



البنك الأهلي اليمني
National Bank Of Yemen

ADEN
REPUBLIC OF YEMEN
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

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INDEPENDENT AUDITORS REVIEW REPORT TO THE BOARD OF DIRECTORS ON THE NATIONAL BANK OF YEMEN

INTRODUCTION


We have reviewed the accompanying interim statement of financial position of the National Bank of Yemen (the Bank) as at 30 September 2011 and the related interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the nine months period then ended and a summary of significant accounting policies and other explanatory notes. The management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards and related Yemeni laws and regulations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements 2410 - "Review Of Interim Financial Information Performed By The Independent Auditor Of The Entity". A review of interim financial statements consists of making inquiries primarily of Bank's personnel responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit, accordingly, we do not express opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not presenting fairly, in all material respects, the financial position of the National Bank of Yemen as at 30 September 2011 and of its financial performance and cash flows for the nine months period then ended in accordance with the International Financial Reporting Standards and related Yemeni laws and regulations.


Dr. Bassam Dahman, IMA
Registered Licensed Accountant No. 819




Dahman Awadh Dahman, FCCA
Registered Licensed Accountant No. 384

For Dahman & Co.
A member of RSM International

Aden, Republic of Yemen,
3 December 2011


NATIONAL BANK OF YEMEN
INTERIM STATEMENT OF FINANCIAL POSITION
As At 30 September 2011

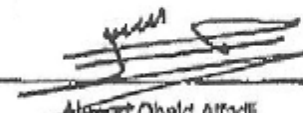
		30 September 2011 YR ' 000	31 December 2010 YR ' 000
ASSETS			
Cash on hand and reserve balances with the Central Bank of Yemen	4	7,910,465	11,440,716
Due from banks	5	20,466,647	27,533,176
Treasury bills, net	6	81,047,117	57,660,128
Loans and advances to customers, net of provision	7	7,846,057	8,273,929
Available for sale investments, net	8	301,977	301,977
Debt balances and other assets	9	2,882,843	1,488,462
Property, plant and equipment, net of accumulated depreciation	10	<u>2,856,865</u>	<u>2,724,718</u>
TOTAL ASSETS		<u>102,881,471</u>	<u>109,442,106</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	11	291,458	291,537
Customers' deposits	12	82,543,015	91,834,327
Credit balances and other liabilities	13	4,180,612	3,342,611
Income tax	14	<u>462,285</u>	<u>418,989</u>
Total Liabilities		<u>87,477,370</u>	<u>95,887,344</u>
EQUITY			
Declared and paid up share capital	15-a	10,000,000	10,000,000
Surplus on revaluation of property reserve	15-b	639,762	639,762
Statutory reserve	15-c	2,168,485	2,168,485
General reserve	15-d	683,803	683,863
Cumulative changes in the fair value reserve	15-e	<u>62,662</u>	<u>62,652</u>
Profit for the period / accumulated profit for the period		<u>1,349,139</u>	<u>-</u>
Total Equity		<u>15,403,901</u>	<u>13,554,782</u>
TOTAL LIABILITIES AND EQUITY		<u>102,881,471</u>	<u>109,442,106</u>
CONTRA ACCOUNTS AND OTHER COMMITMENTS, NET	16	<u>16,730,814</u>	<u>22,895,118</u>

Independent Auditors' Review Report attached (page 1).

The attached notes 1 to 35 form an integral part of these interim financial statements.


Sami Abdul Hamid Mackawa
First Deputy General Manager


Esam Ahmed Alawi Alsaqaf
General Manager


Ahmed Obaid Alfadli
Acting Chairman

NATIONAL BANK OF YEMEN
 INTERIM STATEMENT OF COMPREHENSIVE INCOME
 For The Nine Months Ended 30 September 2011

	<i>Note</i>	<i>01 January to 30 September 2011 YR' 000</i>	<i>01 January to 30 September 2010 YR' 000</i>
OPERATING REVENUE			
Interest on loans and advances and due from banks	17	1,233,147	1,233,401
Interest on treasury bills		<u>9,670,226</u>	<u>6,934,655</u>
Total interest revenue		10,903,373	8,168,056
Cost of deposits	18	<u>(6,983,487)</u>	<u>(5,271,030)</u>
Net interest revenue		3,919,886	2,897,026
Commissions and fee income on banking services	19	401,159	542,302
Income on available for sale investments		32,373	23,202
Gain on foreign currency transactions	20	63,784	(83,312)
Other operating income	21	<u>994,106</u>	<u>268,813</u>
Net Operating Revenue		<u>5,411,308</u>	<u>3,648,031</u>
OPERATING EXPENSES			
Commissions and fee expenses on banking services		15,252	34,353
General and administration expenses	22	1,581,004	1,281,451
Provisions	23	<u>1,368,628</u>	<u>167,211</u>
Total Operating Expenses		<u>2,964,884</u>	<u>1,483,015</u>
PROFIT FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX		2,446,424	2,165,016
Zakat	13-c	<u>(135,000)</u>	<u>(112,500)</u>
PROFIT FOR THE PERIOD AFTER ZAKAT AND BEFORE INCOME TAX		2,311,424	2,052,516
Income tax	14	<u>(462,285)</u>	<u>(718,381)</u>
PROFIT FOR THE PERIOD		<u>1,849,139</u>	<u>1,334,135</u>
OTHER COMPREHENSIVE INCOME			
Net movement in fair value for the period		<u>-</u>	<u>-</u>
Other Comprehensive Income For The Period		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>1,849,139</u>	<u>1,334,135</u>
Total comprehensive income attributable to controlling interest		<u>1,849,139</u>	<u>1,334,135</u>
Total comprehensive income attributable to non-controlling interest		<u>-</u>	<u>-</u>
Basic earnings per share	24	<u>185 YR</u>	<u>148 YR</u>

The attached notes 1 to 36 form an integral part of these interim financial statements.

NATIONAL BANK OF YEMEN
INTERIM STATEMENT OF CHANGES IN EQUITY
For The Nine Months Ended 30 September 2011

	Share Capital YR'000	Surplus On Revaluation Of Property Reserve YR'000	Statutory Reserve YR'000	General Reserve YR'000	Cumulative Changes in Fair Value Reserve YR'000	Retained Earnings For The Year / Profit For the Period YR'000	Total YR'000
Balance at 1 January 2010	9,000,000	639,762	1,857,104	523,164	54,853	-	12,074,883
Comprehensive income							
Profit for the year	-	-	-	-	-	2,075,874	2,075,874
Other comprehensive income	-	-	-	-	7,799	-	7,799
Total comprehensive income	-	-	-	-	7,799	2,075,874	2,083,673
Transaction with owners							
Transfer to statutory reserve	-	-	311,381	-	-	(311,381)	-
Transfer to general reserve	-	-	-	311,381	-	(311,381)	-
Government share in profit for the year	-	-	-	-	-	(500,000)	(500,000)
Government's share in profit transferred to share capital	849,318	-	-	-	-	(849,318)	-
Transfer from general reserve to capital	150,682	-	-	(150,682)	-	-	-
Employees' share in profit	-	-	-	-	-	(103,794)	(103,794)
Total transaction with owners	1,000,000	-	311,381	160,699	-	(2,075,874)	(603,794)
	10,000,000						
Balance at 31 December 2010		639,762	2,168,485	683,863	62,652	-	13,554,762
Comprehensive income							
Profit for the period	-	-	-	-	-	1,849,139	1,849,139
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	1,849,139	1,849,139
Transaction with owners							
Transfer to statutory reserve	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-
Government share in profit for the year	-	-	-	-	-	-	-
Government's share in profit transferred to share capital	-	-	-	-	-	-	-
Transfer from general reserve to capital	-	-	-	-	-	-	-
Employees' share in profit	-	-	-	-	-	-	-
Total transaction with owners	-	-	-	-	-	-	-
	10,000,000						
Balance at 30 September 2011		639,762	2,168,485	683,863	62,652	1,849,139	15,403,901

The Bank's Board of Directors, in its meeting held on 15 April 2007, resolved the increase of the share capital of the Bank to YR 10,000,000 thousands. H.E. the Minister of Finance had approved this increase in the share capital. The share capital was raised from the Government's share of profit at the end of each year as the Board of Directors decided until the amount of the share capital reached YR 10,000,000 thousands.

As at 31 December 2010, the Bank's share capital reached the amount of YR 10,000,000 thousand by transferring the amount YR 150,682 thousands from general reserve and the amount YR 849,318 thousands from the Government's share of the year's profit to the share capital upon the resolution of the Bank's Board of Directors.

The transfers to statutory and general reserves are only made at the end of each year.

The attached notes 1 to 36 form an integral part of these interim financial statements.

