities and commitments" considering that they do not represent actual assets or liabilities as at the consolidated financial position date.

3.16 Other provisions

Provisions are recognized in the consolidated financial statements when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined, (when the effect of the time value of money is material), by discounting the expected future cash flows using a rate that reflects current market assessments, the time value of money and the risks related to the liability, when appropriate.

3.17 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.17.1 Net interest income

Interest income and expense is recognized in "net interest income" as "interest income" and "interest expense" in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash flows of the financial instrument over the expected life of the financial instrument or over a shorter period, whichever is appropriate, to the net carrying amount of the financial assets or financial liabilities. Future cash flows are estimated taking into account all contractual terms of the instrument. The effective interest rate calculation includes all fees and points paid or received between parties to a contract that are increasingly due directly to specific lending arrangements, transaction costs, and all other bonuses or discounts. For financial assets at fair value through profit or loss (if any), transaction costs are recognized in profit or loss upon initial recognition.

Interest is credited to debts that are past due for three months (low-value financial assets - non-performing debts) that are not paid marginally and are not raised on clients' debts and are not added to the statement of comprehensive income only when they are collected and after they have collected the principal of the debt.

3.17.2 Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of effective interest income (see above). The fees included in this part of the Group's consolidated statement of comprehensive income include among other things, fees charged for servicing a loan and non-utilization fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement. Fees and commission income with regards to services are accounted for as the services are received.

3.17.3 Dividends income

Dividend's income is recognized when the right to receive payments is established. This is the ex-dividend date for listed equity securities (if any), and usually the date when shareholders approve the dividend for unlisted equity securities.

3.18 Retirement and social insurance

a. Group's employees pay their share in return for social security according to the Yemeni Social Insurance Law No. (26) for the year 1991, as well as Law No. (25) 1991 regarding insurances and pensions. Contributions are paid to the General Organization for Social Insurance and the General Authority for Insurances and Pensions before the tenth day of the next month. The Group's contribution is charged to the consolidated statement of comprehensive income.

b. The provisions of Social Insurance Law are applied to all employees of the Group concerning the end of service benefits.

3.19 Income Tax

The taxes owed by the bank are calculated in accordance with the Income Tax Law No. (17) of 2010, and a provision is made for tax obligations after conducting the necessary study.

3.19.1 Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using the tax rates prevailing at reporting date.

3.19.2 Deferred income tax

Deferred tax is provided for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated based on the tax rate that is expected to apply to the period when the asset is realized or the liability is settled. The tax effects on the temporary differences are disclosed as deferred tax.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which unused tax losses and credit can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax arising from revaluation of investments is recognized (if any) as adjustment over the surplus/(deficit) arising from revaluation.

3.20 Zakat due on shareholders

The due Zakat is calculated on Group according to laws and instructions in the Republic of Yemen, and a provision is creating for the due Zakat. The Group remits the Zakat due on the shareholders to the relevant governmental authority which decides on the allocation of Zakat.

3.21 Consigned assets

Consigned assets are not considered part of the Group's assets; therefore, they are not included in the Group's consolidated financial statements.

3.22 Segment information

Segment is a differentiable component of the Group that is engaged either in providing products or rendering services (business segment), or in providing products and services within a particular economic environment (geographical segment), which are subject to risks and returns that are different from those of other segments. The main form of a report on the Group's segment information is business segments based on the management structure and internal reporting. The main business of the Group is in sector of banking services provided to retail, corporates and banks.

3.23 Dividends for ordinary shares

Dividend distributions for ordinary shares are recognized in equity in the period in which they are approved by the shareholders. Dividend distributions for the year declared after the consolidated statement of financial position date are dealt with in a separate note.

3.24 Earnings per share

Basic earnings per share are calculated by dividing the profits (losses) of ordinary stock holders in the bank by the number of shares or the weighted average for number of shares outstanding during the year.

3.25 Comparative figures

All amounts are included with the comparative figures, except as permitted by accounting standards or interpretations.

3.26 Parent company information

Statement of financial position and statement of comprehensive income of the bank (Parent) as disclosed in the supplementary notes to the financial statements are prepared by using the same accounting policies as mentioned above.

4. Critical accounting assumptions and key sources of estimation of uncertainty

The preparation of the consolidated financial statements requires from the Group's management to make estimates and assumptions that affect the financial assets and liabilities shown at the date of the consolidated financial statements, and created provisions and changes in fair value during the year. These estimates are based on assumptions including many factors, which varies the degree of certainty, and these differences in actual results from management's estimates lead to changes in estimated future liabilities and assets.

Estimates and judgments are continually evaluated and are based primarily on historical experience and other factors, including expectations of future events that are believed to be reasonable according to the circumstances.

The following are the estimations followed in preparing the consolidated financial statements:

4.1 Classification of investments

Management decides on acquisition of an investment whether it should be classified as financial assets as available for sale or held to maturity.

4.1.1 Available for sale assets

Management follows the guidance set out in International Accounting Standard IAS (39) Financial Instruments: Recognition and Measurement on classifying non-derivative as AFS assets.

4.1.2 Held to maturity investments

The management follows the guidance of IAS (39) on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgments. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for the specific circumstances for example, selling an insignificant amount close to maturity, it will be required to classify the entire class as available for sale. The investments could, therefore, be measured at fair value, not at amortized cost.

4.2 Fair value estimation

Fair value is based on quoted market prices at the reporting date. If a quoted market price is not available, fair value is estimated based on discounted cash flow and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

4.3 Impairment losses on loans and advances

The purpose of the review of credit portfolio of customers is to determine the required provision for loans and advances balances, contingent liabilities and commitments which are studied in line with the laws and regulations issued by the Central Bank of Yemen.

In addition to laws and regulations issued by the Central Bank of Yemen Circular No. (6) of 1996, the Bank takes into account the following factors in the study:

- Analytical study of the customer's financial situation based on the financial statements and cash flows provided by the customer in addition to the movement of their accounts held with the group.
- The credit limit to the customer.
- The proportion of risk analysis, i.e., customer's ability to implement a profitable business and collect enough cash for the repayment of amount borrowed.
- The value of the mortgage and the possibility of re-owned.
- The cost of debt recovery.
- The client's obligations with Tax Authority and the Social Security Corporation.

The Group's policy requires regular and periodic review for impairment provisions on credit facilities, in addition to the periodic evaluation of mortgages and make sure of the possibility of recovery.

The classification of loans as non-performing loans continues unless reclassified as current loans and the collection of interest and the principal amount of the loan are considered probable. The provision of loan losses is calculated and included in the consolidated statement of comprehensive income.

4.4 Impairment losses on AFS investments

The Group determines that shares' prices are impaired when there is a significant or prolonged decline in the fair value below its cost. The determination of what is significant or long-term requires judgment. In making this judgment, the management evaluates, among other factors, the normal course of volatility in the share price.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial situation of the investor and the performance of the field work, the sector and the changes in the technical, operational and financing cash flows.

4.5 Useful lives of property and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, maintenance programs, and normal wear and tear using best estimates.

5. Capital management

The primary objective of the Group's capital management is to ensure compliance with the capital requirements issued by the Central Bank of Yemen, and to ensure that the Group maintains an outstanding credit rating, as well as a good capital adequacy ratio above the minimum required to keep it .The group monitors capital adequacy in accordance with the instructions issued by the Central Bank of Yemen in this regard, using methods in accordance with the standards applied by the Central Bank of Yemen for monitoring purposes. The group prepares periodic reports (every 3 months) on the capital adequacy ratio, according to the Central Bank of Yemen Circular No. (2) of 1997.

The Central Bank of Yemen requires banks operating in Yemen to maintain the ratio of total capital to risk-weighted assets at an internationally recognized ratio of (8%) as a minimum, and the bank must maintain a ratio of total capital to customer's deposits of (5%) as a minimum.

