

# Annual Report 2000



البنك الأهلي اليمني  
**National Bank Of Yemen**

*Trust & Experience*





His Excellency President

**ALI ABDULLAH SALEH**

President of the Republic of Yemen





*Page*

*Board of directors*

1

*Chairman's message*

3

*Board of directors' report*

7

*Major financial development*

16

*Auditors' report*

21

*Financial statements*

22

*Notes to the financial statements*

27

*National Bank of Yemen in Yemen*

52



## The Board of Directors

**Mr. ABDULRAHMAN M. AL-KUHALI**  
**CHAIRMAN & GENERAL MANAGER**



**Mr. GAWAD A. AL-ALAS**  
**MEMBER OF THE BOARD**  
**FIRST DEPUTY GENERAL MANAGER**



**Mr. SAMI A. MACKAWEE**  
**MEMBER OF THE BOARD**  
**DEPUTY GENERAL MANAGER**



**Mr. ABDULLA A. SALEH**  
**REPRESENTATIVE/ MINISTRY OF FINANCE**







## The Board of Directors

**Mr. ABDULLA A. AL-SANABANI**  
REPRESENTATIVE/ CENTRAL BANK OF YEMEN



**Mr. SALEM A. BASABRAIN**  
REPRESENTATIVE/ MINISTRY OF INDUSTRY



**Mr. ALI A. AL-ASHWAL**  
REPRESENTATIVE/ MINISTRY OF SUPPLY & TRADE



**Mr. ABDULLA S. ABADDEN**  
REPRESENTATIVE/ MINISTRY OF PLANNING





## Chairman's message



It is my honor to meet you through the pages of this Annual Report, which briefly contains the achievements of the Bank during the financial year 2000, and the economical and banking developments locally and internationally.

Internationally, the year 2000 was distinctive in stabilizing the features of the New World economy whose transactions are dependent on the growing globalization of economy, information transparency, and maximum economic liberation. In addition, the emergence of new standards of the modern banking industry, along with the expansion in e-commerce and e-banking.

The year 2000 witnessed a number of developments, the most important being the acceleration of growth in the economical and technological process; the increase in competition and the growing role of the gigantic entities in the banking industry, the increases in the flow of direct foreign investments, mergers, and capital acquisitions worldwide.

Just as the same year was also distinguished with the increase in the world oil prices to the standard levels, the continuing of the lowering of the interest rate levels in most of the European Countries. At the same time, the interest rates on the U.S. Dollar tended to increase to a significant degree which resulted in the exchange rate of the U.S. Dollar tending to increase against most of the main currencies.

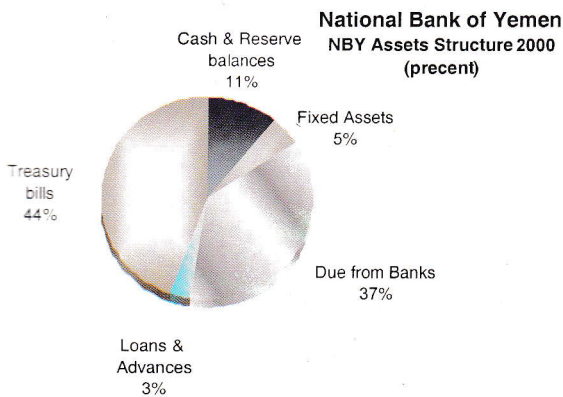
On the domestic level, the local events followed world trends. The year 2000 witnessed the Government's firm grip of the fixed and sound policies, which it pursued in the previous years based. These policies are based on the structural reforms, the tightening of the market instruments, the lowering of the rate of interest and inflation, in addition to maintaining



## Chairman's message

the aggregate deficit in the budget and money supply within safe boundaries. It also managed to attend a certain degree of stability in the exchange rates of the Yemeni rial. During the year the rate of exchange against the US\$ fluctuated within the range of YR.159.7 and 165.53 and depreciated by only 3.7%. This was a result of the higher interest rates on the Yemeni rial.

On 28 December 1999, a new law of the Central Bank of Yemen was issued. This law is aimed at uplifting the national economy in general and the banking system in particular, giving confidence and security to the Yemeni banking system. At the same time the preparation to establish a financial market in Yemen and to develop the National Payments system continued. It is expected that the study of their rules and procedures would be completed in the near future.



The National Bank of Yemen continued to maintain high cash liquidity relying upon a wide and fixed base of customer deposits, managing risk and the security of its financial position in general. We emphasize on the Bank to pursue the main policies, which it previously adapted. Moreover, to respond smoothly to the changes in order to meet the continuing needs of its customers and secure the continuity of its excellent performance.

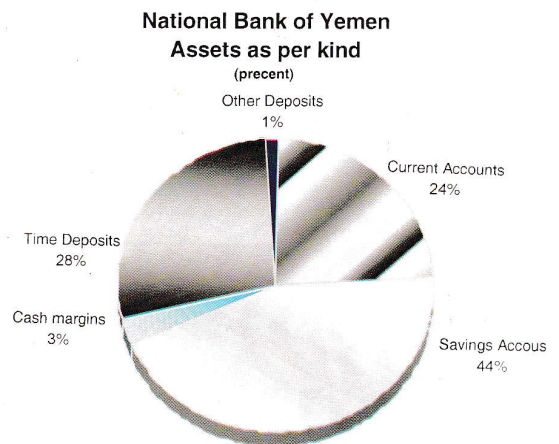
With the aim of providing better services to its customers, and become highly competitive. NBY has initiated the "Online" banking services system with City Bank in the field of foreign banking operations and offering the service of travellers cheques to its customer. In year 2001, NBY would activate SWIFT for all the operational activities; cash transfer, letters of credits and letters of guarantee. Negotiations are under way, with Arab Financial Services Co. (Bahrain) to introduce Credit Card



## Chairman's message

during 2001. NBY persistent in its policies of expansion opened a new branch in Hodeidah at the end of year 2000 and it intends to open another branch in Sana'a at the beginning of year 2001.

In addition to NBY higher competitive capabilities in providing quality banking service, the Bank achieved excellent financial; the return on equity (R.O.E) ratio reached 16,4% and the capital adequacy ratio 45% compared with the required percentage of 8%. The Total Owners' Equity to Total Assets ratio reached 7.8%, and the total assets increased to YR 34.2 Billion at the end of the year with a growth rate of 16.7%. The Net Profits before Tax amounted to 672.4 Million Riyals, achieving a growth of 27.4% compared to the prior year. Customers' deposits also increased by 4.5 Billion Riyals at a growth rate of 17.1% to reach YR 31.0 Billion against YR 26.4 Billion at the end of 1999.



NBY performance during the year 2000 confirms the rightness of the strategy it adopted and the success of its management in raising the level of its services and improving its performance. It also confirm the Bank compliance with the requirements of the Central Bank of Yemen in respect of capital adequacy, risks management, asset evaluation and following the principle of disclosure and transparency in financial statements according to local and international standards.

These good financial results achieved by the Bank acclaimed our firm belief that, in spite of the severe competition in the banking market in Yemen, it is highly advisable to select with diligence and great precaution new clients and the quality of credit target. Besides adhering to its outstanding strategy based on improving and enhancing relations with its current customers.



## *Chairman's message*

Finally, I am pleased to extend, on behalf of the Board of Directors of NBY, our thanks and gratitude to His Excellency President Ali Abdullah Saleh, The President of the Yemen Republic for his care and support to the financial and economic reform process carried out in our country. Our thanks are also extended, in particular to The Prime Minister, Finance Minister and The Governor of the Central Bank of Yemen for their support and direction.

I would also thank our esteemed customers and correspondent banks for their confidence and patronage given to NBY. I express my appreciation and thanks to my colleague, members of the Board and the staff of the NBY for the dedication and commitment rendered to this institution and making it possible to achieve these remarkable results and sustaining the distinctive level of NBY customers services.



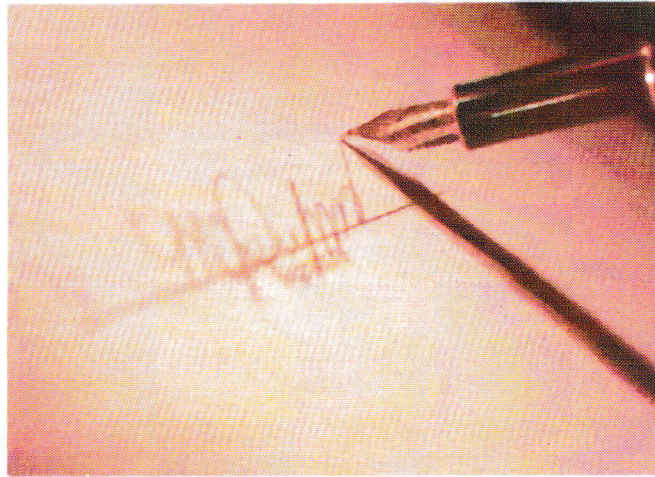
**Abdul-Rahman Mohamed Al-Kuhali**  
**Chairman of the Board of Directors**  
**& General Manager**





البنك الأهلي اليمني  
National Bank Of Yemen

## Board of directors' report





## Board of directors' report

It is the pleasure of the Board of Directors to present the annual report for the 2000 financial year. The report review the Banks' achievements and results during the year.

Benefiting from its strong financial position, the endeavor to enhance its main financial ratios, and successfully responding to the needs of its customers. The National Bank of Yemen, in the year 2000, managed by improving its' services and a complete change in its strategy to assume a pioneer and distinct position among the Yemeni Banking sector. These factors enabled the Bank to successfully manage its assets and control expenses to match the growth in its balance sheet.

*Million Riyals*

Balance sheet	2000	1999
Assets	34237	29311
Contra accounts & other commitments	2477	2052
<b>Balance sheet total</b>	<b>36714</b>	<b>31363</b>

During the year 2000, the Bank attained a noticeable increase in the volume of its business whereas, on 31/12/200, the Bank's total balance sheet have increased by YR 5.3 Billion on last years' figures to reach YR37.7 Billion. Total assets also increased from YR.29.3 Billion in 1999 to YR34.2 Billion in 2000, realizing an increase of YR.4.9 Billion. Contra accounts & other commitments amounted to YR2.5 Billion as at end of 2000 compared to YR 2.1 Billion in 1999 i.e. with an increase of 19%, of which reflects the Bank's intention to develop the necessary banking services that support foreign trade activities.

The increase in the Banks' balance sheet at the assets side considerably rested on its investments in Treasury Bills and Due from Banks. Treasury bills increased by 28.8% to reach YR15.2 Billion in 2000 compared to



## Board of directors' report

YR11.8 Billion in 1999, and Due from Banks increased by 30.5% to reach YR12.4 Billion amounting to 36.3% of the Banks' total assets.

Treasury bills	Million Riyals	
	2000	1999
Treasury bills at nominal value	15347	12139
Less, unamortised interest	(156)	(315)
<b>Treasury bills, net</b>	<b>15191</b>	<b>11824</b>

As to the liability side, customers' deposits have increased by 17.4% from YR26.4 Billion at 31/12/1999 to YR31.0 Billion at the end of 2000.

