INTERNATIONAL BANK OF YEMEN GROUP (Y.S.C.)
SANA'A – REPUBLIC OF YEMEN

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 AND INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
INTERNATIONAL BANK OF YEMEN (Y.S.C.)
SANA'A – REPUBLIC OF YEMEN

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of International Bank of Yemen (Y.S.C.) (the Bank), and its subsidiary company (together referred to as "the Group") which comprise of the statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in pages 9 to 46.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and the relevant Yemeni laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF
INTERNATIONAL BANK OF YEMEN (Y.S.C.)
SANA'A – REPUBLIC OF YEMEN

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of International Bank of Yemen Group as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

1. Without qualifying our opinion, we would like to draw the attention to Note (11) of the consolidated financial statements, which explains the events that led to the emergence of fundamental indicators that may not enable Ocean Breeze for Investment and Development Co. Ltd. (the "Subsidiary Company") to continue as going concern due to the fact that the subsidiary company was not able until the date of this report to get an usufruct right or ownership contract of the land provided by the General Authority for Lands Survey and Urban Planning in Aden that was supposed to be used for the establishment of the project. This land is recognised as a right of Usufruct in the amount of YR 1,256,300 thousand as at 31 December 2015 (2014: YR 1,256,300 thousand). These events and their impact on the auditor's report, who issued a disclaimer opinion on the financial statements of the subsidiary for the year ended 31 December 2015, the matter which made the Bank's management recognise loss for the impairment of assets for 80% of the amount of usufruct ("Intangible Assets"), which is equivalent to the ownership of the bank in the subsidiary company in the amount of YR 1,005,040 thousand (2014: YR 1,005,040 thousand).
2. As disclosed in Note (39) to the financial statements, during the financial year and subsequent to the yearend, the uncertainties within the country's security situation makes it challenging to forecast the cash flows and results of the Group. Our opinion is not qualified in respect of this matter.

Report on other Legal and Regulatory Requirements

We further report that during the course of our audit of the consolidated financial statements for the year ended 31 December 2015, we have not become aware of any material violation of the Yemeni Commercial Companies Law No. (22) of 1997 and its amendments or Commercial Banks law No. (38) of 1998 and its executive regulations and the Articles of Association of the group, which would have a material effect on the group's financial position.

Deloitte & Touche (M.E.) with Dr. Hajar

Deloitte & Touche (M.E.) with Dr. Hajar
Sana'a – Republic of Yemen
30 April 2016

INTERNATIONAL BANK OF YEMEN GROUP (Y.S.C.)
SANA'A – REPUBLIC OF YEMEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	Notes	2015	2014
		YR'000	YR'000
ASSETS			
Cash and balances with Central Bank of Yemen	5	44,193,364	35,210,677
Balances with banks	6	69,728,581	64,602,094
Held-to-maturity investments	7	283,009,086	253,073,758
Direct credit facilities at amortised cost	8	32,607,069	40,433,218
Available for sale investments	9	120,000	105,000
Debit balances and other assets	10	1,631,933	992,839
Intangible assets	11	251,260	251,260
Property and equipment	12	2,007,635	2,309,756
Total assets		433,548,928	396,978,602
LIABILITIES AND EQUITY			
Liabilities			
Due to banks	13	29,198,315	36,849,249
Customers' deposits	14	347,446,293	313,351,937
Dividends payable	19	10,349,259	5,761,910
Credit balances and other liabilities	15	8,385,529	7,268,390
Provision for contingent liabilities	16	721,555	913,873
Total liabilities		396,100,951	364,145,359
Equity			
Paid-up capital	17	15,000,000	15,000,000
Statutory reserve	18	8,950,681	6,681,411
Revaluation reserve		(553)	(553)
Retained earnings		13,322,434	10,974,224
Total equity attributable to equity holders of the bank		37,272,562	32,655,082
Non-controlling interests		175,415	178,161
Total equity		37,447,977	32,833,243
TOTAL EQUITY AND LIABILITIES		433,548,928	396,978,602
CONTINGENT LIABILITIES AND COMMITMENTS	20	23,756,202	43,338,707

The consolidated financial statements were approved by the board of directors and authorized for issue on 30 April 2016, they were signed on its behalf by

Muneer Muzahem	Ahmed Thabet Al Absi	Shaher Abdul Haq
Central Accounts Manager	**General Manager**	**Chairman**

الإدارة العامة
G.M. Office

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015	2014
		YR'000	YR'000
Interest income from credit facilities and due from banks	21	6,172,496	6,772,393
Interest income from held-to-maturity investments	22	38,872,903	39,157,245
Total interest income		45,045,399	45,929,638
Cost of deposits and borrowings	23	(22,238,425)	(24,650,772)
Net interest income		22,806,974	21,278,866
Bank services revenues and commissions	24	1,311,178	1,236,528
Bank services and commission expenses		(337,830)	(378,620)
Profits on foreign currency transactions	25	1,384,489	299,938
Income from available for sale investment		15,000	22,500
Other income	26	3,184,717	1,210,149
		28,364,528	23,669,361
Net provisions provided during the year	27	(4,090,990)	(2,815,164)
Staff costs	28	(1,470,327)	(1,293,837)
General and administrative expenses	29	(2,945,342)	(3,005,425)
Profit for the year before Zakat and income tax		19,857,869	16,554,935
Zakat	15-2	(1,211,607)	(1,067,008)
Income tax for the year	15-1	(3,531,528)	(2,999,580)
Profit for the year		15,114,734	12,488,347
Attributable to:			
Equity holders of the group		15,117,480	12,496,014
Non-controlling interests		(2,746)	(7,667)
Total		15,114,734	12,488,347
Profit per share attributable to the group equity holders (Yemeni Riyal)	30	100,78	83,31

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	YR'000	YR'000
Profit for the year	**15,114,734**	12,488,347
Other comprehensive incomes after tax		
Items that may be reclassified subsequently to profit or loss:		
Currency differences from translation of foreign operations	-	-
Total Comprehensive income for the year	15,114,734	12,488,347
Attributable to:		
Equity holders of the group	-	-
Non-controlling interests	-	-
Total	-	-