NATIONAL BANK OF YEMEN
INTERIM STATEMENT OF CASH FLOWS
For The Nine Months Ended 30 September 2011

		30 September	30 September
		2011	2010
	Note	YR 000	YR 000
OPERATING ACTIVITIES			
Profit for the period before the Zakat and income tax		2,446,424	2,165,016
Adjustments for:			
Provision for losses on loans and advances and on contra accounts made during the period		1,358,905	167,211
Provision for losses on loans and advances and contra accounts written back during the period		(753,420)	(264,262)
Amount utilized from provision for losses on loans and advances during the period		(24,536)	(426)
Revaluation of balances of provision for losses on loans and advances and on contra accounts		1,620	49,519
Revaluation of available for sale investments		-	(78,659)
Income tax paid and written back during the period		(418,969)	(774,586)
Zakat paid		(135,000)	(112,500)
Depreciation of property, plant and equipment		94,263	72,088
Loss due to writing off damaged property, plant and equipment of Bank's branch in Abyan		4,755	-
Net Operating Profit Before Changes In Banking Assets And Liabilities		<u>2,574,042</u>	<u>1,223,401</u>
Related To Operating Activities (1)			
CHANGES IN BANKING ASSETS			
Reserve balances with the Central Bank of Yemen		3,595,892	(1,057,436)
Treasury bills maturing after three months, net of unamortized discount		(9,376,616)	708,553
Due from banks maturing after three months		2,112,130	(1,500,276)
Loans and advances to customers before provision but after suspended interest		(170,395)	839,496
Debit balances and other assets		(1,154,181)	(1,605,882)
Net (Increase) In Banking Assets (2)		<u>(4,993,170)</u>	<u>(2,615,545)</u>
CHANGES IN BANKING LIABILITIES			
Due to banks		(79)	(271,389)
Customers' deposits		(9,291,312)	(1,343,697)
Credit balances and other liabilities		853,999	1,921,837
Net (Decrease) / Increase In Banking Liabilities (3)		<u>(8,437,392)</u>	<u>306,751</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		<u>(30,965)</u>	(127,599)
Net Cash Flows (Used In) Investing Activities (4)		<u>(30,965)</u>	(127,599)
		(10,887,485)	
NET (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3+4)			(1,212,992)
Cash and cash equivalents at 1 January		<u>68,094,478</u>	67,595,005
CASH AND CASH EQUIVALENTS AT PERIOD END	26	<u><u>57,206,993</u></u>	<u><u>66,382,013</u></u>

The attached notes 1 to 36 form an integral part of these interim financial statements.

1 INCORPORATION AND ACTIVITY

The National Bank of Yemen (the Bank) was incorporated in Aden in 1969. It is wholly owned by the Government of Yemen and is registered under commercial registration number 1748.

The Bank undertakes all banking activities through its head office and 27 branches spread all over the Southern and Eastern Governorates and through one branch in each of Sana'a City, Hodeidah and Taiz. The Bank carries out banking retail activity in the Republic of Yemen.

The Head Office of the Bank is located at Queen Arwa Street. Its postal address is P. O. Box 5, Crater, Aden, Republic of Yemen.

The number of employees with the Bank as on 30 September 2011 was 875 (31 December 2010: 738 employees).

2 SIGNIFICANT ACCOUNTING POLICIES

2-a Basis of Preparation of Interim financial statements

These interim financial statements have been prepared for the period ended 30 September 2011 in accordance with IAS 34, 'Interim financial reporting' and are presented in Yemeni Rial and all values are rounded to the nearest one thousand Yemeni Rial except when otherwise is indicated.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs.

2-b Summary of Principal Accounting Policies

The Bank has applied the following accounting policies, consistently, in dealing with significant items of the Bank's interim financial statements:

Trade and Settlement Date Accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Foreign Currencies

- (i) The Bank maintains its records in Yemeni Rials which are the Bank's functional and presentation currency.
- (ii) Transactions denominated in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the value date of the transactions. Balances of monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Yemeni Rials at the rate of exchange rate ruling on that date. All realized and unrealized gains or losses resulting from revaluation are taken to "other operating income" or "other operating expense" in the statement of comprehensive income.
- (iii) The Bank does not deal in forward foreign exchange contracts.

Cash and Cash Equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents consist of cash on hand, cash balances with the Central Bank of Yemen other than statutory reserve balances, demand deposits with other banks, treasury bills and certificates of deposit with the Central Bank of Yemen maturing within three months from the date of acquisition.

Due from Banks and other Money Market Placements

Deposits and balances due from banks are presented at cost after deducting any amount that has been written off and any impairment in their value. All money market and customer deposits are carried at amortised cost.

Treasury Bills

Treasury bills issued by the Central Bank of Yemen on behalf of the Ministry of Finance are stated at their nominal value, adjusted for any unamortized discount outstanding at the reporting date.

Provision for Losses on Loans and Contingent Liabilities

In order to comply with the Central Bank of Yemen circular no. 6 of 1996 and circular no. 5 of 1998, provision is made for specific loans, overdrafts, advances and contingent liabilities, in addition to a percentage for general risks calculated on the total of other loans, overdrafts and contingent liabilities after deducting balances secured by deposits and banks' guarantees.

The provision is determined based on periodic comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, provision is made in accordance with the following rates:

- Performing loans including watch loans 1%
- Performing contingencies including watch accounts 1%

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-b Summary of Principal Accounting Policies (Continued)

Provision for Losses on Loans and Contingent Liabilities (Continued)

- Non-performing loans and contingencies:
 - Substandard debts 15%
 - Doubtful debts 45%
 - Bad debts 100%

When a loan is known to be uncollectible, after all the necessary legal procedures have been completed, and the final loss has been determined, or if directed by the Central Bank of Yemen upon review of the portfolio, it will be written off by debiting the provision. Loans to customers are presented in the statement of financial position net of provision and uncollected interest. Proceeds from loans and advances previously written off in prior years are credited to "other operating income".

Investments

As at the reporting date, the non trading investments are classified either as available for sale investments or held for maturity investments.

i) Available for sale investments:

Available for sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available for sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with profit and loss being recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised.

If an available for sale financial asset is determined to be impaired, the cumulative profit or loss previously recognised in the statement of comprehensive income, is recognised in the income statement. However, interest is calculated using the effective interest rate method, and foreign currency gains and losses on monetary assets classified as available for sale investments are recognised in the statement of the comprehensive income. Dividends on available for sale equity instruments are recognised in the statement of comprehensive income in 'dividend income' item when the Bank's right to receive payment is established.

ii) Held to maturity investments:

Where the Bank has the positive intent and ability to hold financial assets to maturity, they are stated at amortized cost less impairment losses. Premiums and discounts on held to maturity investments are amortized using the effective interest rate method and are taken to interest income.

Property, Plant and Equipment

Land and buildings comprise mainly branches and offices. All property, plant and equipment used by the Bank are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Depreciation

Freehold land is not depreciated. Other property and equipment items are stated at cost or revalued amounts less accumulated depreciation.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or revalued amount, less estimated residual value based on prices prevailing at the date of acquisition, of each asset over its expected useful life using the straight-line method at the rates stated in the Council of Ministers' Resolution no. 144 of 1999 as shown below:

- Buildings on freehold land 2%
- Vehicles 20%
- Furniture and equipment 10%
- Computers and software programs 20%
- Security vaults 2%
- Improvements to leasehold property Years of lease or estimated useful life whichever is lower.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 30 September 2011 (31 December 2010: nil).

Gains and losses on property, plant and equipment disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-b Summary of Principal Accounting Policies (Continued)

Contra Accounts and Other Commitments

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees, which are designed to meet the requirements of the Bank's customers.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers' contingent upon the failure of the customer to perform under the terms of the contract.

Revenue Recognition

- (i) Interest income is recognized in the statement of comprehensive income on the accrual basis using the effective interest rate method. The effective interest rate is established on initial recognition of the financial asset/liability and is not revised subsequently. However, in order to comply with the requirements of the Central Bank of Yemen circular no. 6 of 1996, the Bank does not accrue interest income on non-performing loans and credit facilities. When an account is classified as non-performing, all uncollected interest relating to the three months prior to categorizing the loan as non-performing is reversed from income and recorded as uncollected interest income. Income from investments is accrued on notification of entitlement. Dividend income is recognized when the right to receive payment is established.
- (ii) In accordance with the Central Bank of Yemen circular no. 2 of 2000, any provisions written back are included under "other operating income".
- (iii) Commission and fee income on banking services are recognized when earned.

Real Estate Properties Acquired from Customers in Settlement of Loans Pending Sale /Collateral Pending Sale

The Bank occasionally acquires real estate in settlement of certain loans and advances. In accordance with the Banks Law No. 38 of 1998 and the Central Bank of Yemen instructions, assets acquired from customers in settlement of loans are included in the statement of financial position under "debit balances and other assets" use the value at which these assets were acquired less any decline in their value. Any decline is charged to the statement of comprehensive income.

Social Security

The employees of the Bank are contributing to the social security scheme in accordance with the Republic of Yemen's Social Insurance Law No. 25 of 1991. The Bank's annual contribution is charged to the statement of comprehensive income.

Contingent Liabilities and Commitments

Contingent liabilities and commitments, in which the Bank is a party, are presented off statement of financial position, net of margins, under "contra accounts and other commitments" as they do not represent actual assets or liabilities at the reporting date.

Acceptances

Under IAS 39 (revised), acceptances are disclosed on the statement of financial position under "debit balances and other assets" with corresponding liability disclosed under "credit balances and other liabilities". As a result, there is no off statement of financial position commitment for acceptances.