The capital adequacy ratio is calculated in accordance with the instructions of the Central Bank of Yemen by comparing the components of the core and supplementary capital with the total assets and liabilities of the bank, which are shown in the financial statements after weighting them with risk weights as follow:

	2020 YR'000	2019 YR'000
Core capital	61,817	52,469
Supplementary capital	347	136
Total Capital	**62,164**	**52,605**
Risk-weighted assets and liabilities:		
Total assets	54,232	63,104
Contingent liabilities and commitments	23,027	8,695
Total risk-weighted assets and liabilities	**77,259**	**71,799**
Capital adequacy ratio	**80,46%**	**73.27%**

The core capital consists of the paid-up capital, reserves and retained earnings (after excluding contributions to the capital of any local bank or local financial group), while the Supplementary capital consists of general provisions on performing debts at a rate of 1%, not exceed more than 2% of the risk weighted assets.

6. Cash on hand and reserve balances with Central Bank of Yemen

This item consists of the following as of December 31:

	2020 YR'000	2019 YR'000
Cash on hand and ATMs		
Local currency balances	4,468,516	5,104,533
Foreign currencies' balances	2,247,165	4,253,265
	6,715,681	**9,357,798**
Reserve Balances with Central Bank of Yemen*		
Local currency balances	18,298,297	21,000,642
Foreign currencies' balances	18,516,248	18,251,659
	36,814,545	**39,252,301**
	43,530,226	**48,610,099**

* In accordance with regulation of the Central Bank of Yemen, a mandatory reserve is maintained with the CBY calculated in 2020 as 10% of the total on customers' deposits in foreign currencies and 7% of the total on customers' deposits in local currency (2019: 10% and 7% of the total on customers' deposits in foreign currency and of the total on customers' deposits in local currency respectively). The Bank does not get any interest income on mandatory reserve balances with CBY.

7. Due from banks

This item consists of the following as of December 31:

	Notes	2020 YR'000	2019 YR'000
Balances with local banks			
Time deposits		9,980,538	7,216,413
Current accounts		-	3,753,750
		9,980,538	**10,970,163**
Balances with foreign banks			
Time deposits		67,629,892	73,660,899
Current accounts		18,353,590	32,607,624
		85,983,482	**106,268,523**
Balances with Central Bank of Yemen -current account			
Local currency balances		7,938,155	5,000,710
Foreign currencies' balances		10,825,843	10,695,101
		18,763,998	**15,695,811**
Total balances due from banks		**114,728,018**	**132,934,497**
Less: Impairment provision on balances with banks	7.1	(18,644,741)	(6,717,894)
		96,083,277	**126,216,603**

Time deposits with foreign and local banks carry variable interest rates while current accounts with such foreign banks do not carry any interest. Reserved deposits as guarantee with foreign banks amounted to YR 5,142,263 thousand as at December 31, 2020 (2019: YR 4,001,036 thousand) and on March 18, 2021, according to the settlement agreement signed between Yemen International Bank - Yemen and Bank of Beirut - Lebanon, the Group's management purchased 427,125 thousand bonds (Eurobonds) via the Government of Lebanon for USD 170,850 thousand at 40 cents per bond (USD) equivalent to YR 42,755,212 thousand against a portion of the Bank's balances with the Bank of Beirut-Lebanon (balances with foreign banks).

7.1 Impairment provision on balances with banks

This item consists of the following as of December 31:

	2020 YR'000	2019 YR'000
Balance as at January 1	6,717,894	38,457
Provided during the year*	11,926,847	6,679,437
Provision balance at the end of the year	**18,644,741**	**6,717,894**

* The economic situation in the Republic of Lebanon and its local banking system has been subjected to a large 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 with the Bank of Beirut and other Lebanese banks at 45% of the bank balances referred to, in addition to the balances of other banks that are not moving from year to another.

8. Held to maturity investments

Held to maturity investments represent in this item consists of the following as of December 31:

	2020 YR'000	2019 YR'000
Investments not listed - Amortized cost	540,847,447	504,711,273
	540,847,447	**504,711,273**

9. Customers loans and advances

This item consists of the following as of December 31:

	Notes	2020 YR'000	2019 YR'000
Financing accounts - Overdrafts		64,288,123	61,592,129
Loans to customers		3,094,008	3,583,277
Loans and advances to employees		137,980	98,298
		67,520,111	**65,273,704**
Less:			
Impairment provision on loans and advances (performing and non-performing)	9.1	(52,312,592)	(44,911,635)
Uncollected interest	9.2	(1,148,144)	(1,116,875)
		14,059,375	**19,245,194**

In accordance to Banking Law No. (38) of 1998, Article No. (85) and Income Tax Law No. (17) of 2010, Article No. (14), All provisions created in accordance with the instructions of the Central Bank of Yemen regarding loans, credit facilities and contingent liabilities are exempted from being subject to income tax.

Non-performing loans and advances amounted to YR 60,370,030 thousand as at December 31, 2020 (2019: YR 59,795,451 thousand). The Bank maintains a variety of good guarantees, such as real estate, cash guarantees against loans and advances granted to customers. Cash guarantees against credit, loans and other facilities amounted to YR 8,149,983 thousand as at December 31, 2020 (2019: YR 10,905,203 thousand). The following are details of loans and advances covered with cash guarantees:

	2020		
	Loans & Advances YR'000	Cash Guarantees YR'000	Net YR'000
Substandard loans and advances	563,645	(1,081)	562,564
Doubtful loans and advances	3,139,084	(15,002)	3,124,082
Bad loans and advances	56,667,301	(5,911,157)	50,756,144
	60,370,030	**(5,927,240)**	**54,442,790**
Performing loans and advances	7,150,081	(2,222,743)	4,927,338
	67,520,111	**(8,149,983)**	**59,370,128**

	2019		
	Loans & Advances YR'000	Cash Guarantees YR'000	Net YR'000
Substandard loans and advances	198,692	(22,172)	176,520
Doubtful loans and advances	394,759	(92,382)	302,377
Bad loans and advances	59,202,000	(9,002,069)	50,199,931
	59,795,451	**(9,116,623)**	**50,678,828**
Performing loans and advances	5,478,253	(1,788,580)	3,689,673
	65,273,704	**(10,905,203)**	**54,368,501**

9.1 Impairment provision on loans and advances (performing and non-performing)

This item consists of the following as of December 31:

	Notes	2020 Specific YR'000	General YR'000	Total YR'000
Balance as at January 1		44,895,500	16,135	44,911,635
Add: Provided during the year	27	7,599,541	74,597	7,674,138
Less: Used during the year		(372,072)	-	(372,072)
Less: Reversed during the year	26	-	-	-
Foreign currencies revaluation differences		98,891	-	98,891
Balance at December 31		**52,221,860**	**90,732**	**52,312,592**

This item consists of the following as of December 31:

	Notes	2019 Specific YR'000	General YR'000	Total YR'000
Balance as at January 1		45,883,182	54,084	45,937,266
Adjustments to opening balance		(203,201)	-	(203,201)
Add: Provided during the year	27	-	-	-
Less: Used during the year		(22,456)	-	(22,456)
Less: Reversed during the year	26	(746,538)	-	(746,538)
Transferred to specific provision		37,949	(37,949)	-
Transferred to provision for impairment of bank balances		(38,457)	-	(38,457)
Foreign currencies revaluation differences		(14,979)	-	(14,979)
Balance at December 31		**44,895,500**	**16,135**	**44,911,635**

In accordance with the instructions of the Central Bank of Yemen, provisions are classified into specific and non-specific (general provision for debts and facilities). Based on the instructions of the Central Bank of Yemen, a 1% provision is provided for all performing direct credit facilities and indirect facilities after deducting related cash margins.