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements

INTERNATIONAL BANK OF YEMEN GROUP (Y.S.C.)
SANA'A – REPUBLIC OF YEMEN

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Paid-up capital	Statutory Reserve	Foreign Currency Revaluation Reserve	Retained Earnings	Total Equity (Equity Holders of the Bank)	Non-controlling interests	Total
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
2015							
Balance at 1 January 2015	15,000,000	6,681,411	(553)	10,974,224	32,655,082	178,161	32,833,243
Profit for the year	-	-	-	15,117,480	15,117,480	(2,746)	15,114,734
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	15,117,480	15,117,480	(2,746)	15,114,734
Transfer to reserves	-	2,269,270	-	(2,269,270)	-	-	-
Distributions of profits (Note 19)	-	-	-	(10,500,000)	(10,500,000)	-	(10,500,000)
Balance at 31 December 2015	15,000,000	8,950,681	(553)	13,322,434	37,272,562	175,415	37,447,977
2014							
Balance at 1 January 2014	15,000,000	4,802,409	(553)	6,357,212	26,159,068	185,828	26,344,896
Profit for the year	-	-	-	12,496,014	12,496,014	(7,667)	12,488,347
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	12,496,014	12,496,014	(7,667)	12,488,347
Transfer to reserves	-	1,879,002	-	(1,879,002)	-	-	-
Distributions of profits	-	-	-	(6,000,000)	(6,000,000)	-	(6,000,000)
Increase in share capital	-	-	-	-	-	-	-
Balance at 31 December 2014	15,000,000	6,681,411	(553)	10,974,224	32,655,082	178,161	32,833,243

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements

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 4 January 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 bylaws. The Bank is engaged in activities through the head office in the city of Sana'a and 21 branches in the cities of Sana'a, Aden, Taiz, Mukalla, Seiyuon, Dhamar, Hodeidah, Al-Qttn, Ibb and Tareem.

The consolidated financial statements include the financial statements of the Bank and the following financial statements of the subsidiary:

Name of the Subsidiary	Shareholding and voting percentage	Country of incorporation	Main activities
Ocean Breeze for Investment & Development Ltd. Co.	80%	Republic of Yemen	Establishment of investment projects in the fields of tourism, construction and overall trade.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 – 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 – 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative	1 January 2016
Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortization	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants	1 January 2016
Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities	1 January 2016
Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

2.2 New and revised IFRS in issue but not yet effective (Continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A recognise version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

2.2 New and revised IFRS in issue but not yet effective (Continued)

<u>**New and revised IFRSs**</u>	**Effective for annual periods beginning on or after**
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Bank's financial statements for the year beginning 1 January 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 15, may have no material impact on the financial statements of the Bank in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Bank's financial statements for the annual year beginning 1 January 2018. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Bank's financial statements in respect of revenue from contracts with customers and the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Bank performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the relevant Yemeni laws and regulations.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 Bank 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 realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised 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 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.

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group 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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 recognised in the consolidated statement of 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 recognised 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 recognised in the consolidated statement of comprehensive income.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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 recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and direct credit facilities at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised 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.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised 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.

<u>Held-to-maturity investments</u>

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity, examples include treasury bills to maturity dates, treasury bills issued by the Central Bank of Yemen are recognised in nominal value after deducting issuance discount balance as at the date of the consolidated financial statements.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. Relevant income is recorded based on actual results.

<u>Available-for-sale investments ("AFS")</u>

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) direct credit facilities at amortised cost, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Financial assets available for sale 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Available-for-sale investments ("AFS") (Continued)

The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured).

Fair value is determined as described below, interest income is calculated using the effective interest rate method and the dividends from financial assets available for sale are recognised in the consolidated statement of income. Any other changes in the value of investments are included in the consolidated statement of comprehensive income, as well as reserves of the fair value of the investments. When financial assets are sold or when to recognise its impairment, gains or losses which were previously assembled in fair value reserve of investments in profit or loss are reclassified.

Dividends on AFS investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Direct credit facilities at amortised cost

Direct credit facilities at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including direct credit facilities to customers, loans and advances to customers, and debit balances and other assets) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for loans and short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- 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 the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for such financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

- 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 and is inserted into or continued to insert an impairment loss in its value are not included in the collective assessment for impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows (except for future credit losses that did not occur), discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. And as a process, the Group may measure impairment on the basis of the fair value of the instrument using observable market price.

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.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (based on classifying groups that takes into account asset type, field of activity, geographical location, guarantee type, the position of previous due amounts and other related factors). Those characteristics are relevant to the estimation of future cash flows for groups or such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience and the success of recovery of overdue amounts. 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 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 experience.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 recognised in profit or loss.

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 recognised (such as an improvement in the credit rating of the debtor), the impairment loss previously recognised will be reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated income statement.

In case of investments classified as available for sale, 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 statement of equity and to be included in consolidated statement of income.

Provision for direct credit facilities at amortised cost 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 amortised 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:

- Performing Loans and advances (including watch list accounts)	2%
- Performing contingent liabilities (including watch list accounts)	1%
- Non-performing Loans and advance and contingent liabilities	
Substandard loans and advance and contingent liabilities	15%
Doubtful loans and advance and contingent liabilities	45%
Bad loans and advance 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 income statement under "other income". During the year ended 31 December 2015, the CBY issued circular No. (8) of 2015, including an amendment of provision percentage on direct loans and advances from 1% to 2%.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises 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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Derecognising of a financial asset at amortised 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 recognised in the consolidated profit or loss.

Financial liabilities

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

Other financial liabilities

Other financial liabilities (including amounts due to banks, customer 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 amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised 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 recognised 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.

Derecognition of financial liabilities

The Group derecognises 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 derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of preparing the 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 treasury bills and certificates of deposits which are due within three months.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

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

Usufruct is derecognised 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 recognised in the consolidated statement of profit or loss.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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, corporate assets are also 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 its carrying amount, the carrying amount of it is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, 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.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The carrying amount of the asset is reduced immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Realizable value is the asset's fair value less costs to sell or value in use, whichever is higher.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in property and equipment item. Any other expenses are included in the consolidated income statement as expense as incurred.

An item of property and equipment is derecognised 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 an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

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

Assets transferred to the Group's ownership are measured at the values carried to the Group and presented under debit balances other assets. Such assets are revaluated individually at the date of financial statements at fair value (less selling costs) on individual basis and impairment loss is charged to the consolidated statement of comprehensive income and subsequent increase is recognised in the consolidated income statement to the extent of impairment losses charged previously to the consolidated statement of comprehensive income.

Contingent liabilities and commitments

Contingent liabilities and commitments, in which the Group is a party, are presented off the consolidated statement of financial position (net of margin held from customers) under "contingent liabilities and commitments", as they do not represent actual assets or liabilities at the consolidated statement of financial position date.