Sources of funds	Million Riyals	
	2000	1999
Current accounts	7379	5539
Savings accounts	13671	11363
Time deposits	8616	8059
Other deposits	396	613
Cash margins	896	837
<b>Total deposits</b>	<b>30958</b>	<b>26411</b>

It is worth mentioning that customers' deposits are mostly composed of Savings and Time deposits and considered the main factor of forming a stable base of the Bank's sources of funds, as it raised from YR19.4 Billion in 1999 to YR22.3 Billion in 2000 with a growth ratio of 14.8%. The growth in current deposits and other deposits was also noticeable, as they increased by a rate of 18.5% to reach YR8.3 Billion at end of year 2000. Just as the Cash in hand and Reserves with the CBY have decreased by 35.3% to reach YR3.3 Billion in 2000. This decrease was mainly due to the implementation of a CBY resolution, which reduced the legal reserve rate





## Board of directors' report

on deposits in Yemeni Riyals from 15% to 10%, and on the deposits in Foreign Currencies from 20% to 10%. Furthermore, the Bank was able to reduce the total foreign currency positions it maintains from 44% as a percentage of its "total owner's equity" in 1999 to 20% at the end of 2000, in compliance with CBY resolution No.6 of the year 1998. This resolution requires that all Banks in Yemen must keep up to 25% of their total foreign currencies or 15% of a single foreign currency as a percentage to their total shareholders equity.

	<i>Million Riyals</i>	
	2000	1999
Capital	1600	1600
Surplus on revaluation of properties	637	638
Reserves	421	290
<b>Total owner's equity</b>	<b>2658</b>	<b>2528</b>
<b>Capital adequacy</b>	<b>45%</b>	<b>49%</b>

At the same time, Total Owner's Equity has increased by 8% in 2000 to reach YR.2.7 Billion, constituting 7.9% of total assets, reflecting a good capitalization ratio for the Bank, coupled with 45% capital adequacy ratio, surpassing the local and foreign requirements of. Capital Adequacy.

	<i>Million Riyals</i>	
	2000	1999
<b>Cash &amp; cash equivalents</b>		
Cash in hand and with banks	11177	12620
Treasury bills	15018	8621
Total deposits	30958	26411
<b>Cash &amp; cash equivalents / deposits</b>	<b>84.6%</b>	<b>80.4%</b>
<b>Cash &amp; cash equivalents / assets</b>	<b>76.5%</b>	<b>72.5%</b>



## Board of directors' report

Loans and advances also grew by YR311 Million in 2000 at a growth rate of 21.4% compared to 1999. This increase was concentrated in loans and advances granted to the private sector, which confirms the Bank's role in supporting and encouraging the private sector to perform a bigger role in the economic development process.

*Million Riyals*

	2000	1999
<b>Loans &amp; advances granted</b>		
<b>Loans and advances</b>	<b>1761</b>	<b>1450</b>
<b>Contra accounts</b>		
Documentary letters of credit	1453	1461
Letters of guarantees	1729	1355
Other contingent liabilities	192	74
<b>Total</b>	<b>3374</b>	<b>2890</b>
<b>Grand total</b>	<b>5135</b>	<b>4340</b>

It is also worth mentioning that the Bank's management have worked on developing its plan to simplify the procedures relating to granting loans and advances and also intensify the follow-up of repayment of loans in their due dates in order that NBY secure safety of its loan portfolio.

On the other hand, the liquidity ratio was 87% at year end, which reflexes the Bank's ability to increase its loan portfolio and thus its profitability.

*Million Riyals*

	2000	1999
<b>Income</b>		
Net interest income	1223	969
Commissions	159	143
Profit (Loss) from foreign currency transactions	(10)	1
Other income	17	38
<b>Net operating income</b>	<b>1389</b>	<b>1151</b>

This expansion in the NBY's activity and the improvement of its performance during the year 2000 has resulted in decreasing deposit costs

## Board of directors' report

by 4.4% to YR1.8 Billion. Net interest income increased to YR 1.2 Billion compared to YR969 Million in 1999. General and administration expenses decreased by 2.9% (YR17.7 Million) from YR601.6 Million (31/12/1999) to YR583.9 Million (31/12/2000). The Cost to Income ratio fell to 77.8% in 2000 compared to 82.8% in 1999.

*Million Riyals*

Net profits	2000	1999
Net profits before provisions, Tax & ZAKAT	805	550
Loan provision	108	-
Net profit before Tax & ZAKAT	588	550
Income Tax & ZAKAT	260	76
<b>Net profit for the year</b>	<b>437</b>	<b>474</b>

At the end of 2000 the Bank attained a level of profits exceeding YR672 million, with a growth rate of 27.3% compared to 1999 after providing YR88.1 Million for loan losses. On the other hand, NBY realized a decrease in its net profit by a moderate 7.8% to reach YR437.1 Million at year-end.

*Million Riyals*

General & administration expenses	2000	1999
Salaries, wages and related costs	409	442
Depreciation	29	17
Other general & administration expenses	145	143
<b>Total</b>	<b>583</b>	<b>602</b>

The Bank's results reflected its success in managing cost increase to match with the growth in its operations and the size of its assets.



## Board of directors' report

### *NBY'S most important achievements during 2000*

In the year 2000, the Bank continued to improve the services it offers to its customers. Of the most important achievements of the NBY during the year was the development of work procedures and banking services. Of which was the introduction of new credit services, such as marketing Traveler cheques & Credit cards, in association with the Arab Financial Services Company, which is expected to be available to our customers in the near future, in addition to that, the Bank granted car and durable goods loans.

Keeping pace with the technological development in computers, the Bank automated three of its branches in Hadhramout and Abyan Governorates. In addition, NBY signed an agreement to introduce the service of the SWIFT system at the Head Office and seven of its branches. The Bank is also offering the service of transferring instant cash transfers for its customers through City Bank network worldwide.

On the other hand, NBY's concerns and efforts during 2000 concentrated on improving its human and managerial resources through the preparation of employment and administrative development plans and the developing of its employee's efficiency by means of enrolling them to local and foreign training courses. The number of trainees benefited from such courses reached 290 trainees.

And in the scope of geographical expansion, the Bank opened a new branch in Hodeidah, besides the near completion of furnishing the premises of a new durable goods branch in Sana'a, which is expected to be opened during the second term of the year 2001.

## Board of directors' report

### NBY'S work plan for year 2001

- ◆ Developing the loan portfolio by expanding in consumers loans programs and lease financing operations. Seeking new investment opportunities and securing their necessary finance by adopting a financing strategy that depends not only on collateral's, but also on the safety of the financial position of the project and the ability of the customer. And realizing, at the same time, the best return according to the degree of risk the Bank decides to take.
- ◆ To invest in the financial markets, regional equity funds, local treasury bills, rediscounting, and local deposit certificates while observing a suitable return on the Bank's investment portfolio.
- ◆ Increase the volume of foreign currency trading for the Bank and customers' accounts. And to maintain its pre-determined foreign currency positions pr in order to avoid the risk of fluctuation in interest and exchange rates.
- ◆ One of the major objectives of the Bank is to diverse and increase its income, from interests on loans; commission income on banking services; profits from foreign currency operations, and to achieve growth in its assets and off the balance-sheet items, according to the Bank's projected plan.
- ◆ NBY will continue to work upon increasing its market share in customers' deposits, concentrating on non-cost and low cost deposits.
- ◆ Preparing the necessary studies to develop its working procedures in the field of computers, modern banking systems, information technology, reviewing the organization structure of the Bank, treasury and risk management.



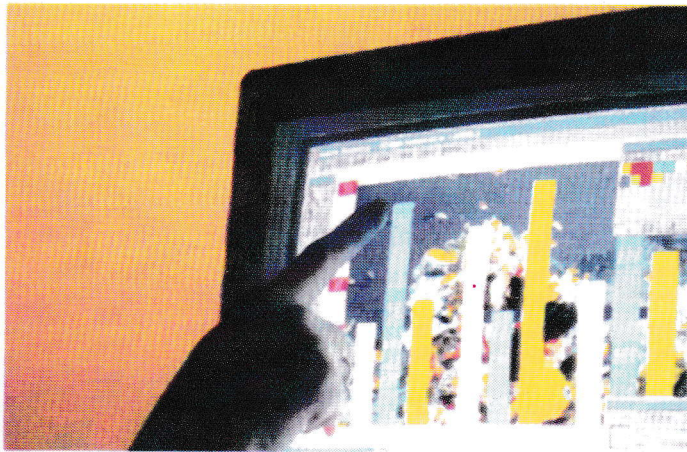
## *Board of directors' report*

- ▼ The Bank will continue to expand its customer's base according to its branch network policy, by selecting suitable premises in Taiz, which will operate to serve its customers in the near future.
- ▼ NBY will endure to increase the efficiency of its employees through implementing internal training programs and the participation in external training courses in all aspects of banking operations in compliance with its plan.
- ▼ Finally, we wish to extend our thanks to our esteemed customers and correspondent banks for their trust and continued support. The Board also thanks the staff of the Bank for their excellent efforts and dedication in their work.

*Board of directors*



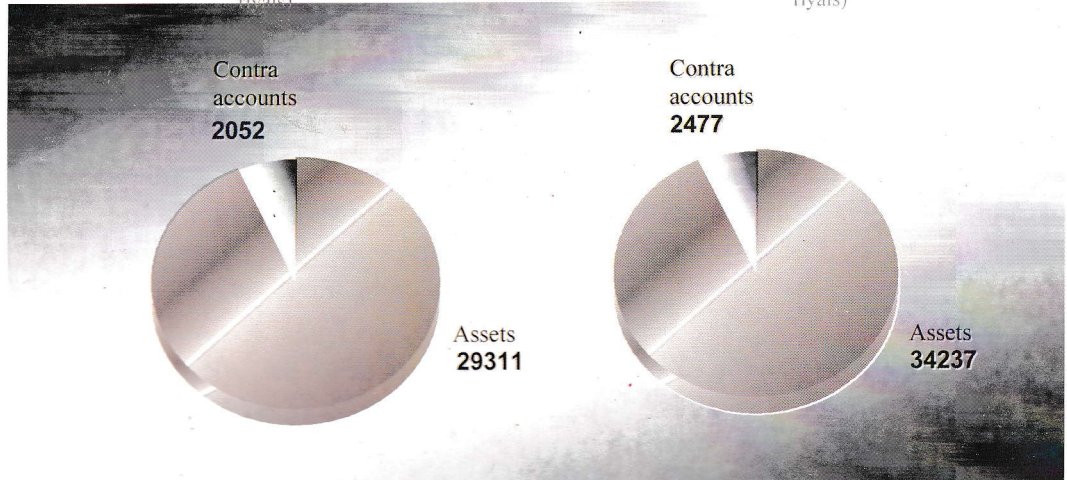
## *Major financial developments*



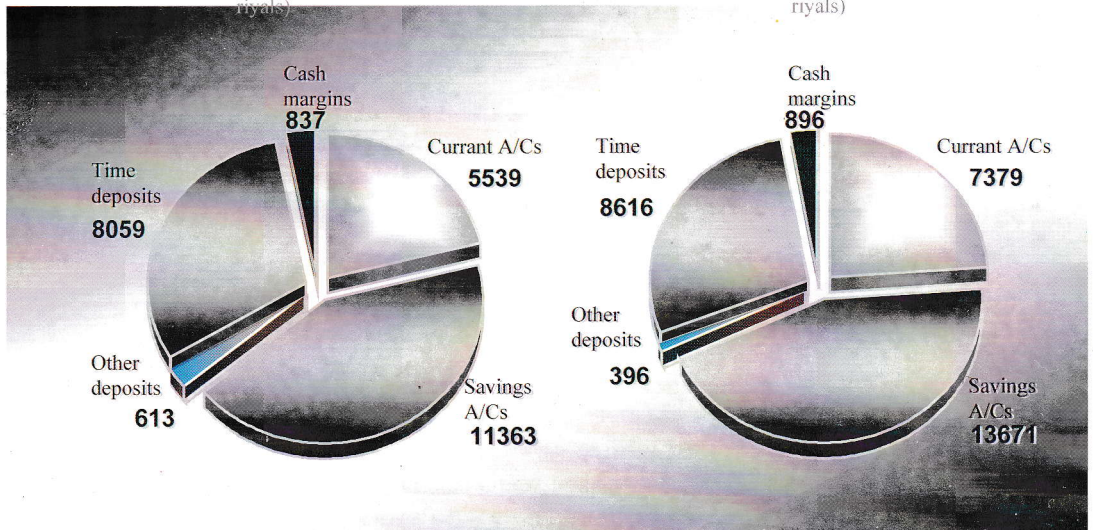


## Major financial developments

Balance sheet total 1999 (million riyals)      Balance sheet total 2000 (million riyals)