Financial Guarantees Contracts

Financial guarantees are initially recognised in the interim financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in the income statement within other operating expenses.

Financial Assets at Fair Value through Profit or Loss

This category includes those investments, which are initially recognized at cost and re-measured at fair value. All related realized and unrealized gains or losses are included in the statement of comprehensive income in the period in which they arise. Interest earned or dividends received are included in the interest and dividend income respectively.

Zakat

The Bank pays Zakat for the year based on the amount defined in the General Budget Project and approved by the Ministry of Finance to the Zakat General Directorate.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-b Summary of Principal Accounting Policies (Continued)

Income Tax

Tax liability payable on the Bank is calculated according to tax laws, regulation and orders effective in the Republic of Yemen.

Due to the tax accounting nature in the Republic of Yemen, the application of the provisions set out in the IAS on income tax on deferred tax, does not evolve deferred tax liabilities. In the case of evolved deferred tax assets due to the application of this IAS, these assets are not added unless there are adequate indicators that it will be realized in the near future.

Related Party Transactions

In its ordinary course of business, the Bank conducts transactions with related parties as defined in International Accounting Standard 24, *Related Party Disclosures*. A party is considered related if being able to either control or exercise significant and material influence over the Bank's financial and operating decision making process. Transactions made with related parties such as Board of Directors members, senior management, their families and companies in which they own 25% or more of its share capital as well as major shareholders, other than the government, who own, directly or indirectly, 5% or more of the voting rights are disclosed in the interim financial statement. The pricing policies and terms of these transactions are approved by the Bank's management.

Fiduciary Assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these interim financial statements

Impairment of Assets

The Bank, at each reporting date, assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or cash generation unit's fair value less costs to sell and its value in use and determined for an individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or Bank assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the statement of comprehensive income consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systemic basis over its remaining useful life.

Offsetting the Financial Assets and Liabilities

Financial assets and financial liabilities are only offset and the resultant net balance is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Bank intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

3 FINANCIAL INSTRUMENTS

The Bank's financial instruments are represented in financial assets and liabilities. Financial assets include cash balances, current accounts and deposits with banks, treasury bills, investments and loans and advances to customers and banks. Financial liabilities include customers' deposits and balances due to banks. Also, financial instruments include rights and obligations stated in "contingent liabilities and commitments".

3-a Fair Value of Financial Instruments

Based on the valuation of the Bank's assets and liabilities as stated in the notes to the interim financial statements, the fair value of the financial instruments do not differ fundamentally from their fair values at the reporting date.

3-b Risk Management of Financial Instruments

The Bank's business involves taking on risks in a targeted manner and managing the risks professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

3 FINANCIAL INSTRUMENTS (CONTINUED)

3-b Risk Management of Financial Instruments (Continued)

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by a central treasury department (Bank Treasury) under policies approved by the Board of Directors. Bank Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit department is responsible for the independent review of risk management and the control environment.

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Bank is exposed to credit risk, liquidity risk, interest rate risk and exchange rate risk.

Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralized in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

In order to comply with the Central Bank of Yemen circular no. 10 of 1997 pertaining to the management of credit risk exposure, the Bank adheres to certain minimum standards in order to properly manage its credit risk.

In addition to the standards stated in the above-mentioned circular, additional procedures applied by the Bank to minimize the credit risk exposure are:

- preparing credit studies on customers and banks before dealing with them and determining their related credit risk rates;
- obtaining sufficient collateral to minimize the credit risk exposure which may result from financial problems facing customers or banks;
- follow-up and period reviews of customers and banks in order to evaluate their financial positions, credit rating and the required provision for non-performing loans;
- distributing credit portfolio and balances with banks over diversified sectors to minimize concentration of credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation by the use of collateral agreements

	30 September 2011 YR'000	31 December 2010 YR'000
Assets:		
Cash on hand and reserve balances with the Central Bank of Yemen (excluding cash on hand)	6,433,917	10,030,365
Due from Bank	20,466,547	27,533,176
Treasury bills, net	61,047,117	57,660,128
Loans and advances to customers, net of provision	7,846,057	8,273,929
Available for sale investments, net	301,977	301,977
Debit balances and other assets	2,617,383	1,485,022
	<u>98,712,998</u>	<u>105,284,597</u>
Total assets		
Contra accounts and other commitments, net	<u>16,730,814</u>	<u>22,895,116</u>
	115,443,812	128,179,713
Total credit risk exposure	<u><u>115,443,812</u></u>	<u><u>128,179,713</u></u>

The Bank manages concentration of risk by distributing the portfolio over diversified economic sectors and geographical locations. Note no. 27 shows the distribution of financial instruments over different economic sectors and note no. 28 shows the distribution of financial instruments based on geographical locations.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

3 FINANCIAL INSTRUMENTS (CONTINUED)

3-b Risk Management of Financial Instruments (Continued)

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal circumstances. To limit this risk, the Bank's management in addition to its core deposit base, manages assets with liquidity in mind, monitors future cash flows and liquidity on a daily basis and has arranged diversified funding sources.

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

----- As at 30 September 2011 -----					
	Less than 3 months YR'000	From 3 to 6 months YR'000	From 6 months to 1 year YR'000	Over 1 year YR'000	Total YR'000
LIABILITIES					
Due to banks	291,458	-	-	-	291,458
Customers' deposits	53,648,014	9,213,985	19,253,462	427,554	82,543,015
Credit balances and other liabilities	3,385,066	255,497	540,249	-	4,180,812
Total liabilities	<u>57,324,538</u>	<u>9,469,482</u>	<u>19,793,711</u>	<u>427,554</u>	<u>87,015,285</u>

----- As at 31 December 2010 -----					
	Less than 3 months YR'000	From 3 to 6 months YR'000	From 6 months to 1 year YR'000	Over 1 year YR'000	Total YR'000
LIABILITIES					
Due to banks	291,537	-	-	-	291,537
Customers' deposits	58,432,513	9,865,868	23,308,730	227,216	91,834,327
Credit balances and other liabilities	2,829,437	149,779	363,295	-	3,342,511
Total liabilities	<u>61,553,487</u>	<u>10,015,647</u>	<u>23,672,025</u>	<u>227,216</u>	<u>95,468,375</u>

In addition to the above, note no. 29 shows the maturity analysis of assets and liabilities and the net gap between the two.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the value of the financial instruments. The Bank performs a number of procedures to limit the effect of such risk to the minimum level by:

- correlating interest rates on borrowing with interest rates on lending;
- considering the discount rates for different currencies when determining interest rates;
- Controlling the matching of maturity dates of financial assets and liabilities.

The table below shows the Bank's exposure to interest rate risks:

----- As at 30 September 2011 -----						
	Less than 3 months YR'000	From 3 to 6 months YR'000	From 6 months to 1 year YR'000	Over 1 year YR'000	Non Interest Sensitive YR'000	Total YR'000
ASSETS						
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	7,910,465	7,910,465
Due from banks	12,398,801	335,620	1,404,620	-	6,327,506	20,466,547
Treasury bills, net	37,089,658	10,236,551	13,720,908	-	-	61,047,117
Loans and advances to customers, net of provision	2,015,002	207,937	4,376,419	1,246,699	-	7,846,057
Available for sale Investments, net	-	-	-	-	301,977	301,977
Debit balances and other assets	9,919	305	1,277	-	2,641,142	2,652,643
Total assets	<u>51,513,380</u>	<u>10,780,413</u>	<u>19,503,224</u>	<u>1,246,699</u>	<u>17,181,090</u>	<u>100,224,806</u>
LIABILITIES						
Due to banks	-	-	-	-	291,458	291,458
Customers' deposits	37,100,733	8,305,699	17,562,387	-	19,574,196	82,543,015
Credit balances and other liabilities	1,141,281	255,497	540,249	-	2,243,785	4,180,812
Total liabilities	<u>38,242,014</u>	<u>8,561,196</u>	<u>18,102,636</u>	<u>-</u>	<u>22,109,439</u>	<u>87,015,285</u>
Interest rate sensitivity gap	<u>13,271,366</u>	<u>2,219,217</u>	<u>1,400,588</u>	<u>1,246,699</u>	<u>(4,928,349)</u>	<u>(13,209,521)</u>
Cumulative interest rate sensitivity gap	<u>13,271,366</u>	<u>15,490,583</u>	<u>16,891,171</u>	<u>18,137,870</u>	<u>13,209,521</u>	<u>-</u>

NATIONAL BANK OF YEMEN

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

3 FINANCIAL INSTRUMENTS (CONTINUED)

3-b Risk Management of Financial Instruments (Continued)

Interest Rate Risk (Continued)