Contingent liabilities and commitments are stated under less the balance of monetary insurance on such contingent liabilities and commitments. Memorandum accounts and other commitments are not recognised in the statement of financial position as they do not represent Bank's assets and liabilities at the statement of financial position date.

Provisions

Provisions are recognised 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.

Offsetting

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenues are recognised on the accrual basis. However, in order to comply with the requirements of CBY circular No. 6 of 1996 relating to the classification of assets and liabilities, the Group does not accrue interest on non-performing loans and credit facilities. When an account is treated as non-performing loan, all uncollected interest relating to the three months prior to treating the loan as non-performing is reversed from income and transferred to other credit balances as suspense interest. Revenue from bank fees and commissions are recognised when incurred.

Leases

Finance lease contract is the contract in which lease transfer substantially all the risks and rewards of ownership to the lessee regardless of whether the assets' ownership was actually transferred at the end or not, whereas operating lease is any lease contract other than finance lease contract.

All leases which have been entered into by the Group are operating leases. Rentals payable under operating lease are charged to statement of comprehensive income on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Operating lease payments are recognised as expenses in the same period it appeared.

End of service benefits

The group and its employees are contributing in the program of General Corporation for Social Security in accordance with the provisions of the Social Security Law.

Income Tax

Tax due is calculated according to the Income Tax Law No. (17) of 2010 and a provision is provided against tax liabilities after performing the required study.

<u>Current income tax</u>

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

Income Tax (Continued)

<u>Deferred income tax</u>

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 realised or the liability is settled. The tax effects on the temporary differences are disclosed as deferred tax.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat

Zakat is paid in accordance with the applicable laws and regulations in the Republic of Yemen. A provision is provided for Zakat payable and the Group pays Zakat to the relevant government authority.

Consigned assets

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

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 group is the sector of banking services to retail, corporate and banks.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities and changes in the fair values during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Classification of investments

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

<u>Available-for-sale financial assets</u>

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

<u>Held-to-maturity investments</u>

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 would, therefore, be measured at fair value.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY (CONTINUED)

Classification of investments (Continued)

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.

Impairment losses on credit facilities (loans and advances)

The purpose of the review of credit portfolio of customers is to determine the required provision for loans and advances balances and contingent liabilities, 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 flow provided by the customer in addition to the movement of their accounts held with the group.
- The credit limit of the customer.
- The proportion of risk analysis, any 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 the impairment of the provisions of 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 profit or loss statement.

Impairment losses on available-for-sale investments

The Group determines that shares' prices 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.

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. CASH AND BALANCES WITH CENTRAL BANK OF YEMEN

	2015	2014
	YR'000	YR'000
Cash in hand and ATMs		
Local currency balances	2,530,695	4,042,889
Foreign currencies' balances	15,115,087	6,764,976
	17,645,782	10,807,865
Mandatory reserves at Central Bank of Yemen		
Local currency balances	15,577,233	13,149,023
Foreign currencies' balances	10,970,349	11,253,789
	26,547,582	24,402,812
	44,193,364	35,210,677

In accordance with regulation of the Central Bank of Yemen, a mandatory reserve is maintained with CBY calculated as 10% of the total customers' deposits in foreign currencies and 7% of total customers' deposits in local currency (2014: 10% and 7% of the total customers' deposits in foreign currency and total customer deposits in local currency on respectively). The Group does not get any interest income on mandatory reserve balances with CBY.

6. BALANCES WITH BANKS

	2015	2014
	YR'000	YR'000
Balances with local banks		
- Current accounts	251	-
- Time deposits	5,578,990	10,744,500
	5,579,241	10,744,500
Balances with foreign banks		
- Current accounts	36,360,804	21,394,348
- Time deposits	10,784,274	16,116,554
	47,145,078	37,510,902
Balances with Central Bank of Yemen		
- Local currency balances	11,752,930	13,059,547
- Foreign currencies' balances	5,251,332	3,287,145
	17,004,262	16,346,692
	69,728,581	64,602,094

Time deposits with foreign and local banks carry variable interest rates while current accounts with such foreign banks do not carry any interest. Restricted time deposits with foreign banks amounted to YR 5,284,879 thousand as at 31 December 2015 (2014: YR 3,683,703 thousand).

7. HELD-TO-MATURITY INVESTMENTS

The investments held-to-maturity represent treasury bills issued by the Central Bank of Yemen on behalf of the Ministry of Finance in the Republic of Yemen and carry different interest rates. The details are as follows:

	2015	2014
	YR'000	YR'000
Mature within 31 to 90 days	289,200,000	258,713,280
Deduct: Unearned discount	(6,190,914)	(5,639,522)
	283,009,086	253,073,758

7. HELD-TO-MATURITY INVESTMENTS (CONTINUED)

The treasury bills carry an interest rate between 16.06% and 16.10% during the year 2015 (16.04% and 16.09% during the year 2014).

In accordance with the Central Bank of Yemen instructions, treasury bills that mature within a period not exceeding three months are considered as part of cash and cash equivalents.

8. DIRECT CREDIT FACILITIES AT AMORTISED COST

	2015	2014
	YR'000	YR'000
Financing accounts – Overdrafts	55,266,911	56,922,135
Loans to customers	12,014,019	17,704,510
Letters of credit facilities	15,492	12,833
Loans and advances to employees	25,118	19,564
Total credit facilities	67,321,540	74,659,042
Less:		
Impairment provision on credit facilities-performing and non-performing (Note 8-1)	(33,734,609)	(33,260,260)
Uncollected interest (Note 8-2)	(979,862)	(965,564)
	32,607,069	40,433,218

Non-performing loans and advances represent the amount of YR 44,856,922 thousand as at 31 December 2015 (2014: YR 45,528,290 thousand). The Bank maintains a variety of good guarantees represented in real estate and cash guarantees against loans and cash advances granted to customers. Cash securities against credit facilities and other facilities represent the amount of YR 15,540,703 thousand as at 31 December 2015 (2014: YR 24,453,33 8thousand). The following are details of loans and advances with related cash securities:

	2015		
	Loans & advances	Cash Securities	Net
	YR'000	YR'000	YR'000
Substandard loans and advances	1,794,477	(503,672)	1,290,805
Doubtful loans and advances	3,471,556	(14,777)	3,456,779
Bad loans and advances	39,590,889	(2,031,338)	37,559,551
	44,856,922	(2,549,787)	42,307,135
Performing loans and advances	22,464,618	(12,990,916)	9,473,702
	67,321,540	(15,540,703)	51,780,837