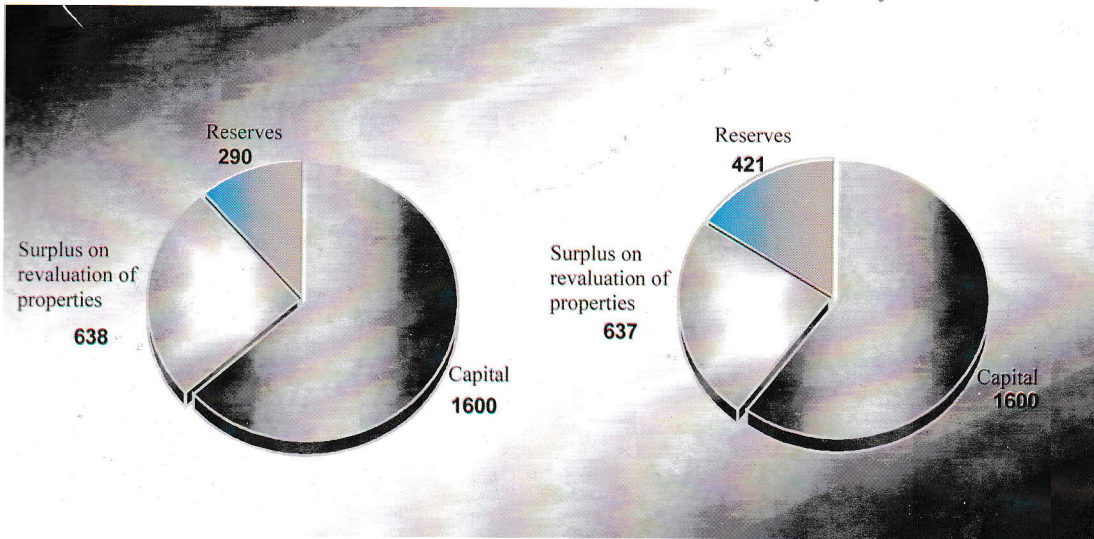
Customer deposits 1999 (million riyals)      Customer deposits 2000 (million riyals)



## Major financial developments

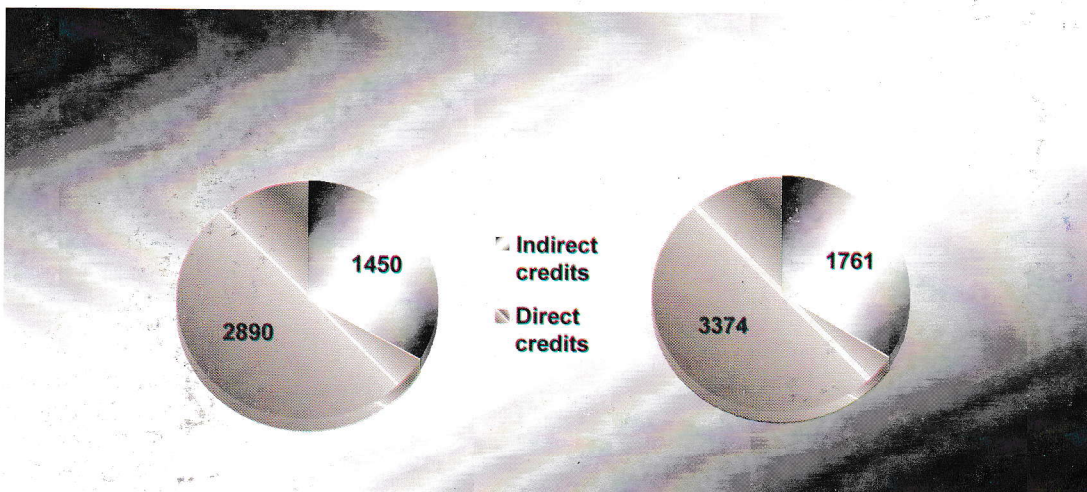
Owner's equity 1999 (million)

Owner's equity 2000 (million)



Direct & Indirect credits 1999  
(million riyals)

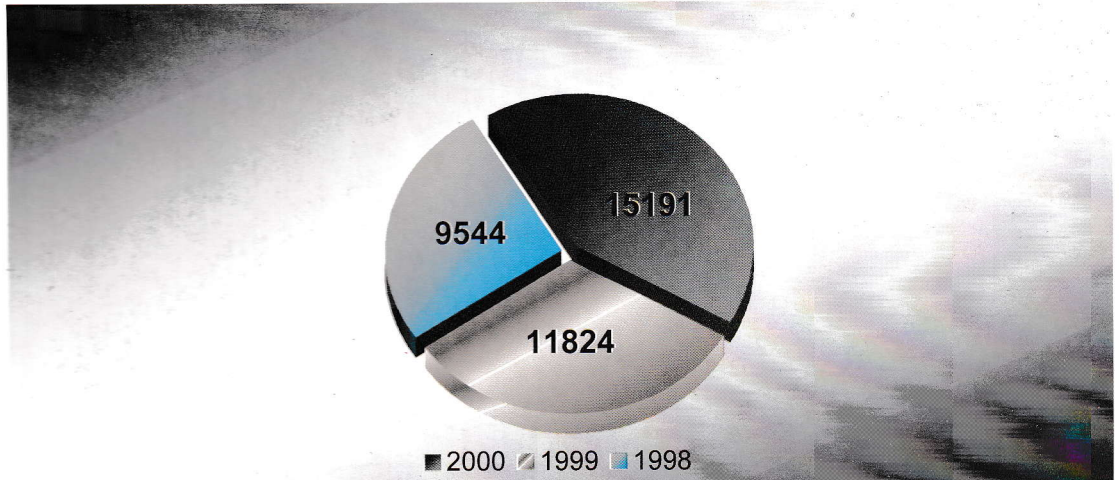
Direct & Indirect credits 2000  
(million riyals)



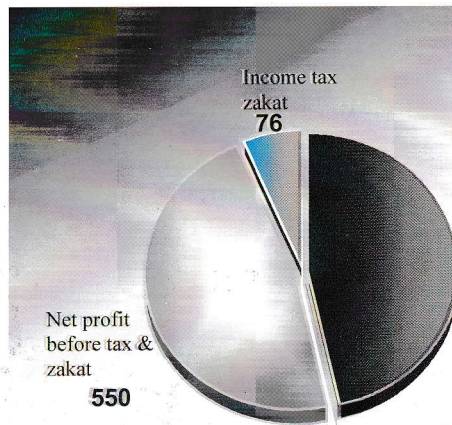


## Major financial developments

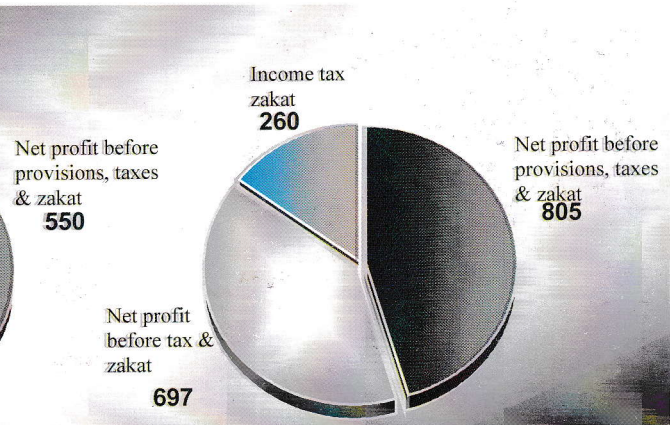
### Local treasury bills (million riyals)



### Total profitability 1999 (million riyals)



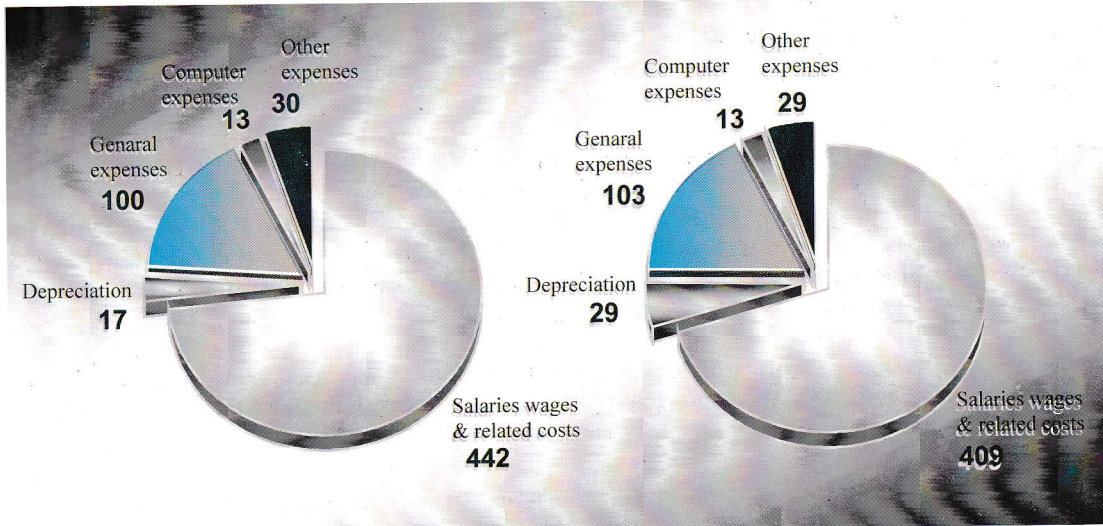
### Total profitability 2000 (million riyals)