	----- As at 31 December 2010 -----					
	<i>Less than 3 months</i>	<i>From 3 to 6 months</i>	<i>From 6 months to 1 year</i>	<i>Over 1 year</i>	<i>Non Interest Sensitive</i>	<i>Total</i>
ASSETS	<i>YR'000</i>	<i>YR'000</i>	<i>YR'000</i>	<i>YR'000</i>	<i>YR'000</i>	<i>YR'000</i>
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	11,449,716	11,449,716
Due from banks	18,469,196	1,382,530	2,469,840	-	5,211,610	27,533,176
Treasury bills, net	43,079,285	6,588,116	7,992,727	-	-	57,660,128
Loans and advances to customers, net of provision	2,667,481	500,513	4,091,731	1,014,204	-	8,273,929
Available for sale Investments, net	-	-	-	-	301,977	301,977
Debit balances and other assets	9,103	868	1,551	-	1,486,940	1,498,462
Total assets	<u>64,225,065</u>	<u>8,472,027</u>	<u>14,555,849</u>	<u>1,014,204</u>	<u>18,450,243</u>	<u>106,717,388</u>
LIABILITIES						
Due to banks	-	-	-	-	291,537	291,537
Customers' deposits	34,537,971	8,360,911	20,269,578	-	28,665,867	91,834,327
Credit balances and other liabilities	619,039	149,779	363,295	-	2,210,398	3,342,511
Total liabilities	<u>35,157,010</u>	<u>8,510,690</u>	<u>20,632,873</u>	<u>-</u>	<u>31,167,802</u>	<u>95,468,375</u>
Interest rate sensitivity gap	<u>29,068,055</u>	<u>(38,663)</u>	<u>(6,077,024)</u>	<u>1,014,204</u>	<u>(12,717,559)</u>	<u>(11,249,013)</u>
Cumulative interest rate sensitivity gap	<u>29,068,055</u>	<u>29,029,392</u>	<u>22,952,368</u>	<u>23,966,572</u>	<u>11,249,013</u>	<u>-</u>

In addition to the above, note no. 30 shows the average interest rates on assets and liabilities applied during the year ended 30 September 2011 and the year ended 31 December 2010.

Exchange Rate Risk

Due to the nature of the Bank's activities, the Bank deals in different foreign currencies; hence it is exposed to exchange rate risk. The Bank strives to maintain a balanced foreign currencies positions in compliance with the Central Bank of Yemen instructions in its circulation no. 6 of 1998 which specifies that individual foreign currency positions shall not exceed 15% of the Bank's capital and reserves, and that the aggregate open position for all currencies shall not exceed 25% of the Bank's capital and reserves. In order to comply with the Central Bank of Yemen Circular No. 6 of 1998, the Bank regularly monitors its foreign currency positions and sells the excess funds in foreign currencies to the Central Bank of Yemen at the prevailing rates on the date of sale. The significant foreign currency positions of the Bank are shown in note no. 33.

The Bank had the following significant net exposures to foreign currencies:

	----- As at 30 September 2011 -----					
	<i>United States Dollar YR'000</i>	<i>Sterling Pound YR'000</i>	<i>Euro YR'000</i>	<i>Saudi Rial YR'000</i>	<i>Other currencies YR'000</i>	<i>Total YR'000</i>
Assets	39,678,928	1,657,627	3,136,408	2,181,031	229,592	46,883,586
Liabilities	<u>(39,795,449)</u>	<u>(1,602,250)</u>	<u>(2,946,101)</u>	<u>(2,113,417)</u>	<u>(182,764)</u>	<u>(46,639,981)</u>
Net currency position	<u>(116,521)</u>	<u>55,377</u>	<u>190,307</u>	<u>67,614</u>	<u>46,828</u>	<u>243,605</u>
	----- As at 31 December 2010 -----					
	<i>United States Dollar YR'000</i>	<i>Sterling Pound YR'000</i>	<i>Euro YR'000</i>	<i>Saudi Rial YR'000</i>	<i>Other currencies YR'000</i>	<i>Total YR'000</i>
Assets	51,472,564	1,799,900	4,744,011	2,856,087	692,303	61,564,865
Liabilities	<u>(51,601,699)</u>	<u>(1,795,918)</u>	<u>(4,715,414)</u>	<u>(2,802,327)</u>	<u>(641,475)</u>	<u>(61,556,833)</u>
Net currency position	<u>(129,135)</u>	<u>3,982</u>	<u>28,597</u>	<u>53,760</u>	<u>50,828</u>	<u>8,032</u>

3 FINANCIAL INSTRUMENTS (CONTINUED)

3-c Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with external imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios. The capital adequacy is monitored on a quarterly basis by the management of the Bank employing techniques based on the guidelines as implemented by the Central Bank of Yemen for supervisory purposes. The required information is filed with the Central Bank of Yemen on a quarterly basis.

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

The total capital of the Bank is divided in two tiers:

Tier 1 capital: which comprises the share capital, statutory reserve and general reserve.

Tier 2 capital: which comprises the revaluation reserves and unrealized gains arising from any changes in fair value of available for sale investments.

Investment in any local bank or finance company is deducted from the Tier 1 and Tier 2 capital. The balance of general provision for loans and advances is added to the Tier 1 and Tier 2 capital.

The risk - weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off statement of financial position exposure, with some adjustments to reflect the more contingent nature of potential losses.

The Bank complied with all the externally imposed capital requirements to which they are subject.

The capital adequacy is calculated as follows:

	30 September 2011 YR' million	31 December 2010 YR' million
Tier 1 capital		
Share capital	10,000	10,000
Statutory reserve	2,168	2,168
General reserve	684	684
Total Tier 1 capital	<u>12,852</u>	<u>12,852</u>
Tier 2 capital		
Property revaluation reserve	640	640
Fair value reserve	63	63
Total Tier 2 capital	<u>703</u>	<u>703</u>
Investment in local banks or financial companies	(66)	(66)
General provision balance as at period / year end	24	53
Total qualifying capital	<u>13,513</u>	<u>13,542</u>
Risk weighted assets		
On statement of financial position	12,235	14,664
Off statement of financial position	3,810	4,605
Total risk - weighted assets	<u>16,045</u>	<u>19,269</u>
Capital adequacy ratios		
Tier 1 capital	80%	67%
Total capital	84%	70%

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

4 CASH ON HAND AND RESERVE BALANCES WITH THE CENTRAL BANK OF YEMEN	30 September 2011 YR'000	31 December 2010 YR'000
Cash on hand:		
In local currency	804,454	615,310
In foreign currencies	672,094	804,041
Purchased cheques, net	-	556
Total cash on hand	<u>1,476,548</u>	<u>1,419,907</u>
Reserve balances with the Central Bank of Yemen:		
In local currency	3,907,229	3,787,490
In foreign currencies	2,526,688	6,242,319
Total reserve balances with the Central Bank of Yemen	<u>6,433,917</u>	<u>10,029,809</u>
Total cash on hand and reserve balances with the Central Bank of Yemen	<u>7,910,465</u>	<u>11,449,716</u>

In accordance with the Banks Law No. 38 of 1998, the Bank is required to maintain statutory deposits with the Central Bank of Yemen at stipulated percentages on local currency and foreign currencies of its demand, time and other deposits.

During the period, cash amounting to YR 5,344 thousand was stolen from the Bank's branch in Abyan (Zunjubar). Although the management of the Bank has expensed such amount, it nevertheless believes this is recoverable from the Government.

5 DUE FROM BANKS	30 September 2011 YR'000	31 December 2010 YR'000
<i>Due from the Central Bank of Yemen and other local banks</i>		
Current accounts with the Central Bank of Yemen:		
In local currency	1,367,691	2,456,092
In foreign currencies	1,294,265	212,588
Total due from the Central Bank of Yemen	<u>2,661,956</u>	<u>2,668,680</u>
Current accounts with other local banks	1,701	936
Islamic investment deposits with two local banks	287,919	392,926
Total due from the Central Bank of Yemen and other local banks	<u>2,951,576</u>	<u>3,062,542</u>
<i>Due from foreign banks and other financial institutions</i>		
Current and demand account balances	4,796,460	6,051,420
Provision for outstanding reconciling items	(20,316)	(20,149)
Time deposits	12,738,827	18,439,363
Total due from foreign banks and other financial institutions	<u>17,514,971</u>	<u>24,470,634</u>
Total due from banks	<u>20,466,547</u>	<u>27,533,176</u>

Current accounts and time deposits with foreign banks carry variable interest rates (0.04% - 2.71%), while current accounts with the Central Bank of Yemen and other local banks do not carry any interest.

6 TREASURY BILLS, NET	30 September 2011 YR'000	31 December 2010 YR'000
Treasury bills due within:		
49 days	-	721,597
90 days	38,657,173	42,815,039
182 days	10,138,200	7,701,100
364 days	15,010,700	8,580,360
Total nominal value of treasury bills	<u>63,806,073</u>	<u>59,818,096</u>
Unamortised discount due within:		
49 days	(-)	(10,141)
90 days	(1,004,753)	(1,160,967)
182 days	(464,411)	(399,228)
364 days	(1,289,792)	(587,632)
Total unamortised discount due	<u>(2,758,956)</u>	<u>(2,157,968)</u>
Net book value of treasury bills	<u>61,047,117</u>	<u>57,660,128</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

6 TREASURY BILLS, NET

The treasury bills and repurchased treasury bills carry interest rates ranging from 22.63% - 22.98% (31 December 2010: 12.97% - 22.985%). In accordance with the instructions of the Central Bank of Yemen, treasury bills, which mature within a period not exceeding three months, are considered as part of cash and cash equivalent assets.