8. DIRECT CREDIT FACILITIES AT AMORTISED COST (CONTINUED)

	2014		
	Loans & advances	Cash Securities	Net
	YR'000	YR'000	YR'000
Substandard loans and advances	3,574,744	(3,515)	3,571,229
Doubtful loans and advances	1,547,666	(99,528)	1,448,138
Bad loans and advances	40,405,880	(3,478,262)	36,927,618
	45,528,290	(3,581,305)	41,946,985
Performing loans and advances	29,130,752	(20,872,033)	8,258,719
	74,659,042	(24,453,338)	50,205,704

8.1 Credit Facilities' Impairment Provision (Performing and non-performing)

	2015		
	Specific	**General**	**Total**
Balance as at 1 January	**33,147,631**	**112,629**	**33,260,260**
Provided during the year	**2,739,941**	**76,849**	**2,816,790**
Used during the year	**(81,196)**	-	**(81,196)**
Recovered during the year	**(2,249,299)**	-	**(2,249,299)**
Transferred to specific provision	**(11,946)**	-	**(11,946)**
Balance as at 31 December	**33,545,131**	**189,478**	**33,734,609**

	2014		
	Specific	General	Total
	YR'000	YR'000	YR'000
Balance as at 1 January	32,542,083	82,957	32,625,040
Provided during the year	2,542,396	29,672	2,572,068
Used during the year	(920,473)	-	(920,473)
Recovered during the year	(1,016,375)	-	(1,016,375)
Transferred to specific provision	-	-	-
Balance as at 31 December	33,147,631	112,629	33,260,260

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

During the year ended 31 December 2015, the Central Bank of Yemen issued circular No. (8), which modified percentage of provision of direct loans and advances from 1% to 20%.

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 and 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 can not be identified.

8. DIRECT CREDIT FACILITIES AT AMORTISED COST (CONTINUED)

8.2 Uncollected Interest

Uncollected interest is interest on non-performing loans and advances, which is recognised as revenue only when collected in accordance with CBY instructions.

	2015	2014
	YR'000	YR'000
Balance as at 1 January	**965,564**	985,504
Net uncollected interest for the year	**14,298**	35,996
Interest recovered during the year	**-**	(55,936)
Balance as at 31 December	**979,862**	965,564

9. AVAILABLE FOR SALE INVESTMENTS

	2015	2014
	YR'000	YR'000
Group's contribution in Yemen Financial Services Company	**22,284**	22,284
Group's contribution in Yemeni Qatari Insurance Company	**120,000**	105,000
	142,284	127,284
Less: impairment of available for sale investment	**(22,284)**	(22,284)
	120,000	105,000

All available for sale investments represent local investments (unquoted). Due to the difficulty of obtaining a reliable estimate of fair value for these investments as there are no quoted market prices and future cash flows are not determinable, these investments were carried at cost. A provision has been recognised for the impairment of the total amount of the investment in the Yemen Financial Services Company due to the fact that no dividends were received during the previous years and no dividends are expected to be receive in the coming periods.

10. DEBIT BALANCES AND OTHER ASSETS

	2015	2014
	YR'000	YR'000
Prepaid expenses	**53,879**	80,652
Accrued interests	**118,595**	190,692
Assets transferred to the Group's ownership as a repayment of loans	**811,415**	811,212
Other debit balances	**2,367,329**	1,058,793
	3,351,218	2,141,349
Less:		
Doubtful provision for debit balances and other assets (Note 10-1)	**(1,719,285)**	(1,148,510)
	1,631,933	992,839

10. DEBIT BALANCES AND OTHER ASSETS (CONTINUED)

Assets transferred to the Group's ownership as a repayment of loans which are expected to be sold within 12 months from the date of the consolidated statement of financial position are classified as assets available for sale. Group's management expects that cash flows from the sale of these assets will exceed the book values and therefore no provision for impairment was provided.

10.1 Doubtful provision for debit balances and other assets

	2015	2014
	YR'000	YR'000
Balance as at 1 January	1,148,510	1,040,087
Charge during the year	570,775	108,423
Balance as at 31 December	1,719,285	1,148,510

11. INTANGIBLE ASSETS

	2015	2014
	YR'000	YR'000
Usufruct		
Lands in Aden	1,085,517	1,085,517
Costs of studies and consulting	127,995	127,995
Exchange differences from foreign currency revaluation	42,788	42,788
Total costs of Usufruct	1,256,300	1,256,300
Impairment losses of intangible assets	(1,005,040)	(1,005,040)
	251,260	251,260

- Usufruct represents the usage rights of the land of 26,181 m2 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 22 December 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 US$10 million, or will be awarded free of charge ownership contract if the project investment cost will exceed US$10 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.

11. INTANGIBLE ASSETS (CONTINUED)

- In the subsequent periods, the Group could not get the usufruct or the ownership of the land which recognised was recognised as an intangible asset in the amounted of YR 1,256,300 thousand as at 31 December 2015 (2014: YR 1,256,300 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 22 December 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 recognise an impairment loss of assets equals to 80% of usufruct ("intangible assets"), which is equivalent to the ownership of the Bank in the subsidiary company in the amount of YR 1,005,040 thousand (2014: YR 1,005,040 thousand).