During the year ended on December 31, 2015, the Central Bank of Yemen has issued Circular No. (8), which refers to adjusting the provision percentage on performing regular direct loans and advances from 1% to 2%.

In accordance with the provisions of IAS (39), measurement method can be applied for impairment of credit facilities and financial assets based on the groups by applying the study of impairment on the sets of credit facilities and financial assets that have been studied and analyzed individually and proved not to be impaired, while there are indications of impairment in similar groups, and the decline in the value of each asset within that Group cannot be identified.

9.2 Uncollected interest

Uncollected interests are due interests on non-performing loans and advances, which is recognized as revenue only when actually collected in accordance with the CBY instructions.

This item consists of the following as of December 31:

	2020 YR'000	2019 YR'000
Balance at January 1	1,116,875	1,089,896
Increase during the year	31,269	26,979
Balance at December 31	**1,148,144**	**1,116,875**

10. Available for sale financing investments

This item consists of the following as of December 31:

	Notes	Contribution Percentage %	2020 YR'000	2019 YR'000
Yemeni- Qatari Insurance Company		**15%**	120,000	120,000
Yemeni Financial Services Company		**2.39%**	33,934	33,736
			153,934	**153,736**
Less: Impairment of available for sale financing investments	10.1		(33,934)	(33,736)
			120,000	**120,000**

Available for sale financing investments represent in unquoted investments, due to the difficulty of obtaining a reliable estimate of fair value for these investments and there are no quoted market prices and future cash flows are not determinable, these investments were carried at cost.

The decline was calculated for the entire value of the investment in the Yemeni Financial Services Company, due to the absence of distributions from that investment during the past years, as well as the non-expectation of receiving any dividends in the coming years.

All financial investments available for sale are not rated by international rating companies.

10.1 Impairment of available for sale financing investments

This item consists of the following as of December 31

	2020 YR'000	2019 YR'000
Balance at January 1	33,736	33,736
Provided during the year	198	-
Balance at December 31	**33,934**	**33,736**

11. Debit balances and other assets

This item consists of the following as of December 31:

	Notes	2020 YR'000	2019 YR'000
Assets transferred to the bank ownership as a repayment of debts of customers		811,415	811,415
Unearned accrued interest		305,231	415,700
Prepaid expenses		180,932	146,494
Other debit balances		2,219,736	2,276,634
		3,517,314	**3,650,243**
Less:			
Provision for doubtful debts balances and other assets	11.1	(2,832,677)	(3,057,999)
		684,637	**592,244**

11.1 Provision for doubtful debts balances and other assets

This item consists of the following as of December 31:

	Notes	2020 YR'000	2019 YR'000
Balance at the beginning of the year		3,057,999	1,577,157
Add: Provided during the year	27	-	1,480,842
Less: Used during the year		-	-
Less: Reversed during the year	26	(225,322)	-
Balance at end of the year		**2,832,677**	**3,057,999**

12. Intangible assets

This item consists of the following as of December 31:

	2020 YR'000	2019 YR'000
Usufruct		
Lands in Aden	1,085,517	1,085,517
Costs of studies and consulting	127,995	127,995
Revaluation differences from assets in foreign currencies	249,512	249,512
Total cost of Usufruct	**1,463,024**	**1,463,024**
Impairment losses of intangible assets	(1,463,024)	(1,463,024)
	-	-

- Usufruct represents the usage rights of the land of 26,181 square meters relinquished by one of the shareholders in the subsidiary, afforded by the Public Authority for Lands and Survey and Urban Planning in Aden city (free of charge) and under the record of temporary transmission dated December 22, 2010, to identify the streets and the buildings for the investment project number (264/2010).
- According to the handing over conditions by the Public Authority for Lands and Survey and Urban Planning of Aden, Ocean Breeze will be granted a lease contract for 99 years if the investment cost of the project will be less than USD I0 million, or will be awarded free of charge ownership contract if the project investment cost will exceed USD I0 million.
- Based on the instructions of the Local Authority in Aden, Ocean Breeze was granted a time frame of 24 months to execute the project, such period starts from the date of receiving the licenses for the execution of the project. However, the Public Authority for Lands and Survey and Urban Planning in Aden city has the right to retrieve the land and any constructions on the land.
- In the subsequent periods, the Group could not get the usufruct or the ownership of the land which was recognized as an intangible asset in the amount of YR 1,463,024 thousand as at December 31, 2020 (2019: YR 1,463,024 thousand) due to failure to complete the licensing procedures for the execution of the project from the date of receiving the land transmission document dated in December 22, 2010, which does not represent a proof of ownership. This land is granted free of charge to Ocean Breeze for Investment and Development Co. Ltd. (subsidiary company).
- The above-mentioned events represent fundamental indicators may lead to the inability of the Ocean Breeze Company for Investment and Development Co. Ltd. to continue as a going concern due to the fact that the company is not able until the date of these consolidated financial statements to get the usufruct or proof of the ownership of the land. These events made the management recognizes an impairment loss of assets equals to 100% of usufruct ("intangible assets").

13. Property and equipment

This item consists of the following as of December 31:

	Lands YR'000	Buildings and constructions YR'000	Furniture & Fixtures YR'000	Machinery & Equipment YR'000	Motor Vehicles YR'000	Computer Equipment YR'000	Total YR'000
Cost							
Balances at January 1, 2020	**446,053**	**1,364,126**	**508,122**	**2,139,188**	**474,964**	**2,154,536**	**7,086,989**
Additions	-	180,184	56,689	65,078	67,802	219,328	589,081
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2020	**446,053**	**1,544,310**	**564,811**	**2,204,266**	**542,766**	**2,373,864**	**7,676,070**
Accumulated Depreciation							
Balances at January 1, 2020	-	**614,630**	**422,851**	**1,901,083**	**451,791**	**1,378,977**	**4,769,332**
Depreciation of the year	-	168,609	32,924	115,909	15,878	431,895	765,215
Disposals	-	-	-	-	-	-	-
Adjustments during the year	-	-	-	(3,472)	-	-	(3,472)
Balance at December 31, 2020	-	**783,239**	**455,775**	**2,013,520**	**467,669**	**1,810,872**	**5,531,075**
Net book value at December 31, 2020	**446,053**	**761,071**	**109,036**	**190,746**	**75,097**	**562,992**	**2,144,995**
Used depreciation rates	-	**2%-20%**	**10%-20%**	**5%-20%**	**10%-20%**	**20%-50%**	-

This item consists of the following as of December 31:

	Lands YR'000	Buildings and constructions YR'000	Furniture & Fixtures YR'000	Machinery & Equipment YR'000	Motor Vehicles YR'000	Computer Equipment YR'000	Total YR'000
Cost							
Balances at January 1, 2019	**446,053**	**1,364,126**	**489,058**	**2,075,309**	**476,995**	**1,689,169**	**6,540,710**
Additions	-	-	19,064	63,927	4,503	465,367	552,861
Disposals	-	-	-	(48)	(6,534)	-	(6,582)
Balance at December 31, 2019	**446,053**	**1,364,126**	**508,122**	**2,139,188**	**474,964**	**2,154,536**	**7,086,989**
Accumulated Depreciation							
Balances at January 1, 2019	-	**619,208**	**405,215**	**1,865,952**	**455,479**	**1,310,170**	**4,656,024**
Depreciation of the year	-	66,032	17,636	44,969	2,846	68,807	200,290
Disposals	-	-	-	(48)	(6,534)	-	(6,582)
Adjustments during the year	-	(70,610)	-	(9,790)	-	-	(80,400)
Balance at December 31, 2019	-	**614,630**	**422,851**	**1,901,083**	**451,791**	**1,378,977**	**4,769,332**
Net book value at December 31, 2019	**446,053**	**749,496**	**85,271**	**238,105**	**23,173**	**775,559**	**2,317,657**
Used depreciation rates	-	**2%-20%**	**10%-20%**	**5%-20%**	**10%-20%**	**20%-50%**	-

