



البنك الأهلي اليمني

National Bank Of Yemen

Trust & Experience

الخبرة والثقة

Annual Report 2019



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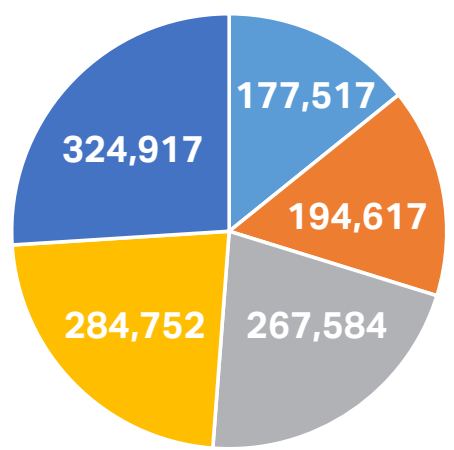
total assets(YR millions)

 Financial Statement Summary

Statement	Years				
	μ2019	μ2018	μ2017	μ2016	μ2015
Financial Position:					
Total Assets	324,917	284,752	267,584	194,617	177,517
Loans and Advances	6,715	6,491	7,243	7,327	7,600
Customers & Bank Deposits	283,317	252,541	242,718	171,550	159,722
Local Investments	196,644	187,536	166,581	134,453	116,304
Capital	14,000	10,000	10,000	10,000	10,000
Equity	27,965	20,935	18,434	17,121	14,226
Balances with Banks	71,378	60,264	66,477	26,631	24,461
Contra Items	22,323	16,411	12,742	9,659	13,740
Income Statement:					
Net Interest Income	17,542	14,739	11,478	8,836	4,232
Operation Income	2,561	1,338	-71	1,027	1,369
Profit Before Tax	7,575	5,411	3,265	3,358	-1,039
Net Profit	6,060	4,329	2,612	2,894	-1,039
Financial Ratios:					
Return on Assets	1.9%	1.5%	1.0%	1.5%	-0.6%
Return on Average Equity	28%	23%	15%	20%	-6.8%
Capital Adequacy Rate	50%	78%	78%	67%	59%
Liquidity Rate	56%	92%	90%	91%	90%
U.S.Dollar Price	(RY) 380	(RY) 380	(RY) 393	(RY) 250.25	(RY) 214.89
Share Profit	(RY) 433	(RY) 433	(RY) 261	(RY) 289	-104
Number of Branches	27	27	27	27	27
Number of Employees	973	973	966	969	969

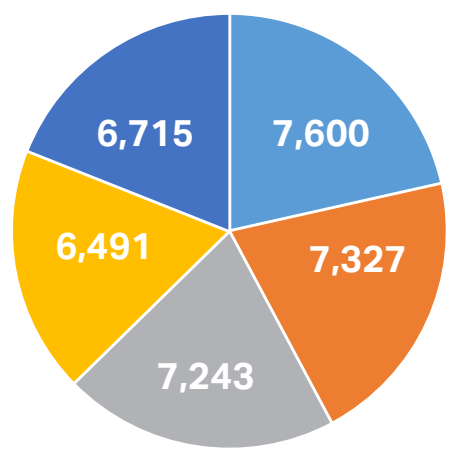
The most important financial indicators (2015 - 2019)