7 LOANS AND ADVANCES TO CUSTOMERS, NET OF PROVISION

	<i>30 September 2011 YR'000</i>	<i>31 December 2010 YR'000</i>
Loans and advances:		
Overdraft facilities	7,287,704	6,169,882
Short term loans	<u>5,132,036</u>	<u>5,960,330</u>
Total loans and advances	<u>12,419,740</u>	<u>12,130,212</u>
Provision for losses on non performing loans and advances (note 7-a)	(3,724,300)	(3,126,033)
Suspended interest (note 7-b)	<u>(849,383)</u>	<u>(730,250)</u>
Total provision for losses on non performing loans and advances and suspended interest	<u>(4,573,683)</u>	<u>(3,856,283)</u>
Net loans and advances to customers	<u>7,846,057</u>	<u>8,273,929</u>

Gross non-performing loans and advances as at 30 September 2011 amounted to YR 5,948,820 thousand (31 December 2010: YR 4,414,718 thousand). The breakup of the above amount is as follows:

	<i>30 September 2011 YR'000</i>	<i>31 December 2010 YR'000</i>
Substandard debts	1,233,085	410,801
Doubtful debts	722,068	491,872
Bad debts	<u>3,993,667</u>	<u>3,512,045</u>
Total gross non performing loans and advances	<u>5,948,820</u>	<u>4,414,718</u>

7-a Movement of Provision for Losses on Non-Performing Loans and Advances

Details of movements in the provision for possible losses on non performing loans and advances during the year were as follows:

	----- 30 September 2011 -----			----- 31 December 2010 -----		
	<i>Specific YR'000</i>	<i>General YR'000</i>	<i>Total YR'000</i>	<i>Specific YR'000</i>	<i>General YR'000</i>	<i>Total YR'000</i>
Balance at 1 January	3,072,785	53,248	3,126,033	2,846,709	104,778	2,951,487
Revaluation of opening balances in foreign currencies	1,620	-	1,620	39,908	(67)	39,841
Amount utilized during the period / year	<u>(24,536)</u>	<u>-</u>	<u>(24,536)</u>	<u>(426)</u>	<u>(-)</u>	<u>(426)</u>
Adjusted opening balances	3,049,869	53,248	3,103,117	2,886,191	104,711	2,990,902
Amounts recovered of loans previously written off (note 21)	<u>(681,557)</u>	<u>(33,243)</u>	<u>(714,800)</u>	<u>(744,584)</u>	<u>(84,087)</u>	<u>(828,671)</u>
Provision for the period / year (note 23)	1,331,935	4,048	1,335,983	931,178	32,624	963,802
		<u>(29,195)</u>				
Charged to the statement of comprehensive income	<u>650,378</u>	<u>-</u>	<u>621,183</u>	<u>186,594</u>	<u>(51,463)</u>	<u>135,131</u>
Balance at period / year end	<u>3,700,247</u>	<u>24,053</u>	<u>3,724,300</u>	<u>3,072,785</u>	<u>53,248</u>	<u>3,126,033</u>

Management has decided to provide for the general provision for performing loans and contingencies including watch loans at the rate of 1% (2010: 1%).

The Bank has, during the year, written-off fully provided loans and advances amounting to YR 24,536 thousands (2010: YR 426 thousands) against impairment provisions where all possible actions for recoveries have been exhausted and the Bank's management believes the possibility of recoveries is remote. The Bank's management, however, continues to pursue the recovery of these loans through all possible means and any future recovery from these written-off loans will be recognised in the statement of comprehensive income.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

7 LOANS AND ADVANCES TO CUSTOMERS, NET OF PROVISION

7-b Suspended Interest

This represents interest on non-performing loans and advances in accordance with the Central Bank of Yemen regulations and which is recognised as revenue only when collected.

	<i>30 September</i> 2011 YR'000	<i>31 December</i> 2010 YR'000
Balance at 1 January	730,250	405,514
Exchange differences for the period / year	913	69,688
Amounts written-off during the period / year	(94,099)	(3,573)
Recovered during the period / year	(15,440)	(42,965)
Suspended during the period / year	227,759	301,586
Balance at period / year end	<u>849,383</u>	<u>730,250</u>

8 AVAILABLE FOR SALE INVESTMENTS, NET

These comprise investments, available for sale, in the following banks and financial institution:

	<i>Ownership Percentage</i> %	<i>No. of Shares</i>	<i>30 September</i> 2011 YR'000	<i>31 December</i> 2010 YR'000
Unquoted investments in shares of UBAF Group:				
UBAF - Curacao - A Shares of USD 50 / share	0.788	29,944	320,101	320,101
UBAF - Curacao - B Shares of USD 50 / share	0.782	4,693	50,168	50,168
UBAF - Curacao - C Shares of USD 50 / share	1.221	<u>10,565</u>	<u>112,940</u>	<u>112,940</u>
Total investment in shares in UBAF Group		<u>45,202</u>	<u>483,209</u>	<u>483,209</u>
Other unquoted investments:				
ALUBAF Arab International Bank (BSC)-Bahrain (note 8-a)	0.344	6,880	154,985	154,985
Arab Financial Services Company-Bahrain of USD 7.5 / share (note 8-b)	0.167	10,000	22,364	22,364
Yemen Financial Services Company-Yemen of USD 100 / share	10.000	3,107	66,428	66,428
Yemen Mobile Company for Telecommunication-Yemen of YR 500 / share	0.139	120,000	<u>61,200</u>	<u>61,200</u>
Total other unquoted investments			<u>304,977</u>	<u>304,977</u>
Total available for sale investments			<u>788,186</u>	<u>788,186</u>
Provision for impairment (note 8-c)			<u>(486,209)</u>	<u>(486,209)</u>
Net book value of investments available for sale			<u>301,977</u>	<u>301,977</u>

8-a ALUBAF Arab International Bank (BSC) - Bahrain

The Bank subscribed additional shares of 6,880 to equal its share in the share capital increase in ALUBAF Arab International Bank (BSC) - Bahrain. The value per share is USD 50 with total value of US\$ 344,000.

The calculation of fair value of the investment in ALUBAF Arab International Bank (BSC) - Bahrain is based on the book value of shares as per the bank's latest audited financial statement (i.e. for the year ended 31 December 2009) which amounted to USD 55.35 per share (2008: USD 51.26 per share).

8-b Arab Financial Services Company - Bahrain

The calculation of fair value of the investment in Arab Financial Services Company - Bahrain is based on the book value of shares as per the company's latest audited financial statement (i.e. for the year ended 31 December 2009) which amounted to USD 10.46 per share (2008: USD 9.93 per share).

8-c Provision for Impairment

Since no dividends were received from the investments in UBAF - Curacao during the last few years and no dividends are expected to be received in the coming years, a full impairment provision was taken for the balances of those investments because their net present value is nil.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

9 DEBIT BALANCES AND OTHER ASSETS

	30 September	31 December
	2011	2010
	YR'000	YR'000
Prepaid expenses and other debit balances	35,260	13,440
Interest receivable	11,578	11,575
Capital costs of new branches under construction	247,021	231,327
Real estate properties acquired from customers, net of provision (note 9-a)	154,656	154,657
Al Amal Bank for Microfinance –Yemen (note 9-b)	20,000	10,000
Al Tadhamon Microfinance – Yemen (note 9-b)	1,000	1,000
Customer acceptances (note 9-c)	1,443,677	1,031,830
Sundry debit balances, net of provision	<u>739,451</u>	<u>44,633</u>
Total debit balances and other assets	<u><u>2,652,643</u></u>	<u><u>1,498,462</u></u>

9-a Real Estate Property Acquired From Customers, Net of Provision

The balance of real estate property acquired from customers is net of a provision of YR 9,219 thousand (2010: YR 9,219 thousand). The valuation of this property is in accordance with the instructions of the Central Bank of Yemen.

9-b Al Amal Bank for Microfinance –Yemen and Al Tadhamon Microfinance – Yemen

The shareholdings in Al Amal Bank for Microfinance - Yemen and Al Tadhamon Microfinance - Yemen have been included in the "debit balance and other assets" rather than "available for sale investments" as management is of the opinion that these amounts would be fully refundable in the future.

9-c Customer Acceptances

In accordance with IAS 39 (revised), acceptances are disclosed on the statement of financial position under "debit balances and other assets" and the corresponding liability is disclosed under "credit balances and other liabilities".