14. Right to use leased assets

This item consists of the following as of December 31:

	2020 YR'000	2019 YR'000
Cost		
Balance at January 1,	813,763	751,033
Additions to the right to use leased assets during the year	23,442	62,730
	837,205	**813,763**
Accumulated depreciation		
Accumulated depreciation at January 1,	130,885	-
Depreciation of the year	138,967	130,885
Balance at December 31,	**269,852**	**130,885**
Net right to use leased assets as at December 31,	**567,353**	**682,878**

15. Due to banks

This item consists of the following as of December 31:

	2020 YR'000	2019 YR'000
Current accounts		
Local currency balances	18,598,874	34,070,436
Foreign currencies balances	3,032,671	168,880
	21,631,545	**34,239,316**
Time deposits		
Local currency balances	36,745,582	24,179,970
Foreign currencies balances	-	-
	36,745,582	**24,179,970**
Total balances due to banks	**58,377,127**	**58,419,286**

Current accounts and time deposits due to banks and financial institutions carry different rates of interest.

16. Customers' deposits

16.1 Customers' deposits according to type

This item consists of the following as of December 31:

	2020 YR'000	2019 YR'000
Current and demand accounts	225,563,244	239,509,291
Time deposits	186,962,119	219,938,852
Savings accounts	25,243,383	23,930,981
Cash guarantees, LCs and LGs	10,658,184	7,059,154
Other deposits	4,280,810	5,657,325
	452,707,740	**496,095,603**

Time deposits and saving accounts bear fixed interest rates during the deposit period, while other current accounts, cash margins, and other deposits earn nil interest.

Customers' deposits as at December 31, 2020 include amounts booked for direct and indirect credit facilities amounted to YR 8,149,983 thousand (YR 10,905,203 thousand as at December 31, 2019).

16.2 Customers' deposits according to sectors

This item consists of the following as of December 31:

	2020 YR'000	2019 YR'000
Corporations	144,866,477	193,477,285
Public and mixed sector	176,556,019	158,750,593
Individuals	63,379,084	69,453,385
Others	67,906,160	74,414,340
	452,707,740	**496,095,603**

17. Credit balances and other liabilities

This item consists of the following as of December 31:

	Notes	2020 YR'000	2019 YR'000
Income tax	17.1	8,773,771	8,012,788
Zakat	17.2	5,818,397	4,150,019
Accrued interest		3,690,473	4,044,122
Accrued expenses		626,378	411,857
Lease contracts liabilities	17.3	600,020	702,775
Unearned revenue		17,283	33,112
Other credit balances and liabilities		2,106,942	2,457,688
		21,633,264	**19,812,361**

17.1 Income tax

Income tax is provided at 20% for the year 2020 (2019: 20%) of the annual amended profit for tax purposes. The table below shows the movement of income tax provision:

	2020 YR'000	2019 YR'000
Balance at the beginning of the year	8,012,788	4,122,594
Provided during the year	7,822,657	6,513,317
Paid during the year	(7,061,674)	(2,623,123)
Balance as at December 31	**8,773,771**	**8,012,788**

17.2 Zakat

Zakat is calculated at 2.5775% of the Zakat base according to the modified growth method, which is established in accordance with the decision of the Chairman of the General Authority for Zakat No. (41) of 2018 regarding the zakat calculation guide.

Following are the details of the movements of Zakat as at December 31:

	2020 YR'000	2019 YR'000
Balance at the beginning of the year	4,150,019	2,684,765
Provided during the year	4,723,860	2,827,686
Paid during the year	(3,055,482)	(1,362,432)
Balance as at December 31	**5,818,397**	**4,150,019**

17.3 Lease contracts liabilities

This item consists of the following as of December 31:

	2020 YR'000	2019 YR'000
Balance at the beginning of the year	702,775	751,033
Provided during the year	23,442	62,730
Debit interest	38,365	44,837
Paid during the year	(164,562)	(155,825)
Balance as at December 31	**600,020**	**702,775**

18. Other provisions

This item consists of the following as of December 31:

	Notes	December 31, 2020 Provision for Contingent Liabilities %	Provisions for Contingent Claims YR'000	Foreign Currencies Fluctuation Provision and the Impact on the Exposed Foreign Currencies Positions YR'000	Total YR'000
Balance at the beginning of the year		120,067	13,357,215	62,204,166	75,681,448
Add: Provided during the year	27	135,794	539,870	29,476,331	30,151,995
Less: Used during the year		-	(349,529)	-	(349,529)
Less: Reversed during the year	26	-	(2,000,000)	-	(2,000,000)
Balance as at December 31		**255,861**	**11,547,556**	**91,680,497**	**103,483,914**

	Notes	December 31, 2019 Provision for Contingent Liabilities %	Provisions for Contingent Claims YR'000	Foreign Currencies Fluctuation Provision and the Impact on the Exposed Foreign Currencies Positions YR'000	Total YR'000
Balance at the beginning of the year		196,238	10,281,910	47,346,610	57,824,758
Add: Provided during the year	27	-	3,283,607	14,857,556	18,141,163
Less: Used during the year		-	(208,302)	-	(208,302)
Less: Reversed during the year	26	(76,171)	-	-	(76,171)
Balance as at December 31		**120,067**	**13,357,215**	**62,204,166**	**75,681,448**

a. Provision for contingent liabilities is calculated at 1% on the total contingent liabilities after deducting balances secured by deposits and guarantees issued by highly credit rated foreign banks.

b. As described in note (33.3), and in accordance with the instructions issued by the Central Bank of Yemen to all banks operating in the Republic of Yemen, which stated that foreign currencies sensitivity analysis should be performed and presented regarding the effect of foreign currencies fluctuations on the financial statements, based on the exchange rate of the parallel market and stating the effect of such change on the consolidated statement of comprehensive income, and banks holding short foreign currencies financial positions should create a provision for losses related to the exposure of the difference between the value of the foreign currencies short positions according to the closing rates as per CBY instructions and the average parallel market exchange rate.

19. Share capital

In accordance with the decision of the Extraordinary General Assembly of the Bank held on August 8, 2016, the capital was increased by distributing 15,000,000 shares, as free shares at the rate of one free share for each owner of ten shares, as a transfer from the accumulated profits, so that the capital becomes YR 16,500 million. It is divided into 165,000,000 shares with a nominal value of YR 100 per share. The Bank in the process completing the procedures related to the amendment of the Articles of Association and the Commercial Registration that reflect the capital increase incurred during the year ended December 31, 2016.

20. Statutory reserve

As per article (12-1) of the Yemeni Banking Law No. (38) of 1998, 15% of the net profit for the year should be transferred to the statutory reserve until the reserve equals two times the paid-up capital. The Group's management cannot use the reserve without a prior approval from the Central Bank of Yemen. During the fiscal year 2020, the Bank transferred an amount of YR 2,537,058 thousand (2019: YR 2,355,299 thousand) from the net profit for the year to the statutory reserve.