**Total Assets
(YR millions)**



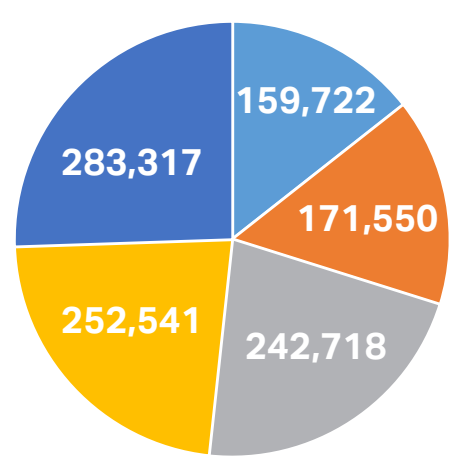
■ 2017 ■ 2016 ■ 2015
■ 2019 ■ 2018

**Loans and Advances
(YR millions)**



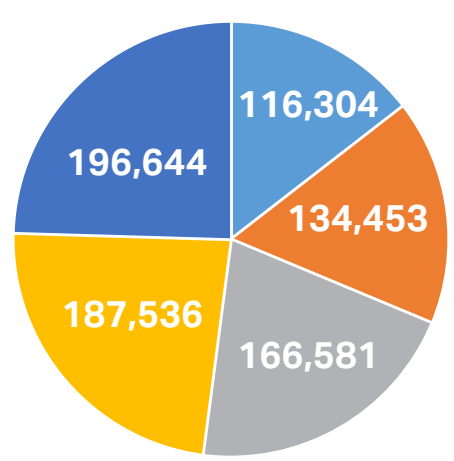
■ 2017 ■ 2016 ■ 2015
■ 2019 ■ 2018

**Customers & Bank
Deposits (YR millions)**



■ 2017 ■ 2016 ■ 2015
■ 2019 ■ 2018

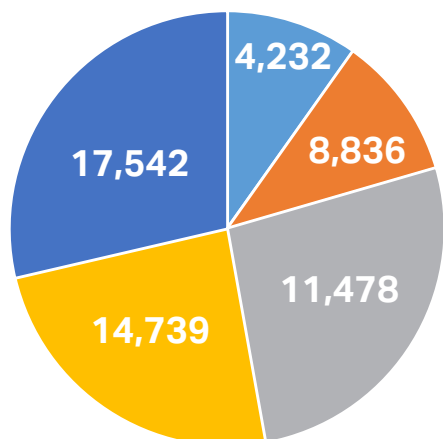
**Local Investments
(YR millions)**



■ 2017 ■ 2016 ■ 2015
■ 2019 ■ 2018

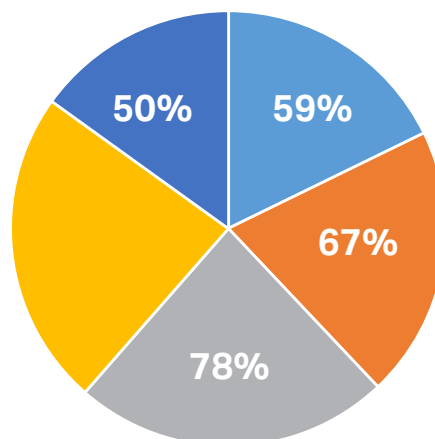
The most important financial indicators (2015 - 2019)

Net Interest Income (YR millions)



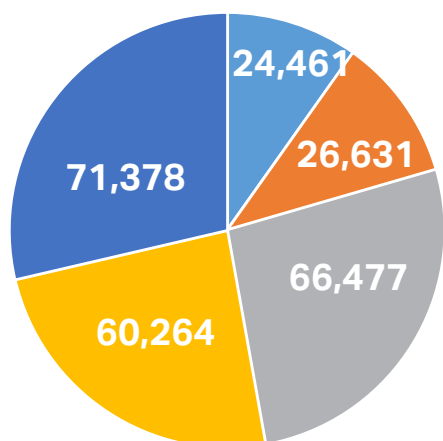
■ ρ2017 ■ ρ2016 ■ ρ2015
■ ρ2019 ■ ρ2018

Capital Adequacy Rate



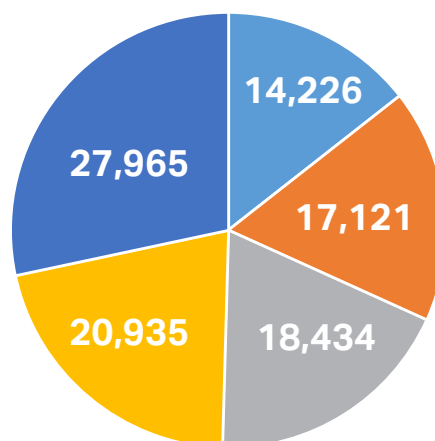
■ ρ2017 ■ ρ2016 ■ ρ2015
■ ρ2019 ■ ρ2018

Balances with Banks (YR millions)