10 PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

	<i>Freehold land and buildings</i>	<i>Leasehold improvements</i>	<i>Furniture & equipment</i>	<i>Motor vehicles</i>	<i>Swift & Computers</i>	<i>Total</i>
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
COST OR VALUATION						
At 1 January 2011	2,333,685	102,185	395,056	121,516	452,452	3,404,894
Additions during the period	3,858	4,690	20,072	-	12,660	41,280
Disposals during the period	(581)	-	(7,374)	-	(2,360)	(10,315)
At 30 September 2011	<u>2,336,962</u>	<u>106,875</u>	<u>407,754</u>	<u>121,516</u>	<u>462,752</u>	<u>3,435,859</u>
At 1 January 2010	2,069,644	92,523	370,460	121,516	230,651	2,884,794
Additions during the year	264,041	9,662	24,596	-	221,801	520,100
At 31 December 2010	<u>2,333,685</u>	<u>102,185</u>	<u>395,056</u>	<u>121,516</u>	<u>452,452</u>	<u>3,404,894</u>
ACCUMULATED DEPRECIATION						
At 1 January 2011	112,474	49,955	221,798	106,308	189,641	680,176
Charge for the period	18,556	6,565	22,129	7,991	49,453	104,694
Disposals during the period	-	-	(3,729)	(335)	(1,612)	(5,676)
At 30 September 2011	<u>131,030</u>	<u>56,520</u>	<u>240,198</u>	<u>113,964</u>	<u>237,482</u>	<u>779,194</u>
At 1 January 2010	92,893	41,451	191,506	90,435	165,234	581,519
Charge for the year	19,581	8,504	30,292	15,873	24,407	98,657
At 31 December 2010	<u>112,474</u>	<u>49,955</u>	<u>221,798</u>	<u>106,308</u>	<u>189,641</u>	<u>680,176</u>
NET BOOK VALUE						
At 30 September 2011	<u><u>2,205,932</u></u>	<u><u>50,355</u></u>	<u><u>167,556</u></u>	<u><u>7,552</u></u>	<u><u>225,270</u></u>	<u><u>2,656,665</u></u>
At 31 December 2010	<u><u>2,221,211</u></u>	<u><u>52,230</u></u>	<u><u>173,258</u></u>	<u><u>15,208</u></u>	<u><u>262,811</u></u>	<u><u>2,724,718</u></u>

10 PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

Freehold land, land leased from the Government and buildings on freehold and leasehold were revalued at their open market value for existing use on 1 December 1999, effective from 31 December 1999, by an independent professional real estate firm. In accordance

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

with IAS 16, the cost and related accumulated depreciation as at 31 December 1999 were eliminated and the revalued amount has been considered to be the new gross book carrying amount (note 15-b)

During the period, the Bank's branch in Abyan (Zunjubar) was broken into, it's contents got stolen and was then put on fire. Management is of the opinion that the net book value amounting to YR'000 4,639 will be recovered from the Government, although the amount has been expensed.

11 DUE TO BANKS

	30 September	31 December
	2011	2010
	YR'000	YR'000
Current and under demand accounts:		
Local banks	-	-
Foreign banks	291,458	291,537
Total due to banks	<u>291,458</u>	<u>291,537</u>

12 CUSTOMERS' DEPOSITS

	30 September	31 December
	2011	2010
	YR'000	YR'000
Current accounts	14,286,493	20,856,321
Savings accounts	26,222,685	29,155,629
Term deposits	39,487,973	38,117,416
Other deposit margins	447,315	474,147
Cash deposits for documentary letters of credit, guarantees and others	2,098,549	3,230,814
Total customers' deposits	<u>82,543,015</u>	<u>91,834,327</u>

13 CREDIT BALANCES AND OTHER LIABILITIES

	30 September	31 December
	2011	2010
	YR'000	YR'000
Accrued interest payable	1,937,028	1,132,113
Unclaimed balances (note 13-a)	206,188	205,200
Provision for employees' leave pay	34,153	62,833
Provision for off-statement of financial position items (note 13-b)	76,936	92,634
Employees' share in profit	7,399	106,785
Other provisions	492	-
Provision for contingent liabilities (note 33)	60,461	60,461
Customer acceptances	1,443,677	1,031,830
Accrued Zakat (note 13-c)	30,000	50,000
Sundry credit balances	384,478	600,655
Total credit balances and other liabilities	<u>4,180,812</u>	<u>3,342,511</u>

13-a Unclaimed Balances

This amount represents balances that are over 15 years old and have not been claimed by the beneficiaries. The increase in the amount is due to the revaluation of the balances in foreign currencies at the year-end rate. Management regularly reviews the likelihood of these amounts being claimed and based on the outcome of such review; it considers the amount that should be transferred to the Ministry of Finance in accordance with the relevant article in the Banks Law No. 38 of 1998.

13-b Provision for off-statement of financial position Items

	30 September	31 December
	2011	2010
	YR'000	YR'000
Balance at 1 January	92,634	115,856
Revaluation of opening balance in foreign currencies	-	3,910
Provision charged during the period / year (note 23)	22,922	37,376
Provision written back during the period / year (note 21)	(38,620)	(64,508)
Balance at the period / year end	<u>76,936</u>	<u>92,634</u>

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For The Nine Months Ended 30 September 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

13 CREDIT BALANCES AND OTHER LIABILITIES (CONTINUED)

13-c Accrued Zakat

	30 September 2011 YR'000	31 December 2010 YR'000
Balance at 1 January	50,000	-
Written back during the period / year	(50,000)	(-)
Charged for the period / year in the statement of comprehensive income	135,000	150,000
Paid during the period / year	<u>(105,000)</u>	<u>(100,000)</u>
Total accrued Zakat	<u>30,000</u>	<u>50,000</u>

Charged for the period in the statement of comprehensive income is in comparison with the period as at 30 September 2010.

14 INCOME TAX

	30 September 2011 YR'000	31 December 2010 YR'000
Balance at 1 January	418,969	774,586
Charged for the period / year in the statement of comprehensive income (note 14-a)	462,285	518,969
Paid during the period / year (note 14-b)	(402,899)	(874,586)
Written back during the period / year (note 21)	<u>(16,070)</u>	<u>(-)</u>
Balance at period / year end	<u>462,285</u>	<u>418,969</u>

Charged for the period in the statement of comprehensive income is in comparison with the period as at 30 September 2010.

14-a Charge for the Period / Year

The income tax charged for the period has been calculated on the basis of 20% (31 December 2010: 20%) of profit for the period, year respectively in accordance to Income Tax Law No. (17) of 2010.

14-b Prior Year Tax Assessments

The Bank has paid the income tax in accordance to the tax declaration provided to the Tax Authority but did not receive the final clearance on the tax liability for the financial year ended 31 December 2010.

14-c Income Tax on Provision for Losses of Loans and Advances

In accordance with article no. 85 of the Banks Law No. 38 of 1998, which came into effect on 27 December 1998, and article 14-a-2 in the Income Tax Law No. 17 of 2010, any provision for losses on loans and advances made by the Bank in compliance with the regulations of the Central Bank of Yemen in this respect, is not subject to the provisions of any income tax law and are allowable as a deduction in arriving at the taxable income.

14-d Income Tax on Suspended Interests

The suspended interests are considered part of the provision for doubtful debts in accordance to article 85 of Banks Law No. 38 of 1998 and Article 14-a-2 of the Income Tax Law No. 17 for 2010 which states that provisions for losses on loans and advances provided by banks for doubtful debts in accordance to the guidelines of the Central Bank of Yemen are not subject to provisions of any income tax when calculating the taxable income.

15 EQUITY

15-a Share Capital

	<i>Number of shares</i> 1000 shares	<i>Value of share</i> YR	30 September 2011 YR'000	31 December 2010 YR'000
Share Capital				
Authorized	10,000	1,000	<u>10,000,000</u>	<u>10,000,000</u>
Declared and paid up	10,000	1,000	<u>10,000,000</u>	<u>10,000,000</u>

15-b Surplus on Revaluation of Property Reserve

The difference between the revalued amounts of the freehold land and the buildings and their book value as at 31 December 1999 had been credited to this account and included in equity.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

15 EQUITY (CONTINUED)

15-c Statutory Reserve

In accordance with article 12-1 of the Banks Law no. 38 of 1998, 15% of the net profit for the year is transferred to the statutory reserve until the balance of this reserve reaches twice the capital. The Bank cannot use this reserve without the prior approval of the Central Bank of Yemen. Transfers to this reserve are only made at the end of each year.

15-d General Reserve

The balance of this reserve can be used for the purposes approved by the Bank. Transfers to this reserve are only made at the end of each year.

15-e Cumulative Changes in Fair Value Reserve

In accordance with the provisions of IAS 39: Financial Instruments - Recognition and Measurement, the differences between the fair values and the book values of the "available for sale" investments are recognized in the cumulative changes in fair value until they are sold, collected, disposed off, or until they are determined to be impaired, at which time the cumulative gain or loss previously recognized is included in the statement of comprehensive income.

15-f Profit Distribution

In accordance with the provisions of the Public Corporations, Establishments and Companies Law No. 35 of 1991, the annual profit of the Bank shall be allocated as follows:

- 15% to statutory reserve;
- 15% to general reserve;
- 65% to the Government for its share of profit;
- 2% to employee's incentives; and
- 3% to employees' social fund.

The allocations to the above accounts are only made at the end of each year.