21. Contingent liabilities and commitments

This item consists of the following as of December 31:

	2020			2019		
	Gross Commitments YR'000	Margin Held YR'000	Net Commitments YR'000	Gross Commitments YR'000	Margin Held YR'000	Net Commitments YR'000
Letters of guarantee	6,444,757	(3,245,455)	3,199,302	12,522,420	(4,655,957)	7,866,463
Letters of credit	29,799,570	(7,412,729)	22,386,841	6,544,394	(2,403,197)	4,141,197
	36,244,327	(10,658,184)	25,586,143	19,066,814	(7,059,154)	12,007,660

22. Interest income

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

	2020 YR'000	2019 YR'000
Interest from loans and advances	5,873,653	5,838,317
Interest from due from banks	1,515,100	1,557,766
	7,388,753	7,396,083

23. Interest expenses

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

	2020 YR'000	2019 YR'000
Interest expenses on customers' deposits:		
Time deposits	25,787,788	27,026,972
Saving accounts	3,256,595	2,997,638
Other deposits	39,088	112,882
	29,083,471	30,137,492
Interest expense on balances due to banks		
Time deposits for banks	4,381,047	3,638,781
	33,464,518	33,776,273

24. Fee and commission income from banking services

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

	2020 YR'000	2019 YR'000
Commissions on received transfers	1,380,270	1,017,114
Commissions on Visa card	393,126	309,937
Commissions on letters of guarantee	116,051	101,517
Commissions on letters of credit	99,547	50,378
Fee and commissions for other banking services	850,165	632,690
	2,839,159	**2,111,636**

25. Gains from foreign currency transactions

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

	2020 YR'000	2019 YR'000
Gain from foreign currencies transactions	22,744,460	5,529,389
Loss from translation of foreign currencies	(3,434)	(1,031)
	22,741,026	**5,528,358**

26. Other incomes

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

	Notes	2020 YR'000	2019 YR'000
Provisions reversed during the year			
Provision on loans and advances (performing and non-performing)	9,1	-	746,538
Provision for doubtful debts balances and other assets	11,1	225,322	-
Other provisions	18	2,000,000	76,171
		2,225,322	**822,709**
Income from owned properties rental		50,527	48,763
Other incomes		752,780	143,986
		3,028,629	**1,015,458**

27. Impairment loss on financial assets (Provisions)

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

	Notes	2020 YR'000	2019 YR'000
Provision on loans and advances (performing and non-performing)	9,1	7,674,138	-
Impairment provision on balances with banks	7,1	11,926,847	6,679,437
Provision for doubtful debts balances and other assets	11,1	-	1,480,842
Other provisions	18	30,151,995	18,141,163
		49,752,980	**26,301,442**

28. Staff costs

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

	2020 YR'000	2019 YR'000
Salaries, allowances and incentives	2,617,147	1,795,471
Social security subscriptions	393,450	110,810
Medical expenses	71,190	87,289
	3,081,787	**1,993,570**

29. Other expenses

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

	2020 YR'000	2019 YR'000
Zakat	4,723,860	2,827,686
Board of Directors allowances	1,182,499	1,390,547
Fuels, oils and maintenance	929,509	699,398
Insurance	865,635	805,021
Donations and charities	799,818	1,285,003
Service contracts expenses	611,267	567,055
Rents	446,147	273,297
Communications expenses	227,349	232,905
Electricity and water	176,958	126,179
Legal and professional fees	176,952	110,639
Transportation	110,568	100,604
Stationery and office supplies	108,150	137,738
Marketing expenses	93,493	121,119
Advertising and publishing	86,156	173,421
Costs of financing the right to use leased assets	38,365	44,837
Training	35,773	44,636
Subscription	14,871	1,560
Miscellaneous other expenses	659,353	560,023
	11,286,723	**9,501,668**

30. Earnings per share

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

	2020	2019
Profit per share attributable to Bank's equity holders (YR'000)	16,913,717	15,701,995
Weighted average number of shares (Thousand shares)	165,000	165,000
Earnings per share (YR)	**102.51**	**95.16**

31. Related party transactions

Parties are considered to be related if the party has the ability to control or exercise significant influence over the Group's operating and financial decisions. The Group deals with related parties on the same basis applied to third parties in accordance with the Banks Law as implemented by CBY circular No. 4 of 1999, which limits credit transactions with related parties and requires that the Group applies the same terms and conditions that are applied with non-related parties.

The nature of the Group's activities requires dealing with certain shareholders, members of the Board of Directors and companies owned by them. These transactions consist of obtaining loans and advances, issuing letters of credit and letters of guarantee and other various transactions conducted as part of the Group's normal activities.

This item consists of the transactions with related parties shown in these consolidated financial statements as follows:

	2020 YR'000	2019 YR'000
Deposits		
Balance at January 1	1,898,736	3,035,231
Added during the year	1,400,655	-
Deducted during the year	-	(1,136,495)
Exchange rate differences	-	-
Balance as at December 31	**3,299,391**	**1,898,736**
Loans and advances		
Balance at January 1	25,411,612	28,757,327
Added during the year	960,330	-
Deducted during the year	-	(3,345,715)
Exchange rate differences	-	-
Balance as at December 31	**26,371,942**	**25,411,612**
Interests		
Interests and commissions collected	759,397	1,269,267
Paid interests	(91,317)	(353,237)
Balance as at December 31	**668,080**	**916,030**
Remuneration for people in top management		
Salaries, bonuses and session allowances of directors and key managers during the year	1,590,281	2,019,425
Balance as at December 31	**1,590,281**	**2,019,425**

32. Fair value information

Based on the evaluation method described below, the Group considers the fair value of all financial instruments shown in the statement of financial position and off-balance sheet items as of December 31, 2020 are not materially different from their carrying values at the consolidated statement of financial position date.

32.1 Estimating the fair values

32.1.1 Customers' Loans and advances

The fair value is calculated based on the expected future cash flows discounted for the asset and interests. It was assumed that loan repayments took place in the due dates as per agreement when applicable. For loans that have no specific repayment dates or those that are subject to collection risks, repayment is estimated based on previous periods experience when interest rates were at levels similar to current interest rates levels, adjusted for any changes in the expected interest rate. Estimation of future cash flows is developed taking into consideration the associated credit risk and any indications of impairment. An estimate of future cash flows for any similarly classified loans on a portfolio basis and are discounted at current rates for similar loans available to new borrowers with similar credit profiles. The estimated fair values reflect the changes in the credit position from the date of granting the loans, they also reflect changes in interest rates in case of fixed interest rates loans.

32.1.2 Investments

Fair value is based on quoted market prices at the consolidated statement of financial position date. In the absence of a quoted market price, fair value is estimated using discounted cash flow techniques and any other methods of evaluation. When the discounted cash flow techniques are applied it shall be based on management's best estimates of these future cash flows and the discount rate is the rate prevailing in the market for a similar financial instrument at the consolidated statement of financial position date.

32.1.3 Current accounts balance due to/from banks

The book value of current accounts balances due to and due from banks, is an appropriate estimate of fair value due to their short-term nature.

32.1.4 Deposits at banks and customers' deposits

For demand deposits and deposits with unknown maturities, fair value is considered to be the amount payable on demand at the consolidated statement of financial position date. The estimated fair value of deposits with fixed maturity periods is based on discounted cash flows using interest rates currently offered for deposits of similar remaining maturities. When estimating fair value, long-term relationships with depositors are not taken into account.

32.2 Other financial instruments in the consolidated statement of financial position

The fair values of all other financial instruments in the consolidated statement of financial position approximate to their carrying values.

32.3 Financial instruments outside the consolidated statement of financial position

No adjustments are made to the fair value of financial instruments outside the consolidated statement of financial position that are related credit, which includes contingencies to provide credit facilities, letters of credit and letters of guarantees, because future revenues associated with them reflect fundamentally contractual fees and commissions related to agreements with similar credits and maturities at the consolidated financial position date.

32.4 Fair value compared to book value

The fair value of financial assets and liabilities approximates to their book values as shown in the consolidated statement of financial position.

The following tables provide analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the observability of the fair value measurement inputs and the degree of their importance to the fair value measurement process as a whole.