■ ρ2017 ■ ρ2016 ■ ρ2015
■ ρ2019 ■ ρ2018

Equity (YR millions)



■ ρ2017 ■ ρ2016 ■ ρ2015
■ ρ2019 ■ ρ2018

Our Vision

Our Vision: We in the national bank of Yemen , have determined to fulfill all our customers' needs and to be pioneer in providing innovated banking services and products depending on best and modernized banking services techniques in order to be the first choice to customers and become the distinct bank in Yemen.

Our Mission

Our Mission: The bank is obliged to achieve quality in services and products according to international quality standards, to meet customers needs and achieve objectives and expectations of all those concerned with the interests of the bank, in the framework of comprehensive benefits of society and Yemen economy.

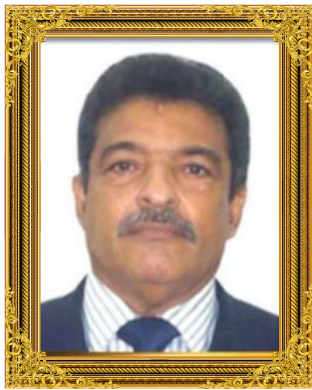
Our strategic objectives

- ➔ Attract deposits and funds from resident and un resident corporations and individuals and working to achieve continued growth rates to ensure the necessary financial resources for the bank's operations in financing and investment.
- ➔ Investing financial resources available in the bank in a way that realizes reasonable returns compared to risks resulting from operations in financing and investment.
- ➔ Realizing remunerative returns to shareholders exceeding opportunity cost of funds invested in the bank.
- ➔ Offering necessary financial, banking and investment services to meet corporate and individual customer needs with the highest quality possible in a wide geographic area.
- ➔ Attract and develop the necessary human resources to execute main and assisting bank operations in order to find the suitable organizational environment and climate to stimulate and increase productivity and qualification of employees in offering the banking, financial and investment services.

Head of Board



Chairman of Board of Directors



Deputy Chairman of the Board



General Director



Member of the Board of Directors
A representative of the Ministry of Planning
and International Cooperation
Director General of the Office of Planning
and International Cooperation / Aden



Member of the Board of Directors
A representative of the Ministry of Industry
and Trade
Director General of Industry and Trade Office
/ Aden



Member of the Board of Directors
A representative of the Ministry of Finance
Director General of the Finance Office/ Aden

Executive Management



Deputy Director General
of Supporting Departments



Deputy Director General of
Banking Departments



Director of the Human
Resources Department



Director of the Central
Accounts Department



Director of Statistics and
Information Department



Director of the Internal
Audit Department



Director of the Bank
Credit Department



Director of the Department
of Administrative Affairs



Branches
department manager



Director of the
legal department



Automation
project manager



IT department
manager



Director of the
risk department



Director of Public
Relations Department



Director of the Troubled
Debt Department

Dahman & Co.

Auditors . Accountants . Advisors

Correspondent to RSM Network

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INDEPENDENT AUDITORS' REPORT TO H.E. MINISTER OF FINANCE ON NATIONAL BANK OF YEMEN

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

In our opinion, except for the effects of the two matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the National Bank of Yemen ("the Bank") as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, related Yemeni laws and regulations and Central Bank of Yemen instructions.