## Major financial developments

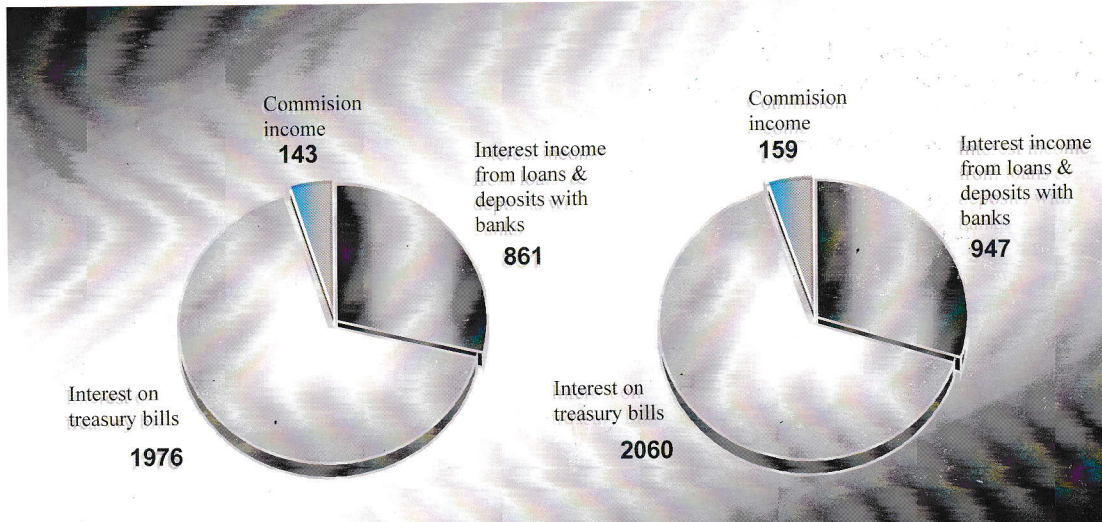
**General & Administration expenses 1999**  
(million riyals)

**General & Administration expenses 2000**  
(million riyals)



**Income 1999** (million riyals)

**Income 2000** (million riyals)





**AUDITOR'S REPORT TO H.E. THE MINISTER OF FINANCE  
ON THE NATIONAL BANK OF YEMEN**

We have audited the financial statements of the National Bank of Yemen set out on pages 23 to 51. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2000 and the results of its operations and cash flows for the year then ended, in accordance with the accounting policies set out in note (3) to the financial statements.

We also confirm that, in our opinion, proper accounting records have been kept by the Bank and the financial statements and the contents of the report of the Board of Directors relating to these financial statements are in agreement therewith. We have obtained all the information and explanations which we required for the purpose of our audit.

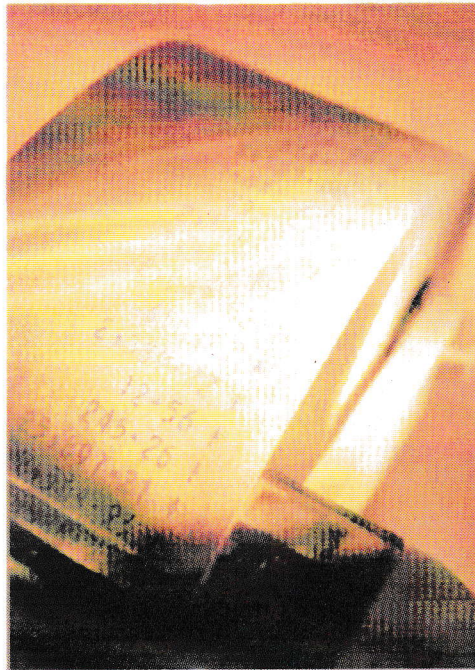


Dahman Awadh Dahman, FCCA  
Registered Licensed Accountant No. 384  
of Dahman & Co.,  
A member firm of RSM international

15 February, 2001  
Aden, Republic of Yemen



## Financial statement



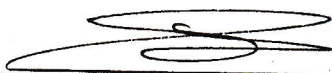


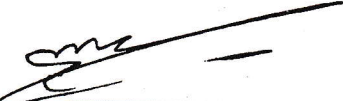



## Balance Sheet

As of 31 December 2000

	Note	2000 YR ' 000	1999 YR ' 000
<b>ASSETS</b>			
Cash in hand and reserve balances with the Central Bank of Yemen	5	3,723,336	5,123,922
Due from banks	6	12,490,492	9,470,000
Treasury bills, net	7	15,190,739	11,824,439
Loans to customers, net of provision	8	1,091,434	870,127
Long term investments, net of provision	9	8,264	10,355
Debit balances and other assets	10	125,785	476,415
Property and equipment, net of accumulated depreciation	11	1,606,745	1,535,357
<b>TOTAL ASSETS</b>			<u>29,310,615</u>
<b>LIABILITIES AND OWNER'S EQUITY</b>		<b>34,236,795</b>	
<b>LIABILITIES</b>			
Due to banks	12	66,277	60,672
Customers' deposits	13	30,958,425	26,411,313
Credit balances and other balances	14	538,583	443,882
Commercial and Industrial Income Tax (due) / payable	15	15,625	(132,817)
<b>TOTAL LIABILITIES</b>			<u>26,783,050</u>
<b>OWNER'S EQUITY</b>		<b>31,578,910</b>	
Capital	16	1,600,000	1,600,000
Surplus on revaluation of properties	11 (b)	637,093	637,893
Reserves	16	420,792	289,672
<b>TOTAL OWNER'S EQUITY</b>			<u>2,527,565</u>
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>		<b>34,236,795</b>	<u>29,310,615</u>
<b>CONTRA ACCOUNTS AND OTHER COMMITMENTS, net</b>	17	2,477,466	<u>2,052,469</u>

  
Abdul Rahman Mohammed. Al-Kohali  
Chairman and General Manager

  
Jawad Abdullah Al Alas  
Deputy First General Manager

  
Sami Abdul Hamid Mackawi  
Deputy General Manager

The attached notes 1 to 37 form an integral part of these financial statements



## Statement of income & Profit Appropriation

As of 31 December 2000

STATEMENT OF INCOME		2000	1999
		YR '000	YR '000
Interest on loans and due from bank	Note 18	947,393	860,542
Interest on treasury bills	19	2,060,360	1,976,095
		3,007,753	2,836,637
Less: Cost of deposits	20	1,785,242	1,867,528
Net interest income		1,222,511	969,109
Commissions and fee income on banking services	21	158,786	143,051
(Loss) / gain on foreign currency transactions	22	(9,749)	1,237
Other operating income	23	17,050	38,027
			38,027
<b>NET OPERATING INCOME</b>		<b>1,388,598</b>	<b>1,151,424</b>
<b>OPERATING EXPENSES</b>			
General and administration expenses	24	582,889	601,553
Provisions	25	108,303	-
<b>TOTAL OPERATING EXPENSES</b>		<b>691,192</b>	<b>601,553</b>
<b>NET PROFIT BEFORE ZAKAT AND TAXATION</b>		<b>697,406</b>	<b>549,871</b>
Zakat	26	(25,000)	(22,000)
<b>NET PROFIT FOR THE YEAR AFTER ZAKAT AND BEFORE TAXATION</b>		<b>672,406</b>	<b>527,871</b>
Provision for commercial and industrial taxation	15	(235,342)	(53,976)
<b>NET PROFIT FOR THE YEAR</b>		<b>437,064</b>	<b>473,895</b>
Earnings per share	27	YR 273	YR 631
<b>STATEMENT OF PROFIT APPROPRIATION</b>			
Balance at 1 January		-	(373,653)
Net profit for the year		437,064	473,895
Balance at 31 December before appropriation		437,064	100,242
Transfer to statutory reserve	16	(65,560)	(15,036)
Transfer to general reserve	16	(65,560)	(15,036)
Government share in net profits	10 (b)	(284,091)	(65,157)
Employees share of profits	16	(21,853)	(5,013)
Balance at 31 December after appropriation		-	-

The attached notes 1 to 37 form an integral part of these financial statements





# Statement of cash flows

As of 31 December 2000

	2000 YR ' 000	1999 YR ' 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the year before zakat and income tax	697,406	549,871
Adjustments for:		
Provision for investments	2,066	-
Provision for losses in loans and advances and interest in suspense	86,505	-
Income tax paid	(86,900)	(200,228)
Zakat paid	(25,000)	(22,000)
Depreciation of property and equipment	28,790	17,211
<b>Operating profit (loss) before changes in assets and liabilities related to operating activities:</b>	<b>702.867</b>	<b>344,854</b>
<b>NET DECREASE (INCREASE) IN ASSETS</b>		
Balances with the Central Bank of Yemen	1,402,497	(1,222,000)
Due from banks	(2,109,688)	-
Treasury bills	3,030,080	1,451,265
Loans and advances to customers	(307,812)	379,128
Debit balances and other assets	305,239	19,167
<b>Net Increase (Decrease) in Assets</b>	<b>3,023,183</b>	<b>972,414</b>
<b>NET INCREASE (DECREASE) IN LIABILITIES</b>		
Due to banks	5,605	10,856
Customers' deposits	4,547,112	3,813,871
Credit balances and other liabilities	94,701	200,265
<b>Net Increase (Decrease) in Liabilities (1)</b>	<b>4,647,418</b>	<b>4,024,992</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Purchase of property and equipment	(55,987)	(27,509)
Net disposal of property and equipment and amount written off from investments	425	-
<b>Net Cash flows provided by (used in) investing activities (2)</b>	<b>(55,562)</b>	<b>(27,509)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash paid by the Owner	-	121,037
Distribution to the Owner	(284,091)	(65,157)
Distribution to employees	(21,853)	(5,013)
<b>Net Cash flows provided by (used in) financing activities (3)</b>	<b>(305,944)</b>	<b>50,867</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)</b>	<b>7,309,095</b>	<b>5,020,764</b>
Cash and cash equivalents at 1 January	18,886,823	13,866,059
<b>CASH AND CASH EQUIVALENTS at 31 December</b>	<b>26,195,918</b>	<b>18,886,823</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash on hand and reserve balances with Central Bank of Yemen	3,723,336	-
Due from banks	12,490,492	5,123,922
Treasury bills	15,190,739	9,470,000
Reserve balances with the Central Bank of Yemen	(2,925,890)	11,824,439
Time deposits with banks	(2,109,688)	(4,328,387)
Treasury bills more than three months	(173,071)	(3,203,151)
	<b>26,195,918</b>	<b>18,886,823</b>

The attached notes 1 to 37 form an integral part of these financial statements.