16 CONTRA ACCOUNTS AND OTHER COMMITMENTS, NET

The commitments on behalf of customers for which there were corresponding customer liabilities, as of the reporting date, consisted of the following:

	----- As at 30 September 2011 -----		
	<i>Gross commitments YR'000</i>	<i>Covered by margin YR'000</i>	<i>Net commitments YR'000</i>
Documentary letters of credit- import	4,521,772	877,059	3,644,713
Documentary letters of credit- export	74,206	-	74,206
Letters of guarantee - customers	5,392,023	1,210,959	4,181,064
Letters of guarantee - correspondent banks	8,765,462	-	8,765,462
Credit cards	75,899	10,530	65,369
Purchased cheques	-	-	-
Total contra accounts and other commitments	18,829,362	2,098,548	16,730,814
	----- As at 31 December 2010 -----		
	<i>Gross commitments YR'000</i>	<i>Covered by margin YR'000</i>	<i>Net commitments YR'000</i>
Documentary letters of credit- import	9,872,458	1,651,818	8,220,640
Documentary letters of credit- export	-	-	-
Letters of guarantee - customers	5,650,677	1,559,661	4,091,016
Letters of guarantee - correspondent banks	10,467,721	-	10,467,721
Credit cards	69,485	9,461	60,024
Purchased cheques	65,589	9,874	55,715
Total contra accounts and other commitments	26,125,930	3,230,814	22,895,116

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

17	INTEREST ON LOANS AND ADVANCES AND DUE FROM BANKS	<i>1 January to 30 September 2011 YR'000</i>	<i>1 January to 30 September 2010 YR'000</i>
	Interest on loans and advances to clients and banks:		
	Loans and advances to customers	1,131,768	1,107,266
	Other facilities	196	80
	Murabaha transactions	887	970
	Total interest on loans and advances to clients and banks	<u>1,132,851</u>	<u>1,108,316</u>
	Interest on balances with foreign banks:		
	Current accounts	2,708	3,269
	Time deposits	97,588	121,816
	Total interest on balances with foreign banks	<u>100,296</u>	<u>125,085</u>
	Total interest on loans and advances and due from banks	<u>1,233,147</u>	<u>1,233,401</u>
18	COST OF DEPOSITS		
	Interest on current and saving accounts	2,238,015	1,919,541
	Interest on time deposits	4,745,472	3,351,489
	Total cost of deposits	<u>6,983,487</u>	<u>5,271,030</u>
19	COMMISSIONS AND FEE INCOME ON BANKING SERVICES		
	Commissions on:		
	Documentary letters of credits	42,750	90,091
	Letters of guarantee	102,706	175,343
	Transfer of funds	19,050	22,816
	Acceptances	7,139	10,270
	Cheques	187,382	203,930
	Fees on:		
	Banking services	4,719	5,265
	Other services	37,413	34,587
	Total commissions and fee income on banking services	<u>401,159</u>	<u>542,302</u>
20	GAIN ON FOREIGN CURRENCY TRANSACTIONS		
	Revaluation differences on foreign currency balances	(47,782)	(159,083)
	Gain on foreign exchange trading transactions	111,566	75,771
	Total gain on foreign currency transactions	<u>63,784</u>	<u>(83,312)</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

21 OTHER OPERATING INCOME

	<i>1 January to 30 September 2011 YR'000</i>	<i>1 January to 30 September 2010 YR'000</i>
Provision for losses on loans no longer required (note 7-a)	714,800	236,962
Provision for off-statement of financial position items no longer required (note 13-b)	38,620	27,300
Provision for misappropriated amounts written back	162,521	-
Provision for income tax written back during the period (note 14)	16,070	-
Sundry income	62,095	4,551
Total other operating income	<u>994,106</u>	<u>268,813</u>

Provisions in note 7-a and note 13-b are in comparison with the period as at 30 September 2010.

22 GENERAL AND ADMINISTRATION EXPENSES

	<i>1 January to 30 September 2011 YR'000</i>	<i>1 January to 30 September 2010 YR'000</i>
Salaries, wages and related expenses	1,044,091	835,126
Depreciation of property, plants and equipment	99,018	72,088
Loss due to writing off damaged property, plant and equipment of Bank's branch in Abyan	4,755	-
Rent	29,760	26,243
Electricity and water	47,957	44,828
Repairs and maintenance	24,564	25,036
Telephone, telex and postage	13,729	16,217
Transportation and allowances	24,779	27,520
Promotions and publications	27,515	16,960
Computer maintenance	1,477	1,258
Training	18,266	29,899
Taxes and government fees	83,512	62,032
Donations	18,882	13,731
Stationery and printing supplies	20,355	20,323
Consultancy fees for programme for development and improvement of the Bank	17,992	17,093
Others	104,352	73,097
Total general and administration expenses	<u>1,581,004</u>	<u>1,281,451</u>

23 PROVISIONS

	<i>1 January to 30 September 2011 YR'000</i>	<i>1 January to 30 September 2010 YR'000</i>
Provision for losses on loans and advances (note 7-a)	1,335,983	131,946
Provision for off-statement of financial position items (note 13-b)	22,922	35,265
Provision for cash stolen from Bank's branch in Abyan (note 4)	5,344	-
Others	4,379	-
Total provisions	<u>1,368,628</u>	<u>167,211</u>

24 BASIC EARNINGS PER SHARE

		<i>1 January to 30 September 2011 YR'000</i>	<i>1 January to 30 September 2010 YR'000</i>
Profit for the period	YR'000	1,849,139	1,334,135
Weighted average number of shares	Share	10,000,000	9,000,000
Basic earnings per share	YR	<u>185</u>	<u>148</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

25 RELATED PARTIES TRANSACTIONS

The period/ year end balances included in these interim financial statements are as follow:

	30 September 2011 YR'000	31 December 2010 YR'000
Board members and parties related to them:		
Loans and advances, gross	3,473	27,121
Customers' deposits	12,428	11,525
	1 January to 30 September 2011 YR'000	1 January to 30 September 2010 YR'000
Interest income for the period	56	632
Interest expense for the period	492	1,019

26 CASH AND CASH EQUIVALENTS

	30 September 2011 YR'000	30 September 2010 YR'000
Cash on hand and reserve balances with the central Bank of Yemen (note 4)	7,910,465	12,247,403
Due from Banks (note 5)	20,466,547	27,347,655
Treasury bills with the Central Bank of Yemen (note 6)	61,047,117	53,472,904
Reserves balances with Central Bank of Yemen (note 4)	(6,433,917)	(10,744,758)
Treasury bills maturing after three months, net of unamortized discount (note 29)	(23,957,459)	(10,714,571)
Due from banks maturing after three months (note 29)	(1,825,760)	(5,226,620)
Total cash and cash equivalents	<u>57,206,993</u>	<u>66,382,013</u>

27 DISTRIBUTION OF ASSETS, LIABILITIES, CONTINGENT LIABILITIES AND COMMITMENTS BASED ON ECONOMIC SECTORS

	----- As at 30 September 2011 -----						
	Manufacturing YR'000	Agriculture YR'000	Trade YR'000	Services YR'000	Financing YR'000	Personal YR'000	Total YR'000
ASSETS							
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	7,910,465	-	7,910,465
Due from banks	-	-	-	-	20,466,547	-	20,466,547
Treasury bills, net	-	-	-	-	61,047,117	-	61,047,117
Loans and advances to customers, net of provision	461,287	-	5,481,740	16,298	40,168	1,846,564	7,846,057
Available for sale Investments, net	-	-	-	-	301,977	-	301,977
Total assets	<u>461,287</u>	<u>-</u>	<u>5,481,740</u>	<u>16,298</u>	<u>89,766,274</u>	<u>1,846,564</u>	<u>97,572,163</u>
LIABILITIES							
Due to banks	-	-	-	-	291,458	-	291,458
Customers' deposits	689,110	136,289	7,071,010	2,818,357	454,620	71,373,629	82,543,015
Total liabilities	<u>689,110</u>	<u>136,289</u>	<u>7,071,010</u>	<u>2,818,357</u>	<u>746,078</u>	<u>71,373,629</u>	<u>82,834,473</u>
CONTRA ACCOUNTS AND OTHER COMMITMENTS	<u>2,238,050</u>	<u>4,000</u>	<u>12,433,704</u>	<u>44,103</u>	<u>2,283,565</u>	<u>1,825,940</u>	<u>18,829,362</u>

27 DISTRIBUTION OF ASSETS, LIABILITIES, CONTINGENT LIABILITIES AND COMMITMENTS BASED ON ECONOMIC SECTORS (CONTINUED)

	----- As at 31 December 2010 -----						
	Manufacturing YR'000	Agriculture YR'000	Trade YR'000	Services YR'000	Financing YR'000	Personal YR'000	Total YR'000
ASSETS							
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	11,449,716	-	11,449,716
Due from banks	-	-	-	-	27,533,176	-	27,533,176
Treasury bills, net	-	-	-	-	57,660,128	-	57,660,128
Loans and advances to customers, net of provision	757,167	-	5,328,303	13,229	6,599	2,168,631	8,273,929
Available for sale Investments, net	-	-	-	-	301,977	-	301,977
Total assets	<u>757,167</u>	<u>-</u>	<u>5,328,303</u>	<u>13,229</u>	<u>96,951,596</u>	<u>2,168,631</u>	<u>105,218,926</u>
LIABILITIES							
Due to banks	-	-	-	-	291,537	-	291,537
Customers' deposits	1,624,224	171,774	13,985,941	2,496,261	364,694	73,191,433	91,834,327
Total liabilities	<u>1,624,224</u>	<u>171,774</u>	<u>13,985,941</u>	<u>2,496,261</u>	<u>656,231</u>	<u>73,191,433</u>	<u>92,125,864</u>
CONTRA ACCOUNTS AND OTHER COMMITMENTS	<u>3,025,341</u>	<u>5,238</u>	<u>15,977,325</u>	<u>172,401</u>	<u>2,196,126</u>	<u>4,749,499</u>	<u>26,125,930</u>