12. PROPERTY AND EQUIPMENT

	Lands	Buildings & Constructions	Furniture & Fixtures	Machinery & Equipment	Motor Vehicles	Computer Equipment	Total
Cost	**YR'000**	**YR'000**	**YR'000**	**YR'000**	**YR'000**	**YR'000**	**YR'000**
At 1 January 2014	441,702	1,271,912	381,200	1,455,471	242,485	1,076,623	4,869,393
Additions	4,351	11,750	36,964	271,992	178,203	84,654	587,914
Disposals	-	(20,738)	(16,066)	(15,781)	(506)	(19,982)	(73,073)
Reclassifications	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-
At 1 January 2015	**446,053**	**1,262,924**	**402,098**	**1,711,682**	**420,182**	**1,141,295**	**5,384,234**
Additions	-	**29,233**	**16,444**	**95,487**	**17,647**	**66,756**	**225,567**
Disposals	-	**(26,067)**	**(8,630)**	**(60,221)**	**(11,707)**	**(25,320)**	**(131,945)**
Reclassifications	-	-	**(62)**	**(9,350)**	-	**9,412**	-
Adjustments	-	-	-	-	**506**	-	**506**
At 31 December 2015	**446,053**	**1,266,090**	**409,850**	**1,737,598**	**426,628**	**1,192,143**	**5,478,362**
Accumulated Depreciation							
At 1 January 2014	-	418,433	290,180	937,417	154,023	854,656	2,654,709
Charge for the year	-	61,040	28,579	210,325	39,676	140,149	479,769
Disposals during the year	-	(16,408)	(11,415)	(13,154)	(75)	(18,948)	(60,000)
Reclassification	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-
At 1 January 2015	-	**463,065**	**307,344**	**1,134,588**	**193,624**	**975,857**	**3,074,478**
Charge for the year	-	**49,401**	**29,794**	**223,258**	**72,232**	**133,615**	**508,300**
Disposals during the year	-	**(20,887)**	**(7,233)**	**(53,138)**	**(8,026)**	**(23,273)**	**(112,557)**
Reclassifications	-	-	**(31)**	**(7,642)**	-	**7,673**	-
Adjustments	-	-	-	-	**506**	-	**506**
At 31 December 2015	-	**491,579**	**329,874**	**1,297,066**	**258,336**	**1,093,872**	**3,470,727**
Carrying Amount							
At 31 December 2015	**446,053**	**774,511**	**79,976**	**440,532**	**168,292**	**98,271**	**2,007,635**
At 31 December 2014	446,053	799,859	94,754	577,094	226,558	165,438	2,309,756
Depreciation rates used	-	2% - 20%	10% - 20%	5% - 20%	10% - 20%	20% - 50%	

13. DUE TO BANKS

	2015	2014
	YR'000	YR'000
Current Accounts		
Balances in local currency	7,327,679	1,177,104
Balances in foreign currencies	11,951,473	389,062
	19,279,152	1,566,166
Time Deposits		
Balances in local currency	9,919,163	29,695,943
Balances in foreign currencies	-	5,587,140
	9,919,163	35,283,083
Total balances due to banks	29,198,315	36,849,249

Current account and time deposits balances due to banks bear different interest rates.

14. CUSTOMERS' DEPOSITS

	2015	2014
	YR'000	YR'000
Current accounts	163,925,831	133,720,413
Time and demand deposits	153,593,184	150,504,385
Savings accounts	17,675,508	18,097,967
Cash, LC and LG Margins	5,814,356	5,491,497
Other deposits	6,437,414	5,537,675
	347,446,293	313,351,937

Cash margins and time and demand deposits bear fixed interest rates during the deposit period, while saving accounts bear different interest rates in accordance with the Central Bank of Yemen's instructions and guidance, other deposits earn not interest.

15. CREDIT BALANCES AND OTHER LIABILITIES

	2015	2014
	YR'000	YR'000
Income tax (15.1)	3,531,528	2,999,580
Zakat Provision (15.2)	1,606,640	1,067,008
Interest payable	2,015,269	2,493,548
Accrued expenses	76,201	62,867
Unearned revenue	120,114	54,872
Other credit balances	1,035,777	590,515
	8,385,529	7,268,390

15. CREDIT BALANCES AND OTHER LIABILITIES (CONTINUED)

15.1 Income Tax

Income tax is provided at 20% (2014: 20%) of the annual amended profit for tax purposes. The table below shows the movement of income tax provision:

	2015	2014
	YR'000	YR'000
Balance at 1 January	**2,999,580**	2,939,867
Provided during the year	**3,531,528**	2,999,580
Paid during the year	**(2,999,580)**	(2,939,867)
Balance at 31 December	**3,531,528**	2,999,580

Tax position

- Tax return for the year 2007 was submitted on time in accordance with the law, and the payment of the tax due as per the tax return. During 2011, the tax authority notified the Bank regarding the differences resulted from their inspection of the income and payroll tax of 2007 in the amount of YR 312,975 thousand, according to form No. (5), the Bank has appealed the difference represented in the application of the exemption rules on interest earned from loans granted to companies based on the investment law, in the tax liability amount of YR 118,623 thousand.
- Tax settlement has been done and tax paid for the years 2009 and 2010 in accordance with the forms received from the tax authority.
- Tax settlement has been done for the year 2011 and the bank received a notification on 29 September 2015, in form 2 review, (acknowledgment of not finding tax differences resulting from the review and inspection of income tax return (profits)) in addition to form 3, which shows the differences in payroll tax in the amount of YR 63,873 thousand and differences in the independent pools in the amount of YR 8,088 thousand, which were not paid until the date of these consolidated financial statements.
- Tax return for the years 2012, 2013 and 2014 were submitted within the time as per law, and the group did not receive any notification in respect of such returns from tax authority until the date of issuing these consolidated financial statements.

15.2 Zakat

Zakat Position

The Group submitted Zakat form for the year 2014 and paid an amount of YR 405,223 thousand to the branches of the General Administration of Zakat Duties, in addition to the amount used by the bank directly in the amount of YR 266,752 thousands.

	2015	2014
	YR'000	YR'000
Balance at 1 January	**1,067,008**	793,543
Provided during the year	**1,211,607**	1,067,008
Paid during the year	**(671,975)**	(793,543)
Balance at 31 December	**1,606,640**	1,067,008

16. PROVISION FOR CONTINGENT LIABILITIES

	2015		
	Provision for contingent liabilities	**Provision for contingent claims**	**Total**
	YR'000	**YR'000**	**YR'000**
Balance as at 1 January	**566,886**	**346,987**	**913,873**
Provided during the year (Note 27)	**566,886**	**136,539**	**703,425**
Used during the year	**-**	**(20)**	**(20)**
Provisions not used (Note 27)	**(895,723)**	**-**	**(895,723)**
Balance as at 31 December	**238,049**	**483,506**	**721,555**

	2014		
	Provision for contingent liabilities	Provision for contingent claims	Total
	YR'000	YR'000	YR'000
Balance as at 1 January	538,338	240,862	779,200
Provided during the year (Note 26)	28,548	106,125	134,673
Used during the year	-	-	-
Provisions not used (Note 25)	-	-	-
Balance as at 31 December	566,886	346,987	913,873

17. PAID-UP CAPITAL

According to the Bank's extraordinary general assembly meeting held on 6 June 2013, the issued and paid up share capital of the Bank was increased to YR 15,000 million as at 31 December 2013 (2013: YR 15,000 million) divided into 150,000,000 shares of nominal value of YR 100 per share (2014: 150,000,000 shares).