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 December 2019 and related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

Basis for Qualified Opinion

- 1- As stated in Note 41-e to the financial statements, the Bank's management has provided sufficient and appropriate audit evidence on the amounts and balances of the Bank's two commercial branches in Sana'a and Al Hodeidah as at 31 July 2019 in a subsequent period to 27 December 2020, the date of approval of Bank's previous financial statements on which we have expressed a qualified audit opinion. These circumstances led to the modification of the qualification as under:
 - As stated in Note 1 to the financial statements, the Bank's branches in Sana'a and Al Hodeidah stopped reporting to the Bank's Head Office- Aden during the year, despite the Bank's Head Office- Aden continuing recording transactions reaching from such branches which continued to operate during the year after it got out of the Bank's control and supervision in June 2019. Therefore, the Bank has taken several measures to avoid any new contracts or obligations that may arise outside the knowledge and authority of the Bank's Head Office- Aden, including the publication of a warning announcement in December 2019. As stated in Note 2 to the financial statements, the management believes that this situation of Bank's branches in Sana'a and Al Hodeidah can be resolved in the future so it did not take into account the requirements of IFRS No. 5 "Non-Current Assets Held for Sale and Discontinued Operations" and presented, separately, amounts and balances of the Bank's two commercial branches in Sana'a and Al Hodeidah as at 31 July 2019, including assets amounting to Y'000 7,524,076, liabilities of Y'000 12,387,323 and net indirect credit facilities amounting to Y'000 9,645,576 in the notes to the financial statements for the year ended 31 December 2019, while reversed transactions of these two branches, which were recorded in Bank's Head Office -Aden records during the period 1 August - 31 December 2019 in debit suspended accounts amounting to Y'000 1,113,485 stated in Note 22 to the financial statements and credit suspended accounts of Y'000 438,720 stated in Note 28 to the financial statements. We were unable to obtain audit evidence supporting these suspended accounts.
 - We were also unable to obtain any audit evidence on the Bank's Islamic Branch in Sana'a and accordingly we were unable to verify its balances represented by a debit balance of Y'000 1,611,781 stated in Note 22 to the financial statements and a credit balance of Y'000 1,078,086 stated in Note 28 to the financial statements.
- 2- As stated in Note 17 to the financial statements, the Bank could not obtain a confirmation note or bank statement from the Central Bank of Yemen on its mandatory reserve balance as at 31 December 2019, which does not enable verifying adequacy of the reserve as at that date.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Dahman & Co.

Auditors . Accountants . Advisors

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INDEPENDENT AUDITORS' REPORT (CONTINUED) TO H.E. MINISTER OF FINANCE ON NATIONAL BANK OF YEMEN

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Emphasis Of Matter

Without qualifying our opinion, and as stated in Note 1 to the financial statements, the Bank is working in an unfavorable environment that may expose it to incurring losses or losing profit and affect its activities in manner that does not enable it to provide some of its services to its customers or meet some of its commitments which raises doubt on Bank's capability to continue business on a going concern basis in the case of continuation of unstable security and political situations and their different reflections. This requires the Government as the owner of the Bank to take serious measures to address any difficulties the Bank may face in relation to such matters.

Management And The Board Of Directors Responsibilities For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, Prime Minister Decree no. 405 for 2013 on Re-organisation of the National Bank of Yemen and Bank's Articles of Association issued on 5 August 2013, related local laws and regulations and Central Bank of Yemen instructions and, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Dahman & Co.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO H.E. MINISTER OF FINANCE
ON NATIONAL BANK OF YEMEN

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities For The Audit Of The Financial Statements (Continued)

We communicate with Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with the ethical requirements of independence and communicate with them on all relationships and other matters that may reasonably be believed to affect our independence and where relevant protection is possible.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition, as required by the Prime Minister's Decree No. 405 of 2013 on the Re-organisation of the National Bank of Yemen and the Bank's Articles of Association issued on 5 August 2013, Law No. 38 of 1998 on Banks and the Central Bank of Yemen instructions, we report the following:

- We have obtained all the information we considered necessary for the purposes of our audit, except for those mentioned in the *Basis for Qualified Opinion* section of our report.
- The Bank's financial statements have been prepared and comply, in all material respects, with the Prime Minister's Decree No. 405 of 2013 on the Re-organisation of the National Bank of Yemen and the Bank's Articles of Association issued on 5 August 2013 and Law No. 38 of 1998 on Banks and the Central Bank of Yemen instructions.
- The Bank maintains appropriate accounting records and the accompanying financial statements are in agreement therewith.
- The financial information in the Board of Directors Annual Report are in agreement with the accompanying financial statements.
- Note 34 to the financial statements of the Bank discloses the significant related parties transactions and terms on which they are made and the basis for managing conflicts of interest were clarified.

We also confirm that based on the information provided to us, nothing came to our attention that causes us to believe that the Bank during the financial year ended 31 December 2019 has contravened any of the Articles of the Prime Minister's Decree No. 405 of 2013 regarding the Re-organisation of the National Bank of Yemen and Bank's Articles of Association issued on 5 August 2013, Law No. 38 of 1998 on Banks, other related laws and the Central Bank of Yemen instructions that may have a material impact on Bank's business or its financial position.

Dr. Bassam Dahman
BOD member of IASCA
Registered Licensed Auditor No. 819
For **Dahman & Co.**
Correspondent to RSM Network

دحمان ومشاركونه
Dahman & Co.
ترخيص 973 License

Aden, Republic of Yemen
6 February 2021

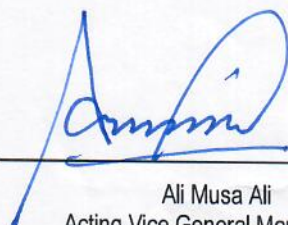
NATIONAL BANK OF YEMEN

STATEMENT OF COMPREHENSIVE INCOME For The Year Ended 31 December 2019

REVENUES	Note	2019 YR' 000	2018 YR' 000
Activity Revenues:			
Interest on direct credit facilities to customers, net	5	(14,762,926)	(13,608,497)
Interest on due from banks, net	6	100,036	97,146
Commissions and fee income on banking services, net	7	961,596	486,608
Interest on certificates of deposit at Central Bank of Yemen		203,140	21,312
Returns from treasury bills		32,002,050	28,228,660
Dividends from investments	8	26,231	23,232
Gain on selling and buying foreign currencies		1,435,700	1,318,835
Total Activity Revenues		19,965,827	16,567,296
Other revenues	9	505,093	972,723
TOTAL REVENUES		20,470,920	17,540,019
EXPENSES			
Salaries, wages and related expenses	10	(7,167,237)	(5,718,083)
General and administration expenses	11	(1,191,063)	(891,667)
Other expenses	12	(3,513,917)	(3,782,938)
TOTAL EXPENSES		(11,872,217)	(10,392,688)
Re-translation differences on balances in foreign currencies	13	(773,453)	(1,486,067)
PROFIT FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		7,825,250	5,661,264
Zakat	14	(250,000)	(250,000)
PROFIT FOR THE YEAR AFTER ZAKAT AND BEFORE INCOME TAX		7,575,250	5,411,264
Income tax	15	(1,515,050)	(1,082,253)
PROFIT FOR THE YEAR AFTER ZAKAT AND INCOME TAX		6,060,200	4,329,011
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		-	-
TOTAL OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16	6,060,200	4,329,011

Independent Auditors' Report attached (pages 1-3).

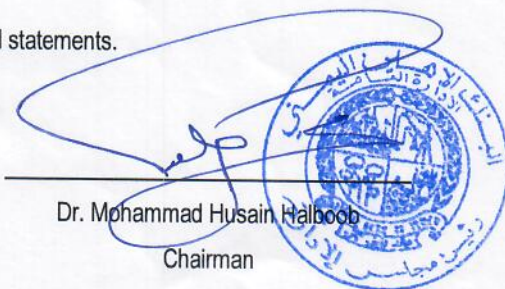
The attached notes 1 to 42 form an integral part of these financial statements.