## Statement of changes in owner's equity

As of 31 December 2000

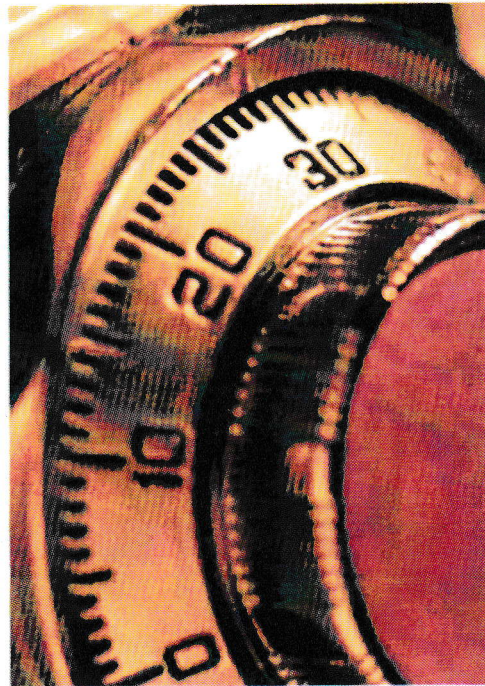
YR'000						
	Capital	Statutory Reserve	General Reserve	Re-valuation reserve	Accumulated losses/ profits	Total
At 31 December 1998	750,000	87,249	148,759	-	(373,653)	612,355
Transfer from Government Contributed Funds	850,000	-	23,592	-	-	873,592
Net profit for the year 1999	-	-	-	-	473,895	473,895
Surplus on revaluation of properties	-	-	-	637,893	-	637,893
Transfer to statutory reserve	-	15,036	-	-	(15,036)	-
Transfer to general reserve	-	-	15,036	-	(15,036)	-
Government's share of profits	-	-	-	-	(65,157)	(65,157)
Employees' share of profits	-	-	-	-	(5,013)	(5,013)
<b>At 31 December, 1999</b>	<b>1,600,000</b>	<b>102,285</b>	<b>187,387</b>	<b>637,893</b>	<b>-</b>	<b>2,527,565</b>
Disposal of property	-	-	-	(800)	-	(800)
Net profit for the year 2000	-	-	-	-	437,064	437,064
Transfer to statutory reserve	-	65,560	-	-	(65,560)	-
Transfer to general reserve	-	-	65,560	-	(65,560)	-
Government's share of net profits	-	-	-	-	(284,091)	(284,091)
Employees' share of net profits	-	-	-	-	(21,853)	(21,853)
<b>At 31 December, 2000</b>	<b>1,600,000</b>	<b>167,845</b>	<b>252,947</b>	<b>637,093</b>	<b>-</b>	<b>2,657,885</b>

The attached notes 1 to 37 form an integral part of these financial statements





## Notes to the financial statements





## Notes to the financial statements

As of 31 December 2000

### 1 INCORPORATION AND ACTIVITIES

The National Bank of Yemen (The Bank), which was incorporated in Aden, in 1969, is wholly owned by the Government of Yemen. The Bank has its head office in Aden and undertakes all banking activities through its head office and 30 branches spread all over the Southern and Eastern Governorate and with only one branch in Sana'a and a newly established branch in Hodeidah.

### 2 PREPARATION BASIS OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with International Accounting Standards and current prevailing local laws and regulations as well as rules and instructions issued by the Central Bank of Yemen.

There are no significant differences between International Accounting Standards and the provisions of the prevailing local laws and regulations except for the accounting treatments of the following:

- i) The adoption of minimum fixed percentages for losses on loans and advances in accordance with the Central Bank of Yemen circular No. 6 of 1996.
- ii) The treatment of general provision on performing loans as part of equity.

The effect of these deviations is immaterial on the financial statements of the Bank for the year ended 31 December 2000.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied on a consistent basis are as follows:

- a) Accounting convention

The financial statements are prepared under the historical cost convention adjusted for the revaluation of land and buildings.

- b) Foreign currencies

- i) The Bank maintains its records in Yemeni Riyals. Transactions, in other currencies are recorded during the financial year at the prevailing exchange rates at the value dates of the transactions. Balances of monetary assets and liabilities denominated in other currencies at the balance sheet date are revalued at the prevailing exchange rates on that date. Gains or losses resulting from revaluation are taken to the income statement.
- ii) The Bank does not enter into forward exchange contracts.

- c) Revenue recognition

Revenues are recognized on the accrual basis. However, in order to comply with the Central Bank of Yemen Circular No. 6 of 1996 and its amendments, the Bank does not accrue interest on non-performing loans and credit facilities. When an account is treated 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 from investments is recognised when received.





## Notes to the financial statements (Continued)

As of 31 December 2000

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### d) 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 unamortised discount.

#### e) Valuation of long term investments

Long term investments are valued at historical cost. For permanent decline in their market or computed values based on the study of the latest audited financial statements of the issuing companies of these securities, their book values are adjusted for the decline, which is charged to the income statement for each investment on an individual basis.

#### f) Provision for losses on loan and contingent liabilities

In order to comply with the Central Bank of Yemen circulars no. 6 of 1996 and no. 5 of 1998, provision is provided for specific loans, overdrafts 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. 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 and contingencies including watch loans	2% (1999 - 1%)
• Non performing loans:	
▪ Substandard debts	15%
▪ Doubtful debts	45%
▪ Bad debts	100%

Loans are written off by debiting the provision, if procedures taken towards their collection prove useless, or if directed by the Central Bank of Yemen upon review of the portfolio. Proceeds from loans previously written off in prior years are credited to the provision. Loans to customers are presented in the balance sheet net, of provision and uncollected interest.

#### g) Property and equipment, depreciation and amortization

Property comprising land and buildings are recorded at their revalued amounts. Equipment are recorded at cost on the date of purchase. Cost includes purchase price and related expenses.



## Notes to the financial statements (Continued)

As of 31 December 2000

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and equipment, other than freehold land, at rates calculated to write off the cost, 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 shown below:

Buildings on freehold land	2%
Vehicles	20%
Furniture and equipment	10%
Computers	20%
Security vaults	2%

Improvements to leasehold property Period of lease or estimated useful life whichever is lower.

Expected future cash flows are not discounted to their present values in determining the recoverable amount of items of property and equipment.

Cost of improvements to rented real estate properties is amortised over the lesser of their useful lives or the lease period of the properties concerned.

#### h) Real estate properties acquired from customers

In accordance with the instructions of the Central Bank of Yemen assets acquired from customers in settlement of loans should be included in the balance sheet under "debit balances and other assets". However, the Bank has not, since its inception, taken possession of any properties from customers in settlement of loans.

#### i) Contingent liabilities and commitments

Contingent liabilities and commitments, in which the Bank is a party, are presented off-balance sheet under "contingent liabilities and commitments" as they do not represent actual assets or liabilities at the balance sheet date.

#### j) Cash and cash equivalent

For the purpose of preparing the statement of cash flows, cash and cash equivalent consist of cash in hand, cash balances with the Central Bank of Yemen other than statutory reserve balances, demand deposits with other banks and investments in treasury bills which are due within three months from the issuance date.

#### i) Taxation

Taxation for the year is provided for in accordance with the prevailing laws and regulations in the Republic of Yemen.

#### k) Zakat

The Bank pays Zakat in accordance with the relevant laws to the government which decides on its allocation.





## Notes to the financial statements (Continued)

As of 31 December 2000

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### l) Related party transactions

Disclosures are made in the financial statements of loans and advances and contingent liabilities to related parties and in particular members of the board of directors and companies in which they own more than 25% of the capital.

#### m) 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 financial statements.

### 4 FINANCIAL INSTRUMENTS AND MANAGING THEIR RELATED RISKS

#### 4.1 Financial instruments

a) 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 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.

#### b) Fair value of financial instruments

Based on the valuation of the Bank's assets and liabilities stated in the notes to the financial statements, the fair value of the financial instruments do not differ fundamentally from their fair values at the balance sheet date, except for long term investments, the fair values of which are disclosed in note (9).

#### c) Forward contracts

The Bank does not enter into forward foreign currency buy or sale contracts.

#### 4.2 Managing related risks

##### a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect 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.



## Notes to the financial statements (Continued)

As of 31 December 2000

### 4.2 Managing related risks (continued)

#### b) Credit risk

Loans and credit facilities to customers and banks, current accounts and deposits with banks and rights and obligations from others are considered as financial assets exposed to credit risk. Credit risk represents the inability of these parties to meet their obligations when they fall due. In order to comply with 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 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.

#### c) Exchange rate risk

Due to the nature of the Bank's activity, the Bank deals in different foreign currencies, hence it is exposed to exchange rate risk. The Bank attempts to maintain a balanced foreign currencies position in compliance with the Central Bank of Yemen instructions and the requirements of Central Bank of Yemen circular 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 dates of sale.





## Notes to the financial statements (Continued)

As of 31 December 2000

### 5 CASH IN HAND AND RESERVE BALANCES WITH THE CENTRAL BANK OF YEMEN

	YR'000	
	2000	1999
Cash in hand		
In foreign currency	547,202	456,165
In local currency	216,686	196,804
Cheques purchased, net	33,558	142,566
Total cash in hand	797,446	795,535
Reserve balance with the Central Bank of Yemen in Yemeni Riyal	1,819,819	2,383,758
Reserve balance with the Central Bank of Yemen in foreign currencies	1,106,071	1,944,629
Total Reserve balances with the Central Bank of Yemen	2,925,890	4,328,387
Total cash in hand and reserve balances with the Central Bank of Yemen	3,723,336	5,123,922

In accordance with the Yemeni Banks Law, the Bank is required to maintain statutory deposits with the Central Bank of Yemen at stipulated percentages of its demand, time and other deposits. Such deposits carry interest at rates determined by the Central Bank of Yemen.

### 6 DUE FROM BANKS

	YR'000	
	2000	1999
<i>Central Bank of Yemen and other local banks</i>		
Current accounts with Central Bank of Yemen		
Current accounts		
- In local currency	1,188,243	910,083
- In foreign currency	457,680	230,852
Total current accounts with the Central Bank of Yemen	1,645,923	1,140,935
Less: Provision/ amounts written off for outstanding reconciling items	(18,115)	(31,477)
Net current account balances with Central Bank of Yemen	1,627,808	1,109,458
Current account balances with local banks	7,829	22,102
Total Central Bank of Yemen and other local banks	1,635,637	1,131,560
<i>Foreign banks and other financial institutions</i>		
Current and demand account balances	3,409,835	1,661,556
Time deposits	7,445,020	6,676,884
Total due from foreign banks and other financial institutions	10,854,855	8,338,440
Total due from banks	12,490,492	9,470,000



## Notes to the financial statements (Continued)

As of 31 December 2000

### 7 TREASURY BILLS, net

	YR'000	
	2000	1999
Treasury bills due within 90 days	15,174,018	8,789,090
Treasury bills due within 91 to 182 days	161,961	2,075,000
Treasury bills due within 183 to 364 days	11,110	1,275,000
	173,071	3,350,000
Total treasury bills due	15,347,089	12,139,090
Less: Unamortised interest	(156,350)	(314,651)
Net book value	15,190,739	11,824,439

The treasury bills have maturity periods ranging between three months and twelve months and carry interest rates ranging from 13.0% to 17.0% (1999 17.0 to 22.0%). 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.

### 8 LOANS TO CUSTOMERS, net of provision

	YR'000	
	2000	1999
Commercial paper discounted (i)	213,803	62,763
Amount due from Government entities		
Loans and advances to customers	29,113	213,609
Add: Interest charged during the year	4,365	20,014
Add: Increase in facilities	-	-
Less: Amount paid by the Government	(4,875)	(204,510)
Amount due from Government entities (ii)	28,603	29,113
Loans and advances to private sector customers:		
Overdraft facilities	718,022	917,112
Short-term loans	800,891	441,510
Amount due from private sector customers (iii)	1,518,913	1,358,622
Total loans and advances (i) + (ii) + (iii)	1,761,319	1,450,498
Provision for losses on loans and advances (a)	(654,851)	(568,346)
Suspended interest (b)	(15,034)	(12,025)
Total provisions and suspended interest	(669,885)	(580,371)
Net loans and advances	1,091,434	870,127

All loans and advances referred to above are granted to customers inside the Republic of Yemen.