18. STATUTORY RESERVE

As per Article (12-1) of the Yemeni Banking Law No. (38) of 1998, 15% of the net profit of the year should be transferred to statutory reserve until the reserve equals two times the paid up capital. The Bank cannot dispose this reserve without a prior approval from the Central Bank of Yemen. During the financial year, an amount of YR 2,269,270 thousand (2014: YR 1,879,002 thousand) was transferred from net profit to statuary reserve.

19. DIVIDENDS

The General Assembly during its meeting held on 15 September 2015, approved the distribution of the dividends relating to the financial year 2014 at 70% of share capital (YR 70 per share) (2014: YR 40 per share), in the total amount of YR 10,500,000 thousand (2014: YR 6,000,000 thousand), and the amounts were booked for the customers during the year 2016. taking into account that an amount of YR 150,741 thousand was already paid in advance to some of the shareholders during the year ended 31 December 2015. (2014: YR 238,090 thousand)

20. CONTINGENT LIABILITIES AND COMMITMENTS

	2015			2014		
	Total commitment	Collateral	Net commitment	Total commitment	Collateral	Net commitment
				YR'000	YR'000	YR'000
Letters of Credit	7,974,725	(1,150,472)	6,824,253	9,505,414	(1,945,436)	7,559,978
Letters of Guarantee	21,063,614	(4,131,665)	16,931,949	38,753,405	(2,974,676)	35,778,729
	29,038,339	(5,282,137)	23,756,202	48,258,819	(4,920,112)	43,338,707

21. INTEREST INCOME FROM CREDIT FACILITIES AND DUE FROM BANKS

	2015	2014
	YR'000	YR'000
Interest earned on credit facilities:		
- Credit facilities	4,516,775	4,833,706
- Loans	1,212,772	1,723,317
	5,729,547	6,557,023
Interest earned on due from banks:		
- Due from local banks	312,870	192,904
- Due from foreign banks	130,079	22,466
	442,949	215,370
	6,172,496	6,772,393

22. INTEREST INCOME ON HELD TO MATURITY INVESTMENTS

	2015	2014
	YR'000	YR'000
Interest income on treasury bills	38,872,903	37,036,248
Interest income on treasury bills (REPOS)	-	2,120,997
	38,872,903	39,157,245

23. COST OF DEPOSITS AND BORROWINGS

	2015	2014
	YR'000	YR'000
Interest expense on customers' deposits:		
- Time deposits	20,183,233	22,681,390
- Saving accounts	1,953,734	1,933,043
- Other deposits	101,458	36,339
	22,238,425	24,650,772

24. BANK SERVICES REVENUES AND COMMISSIONS

	2015	2014
	YR'000	YR'000
Letters of credit	39,689	105,550
Letters of guarantee	170,364	248,802
Visa Card commissions	741,501	393,820
Inward transfers and bills for collections	284,958	392,032
Others	74,666	96,324
	1,311,178	1,236,528

25. PROFIT ON FOREIGN CURRENCY TRANSACTIONS

	2015 YR'000	2014 YR'000
Profit on dealing in foreign currencies	1,310,137	304,078
Income\(losses) on revaluation of foreign currency balances	74,352	(4,140)
	1,384,489	299,938

26. OTHER INCOME

	2015 YR'000	2014 YR'000
Doubtful debts Provision reversed (8.1)	2,249,299	1,016,375
Other Provisions reversed (16)	895,723	-
Rent revenue	30,334	44,727
Profit on disposal of property and equipment	4,941	72
Other income	4,420	148,975
	3,184,717	1,210,149

27. PROVISIONS PROVIDED DURING THE YEAR

	2015 YR'000	2014 YR'000
Loan loss provisions (8.1)	2,816,790	2,572,068
Doubtful debts provision (10.1)	570,775	108,423
Contingent liabilities provision (16)	703,425	134,673
	4,090,990	2,815,164

28. STAFF COSTS

	2015 YR'000	2014 YR'000
Salaries and wages	1,340,556	1,164,522
Contribution to social security	72,522	73,243
Medical expenses	57,249	56,072
	1,470,327	1,293,837

The Group has an average of 474 employees during the year (2014: 484 employees),

29. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 YR'000	2014 YR'000
Depreciation of property and equipment (Note 12)	508,300	479,769
Service contracts	310,375	281,445
Rent	184,258	166,377
Fees and subscription	7,907	7,361
Maintenance	105,651	136,340
Stationary and office supplies	72,690	101,978
Communications	93,869	158,206
Board of Directors allowances	628,963	505,303
Water and electricity	39,149	67,063
Advertising and publishing	68,181	94,302
Transportation	168,439	42,788
Insurance	412,562	378,776
Training	6,960	55,932
Donations and charities	82,175	153,116
Professional and legal fees	20,699	38,571
Other miscellaneous expenses	235,164	338,098
	2,945,342	3,005,425

30. EARNINGS PER SHARE

	2015 YR'000	2014 YR'000
Profit per share attributable to Bank's equity holders	**15,117,480**	12,496,014
Weighted average number of shares (thousand shares)	**150,000**	150,000
Earnings per share	**100.78**	83.31

31. RELATED PARTY TRANSACTIONS

The transactions with related parties are shown in these consolidated financial statements are as follows:

	2015 YR'000	2014 YR'000
Deposits		
Balance at 1 January	**5,480,454**	13,923,559
Added during the year	**103,340,802**	117,907,470
Deducted during the year	**(102,256,248)**	(126,350,575)
Balance at 31 December	**6,565,008**	5,480,454

	2015 YR'000	2014 YR'000
Loans and financing		
Balance at 1 January	**28,777,250**	28,100,108
Added during the year	**22,613,115**	20,669,993
Deducted during the year	**(26,287,640)**	(19,992,851)
Balance at 31 December	**25,102,725**	28,777,250

	2015 YR'000	2014 YR'000
Interests		
Interest and commission income	**1,367,896**	1,677,365
Interest expense	**312,050**	992,420

Compensation of key management personnel:

The remuneration of the key management personnel during the year was as follows:

	2015 YR'000	2014 YR'000
Salaries, bonuses and allowances	**749,816**	548,962

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 items not materially different from their carrying values at the consolidated financial position date.

32. FAIR VALUE INFORMATION (CONTINUED)

Estimating the fair values

Credit facilities (loans and advances) granted to customers

The fair value was calculated based on the expected future cash flows discounted for the principal and interest. 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 indication 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 reflects 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.

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.

Current accounts balances due to/from banks

The carrying value of current accounts balances due to/from banks, was considered to serve as an appropriate estimate of fair value due to their short-term nature.

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.