2020	Carrying Value YR'000	Level 1 YR'000	Level 2 YR'000	Level 3 YR'000	Total YR'000
Assets					
Due from banks	96,083,277	-	96,083,277	-	96,083,277
Held to maturity investments	540,847,447	-	540,847,447	-	540,847,447
Available for sale financing investments	120,000	-	120,000	-	120,000
Customers Loans and advances	14,059,375	-	14,059,375	-	14,059,375
Liabilities					
Due to banks	58,377,127	-	58,377,127	-	58,377,127
Customers deposits	452,707,740	-	452,707,740	-	452,707,740

2019	Carrying Value YR'000	Level 1 YR'000	Level 2 YR'000	Level 3 YR'000	Total YR'000
Assets					
Due from banks	126,216,603	-	126,216,603	-	126,216,603
Held to maturity investments	504,711,273	-	504,711,273	-	504,711,273
Available for sale financing investments	120,000	-	120,000	-	120,000
Customers Loans and advances	19,245,194	-	19,245,194	-	19,245,194
Liabilities					
Due to banks	58,419,286	-	58,419,286	-	58,419,286
Customers deposits	496,095,603	-	496,095,603	-	496,095,603

33. Risk management

The Group manages risks by various means through a comprehensive strategy in place determining the risks and ways to address and mitigate such risks. The risk management devices in the Group include the Board of Directors, the CEO, the assets and liabilities committee, finance manager, treasury manager and the manager of risk management, all whom are under constant supervision by the management of the bank.

The following is a summary of how the bank is managing risks:

33.1 Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument will default on its contractual obligations resulting in financial loss, credit risk arises in the normal course of business of the Group.

In this context, the Group strengthens institutional frameworks governing the management of credit through the modernization and development of policies and procedures on an on-going basis.

The bank also applies the instructions of the Central Bank of Yemen circular No. (10) of 1997 on credit risk. The management is committed with a minimum set of standards for credit risk management. Procedures of managing and mitigating credit risk include the following:

- Preparing credit studies on customers before dealing with them and determining credit risk rates related to them.
- Obtaining sufficient collateral to minimize the credit risk exposure that may arise in case of customers' default.
- Conduct field visits and prepare periodic studies to customers in order to evaluate their financial and credit positions.
- Create the required provisions for non-performing loans.
  Distributing Loans and advances portfolio to various sectors in order to avoid concentration of credit risk.

Distribution is disclosed for financial assets and liabilities and contingent liabilities and commitments in the consolidated statement of financial position date, according to the business sector as follows:

33.1.1 Concentration by customers

	Assets		Liabilities	
	Due from Banks YR'000	Customers Loans and Advances YR'000	Due to Banks YR'000	Customers' Deposits YR'000
December 31, 2020				
Individuals	-	1,827,719	-	63,379,084
Corporates	-	12,231,656	-	389,328,656
Banks	96,083,277	-	58,377,127	-
	96,083,277	**14,059,375**	**58,377,127**	**452,707,740**
December 31, 2019				
Individuals	-	2,501,875	-	69,453,385
Corporates	-	16,743,319	-	426,642,218
Banks	126,216,603	-	58,419,286	-
	126,216,603	**19,245,194**	**58,419,286**	**496,095,603**

33.1.2 Concentration by business sector

	2020			2019		
	Assets YR'000	Liabilities YR'000	Contingent Liabilities and Commitments YR'000	Assets YR'000	Liabilities YR'000	Contingent Liabilities and Commitments YR'000
Industrial &Commercial	12,231,656	321,422,495	21,556,512	16,743,319	352,227,878	10,591,697
Services	-	67,906,161	4,029,631	-	74,414,340	1,415,963
Financial	680,580,950	58,377,127	-	679,657,975	58,419,286	-
Others	2,512,356	188,496,262	-	3,094,119	164,947,194	-
	695,324,962	**636,202,045**	**25,586,143**	**699,495,413**	**650,008,698**	**12,007,660**

33.1.3 Concentration by geographical locations

	2020					
	Republic of Yemen YR'000	America YR'000	Europe YR'000	Asia YR'000	Africa YR'000	Total YR'000
Assets						
Cash in hand and reserve balances with the Central Bank of Yemen	43,530,226	-	-	-	-	43,530,226
Due from banks	30,746,648	-	39,394,144	25,942,485	-	96,083,277
Held to maturity Investments	540,847,447	-	-	-	-	540,847,447
Customers loans and advances	14,059,375	-	-	-	-	14,059,375
Available for sale financial investments	120,000	-	-	-	-	120,000
Liabilities						
Due to banks	58,377,127	-	-	-	-	58,377,127
Customers' deposits	452,707,740	-	-	-	-	452,707,740
Contingent liabilities and commitments, net	14,453,019	-	6,398,403	4,734,721	-	25,586,143

	2019					
	Republic of Yemen YR'000	America YR'000	Europe YR'000	Asia YR'000	Africa YR'000	Total YR'000
Assets						
Cash in hand and reserve balances with the Central Bank of Yemen	48,610,099	-	-	-	-	48,610,099
Due from banks	40,389,313	-	51,748,807	34,078,483	-	126,216,603
Held to maturity Investments	504,711,273	-	-	-	-	504,711,273
Customers loans and advances	19,245,194	-	-	-	-	19,245,194
Available for sale financial investments	120,000	-	-	-	-	120,000
Liabilities						
Due to banks	58,419,286	-	-	-	-	58,419,286
Customers' deposits	496,095,603	-	-	-	-	496,095,603
Contingent liabilities and commitments, net	7,927,122	-	2,422,668	1,657,870	-	12,007,660

33.1.4 Credit risk without taking into consideration the collaterals

	2020 YR'000	2019 YR'000
Items of the consolidated statement of financial position		
Due from banks	96,083,277	126,216,603
Customers Loans and advances	14,059,375	19,245,194
Debit balances and other assets	684,637	592,244
Available for sale financing investments	120,000	120,000
Items of the consolidated statement of financial position	**110,947,289**	**146,174,041**
Items off the consolidated statement of financial position	**25,586,143**	**12,007,660**

33.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as they fall due. Liquidity risk results from group's inability to obtain cash to face the decrease in deposits or increase in assets. The Group monitors its liquidity risks through assets and liabilities maturity report, which is prepared internally. The Group then classifies all assets and liabilities to periods up to one year and more. Investment department of the bank controls and monitors liquidity risks and ensure that the Group does not face such risks and the best utilize the group's resources at the same time.

The Central Bank of Yemen set the liquidity ratio be 25% as a minimum according to the circular No. (3) of 1997. The liquidity ratio at December 31,2020 was 114.36 % (at December 31,2019 was 112.87 %).

The table below shows the maturity analysis of the bank's financial assets and liabilities at December 31, 2020 as follows:

	Due within 3 Months YR'000	Due within 3 to 6 Months YR'000	Due within 6 Months to One year YR'000	Due over One Year YR'000	Total YR'000
Assets					
Cash on hand and reserve balances with Central Bank of Yemen	43,530,226	-	-	-	43,530,226
Due from banks	96,083,277	-	-	-	96,083,277
Held to maturity investments	540,847,447	-	-	-	540,847,447
Available for sale financing investments	-	-	-	120,000	120,000
Customers loans and advances	9,841,562	702,969	1,546,531	1,968,313	14,059,375
	690,302,512	**702,969**	**1,546,531**	**2,088,313**	**694,640,325**
Liabilities					
Due to banks	58,377,127	-	-	-	58,377,127
Customers' deposits	294,260,031	90,541,548	67,906,161	-	452,707,740
	352,637,158	90,541,548	**67,906,161**	-	**511,084,867**

The maturity profile of the bank's financial assets and liabilities at December 31, 2019 was as follows:

	Due within 3 Months YR'000	Due within 3 to 6 Months YR'000	Due within 6 Months to One year YR'000	Due over One Year YR'000	Total YR'000
Assets					
Cash on hand and reserve balances with Central Bank of Yemen	48,610,099	-	-	-	48,610,099
Due from banks	126,216,603	-	-	-	126,216,603
Held to maturity investments	504,711,273	-	-	-	504,711,273
Available for sale financing investments	-	-	-	120,000	120,000
Customers loans and advances	13,471,636	962,260	2,116,971	2,694,327	19,245,194
	693,009,611	**962,260**	**2,116,971**	**2,814,327**	**698,903,169**
Liabilities					
Due to banks	58,419,286	-	-	-	58,419,286
Customers' deposits	322,462,142	99,219,121	74,414,340	-	496,095,603
	380,881,428	**99,219,121**	**74,414,340**	-	**554,514,889**

33.3 Market risk

33.3.1 Foreign currency risk

Foreign currency risk is the risk of fluctuation in the prices of financial instruments due to the change in foreign exchange rates, and it arises from financial instruments denominated in foreign currencies. The operating currency approved by the group is the Yemeni Rial, and given the group's dealings in a number of foreign currencies according to the nature of its activity, this matter may expose it the risk of fluctuations in foreign exchange rates. For the purposes of reducing that risk to a minimum, the group is working to take into account the balance in the foreign currencies positions in accordance with the instructions issued by the Central Bank of Yemen in Circular No. (6) of 1998. So that the surplus in the position of each currency separately does not exceed 15% of the capital base according to the circular No. (4975) issued by the Central Bank of Yemen on December 4, 2019, in addition to the fact that the surplus in the combined position of all currencies should not exceed 25% of the capital base referred to according to the circular.

In order to comply with the instructions of the Central Bank of Yemen in Circular No. (6) of 1998 and Circular No. (4975), the Group periodically monitors foreign currency positions and disposes of surplus foreign currencies at the exchange rates prevailing on that date.

The following table shows the net exposure to fluctuations in foreign exchange rates at the date of the financial statements:

2020	US Dollars YR'000	Euro YR'000	SAR YR'000	Sterling Pound YR'000	Other currencies YR'000	Total YR'000
Assets	138,294,606	13,503,326	1,264,824	226,934	2,564,209	155,853,899
Liabilities	204,996,791	13,818,920	2,756,838	226,959	1,801,016	223,600,524
Net foreign currencies positions	**(66,702,185)**	**(315,594)**	**(1,492,014)**	**(25)**	**763,193**	**(67,746,625)**

2019	US Dollars YR'000	Euro YR'000	SAR YR'000	Sterling Pound YR'000	Other currencies YR'000	Total YR'000
Assets	164,736,201	10,901,072	1,118,383	296,545	7,444,884	184,497,085
Liabilities	213,226,273	11,132,190	2,944,000	295,427	3,978,938	231,576,828
Net foreign currencies positions	**(48,490,072)**	**(231,118)**	**(1,825,617)**	**1,118**	**3,465,946**	**(47,079,743)**

The following table also shows the significant foreign currency positions at the date of the consolidated financial statements:

	2020 Surplus / (Deficit) YR'000	2020 % of Capital & Reserves %	2019 Surplus / (Deficit) YR'000	2019 % of Capital & Reserves %
US Dollars	(66,702,185)	(107.30)	(48,490,072)	(92.18)
Sterling Pound	(25)	-	1,118	-
Euro	(315,594)	(0.51)	(231,118)	(0.44)
Saudi Rial	(1,492,014)	(2.40)	(1,825,617)	(3.47)
Emirati Dirham	763,329	1.23	3,464,614	6.59
Other currencies	(136)	-	1,332	-
	(67,746,625)	**(108.98)**	**(47,079,743)**	**(89.5)**

The bank exceeded the specified ceilings according to the instructions of the Central Bank of Yemen issued in Circular No. (6) of 1998, which stipulates that bank apply a higher ceiling for each currency position separately, in addition to a ceiling for the Combined foreign currencies position, so that the surplus in the position of each currency separately does not exceed 15% of the capital base according to Circular No. (4975) and the combined position of foreign currencies does not exceed 25% of the capital base according to the circular. The bank's management during the subsequent period is working to gradually correct the situation.

Foreign currency sensitivity analysis:

The exchange rates for the major currencies as at 31 December are as follows:

	Closing rate According to CBY Announcement 2020 YR	Closing rate According to CBY Announcement 2019 YR	Average Rate in the Parallel Market* 2020 YR	Average Rate in the Parallel Market* 2019 YR
US Dollars	250.25	250.25	589	580
Euro	307.71	280.43	734.5	649.8
Saudi Rial	66.72	66.71	155.5	153.5
Sterling Pound	340.99	328.21	809.5	760.89
UAE Dirham	68.13	68.13	160.58	154

* The latest transactions were used by the Group's management to determine the average exchange rates in the parallel market.

The following table shows the sensitivity analysis related to the effect of changes in the foreign currency against the Yemeni Rial, taking into account exchange rates in the parallel market, and assuming that the other variables are stable, on the statement of comprehensive income (as a result of the fair value of financial assets and liabilities subject to currency risk).

	Impact on net Income Increase/ (Decrease) 2020 YR'000	2019 YR'000
US Dollars	(90,291,170)	(63,894,510)
Euro	(437,982)	(304,418)
Saudi Rial	(1,986,222)	(2,375,136)
Sterling Pound	(34)	1,474
UAE Dirham	1,035,087	4,366,746
Other	(176)	1,678
	(91,680,497)	(62,204,166)

In accordance with the instructions issued by the Central Bank of Yemen to all the banks operating in the Republic of Yemen, which states that sensitivity analysis for the effect of foreign currencies fluctuation on the financial statements should be performed and presented, based on the exchange rate of the parallel market and stating the effect of the change in the consolidated statement of comprehensive income, and banks holding short financial positions for foreign currencies should create a provision for losses related to the exposure of the difference between the value of the short positions of the foreign currencies according to the closing rates of CBY instructions and the average market exchange rate.

33.3.2 Interest rates risk

The Bank's operations are exposed to the risk of interest rate to the extent that interest-earning assets and interest-bearing liabilities mature at different times or in different amounts. Risk management activities are aimed to optimize net interest income provided that market interest rate levels are consistent with Group's business strategies. The Group manages mitigate the differences by following policies and guidelines to reduce risks by matching the re-pricing of assets and liabilities. Details are presented concerning the differences of re-pricing and interest rate risk to the assets and liabilities committee during its regular meetings, as well as to the risk committee of the bank's management.

Bank's management follows steps to reduce or limit the effects of the risks arising from interest rates to the minimum level as follows:

- Link the interest rate on borrowing with interest rates on lending.
- Consider different currency discount rates when setting interest rates.
- Monitor compatibility of financial assets and liabilities maturity dates.

Average interest rates applied during the year

The average interest rates on assets and liabilities during the year ended December 31, 2020 is as follow:

	YR %	US Dollar %	EURO %	SAR %
Assets				
Time deposits with banks	-	2	0.10	-
Held to maturity investments	16.9	-	-	-
Overdraft facilities	22	13	-	-
Customers Loans	22	10	-	-
Liabilities				
Time deposits –customers	15	1.5	-	-
Saving accounts	15	1.5	-	-
Time deposits – banks	16.42	5	-	-

The average interest rates on assets and liabilities during the year ended December 31, 2019 follows:

	YR %	US Dollar %	EURO %	SAR %
Assets				
Time deposits with banks	-	2	0.10	-
Held to maturity investments	16.98	-	-	-
Overdraft facilities	22	13	-	-
Customers Loans	22	10	-	-
Liabilities				
Time deposits –customers	15	1.5	-	-
Saving accounts	15	1.5	-	-
Time deposits – banks	16.42	5	-	-

34. Financial reports for business sectors

The Bank operates in the following three sectors:

- Retail banking services - including banking services for individuals, current accounts and savings accounts, deposits, investment savings products, credit and debit cards, consumer loans and housing loans.
- Banking services for corporates - including direct debit facilities, current accounts, deposits, loans, overdrafts and other credit facilities.
- Treasury and Investments - Other activities are represented in investment management and corporate finance, which do not represent an independent sector that must be reported.