## Notes to the financial statements (Continued)

As of 31 December 2000

### 8 LOANS TO CUSTOMERS, net of provision (continued)

Gross non-performing loans and advances at 31 December 2000 amounted to YR 759 million (1999 - YR 593 million) which include YR 29 million (1999 - YR 29 million) due from Government owned entities

#### (a) Provision for losses on loans and advances

In accordance with Article (85) of the Banks Law No. (38) of 1998, which came into effect on 27 December, 1998, and Article 9 (j) of the Income Tax Law No. (31) of 1991 as amended by Republican Decree Law No. (12) of 1999, any provisions for losses on loans and advances made by a bank in compliance with the regulations of the Central Bank of Yemen in this respect, are not subject to the provisions of any income tax law and are allowable as a deduction in arriving at the taxable income. In accordance with the Central Bank of Yemen, these allowable deductions also include suspended interest.

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

	YR'000					
	2000			1999		
	<i>Specific</i>	<i>General</i>	<i>Total</i>	<i>Specific</i>	<i>General</i>	<i>Total</i>
Balance at 1 January	560,730	7,616	568,346	589,302	7,616	596,918
Amount utilised during the year.	(1,617)	-	(1,617)	(28,572)	-	(28,572)
Adjusted opening balance	559,113	7,616	566,729	560,730	7,616	568,346
Amounts recovered of loans previously written off	(39,270)	-	(39,270)	-	-	-
Provision for the year	114,960	12,432	127,392	-	-	-
Charged to the income statement	75,690	12,432	88,122	-	-	-
Balance at 31 December	634,803	20,048	654,851	560,730	7,616	568,346

Management has decided to provide for the general provision for performing loans and contingencies including watch loans at the rate of 2% (1999 - 1%).



## Notes to the financial statements (Continued)

As of 31 December 2000

### 8 LOANS TO CUSTOMERS, net of provision (continued)

#### (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.

	YR'000	
	2000	1999
Balance at 1 January	(12,025)	(66,023)
Suspended during the year	(3,009)	-
Amounts written off during the year (reversed during the year)	-	53,998
Balance at 31 December	(15,034)	12,025

### 9 LONG TERM INVESTMENTS, net of provisions

These comprise investments, with the intention of holding them, in the following foreign companies:

		YR'000	
	No. Of shares of US \$ 1 each	2000	1999
Foreign			
Unquoted investments in UBAF Group			
UBAF - Curacao - A Shares	1,497,200	17,982	17,982
UBAF - Curacao - B Shares	234,650	2,818	2,818
UBAF - Curacao - C Shares	528,250	6,344	6,344
, Total investment in shares in UBAF Group	2,260,100	27,144	27,144
Subordinated loan to UBAF - US \$ 588,094		7,063	7,063
Total investment in UBAF Group		34,207	34,207
Other unquoted investments			
Arab Banking Group - Bahrain		2,067	2,067
Arab Financial Services Company - Abu Dhabi		1,201	1,225
Total other unquoted investments		3,268	3,292
Total investments		37,475	37,499
Less: Provision for permanent decline in value		(29,211)	(27,144)
Net book amount		8,264	10,355

The fair value of unquoted investments as at 31 December 2000 amounted to YR 172 million (1998 YR 205 million). The investment in the unquoted investments in UBAF Group was made in 1970. According to management no dividends have been received during the last few years.

The loan of US\$ 588,094 represents the Bank's participation in a subordinated loan extended to UBAF - Paris by its shareholders. Although the principal amount had been rescheduled several times, management is of the opinion that this loan will ultimately be recovered and has therefore decided not to provide against the balance of this loan. The loan carries an interest rate of LIBOR +1%.





## Notes to the financial statements (Continued)

As of 31 December 2000

### 10 DEBIT BALANCES AND OTHER ASSETS

	Note	YR'000	
		2000	1999
Due from branches (Inter-branch clearings) (a)		32,931	165,727
Due from the Owner (Government) (b)		-	184,247
Prepaid expenses and other debit balances		10,637	21,969
Interest receivable		48,529	12,929
Pre-operating costs of new branches (c)		2,177	49,695
Sundry debit balances, net of provision		31,511	41,848
<b>Total debit balances and other assets</b>		<b>125,785</b>	<b>476,415</b>

a) Inter-branch balances (clearings)

Due to timing differences and communication difficulties, certain inter-branch clearings comprising cheques and transfers pending clearance for all branches of the Bank, remain outstanding at the year-end. Management confirms that such balances can be allocated to their respective accounts and accordingly no provision, in accordance with the Central Bank requirements, is needed for these balances.

b) Due from the Owner (Government)

The amount due from the Owner (Government) at 31 December, 1999, represented the advance payments made for its budgeted share of profits in accordance with the relevant law. The above balance has been fully recovered from its share of profits for the year ended 31 December, 2000.

b) Due from the Owner (Government)

	YR'000	
	2000	1999
Balance at 1 January	184,247	249,404
Share of profit for the current year (note 16 -d)	(284,091)	(65,157)
<b>Balance at 31 December (note 14)</b>	<b>(99,844)</b>	<b>184,247</b>

c) Pre-operating costs of new branches

During the year, the Bank received the title deed of Al Qa'a branch in Sana'a and as a result transferred the relating costs to property and equipment (note 11).



## Notes to the financial statements (Continued)

As of 31 December 2000

### 11 PROPERTY AND EQUIPMENT, net of accumulated depreciation

	YR'000					
	Freehold Land and buildings	Leasehold improve- ments	Furniture & Equipment	Motor Vehicles	Computers	Total
<i>Cost or valuation:</i>						
At 31 December 1999	1,451,139	7,451	62,619	36,014	48,497	1,605,720
Transferred from pre- operating cost of new branches	45,391	-	-	-	-	45,391
Additions during the year	5,174	8,148	27,833	9,684	5,148	55,987
Adjustments /Disposals	(800)	-	-	(2,350)	-	(3,150)
At 31 December 2000	1,500,904	15,599	90,452	43,348	53,645	1,703,948
<i>Depreciation</i>						
At 31 December 1999	610	1,377	27,157	13,743	27,476	70,363
Charge for the year	6,131	1,115	5,556	6,098	9,890	28,790
Relating to reversal of cost	-	-	(1,652)	(298)	-	(1,950)
At 31 December 2000	6,741	2,492	31,061	19,543	37,366	97,203
<i>Net book amount</i>						
At 31 December 2000	1,494,163	13,107	59,391	23,805	16,279	1,606,745
At 31 December 1999	1,450,529	6,074	35,462	22,271	21,021	1,535,357

#### a) Title to the land and buildings

Freehold land and buildings and leasehold buildings include property taken over by the Bank on the nationalisation of all branches of banks operating in the Southern and Eastern Governorates in 1969 and subsequent additions. The Bank has "hereditary tenure" over all such properties, as a result of the settlement agreements reached with the previous owners. As part of the national program, the Government has decided to grant the Bank full ownership of the land previously held on long-term lease to the Bank. This grant was considered as Government contribution in kind towards strengthening the equity base of the Bank on the basis of the board of directors minutes held on 6 April 2000, duly approved by H. E. the Minister of Finance.

Depreciation is calculated on the basis of the rates set out in the Council of Ministers' Resolution No. 144 of 1999.





## Notes to the financial statements (Continued)

As of 31 December 2000

### 11 PROPERTY AND EQUIPMENT, net of accumulated depreciation (continued)

#### b) Revaluation of property

Freehold land, land leased from the Government and buildings on freehold and lease hold 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 with International Accounting Standard No. 16, the method used to present the revalued amounts is that 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 carrying amount.

### 12 DUE TO BANKS

	YR'000	
	2000	1999
Current accounts in Yemeni riyals		
Central Bank of Yemen	-	-
Other local banks	29,761	41,852
Central Bank of Yemen and other local banks	29,761	41,852
Letters of credit - in foreign currencies		
Foreign banks	36,516	18,820
Total due to banks	66,277	60,672

### 13 CUSTOMERS' DEPOSITS

	YR'000	
	2000	1999
Current accounts	7,379,060	5,538,992
Savings accounts	13,671,237	11,362,623
Short-term deposits	8,616,077	8,059,463
Other deposits	395,618	612,634
Deposit for documentary letters of credit and guarantees	896,433	837,601
Total customers' deposits	30,958,425	26,411,313



## Notes to the financial statements (Continued)

As of 31 December 2000

### 14 CREDIT BALANCES AND OTHER BALANCES

	YR'000	
	2000	1999
Accrued interest payable	149,114	191,184
Unclaimed balances (a)	156,478	127,067
Provision for staff leave pay	22,507	35,876
Provision for off balance sheet items	36,825	35,817
Owner's (Government) account (note 10)	99,845	-
Employees bonus	2,284	6,449
Employees share of profit	26,866	5,013
Sundry credit balances	44,664	42,476
	<b>538,583</b>	<b>443,882</b>

a) Unclaimed balances

This amount represents balances which are over 15 years old and have not been claimed by the beneficiaries. Management is reviewing the likelihood of these amounts being claimed and based on the outcome of their review, it will consider the amount that should be transferred to the Ministry of Finance in accordance with the relevant article in the Banks Law.

### 15 COMMERCIAL AND INDUSTRIAL INCOME TAX

	YR'000	
	2000	1999
Balance at 1 January	(132,817)	13,435
Charged in the Statement of Income		
Charge for the year	235,342	53,976
Total amount due to the Tax Authority	102,525	67,411
Payments by the Bank during the year	(86,900)	(79,191)
Payment by the Owner (note 16)	-	(121,037)
Total payments	(86,900)	(200,228)
Balance due (from) to the Tax Authority	<b>15,625</b>	<b>(132,817)</b>





## Notes to the financial statements (Continued)

As of 31 December 2000

### 15 COMMERCIAL AND INDUSTRIAL INCOME TAX (continued)

#### a) Charge for the year

The charge for the year has been calculated on the basis of the net profit for the year. In accordance with the letter of H. E. The Minister of Finance to the Tax Authority dated 17 April, 2000, the tax assessment of the Bank for each year shall be based on the results as disclosed by the Bank's financial statements audited by an external auditing firm.

### 16 OWNER'S EQUITY

#### Movements in Owner's Funds

	YR'000					
	Capital	Statutory Reserve	General Reserve	Surplus on Revaluation of Property Reserve	Retained Earnings	Total
At 31 December, 1999	1,600,000	102,285	187,387	637,893	-	2,527,565
Adjustment of property				(800)	-	(800)
Net profit for the year	-	-	-	-	437,064	437,064
Transfer to statutory reserve	-	65,560	-	-	(65,560)	-
Transfer to general reserve	-	-	65,560	-	(65,560)	-
Government's share of profits	-	-	-	-	(284,091)	(284,091)
Employees' share of profits	-	-	-	-	(21,853)	(21,853)
At 31 December, 2000	1,600,000	167,845	252,947	637,093	-	2,657,885

#### a) Capital

The authorized share capital amounting YR. 1.6 million (1999 - YR 1.6 million) consists of 1,600 thousand shares of YR 1,000 par value each. The capital increase in 1999 was made by a transfer from the Government Contributed Fund as shown in (note - f) below.

According to the Central Bank of Yemen Circular No. 3 dated 27 January, 2000, the minimum paid up capital of banks operating in Yemen should be increased to YR 1,250 million not later than 31 December, 2000.