Ali Musa Ali
Acting Vice General Manager for
Banking Departments



Dr. Ahmed Ali Bin Sankar
General Manager

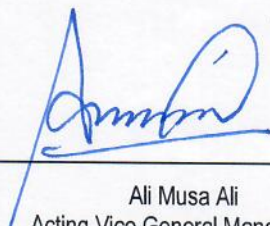


Dr. Mohammad Husain Halboob
Chairman

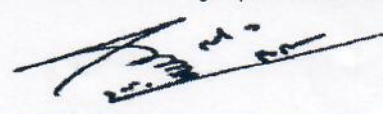
AS at 31 December 2019

		31 December 2019	31 December 2018
ASSETS			
	<i>Note</i>	<i>YR' 000</i>	<i>YR' 000</i>
Cash on hand and mandatory reserve balances at Central Bank of Yemen	17	22,995,638	22,753,908
Certificates of deposit at Central Bank of Yemen	18	1,000,000	1,000,000
Due from banks, net	19	71,377,850	60,264,109
Direct credit facilities to customers, net	20	6,714,513	6,490,638
Treasury bills, net	21	196,643,816	187,536,410
Receivables and other assets, net	22	19,832,160	1,446,187
Investments, net	23	341,792	341,792
Property, plant and equipment	24	3,875,426	2,955,313
Capital work in progress	25	2,135,745	1,963,722
TOTAL ASSETS		<u>324,916,940</u>	<u>284,752,079</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	26	2,941	2,941
Customers' deposits	27	283,316,548	252,540,703
Payables and other liabilities	28	9,367,726	8,127,469
Other provisions	29	4,265,151	3,146,285
Total Liabilities		<u>296,952,366</u>	<u>263,817,398</u>
EQUITY			
Capital paid	30	14,000,000	10,000,000
Reserves	31	9,722,434	7,904,374
Dividends proposed	16-b	4,242,140	3,030,307
Total Equity		<u>27,964,574</u>	<u>20,934,681</u>
TOTAL LIABILITIES AND EQUITY		<u>324,916,940</u>	<u>284,752,079</u>
CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET	32	<u>22,323,111</u>	<u>16,410,883</u>

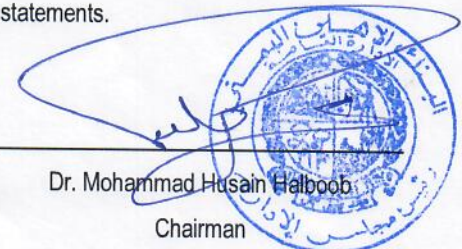
The attached notes 1 to 42 form an integral part of these financial statements.