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28 DISTRIBUTION OF ASSETS, LIABILITIES, CONTINGENT LIABILITIES AND COMMITMENTS BASED ON GEOGRAPHICAL LOCATIONS

----- As at 30 September 2011 -----

	<i>Republic of Yemen YR'000</i>	<i>United States of America YR'000</i>	<i>Europe YR'000</i>	<i>Asia YR'000</i>	<i>Africa YR'000</i>	<i>Total YR'000</i>
ASSETS						
Cash on hand and reserve balances with the Central Bank of Yemen	7,910,465	-	-	-	-	7,910,465
Due from banks	2,931,260	1,626,685	8,841,075	6,939,518	128,009	20,466,547
Treasury bills, net	61,047,117	-	-	-	-	61,047,117
Loans and advances to customers, net of provision	7,846,057	-	-	-	-	7,846,057
Available for sale Investments, net	124,628	-	-	177,349	-	301,977
Total assets	79,859,527	1,626,685	8,841,075	7,116,867	128,009	97,572,163
LIABILITIES						
Due to banks	-	-	-	291,458	-	291,458
Customers' deposits	82,543,015	-	-	-	-	82,543,015
Total liabilities	82,543,015	-	-	291,458	-	82,834,473

----- As at 31 December 2010 -----

	<i>Republic of Yemen YR'000</i>	<i>United States of America YR'000</i>	<i>Europe YR'000</i>	<i>Asia YR'000</i>	<i>Africa YR'000</i>	<i>Total YR'000</i>
ASSETS						
Cash on hand and reserve balances with the Central Bank of Yemen	11,449,716	-	-	-	-	11,449,716
Due from banks	3,042,393	3,597,300	10,908,088	9,882,482	102,913	27,533,176
Treasury bills, net	57,660,128	-	-	-	-	57,660,128
Loans and advances to customers, net of provision	8,273,929	-	-	-	-	8,273,929
Available for sale Investments, net	124,628	-	-	177,349	-	301,977
Total assets	80,550,794	3,597,300	10,908,088	10,059,831	102,913	105,218,926
LIABILITIES						
Due to banks	-	-	-	291,537	-	291,537
Customers' deposits	91,834,327	-	-	-	-	91,834,327
Total liabilities	91,834,327	-	-	291,537	-	92,125,864

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29 MATURITIES OF ASSETS AND LIABILITIES

----- As at 30 September 2011 -----

	<i>Less than 3 months YR'000</i>	<i>From 3 to 6 months YR'000</i>	<i>From 6 months to 1 year YR'000</i>	<i>Over 1 year YR'000</i>	<i>Total YR'000</i>
ASSETS					
Cash on hand and reserve balances with the Central Bank of Yemen	7,910,465	-	-	-	7,910,465
Due from banks	18,640,787	335,620	1,404,620	85,520	20,466,547
Treasury bills, net	37,089,658	10,236,551	13,720,908	-	61,047,117
Loans and advances to customers, net of provision	2,015,002	207,937	4,376,419	1,246,699	7,846,057
Available for sale Investments, net	-	-	-	301,977	301,977
Total assets	<u>65,655,912</u>	<u>10,780,108</u>	<u>19,501,947</u>	<u>1,634,196</u>	<u>97,572,163</u>
LIABILITIES					
Due to banks	291,458	-	-	-	291,458
Customers' deposits	53,648,014	9,213,985	19,253,462	427,554	82,543,015
Total liabilities	<u>53,939,472</u>	<u>9,213,985</u>	<u>19,253,462</u>	<u>427,554</u>	<u>82,834,473</u>
Net Gap	<u>11,716,440</u>	<u>1,566,123</u>	<u>248,485</u>	<u>1,206,642</u>	<u>14,737,690</u>

----- As at 31 December 2010 -----

	<i>Less than 3 months YR'000</i>	<i>From 3 to 6 months YR'000</i>	<i>From 6 months to 1 year YR'000</i>	<i>Over 1 year YR'000</i>	<i>Total YR'000</i>
ASSETS					
Cash on hand and reserve balances with the Central Bank of Yemen	11,449,716	-	-	-	11,449,716
Due from banks	23,595,286	1,382,530	2,469,840	85,520	27,533,176
Treasury bills, net	43,079,285	6,588,116	7,992,727	-	57,660,128
Loans and advances to customers, net of provision	2,667,481	500,513	4,091,731	1,014,204	8,273,929
Available for sale Investments, net	-	-	-	301,977	301,977
Total assets	<u>80,791,768</u>	<u>8,471,159</u>	<u>14,554,298</u>	<u>1,401,701</u>	<u>105,218,926</u>
LIABILITIES					
Due to banks	291,537	-	-	-	291,537
Customers' deposits	58,432,513	9,865,868	23,308,730	227,216	91,834,327
Total liabilities	<u>58,724,050</u>	<u>9,865,868</u>	<u>23,308,730</u>	<u>227,216</u>	<u>92,125,864</u>
Net Gap	<u>22,067,718</u>	<u>(1,394,709)</u>	<u>(8,754,432)</u>	<u>1,174,485</u>	<u>13,093,062</u>

30 AVERAGE INTEREST RATES ON ASSETS AND LIABILITIES

----- As at 30 September 2011 -----

	<i>Yemeni Rial %</i>	<i>US Dollar %</i>	<i>Saudi Rial %</i>	<i>Sterling Pound %</i>	<i>Euro %</i>
ASSETS					
Reserve balances with the Central Bank of Yemen	-	-	-	-	-
Due from banks:					
Current accounts	-	-	-	-	-
Time deposits	-	01.07	00.26	00.63	00.78
Treasury bills, net	22.76	-	-	-	-
Loans and advances to customers, net of provision	23.00	07.75	-	-	-
LIABILITIES					
Customers' deposits	20.00	00.25	00.25	00.25	00.25

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

For The Nine Months Ended 30 September 2011

30 AVERAGE INTEREST RATES ON ASSETS AND LIABILITIES (CONTINUED)

	----- As at 31 December 2010 -----				
	Yemeni Rial %	US Dollar %	Saudi Rial %	Sterling Pound %	Euro %
ASSETS					
Reserve balances with the Central Bank of Yemen	-	-	-	-	-
Due from banks:					
Current accounts	-	-	-	-	-
Time deposits	-	01.76	00.32	00.79	00.37
Treasury bills, net	22.98	-	-	-	-
Loans and advances to customers, net of provision	23.00	07.75	-	-	-
LIABILITIES					
Customers' deposits	18.00	00.25	00.25	00.25	0.25

31 TRUST ACTIVITIES

The Bank does not hold nor manage assets for or on behalf of other parties except for the housing project, which is managed on behalf of the Government.

32 CONTINGENT ASSETS AND LIABILITIES

The Bank has filed a number of legal cases with the Public Fund Court and the Commercial Preliminary Court against former employees and customers of the Bank relating to irregularities and default in settlements of amounts due respectively. Where there are legal cases filed against the Bank at the respective courts, management fully and/or partly provided for such cases in the interim financial statements. In some of the cases, although court decisions were made in favour of the Bank, their executions have not been effected, whereas the other cases are still pending in the courts.

33 SIGNIFICANT FOREIGN CURRENCIES' POSITIONS

The Central Bank of Yemen circular no. 6 of 1998 establishes limits for positions in individual foreign currencies as well as an aggregate limitation for all currencies. These limits are 15% and 25% of capital and reserves.

As at the period / year end the Bank had the following significant net exposures denominated in foreign currencies:

	-----30 September 2011-----		-----31 December 2010-----	
	%	YR'000	%	YR'000
United States Dollar	(0.85)	(116,521)	(0.95)	(129,135)
Sterling Pound	0.41	55,377	0.03	3,982
Euro	1.40	190,307	0.21	28,597
Saudi Rial	0.50	67,614	0.40	53,760
Swiss Franc	0.21	28,263	0.20	26,986
Japan Yen	0.07	9,924	0.11	14,560
United Arab Emirates Dirham	0.01	8,622	0.07	9,263
Other	0.00	19	0.00	19
Aggregate foreign currency positions	<u>1.75</u>	<u>243,605</u>	<u>0.07</u>	<u>8,032</u>

The US Dollar exchange rate as at 30 September 2011 was 213.80 YR/USD (31 December 2010: 213.80 YR/USD).

34 CAPITAL COMMITMENTS

There are no capital commitments on the Bank as at 30 September 2011 (31 December 2010: nil).

35 PROGRAMME FOR THE DEVELOPMENT AND IMPROVEMENT OF THE BANK

During the year 2009, the Bank has accomplished implementing most stages related to part one of the modernization and development programme. The Bank is in the process of continuing part two of the programme involved with implementation of the structuring and technology part. The Bank is financing the cost of both parts of this programme from its own financial resources.

36 COMPARATIVE FIGURES

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