## Notes to the financial statements (Continued)

As of 31 December 2000

### 16 OWNER'S EQUITY (continued)

#### b) Net profit distribution

In accordance with the provisions of the Public Corporations and Establishments Law No. 35 of 1991, the net profit after income tax shall be allocated as follows:

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

#### c) Transfer to reserves

The Bank has transferred to statutory and general reserves the amounts determined in accordance with the provisions of the relevant laws. In accordance with the Yemeni Banks Law, the Bank may discontinue such transfers to the statutory and general reserves when the total of both these reserves reaches twice the authorised capital of the Bank

#### d) Government share in the profits

The Bank has not, on the basis of budgeted profits, paid any amount to the Ministry of Finance during the year. The Government's actual share in net profit for the year has been credited to the Government account relating to payments made in previous years (note 10)

#### e) Surplus on Revaluation of Properties

The difference between the revalued amounts of the freehold and leasehold land and buildings and their net book value as at 31 December, 1999 has been credited to this account.

#### f) Government Contributed Funds

The movement in this account comprises:

	YR'000	
	2000	1999
Contribution in kind - plot of land (note 11 - b)	-	752,555
Cash paid by the Ministry of Finance to the Tax Authority (note 15)	-	121,037
Total credited to the Owner's account	-	873,592
Transfer to capital	-	(850,000)
Transfer to general reserve	-	(23,592)
Balance at 31 December	-	-





## Notes to the financial statements (Continued)

As of 31 December 2000

### 17 CONTRA ACCOUNTS AND OTHER COMMITMENTS, net

	YR'000		
	Gross Commitments	Covered by margin	Net commitments
<b>At 31 December, 2000</b>			
<i>Commitments on behalf of customers for which there were corresponding liabilities by the customers concerned:</i>			
Documentary letters of credit	1,452,939	629,721	823,218
Letters of guarantees - customers	1,057,719	266,713	791,006
Letters of guarantees - correspondent banks	670,732	-	670,732
Customer acceptances	70,054	-	70,054
Travellers' cheques	99,187	-	99,187
Other contingent liabilities	23,269	-	23,269
<b>Total contra accounts and other commitments</b>	<b>3,373,900</b>	<b>896,434</b>	<b>2,477,466</b>

	YR'000		
	Gross commitments	Covered by margin	Net commitments
<b>At 31 December, 1999</b>			
<i>Commitments on behalf of customers for which there were corresponding liabilities by the customers concerned:</i>			
Documentary letters of credit	1,460,697	543,519	917,178
Letters of guarantees - customers	878,193	294,082	584,111
Letters of guarantees - correspondent banks	477,389	-	477,389
Customer acceptances	70,717	-	70,717
Other contingent liabilities	3,074	-	3,074
<b>Total contra accounts and other commitments</b>	<b>2,890,070</b>	<b>837,601</b>	<b>2,052,469</b>

Letters of guarantee included shipping guarantees of YR 102,484 thousand (1999 - YR 71 thousand) issued on behalf of its customers are included in the above amounts. The management is of the opinion that the legal period of validity of the guarantees has elapsed and therefore these will not be called upon.



## Notes to the financial statements (Continued)

As of 31 December 2000

### 18 INTEREST ON LOANS AND DUE FROM BANKS

	YR'000	
	2000	1999
<i>Interest on loans and advances to customers</i>		
Interest on loans and advances	132,277	138,299
Interest on other facilities	818	9,362
Total interest on loans and advances to customers	133,095	147,661
<i>Interest on deposits with foreign banks</i>		
Interest on loans	7,239	5,959
Interest on current accounts	48,123	31,676
Interest on deposits	427,272	338,628
Interest on call accounts	24,448	22,539
Investments income (note 9)	939	963
Total interest on deposits with foreign banks	508,021	399,765
<i>Interest on deposits with local banks</i>		
<i>Interest on statutory deposits with the Central Bank of Yemen</i>	306,277	313,116
Total interest on deposits with local banks	814,298	712,881
Total interest on loans and advances and deposits with banks	947,393	860,542

### 19 INTEREST ON TREASURY BILLS

	YR'000	
	2000	1999
Interest on treasury bills	2,060,360	1,976,095
Total interest on treasury bills	2,060,360	1,976,095

### 20 COST OF DEPOSITS

	YR'000	
	2000	1999
Interest on savings accounts	973,425	1,069,269
Interest on time deposits	800,602	789,281
Total interest on customers' deposits	1,774,027	1,858,550
Interest on balances due to banks	11,215	8,978
Total cost of deposits	1,785,242	1,867,528





## Notes to the financial statements (Continued)

As of 31 December 2000

### 21 COMMISSIONS AND FEE INCOME ON BANKING SERVICES

	YR'000	
	2000	1999
Commissions on documentary letters of credits	20,459	19,339
Commissions on letters of guarantee	26,334	31,416
Commissions on transfer of funds	16,927	15,594
Commissions on acceptances	2,001	1,492
Commissions on cheques	61,897	48,194
Banking services fees	16,081	16,729
Other service fees	15,087	10,287
Total commission and fee income on banking services	<u>158,786</u>	<u>143,051</u>

### 22 (LOSS) / GAIN ON FOREIGN CURRENCY TRANSACTIONS

	YR'000	
	2000	1999
Revaluation differences on foreign currency transactions	(15,919)	1,237
Gain on foreign exchange trading transactions	6,170	-
Net (loss) / gain on foreign exchange transactions	<u>(9,749)</u>	<u>1,237</u>

### 23 OTHER OPERATING INCOME

	YR'000	
	2000	1999
Management fees	-	12,301
Provision on off-balance sheet items no longer required	13,575	15,824
Sundry income	3,475	9,902
Total other operating income	<u>17,050</u>	<u>38,027</u>



## Notes to the financial statements (Continued)

As of 31 December 2000

### 24 GENERAL AND ADMINISTRATION EXPENSES

	YR'000	
	2000	1999
Salaries, wages and related costs	409,413	442,443
Depreciation of property and equipment (note 11)	28,790	17,211
Rents	22,262	17,887
Water and electricity	13,837	11,853
Repairs and maintenance	12,371	13,261
Telephone, telexes and postage	32,447	27,364
Employee incentive paid	-	6,000
Computer maintenance expenses	12,833	12,961
Training	6,829	6,135
Taxes and fees	410	4,039
Donations	4,233	1,383
Stationery and printing supplies	10,649	10,790
Other general and administration expenses	28,815	30,226
<b>Total general and administration expenses</b>	<b>582,889</b>	<b>601,553</b>

The Number Of Employees 620 Employee As At 31 December 2000 (1999- 650 Employee)

### 25 PROVISIONS

	YR'000	
	2000	1999
Provision for losses on loans and advances (note 8)	88,122	-
Provision for diminution in value of long term investments (note 9)	2,066	-
Provision for unreconciled outstanding transactions with the Central Bank of Yemen (note 6)	18,115	-
<b>Total provisions</b>	<b>108,303</b>	<b>-</b>

### 26 ZAKAT

	YR'000	
	2000	1999
Zakat expense for the current year - paid	25,000	22,000
	25,000	22,000

### 27 EARNINGS PER SHARE

	YR'000	
	2000	1999
Net profit for the year	437,064	473,895
Weighted average of number of shares	1,600,000	750,000
<b>Earnings per share</b>	<b>YR 273</b>	<b>YR 631</b>





## Notes to the financial statements (Continued)

As of 31 December 2000

### 28 RELATED PARTY TRANSACTIONS

These represent transactions with certain related parties (shareholders, directors and officers of the Bank, their families and companies of which they are principal owners) who were customers of the Bank during the year. The terms of these transactions are approved by the Bank's management.

The year end balances included in the financial statements are as follows:

	YR'000	
	2000	1999
Loans and advances to customers, gross	28,603	29,113
Customer deposit	80,000	59,014
<u>Board members and parties related to them</u>		
Loans and advances	1,213	1,112
Customers' deposit	550	3,017
Interest income for the year	59	52
Interest written off	-	-
Interest expense for the year	223	479
Commitments and contingent liabilities	-	-

### 29 MATURITIES OF ASSETS AND LIABILITIES

a) 31 December, 2000

	YR'000				
	Total	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 year
<b>ASSETS</b>					
Cash in hand and reserve balances with the Central Bank of Yemen	3,723,336	3,723,336	-	-	-
Due from banks	12,490,492	10,380,804	454,388	1,655,300	-
Treasury bills, net	15,190,739	15,017,668	161,961	11,110	-
Loans and advances to customers, net of provision	1,091,434	96,361	98,955	807,064	89,054
Investments, net of provision	8,264	-	-	-	8,264
<b>TOTAL ASSETS</b>	<b>32,504,265</b>	<b>29,218,169</b>	<b>715,304</b>	<b>2,473,474</b>	<b>97,318</b>
<b>LIABILITIES</b>					
Due to Banks	66,277	66,277	-	-	-
Customers' deposits	30,958,425	27,879,283	607,065	2,472,077	-
<b>TOTAL LIABILITIES</b>	<b>31,024,702</b>	<b>27,945,560</b>	<b>607,065</b>	<b>2,472,077</b>	<b>-</b>



## Notes to the financial statements (Continued)

As of 31 December 2000

### 29 MATURITIES OF ASSETS AND LIABILITIES (continued)

b) 31 December, 1999

		YR'000				
ASSETS	Total	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 year	
Cash in hand and reserve balances with the Central Bank of Yemen	5,123,922	5,123,922	-	-	-	
Due from banks	9,470,000	9,470,000	-	-	-	
Treasury bills	11,824,439	10,516,492	891,789	416,158	-	
Loans and advances to customers, net of provision	870,127	-	-	870,127	-	
Investments, net of provision	10,355	-	-	-	10,355	
<b>TOTAL ASSETS</b>	<b>27,298,843</b>	<b>25,110,414</b>	<b>891,789</b>	<b>1,286,285</b>	<b>10,355</b>	
LIABILITIES						
Due to Banks	60,672	60,672	-	-	-	
Customers' deposits	26,411,313	22,524,707	730,075	3,000,162	156,369	
<b>TOTAL LIABILITIES</b>	<b>26,471,985</b>	<b>22,585,379</b>	<b>730,075</b>	<b>3,000,162</b>	<b>156,369</b>	

The above reflects the contractual maturities of assets and liabilities which have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. In one case of assets and liabilities that do not have contractual maturity date, the period in which these are amounted to mature is taken as the expected date of maturity.