 Ali Musa Ali
 Acting Vice General Manager for
 Banking Departments



 Dr. Ahmed Ali Bin Sankar
 General Manager



 Dr. Mohammad Husain Halboob
 Chairman

NATIONAL BANK OF YEMEN

STATEMENT OF CHANGES IN EQUITY

As At 31 December 2019

	<i>Capital paid</i> <i>(Note 30)</i> <i>YR'000</i>	<i>Reserves</i> <i>(Note 31)</i> <i>YR'000</i>	<i>Dividends</i> <i>proposed</i> <i>(Note 16-b)</i> <i>YR'000</i>	<i>Total</i> <i>YR'000</i>
Balance at 1 January 2019	10,000,000	7,904,374	3,030,307	20,934,681
Comprehensive income				
Profit for the year before Zakat and income tax	-	-	7,825,250	7,825,250
Zakat	-	-	(250,000)	(250,000)
Income tax	-	-	(1,515,050)	(1,515,050)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	6,060,200	6,060,200
Transactions with owner				
Transfer from Governments share in profit for the year retained to capital (Note 28-c):	4,000,000	-	-	4,000,000
Prior year dividends (Note 16-b)	-	-	(3,030,307)	(3,030,307)
Transfer from profit for the year to:				
Statutory reserve (Note 31-a)	-	909,030	(909,030)	-
General reserve (Note 31-b)	-	909,030	(909,030)	-
Total transaction with owner	4,000,000	1,818,060	(4,848,367)	969,693
Balance at 31 December 2019	<u>14,000,000</u>	<u>9,722,434</u>	<u>4,242,140</u>	<u>27,964,574</u>
Balance at 1 January 2018	10,000,000	6,605,670	1,828,556	18,434,226
Comprehensive income				
Profit for the year before Zakat and income tax	-	-	5,661,264	5,661,264
Zakat	-	-	(250,000)	(250,000)
Income tax	-	-	(1,082,253)	(1,082,253)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	4,329,011	4,329,011
Transactions with owner				
Prior year dividends (Note 16-b)	-	-	(1,828,556)	(1,828,556)
Transfer from profit for the year to:				
Statutory reserve (Note 31-a)	-	649,352	(649,352)	-
General reserve (Note 31-b)	-	649,352	(649,352)	-
Total transaction with owner	-	1,298,704	(3,127,260)	(1,828,556)
Balance at 31 December 2018	<u>10,000,000</u>	<u>7,904,374</u>	<u>3,030,307</u>	<u>20,934,681</u>

The attached notes 1 to 42 form an integral part of these financial statements.

NATIONAL BANK OF YEMEN

STATEMENT OF CASH FLOWS For the Year Ended 31 December 2019

	2019 YR 000	2018 YR 000
OPERATING ACTIVITIES		
Profit for the year after Zakat and income tax	6,060,200	4,329,011
<i>Adjustments for the following:</i>		
Depreciation of property, plant and equipment	151,422	112,559
Re-translation differences on balances in foreign currencies	(1,935)	(133,592)
Provisions made	3,005,404	3,275,644
Provisions written back	(490,980)	(958,310)
Provisions written off	(19,089)	-
Operating Profit Before Changes In Banking Assets And Liabilities Related To Operating Activities	<u>8,705,022</u>	<u>6,625,312</u>
CHANGES IN BANKING ASSETS		
Mandatory reserve balances at Central Bank of Yemen	(1,354,341)	1,596,183
Due from banks maturing in over than three months	-	7,260,251
Direct credit facilities to customers before provision but after suspended interest	(1,598,408)	1,469,567
Receivables and other assets	(18,385,973)	78,411
Net (increase) / decrease in banking assets	<u>(21,338,722)</u>	<u>10,404,412</u>
CHANGES IN BANKING LIABILITIES		
Due to banks	-	2,941
Customers' deposits	30,775,845	9,822,632
Payables and other liabilities	1,240,257	2,314,269
Net increase in banking liabilities	<u>32,016,102</u>	<u>12,139,842</u>
Net Cash Flows From Operating Activities (1)	<u>19,382,402</u>	<u>29,169,566</u>
INVESTING ACTIVITIES		
Treasury bills maturing in over than three months	(54,134,439)	(43,414,874)
Investments	-	(15,906)
Additions to property, plant and equipment	(1,071,536)	(569,465)
Capital work in progress	(172,023)	(891,512)
Net Cash Flows (Used In) Investing Activities (2)	<u>(55,377,998)</u>	<u>(44,891,757)</u>
FINANCING ACTIVITIES		
Dividends proposed	(3,030,307)	(1,828,556)
Capital increase	4,000,000	-
Net Cash Flows From / (Used In) Financing Activities (3)	<u>969,693</u>	<u>(1,828,556)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)	<u>(35,025,903)</u>	<u>(17,550,747)</u>
Cash and cash equivalents at 1 January	<u>111,660,214</u>	<u>129,210,961</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Note 33)	<u>76,634,311</u>	<u>111,660,214</u>

The attached notes 1 to 42 form an integral part of these financial statements.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended 31 December 2019
1 GENERAL INFORMATION**Incorporation**

The National Bank of Yemen (the Bank) was incorporated in Aden in 1969 in accordance with Law No. 37 of 1969 that is amended by Law No. 36 of 1972 which both got cancelled in accordance with provisions of Law No. 22 of 1997 on Commercial Companies, Law No. 8 of 1998 on Banks and Law No. 21 of 1996 on Islamic Banks amended by Law No. 16 of 2009.