Transactions between the business sectors are done in accordance with normal commercial terms. Funds are allocated normally between sectors resulting in the disclosure of the cost of funding transfers within the operating income. Interest charged on these funds is based on the cost of the Bank's capital. There are no other material items of income or expense between the business sectors.

Assets and liabilities of the sector are represented by operating assets and liabilities which is the majority of the consolidated statement of financial position, however, it does not include such items as taxes and borrowings.

35. Contingent liabilities

Certain legal cases have been filed against the Bank for the amount of approximately YR 134 million as of December 31, 2020 (2019: YR 82 million) and a provision for contingent liabilities was created to address some of these issues during the year 2020 with an amount of YR 122 million (2019: YR 25 million). According to legal department's opinion, the Group's management believes that the resulting judgments in those cases for which no provision for contingent liabilities has been created will not affect the group's operations.

36. Tax position

- The Bank submits it's tax returns annually and pay the tax due accordingly.
- The Bank was notified during the year 2015, for additional tax and delay penalty for the year 2010, according to form (3), with an amount of YR 2,428,179 thousand and the bank has objected such amount within the legal time frame in Tax Court. The appeal decision was issued in favor of the bank and the appeal decision was subsequently challenged by the Tax Authority to the preliminary court, which in turn issued a ruling in favor of the bank. The court's decision was challenged by the Tax Authority to the Court of Appeal. The bank's management believes that it would not result in any additional liabilities.
- Tax settlement has been done for both income tax and payroll tax until the end of 2016, and amounts were paid according to the final tax forms received from Tax Authority.

- The Bank has submitted the tax declaration for the year 2017. The Bank was notified with final additional assessment amounted to YR 538,895 thousand, part of which was paid in the amount of YR 349,529 thousand and the remaining amount has been charged on provision of foreign exchange position exposure losses as a result of exchange rate fluctuations and the additional assessment of the Skills Development Fund to the Appeals Committee. The Bank's management believes that it would not result in any additional liabilities because of the unlawfulness of assessment.
- The Bank has submitted the tax declaration for the year 2018. The Bank was notified with final additional assessment amounted to YR 785,608 thousand, part of which was paid in the amount of YR 512,426 thousand and the remaining amount has been charged on provision of foreign exchange position exposure losses as a result of exchange rate fluctuations and the additional assessment of the Skills Development Fund to the Appeals Committee. The Bank's management believes that it would not result in any additional liabilities because of the unlawfulness of assessment.
- The Bank has submitted its tax return and paid the amount of the declaration for the year 2019 based on the financial statements for the year 2019 and inspection for the year is currently ongoing by the Tax Authority. The Bank has not received any additional notification up to the date of issuing these consolidated financial statements.
- The Bank has submitted its tax return and paid the amount of the declaration for the year 2020 based on the draft financial statement for the year 2020, until the consolidated financial statements are approved by the Central Bank of Yemen. Tax Authority has no conduct any inspection and the Bank has not received any additional notification up to the date of issuing these consolidated financial statements.

37. Zakat position

- The Bank reached to a final settlement with the General Zakat Authority, in respect of the years 2017 and 2018, whereby the amounts and differences calculated by the Authority were paid.
- The Bank paid the amount of its zakat declaration for the year 2019 according to its financial statements.
- The Bank paid the amount of its zakat declaration for the year 2020 according to its financial statements.

38. Current events in the Republic of Yemen

As a result of the political crisis, the economic situation, and the current security events in the Republic of Yemen, it constitutes a challenge to the management to predict the effects of these conditions on the group's activity, patterns of future flows, their results, and its consolidated financial position for the coming period, and the management is still continuing to study the effects of this crisis in the near term on the Group and make the necessary reserves in order to ensure continuity.

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

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

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

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

40. Subsequent events

As a result of the exposure of the economic situation in Lebanon and its local banking system has been subjected to a large degree of uncertainty and the current lack of clarity about the potential negative effects on the Lebanese economy and the banking sector, which led to the inability of Bank of Beirut-Lebanon's to pay International Bank of Yemen dues represented in deposits and current accounts, as at December 31, 2020, with an amount of USD 170,519 thousand, SAR 2,145 thousand, EUR 8,838 thousand equivalent to YR 45,535,046 thousand. The Group's management signed settlement agreement with Bank of Beirut on March 18, 2021 in which an amount of USD 11,000 was collected during the year 2021 and 427,125 thousand bond was purchased (Eurobonds) via the Government of Lebanon for US 170,850 thousand at US 40 cent per bond, equivalent to YR 42,755,212 thousand. The balance remains under collection with Bank of Beirut-Lebanon is USD 236 thousand equivalent to YR 58,966 thousand.

41. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors and authorized for issuing on May 24, 2022.

42. The separate financial statements for IBY bank - parent company

42.1 Statement of financial position

	Dec. 31, 2020 YR'000	Dec. 31, 2019 YR'000
Assets		
Cash on hand and reserve balances with Central Bank of Yemen	43,530,226	48,610,099
Due from banks	96,083,277	126,216,603
Held to maturity investments	540,847,447	504,711,273
Customers loans and advances	14,059,375	19,245,194
Available for sale financing investments	120,000	120,000
Investment in subsidiary	-	-
Debit balances and other assets	684,637	592,244
Property and equipment	2,144,995	2,317,657
Right to use leased assets	567,353	682,878
Total assets	698,037,310	702,495,948
Liabilities and equity		
Liabilities		
Due to banks	58,377,127	58,419,286
Customers' deposits	452,707,740	496,095,603
Credit balances and other liabilities	21,372,089	19,552,054
Other provisions	103,483,914	75,681,448
Total liabilities	635,940,870	649,748,391
Equity		
Share capital	16,500,000	16,500,000
Statutory reserve	17,885,179	15,348,121
Retained earnings	27,711,261	20,899,436
Total equity	62,096,440	52,747,557
Total liabilities and equity	698,037,310	702,495,948
Contingent liabilities and commitments	25,586,143	12,007,660

42.2 Statement of comprehensive income for the years ended December 31

	2020 YR'000	2019 YR'000
Interest income	7,388,753	7,396,083
Interest income from held to maturity investments	87,539,534	78,406,330
Total interest income	94,928,287	85,802,413
Interest expenses	(33,464,518)	(33,776,273)
Net interest income	61,463,769	52,026,140
Fee and commission income from banking services	2,839,159	2,111,636
Fee and commission expenses from banking services	(310,671)	(350,761)
Gains from foreign exchange transactions	22,741,026	5,528,358
Income from available for sale financing investments	-	12,000
Other incomes	3,028,629	1,015,458
Net operating income	89,761,912	60,342,831
Less: Impairment loss on financial assets (provision)	(49,752,980)	(26,301,442)
Less: Impairment of financial investments available for sale	(198)	-
Less: Depreciation of property, equipment and right to use leased assets	(904,182)	(331,175)
Less: Staff costs	(3,081,787)	(1,993,570)
Less: Other expenses	(11,285,066)	(9,499,986)
Profit for the year before tax	24,737,699	22,216,658
Income tax for the year	(7,822,657)	(6,513,317)
Net profit for the year after tax	16,915,042	15,703,341
Other comprehensive income	-	-
Total comprehensive income for the year	16,915,042	15,703,341
Earnings per share (Yemeni Riyal)	102.52	95.17