### 30 AVERAGE INTEREST RATES ON ASSETS AND LIABILITIES

a) The average interest rates on assets and liabilities applied during the year 2000 were as follows:

	Yemeni Riyal %	US Dollar %	Deutsche Mark %	Sterling Pound %	Other %
<b>Assets</b>					
Reserve balances with the Central Bank of Yemen	15,33	-	-	-	-
Due from banks:					
Current accounts	-	5,76	4,10	3,74	4,06
Time deposits	-	6,41	4,24	5,95	-
Due to banks:					
Treasury bills	18,21	-	N/A	N/A	N/A
Loans to customers	17,00	8,20	-	-	-
<b>Liabilities</b>					
Time deposits - customers	14,0	3,95	-	3,85	-





## Notes to the financial statements (Continued)

As of 31 December 2000

### 30 AVERAGE INTEREST RATES ON ASSETS AND LIABILITIES (continued)

b) The average interest rates on assets and liabilities applied during the year 1999 were as follows:

	Yemeni Riyal %	US Dollar %	Deutsche Mark %	Sterling Pound %	Other %
<b>Assets</b>					
Reserve balances with the Central Bank of Yemen	18,0	-	-	-	-
Due from banks:					
Current accounts	-	4,56	2,43	3,55	2,43
Time deposits	-	6,16	-	5,42	-
Due to banks:					
Treasury bills	21,86	-	-	-	-
Loans to customers:	19,5	8,0	N/A	N/A	-
<b>Liabilities</b>					
Time deposits - customers	17,83	2,93	-	3,4	-

### 31 DISTRIBUTION OF ASSETS, LIABILITIES, CONTINGENT LIABILITIES AND COMMITMENTS

a) The distribution of the assets and liabilities and contingent liabilities and commitments as at 31 December, 2000 were as follows:

	YR'000					
	Manufacturing	Agriculture	Trade	Service	Finance	Personal
<b>ASSETS</b>						
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	3,723,336	-
Due from banks	-	-	-	-	12,490,492	-
Treasury bills	-	-	-	-	15,190,739	-
Loans to customers, net of provision	171,700	10,754	680,175	-	-	228,805
Long term investments	-	-	-	-	8,264	-
<b>Total Assets</b>	<b>171.700</b>	<b>10.754</b>	<b>680.175</b>	<b>-</b>	<b>31.412.831</b>	<b>228.805</b>
<b>LIABILITIES</b>						
Due to Banks	-	-	-	-	66,277	27,438,784
Customers' deposits	418,606	148,310	1,998,193	954,296	236	27,438,784
<b>Total Liabilities</b>	<b>418.606</b>	<b>148.310</b>	<b>1.998.193</b>	<b>954.296</b>	<b>66.513</b>	<b>-</b>
Contra accounts and other commitments	97,848	1,800	1,379,174	472,449	293,889	232,306



## Notes to the financial statements (Continued)

As of 31 December 2000

### 31 DISTRIBUTION OF ASSETS, LIABILITIES, CONTINGENT LIABILITIES AND COMMITMENTS (continued)

b) The distribution of the assets and liabilities and contingent liabilities and commitments as at 31 December, 1999 were as follows:

	YR'000					
	Manufacturing	Agriculture	Trade	Service	Finance	Personal
<b>ASSETS</b>						
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	5,123,922	-
Due from banks	-	-	-	-	9,470,000	-
Treasury bills	-	-	-	-	11,824,439	-
Loans to customers, net of provision	173,967	15,425	282,409	263,937	-	134,389
Long term investments	-	-	-	-	10,355	-
Total Assets	173,967	15,425	282,409	263,937	26,428,716	134,389
<b>LIABILITIES</b>						
Due to Banks	-	-	-	-	60,672	-
Customers' deposits	100,147	69,386	69,386	2,729,260	158,328	23,284,806
Total Liabilities	100,147	69,386	69,386	2,729,260	219,000	23,284,806
Contra accounts and other commitments	314,653	-	1,473,608	184,644	477,389	439,776

### 32 TRUST ACTIVITIES

The Bank does not hold and manage assets for or on behalf of other parties.

### 33 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. Although the ultimate outcome of these cases cannot presently be determined, management has fully provided for these assets in the financial statements.

### 34 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. The Bank had the following significant net exposures denominated in foreign currencies:

	YR'000			
	%	2000	%	1999
United States dollar	11	289,677	30	754,630
Pound sterling	5	134,921	12	321,801
German mark	1	37,043	(1)	(20,705)
French franc	-	(6,684)	-	(0,024)
Swiss Francs	2	40,832	1	21,620
Other	1	34,011	2	37,574
Aggregate foreign currency positions	20	529,800	44	1,114,896





## Notes to the financial statements (Continued)

As of 31 December 2000

### 35 CAPITALISATION OF THE BANK

As part of the Government financial and administration Program and the preparation of the Bank for capitalisation, the Council of Ministers issued in its meeting held on 25 July, 2000, Resolution No. (175) of 2000 which stipulated the capitalization of the Bank to be on the basis of 60% for a strategic investor, 20% for public subscription and 20% for the Government. The Minister of Finance has subsequently issued a Ministerial Decision in which he appointed a committee, under the chairmanship of the Deputy Minister of Finance, which entrusts with it the responsibility for taking the necessary steps to put the Council of Ministers' resolution into effect.

### 36 CAPITAL COMMITMENTS

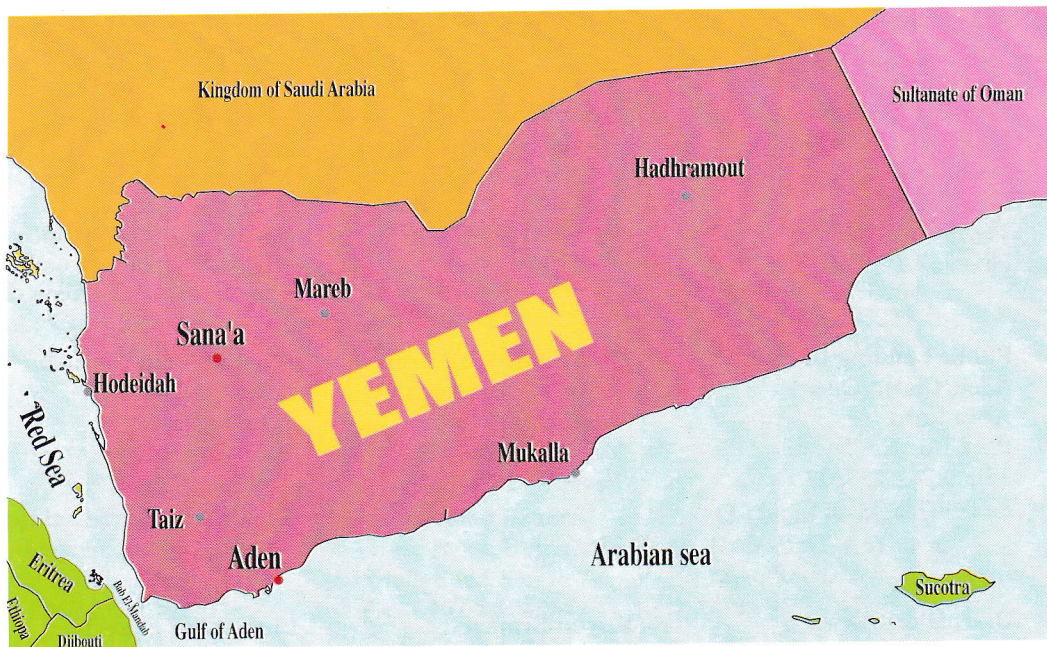
There were capital commitments as at 31 December, 2000 of YR 19,423,391 (1999 - nil) which represent the cost of and implementation of a "Swift" system for the Bank.

### 37 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year prepared in accordance with the Central Bank of Yemen Circular no. 8 of 1999.



## National Bank of Yemen in Yemen





## National Bank of Yemen in Yemen

### Head office

P. O. Box No. 5  
Crater Aden  
Republic of Yemen  
Tel.: 967 2 253753  
Fax: 967 2 252325  
Telex: 6224/6274/6308 NTIONL YE  
E-mail: [nby.ho@y.net.ye](mailto:nby.ho@y.net.ye)  
web site: [www.natbankofyemen.com](http://www.natbankofyemen.com)

### Sana'a Branch

Sana'a Zubairy Street.  
P.O. Box No. 1983 9  
Tel.: 967 1 284122  
Fax: 967 1 284128

### Queen Arwa Branch

Aden, Crater, Queen  
Arwa Road.  
P. O. Box No. 110  
Tel.: 967 2 252226  
Fax: 967 2 255724

### Aidroos Branch

Aden, Crater, Queen  
Arwa Road.  
P. O. Box No. 5  
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Fax: 967 2 251579

### Mukalla Branch

Hadramout, Al-Mukalla,  
Main Road.  
P. O. Box: 8044  
Tel.: 967 5 302935  
Fax: 967 5 302913

### Hodeidah Branch

Hodeidah, Sana'a Street.  
P. O. Box No.4851  
Tel.: 967 3 210162  
Fax.: 967 3 232824

### Maalla Branch

Aden Al-Maalla,  
Madram Street  
P.O.Box no 5117  
Tel.: 967 2 243409  
Fax: 967 2 243291

### Public Lending Branch

Aden, Crater, Queen  
Arwa Road  
P. O. Box No. 5  
Tel.: 967 2 253327  
Fax: 967 2 252875

### A. Aziz A. Wali Branch

Aden, Al-Mansora'a, A.  
Aziz A. Wali Area.  
Tel.: 967 2 342929  
Fax: 967 2 343263

### Steamer Point Branch

Aden, Al-Tawahi,  
Crescent Road.  
P. O. Box No 1181  
Tel.:967 2 203989  
Fax:967 2 202255

### Khormaksar Branch

Aden, Khormaksar,  
Air Port Road.  
Tel.: 967 2 231076  
Fax: 967 2 231950

### Seiyun Branch

Hadramout, Seiyun,  
Main Road.  
Tel.: 967 5 402434  
Fax: 967 5 405517

### Little Aden Branch

Aden, Little Aden, Al-Doh  
Road.  
P. O. Box No. 3018  
Tel.: 967 2 377611  
Fax: 967 2 377155

### Al-Habeelain Branch

Lahej, Al-Habeelain,  
Main Road.  
Tel.: 967 2 572215  
Fax: 967 2 572225

### Al-Dala Branch

Al-Dala, Main Road.  
Tel.: 967 2 532431  
Fax: 967 2 532431

### Lahej Branch

Lahej, Al-Hotah, Gumata  
Street.  
Tel.: 967 2 502807  
Fax: 967 2 502340

## National Bank of Yemen in Yemen

### **Rusod Branch**

Abyan, Rusod, Main Road.  
Tel.: 967 6 605018  
Fax: 967 6 605018

### **Zingibar Branch**

Abyan, Zingubar,  
Main Road.  
Tel.: 967 2 605070  
Fax: 967 2 604281

### **Laboos Branch**

Lahej, Labaus, Main Road.  
Tel.: 967 6 602111  
Fax: 967 6 602112

### **Modiyah Branch**

Abyan, Modiyah, Main Road.  
967 6 592225  
967 6 592555

### **Zarah Branch**

Abyan, Zarah, Main Road.  
Tel.: 967 6 572195  
Fax: 967 6 572791

### **Al-Baidha Branch**

Al-Baidha, Al-Hay Al-Thakafi,  
Al-Omah Street.  
Tel.: 967 6 533599  
Fax: 967 6 533599

### **Al-Sheher Branch**

Hadramout, Al- Sheher,  
Al-Khor Area, Main Road.  
Tel.: 967 5 330999  
Fax: 967 5 332285

### **Hai October Branch**

Hadramout, Al-Mukalla,  
Al-Dees.  
967 5 353226  
967 5 305454

### **Ataq Branch**

Shabwah, Ataq,  
Financial Building.  
Tel.: 967 5 203233  
Fax: 967 5 202530

### **Suqotra Branch**

Hadramout, Suqotra Island,  
Main Road.  
Tel.: 967 5 660192  
Fax: 967 5 660358

### **Huraidhah Branch**

Hadramout, Huraidhah,  
Main Road.  
Tel.: 967 5 508434  
Fax: 967 5 508434

### **Al-Qatan Branch**

Hadramout, Al-Qatan,  
Main Road.  
Tel.: 967 5 457583  
Fax: 967 5 457583

### **Al-Ghaedhah Branch**

Al-Mahrh, Al-Ghaedhah,  
Government Complex.  
Tel.: 967 5 611467  
Fax: 967 5 612054