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 their carrying values.

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 credit related, 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.

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 general manager, the assets and liabilities committee, financial manager, treasury manager and the director of risk management, all whom are under constant supervision by the management of the group.

The following is a summary of how the group is managing risk:

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 group also applies the instructions of the Central Bank of Yemen of circular No. (10) of 1997 on credit risk, the management is committed to a minimum set of standards for credit risk management. Procedures for 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 reduce the magnitude of the risks that may arise in case of default customers.
- Conduct field visits and prepare periodic studies for customers in order to evaluate their financial positions and credit worthiness.
- Configure the required allocation of provisions of debts and non-performing balances.
- Distribution of loans and advances to various sectors in order to avoid concentration risks within specific limits for each sector.

Distribution is disclosed for financial assets and financial liabilities and contingent liabilities and commitments in the **consolidated** statement of financial position date, according to the business sector (industrial, agricultural, services, financial, construction, real estate and other) as follows:

Concentration by customers

	Assets		Liabilities	
	Balances at banks	Total credit facilities	Due to banks	Customers' deposits
	YR'000	YR'000	YR'000	YR'000
31 December 2015				
Individuals	-	6,036,088	-	25,541,084
Corporate	-	26,570,981	-	321,905,209
Banks	69,728,581	-	29,198,315	-
	69,728,581	32,607,069	29,198,315	347,446,293
31 December 2014				
Individuals	-	7,484,833	-	23,034,777
Corporate	-	32,948,385	-	290,317,160
Banks	64,602,094	-	36,849,249	
	64,602,094	40,433,218	36,849,249	313,351,937

33. RISK MANAGEMENT (CONTINUED)

Industry Sector

	2015			2014		
	Assets	Liabilities	Contingent Liabilities and Commitments	Assets	Liabilities	Contingent Liabilities and Commitments
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
Industrial & Commercial	19,472,162	247,841,330	21,366,536	24,145,751	222,253,768	38,289,128
Services	6,995,674	77,735,831	2,389,666	8,674,733	70,107,737	5,049,579
Financial	397,154,176	29,198,315	-	353,119,430	36,849,249	-
Others	7,668,021	41,325,475	-	8,477,672	34,934,605	-
Total	431,290,033	396,100,951	23,756,202	394,417,586	364,145,359	43,338,707

Credit risk without taking into consideration the collaterals

	2015	2014
	YR'000	YR'000
Consolidated Statement of Financial Position		
Balances at banks	69,728,581	64,602,094
Available for sale investments	120,000	105,000
Direct credit facilities at amortised cost	32,607,069	40,433,218
Other debit balances and assets	1,631,933	992,839
Off balance sheet items	23,756,202	43,338,707

Liquidity risk

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

The maturity profile of the Group's financial assets and liabilities at 31 December 2015 was as follows:

	Due within 3 Months	Due within 4 to 6 Months	Due within 7 to 9 Months	Due within 10 to One year	Due after One Year	Total
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
Assets						
Cash and balances at CBY	44,193,364	-	-	-	-	44,193,364
Balances with banks	69,728,581	-	-	-	-	69,728,581
Treasury bills	283,009,086	-	-	-	-	283,009,086
Available for sale investments	-	-	-	-	120,000	120,000
Direct credit facilities at amortised cost	25,733,608	274,964	3,904,511	2,693,986	-	32,607,069
	422,664,639	274,964	3,904,511	2,693,986	120,000	429,658,100
Liabilities						
Due to banks	29,198,315	-	-	-	-	29,198,315
Customers' deposits	187,333,611	125,405,898	-	34,706,784	-	347,446,293
Dividends payable	10,349,259	-	-	-	-	10,349,259
	226,881,185	125,405,898	-	34,706,784	-	386,993,867

33. RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial assets and liabilities at 31 December 2014 was as follows:

	Due within 3 Months	Due within 4 to 6 Months	Due within 7 to 9 Months	Due within 10 to One year	Due after One Year	Total
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
Assets						
Cash and balances at CBY	35,210,677					35,210,677
Balances with banks	64,602,094					64,602,094
Treasury bills	253,073,758					253,073,758
Available for sale investments	-				105,000	105,000
Direct credit facilities at amortised cost	31,910,031	340,959	4,841,648	3,340,580	-	40,433,218
	384,796,560	340,959	4,841,648	3,340,580	105,000	393,424,747
Liabilities						
Due to banks	36,849,249	-		-		36,849,249
Customers' deposits	168,950,860	113,100,015		31,301,062		313,351,937
Dividends payable	5,761,910	-	-	-		5,761,910
	211,562,019	113,100,015		31,301,062		355,963,096

Market risk

Market risk includes foreign currency risk and interest rates risk.

Foreign currency risk

The Group is exposed to currency risk through its transactions in foreign currencies (especially transactions in US Dollar). Since the currency in which the Group presents its consolidated financial statements is Yemeni Rials, thus the consolidated financial statements is affected by the changes in exchange rates between US Dollars and Yemeni Rials. The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the "Consolidated Profit or Loss Statement",

Management is in compliance with the Central Bank circular No. (6) of 1998 which stipulates that the individual foreign currency position shall not exceed 15% of the Bank's capital and reserves, and that the aggregate open position for all foreign currencies shall not exceed 25% of the Bank's capital and reserves.

Pursuant to the Central Bank of Yemen circular No. (6) of 1998, management applies an upper limit of each currency position individually as well as an upper limit for the combined position for all foreign currencies, so that the position of each currency separately does not exceed 15% of the capital and reserves and the combined position for all foreign currencies does not exceed 25% of the capital and reserves.

33. RISK MANAGEMENT (CONTINUED)

Foreign currency risk (Continued)

The following table shows the important currencies' positions as at the date of the consolidated financial statements:

	2015		2014	
	Surplus / (deficit)	**Percentage to equity**	Surplus / (deficit)	Percentage to equity
	YR'000	**%**	YR'000	%
US Dollars	**3,899,243**	**16.28%**	(1,055,968)	(4.75%)
Euro	**(21,043)**	**(0.09%)**	(53,352)	(0.24%)
Saudi Riyals	**(1,958,546)**	**(8.18%)**	(1,051,069)	(4.73%)
Sterling Pound	**(112,585)**	**(0.47%)**	(19,139)	(0.09%)
Emirati Dirham (AED)	**994,068**	**4.15%**	473,698	2.13%
Swiss Frank	**106,831**	**0.45%**	136,499	0.61%
Other currencies	**(823)**	**(0.01%)**	(12,108)	(0.04%)
	2,907,145	**12.13%**	(1,581,439)	(7.11%)

Interest rates risk

The Group's operations are subject to the risk of interest rate fluctuations 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 optimise net interest income provided that market interest rate levels are consistent with Group's business strategies. The Group manages 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 Group's management.

Group's management follows steps to reduce or limit the effects of the risks arising from interest rates fluctuations 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 31 December 2015 follows:

	YR	US Dollar	EURO	SAR
	%	%	%	%
Assets				
Time deposits with banks	-	3%	0.65%	0.35%
Treasury bills	16.07%	-	-	-
Direct credit facilities at amortised cost	-	-	-	-
- Overdrafts	22%	13%	13%	13%
- Loans	22%	13%	13%	13%
Liabilities				
Customers' deposits:				
- Time deposits	15%	2%	2%	-
- Saving accounts	15%	2%	2%	-
Time deposits – Banks	15.80%	3%	-	-

33. RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Average interest rates applied during the year (Continued)

The average interest rates on assets and liabilities during the year ended 31 December 2014 follows:

	YR	US Dollar	EURO	SAR
	%	%	%	%
Assets				
Time deposits with banks	-	3%	0.65%	0.4%-0.3%
Treasury bills	16.07%	-	-	-
Direct credit facilities at amortised cost				
- Overdrafts	22%	13%-10%	13%	13%
- Loans	22%	13%-10%	13%	13%
Liabilities				
Customers' deposits:				
- Time deposits	15%	2%	2%	-
- Saving accounts	15%	2%	2%	-
Time deposits – Banks	16%-15%	-	-	-

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure its ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance within acceptable frameworks to encounter the yield from such risks. The general group policy did not change from that in the year 2014.

The Group's capital consists of paid-up capital, reserves and retained earnings.

35. CAPITAL ADEQUACY

The Group monitors its capital adequacy in accordance with the instructions of the Central Bank of Yemen. The capital adequacy is calculated in accordance with the instructions of the Central Bank of Yemen by comparing the components of core and supplementary capital as shown in the consolidated financial statements against the total of the risk-weighted assets and liabilities as follows:

	2015	2014
	YR'000	YR'000
Core and supplementary capital	**37,580,642**	33,230,150
Risk-weighted assets and liabilities		
Contingent liabilities and commitments	**18,296,800**	35,747,643
Total assets	**47,777,037**	43,687,111
Total risk-weighted assets and liabilities	**66,073,837**	79,434,754
Percentage of capital adequacy	**56.88%**	41.83%

The core capital consists of paid up capital, statutory reserve and retained earnings; while supplementary capital consists of general provisions.

36. FINANCIAL REPORTING FOR INDUSTRY SEGMENTS

The Group operates in the following three sectors:

A. 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.

B. Banking services for corporates - including direct debit facilities, current accounts, deposits, loans, overdrafts and other credit facilities and foreign currency.

C. Treasury and Investments - Other activities are investment management and corporate finance, which do not represent an independent sector that must be reported.

Transactions between the business segments 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 Group's capital. There are no other material items of income or expense between the business segments.

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.

37. CONTINGENT LIABILITIES

Certain legal cases have been filed against the Group amounting to YR 76 million (2014: YR 60 million). No provision has been made based on the legal department advice, the management believes that the outcomes of such legal proceeding will not affect the Group's operations.

38. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform to the current year's presentation of the consolidated financial statements.

39. GOING CONCERN

During the financial year and subsequent to the year-end, the uncertainties within the country's security situation makes it challenging to forecast the cash flows and results of the Group. Management is confident that the Bank has sufficient resources to continue normal operations for the next 12 months.

THE SEPARATED FINANCIAL STATEMENTS FOR INTERNATIONAL BANK OF YEMEN

1- STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER

	2015 YR'000	2014 YR'000
ASSETS		
Cash and balances with Central Bank of Yemen	**44,193,364**	35,210,677
Balances with banks	**69,728,581**	64,602,094
Held-to-maturity investments	**283,009,086**	253,073,758
Direct credit facilities at amortised cost	**32,607,069**	40,433,218
Available for sale investments	**120,000**	105,000
Debit balances and other assets	**1,627,014**	987,916
Property and equipment	**2,007,634**	2,309,671
Total assets	**433,292,748**	396,722,334
LIABILITIES AND EQUITY		
Liabilities		
Due to banks	**29,198,315**	36,849,249
Customers' deposits	**347,446,293**	313,351,937
Dividends payable	**10,349,259**	5,761,910
Credit balances and other liabilities	**8,006,678**	6,903,182
Provision for contingent liabilities	**781,079**	973,397
Total liabilities	**395,781,624**	363,839,675
Equity		
Paid-up capital	**15,000,000**	15,000,000
Statutory reserve	**6,681,411**	4,802,409
Revaluation reserve	**701,248**	553,569
Retained earnings	**15,128,465**	12,526,681
Total equity	**37,511,124**	32,882,659
TOTAL EQUITY AND LIABILITIES	**433,292,748**	396,722,334
CONTINGENT LIABILITIES AND COMMITMENTS	**23,756,202**	43,338,707

THE SEPARATED FINANCIAL STATEMENTS FOR INTERNATIONAL BANK OF YEMEN (CONTINUED)

2- STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	2015 YR'000	2014 YR'000
Interest income from credit facilities and due from banks	**6,183,715**	6,780,371
Interest income from held-to-maturity investments	**38,872,903**	39,157,245
Total interest income	**45,056,618**	45,937,616
Cost of deposits and borrowings	**(22,238,425)**	(24,650,772)
Net interest income	**22,818,193**	21,286,844
Bank services revenues and commissions	**1,311,178**	1,236,528
Bank services and commission expenses	**(337,830)**	(378,620)
Profits on foreign currency transactions	**1,384,489**	299,938
Income from investments held to maturity	**15,000**	22,500
Other income	**3,184,717**	1,210,149
	28,375,747	23,677,339
Provisions provided during the year	**(4,090,990)**	(2,815,164)
Staff costs	**(1,469,821)**	(1,274,843)
General and administrative expenses	**(2,943,336)**	(2,994,063)
Profit for the year before Zakat and income tax	**19,871,600**	16,593,269
Zakat	**(1,211,607)**	(1,067,008)
Income tax for the year	**(3,531,528)**	(2,999,580)
Profit for the year	**15,128,465**	12,526,681
Total comprehensive income for the year	**15,128,465**	12,526,681