The Bank status was amended in accordance with Prime Minister Decree No. 405 of 2013 on Re-organisation of the National Bank of Yemen issued on 5 August 2013, upon which the Article of Association of National Bank of Yemen was issued as till that date it was operating in accordance with Law No. 35 of 1991 on Public Authorities, Corporations and Companies.

The Bank is wholly owned by the Yemeni State and is registered under commercial registration number 1748 and in Chamber of Commerce under no. 2404. The Bank enjoys a corporate personality of financial and administrative independency and is subject to supervision of the Minister of Finance in accordance with article no. 3 of Prime Minister Decree No. 405 of 2013 on Re-organisation of the National Bank of Yemen issued on 5 August 2013. Its Head Office and legal place is in Aden City and is permitted to establish branches, agencies and offices inside or outside the Republic upon a permission from Central Bank of Yemen after the approval of National Bank of Yemen Board of Directors in accordance with article no. 4 of the same Decree.

Activity

The Bank is one of the biggest Yemeni commercial banks and is a primary contributor in the economic and social development in Yemen. It provides banking services to individuals and companies and treasury and investment management. The Bank's Head Office is located at Queen Arwa Street and its postal address is P. O. Box 5, Crater, Aden, Republic of Yemen.

The Year Ended 31 December 2019

During the year, the Bank continued business through its Head Office in Aden City and its branches in a number of governorates of the Republic of Yemen under the management of a Board of Directors of 8 members headed by Dr. Muhammad Hussein Halboub - Chairman appointed under Republican Decree No. 12 of 2017 dated 28 January 2017 and an executive management team headed by Dr. Ahmed Ali Omar bin Sankar, General Director appointed under Prime Minister Resolution No. 7 of 2017 dated 29 January 2017.

During the period 21 August 2019 - 4 December 2019 the Board of Directors held 6 periodic meetings, including its meeting held in its capacity as the General Assembly on 18 September 2019 in which they approved the Bank's audited financial statements for the year ended 31 December 2018 as per Board of Directors Resolution No. 39 of 2019, which was raised to H. E. the Minister of Finance on 22 September 2019.

During the year the Bank went through the following major events:

- On 10 August 2019, the building of Queen Arwa Branch, Crater was hit by a fire as a result of the events Aden City went through during that period resulting in material damages only.
- During the period 30 November - 7 December 2019, the buildings of Queen Arwa Branch, Lahj Branch, Mukalla Branch were inaugurated after completing their rehabilitation projects as well as AlShehr Branch after completion of its building construction.
- On 24 and 26 December 2019 the Bank and the Central Bank of Yemen / Aden published a warning announcement on not dealing with the Bank's two commercial branches in Sana'a and Al Hodeidah and the Islamic Branch in Sana'a as branches of the National Bank of Yemen. The publication of the warning announcement pursuant to Board Resolutions no. 47 and no. 48 of 16 October 2019 is one of the precautionary measures taken by the Bank to avoid any contracts or obligations that may arise outside the knowledge and authority of the Bank's Head Office - Aden with the continuity of Bank's branches in Sana'a and Al Hodeidah in business outside the control and supervision of the Bank's Head Office - Aden several months after the appointment of a new executive general manager for those branches by the authorities in Sana'a in June 2019 without prior notice directed to or approval of the Bank which is not in line with the Bank's Articles of Association issued under the Prime Minister's Decree No. 405 of 2013 on Reorganizing the National Bank of Yemen on 5 August 2013 and the Bank's branches in Sana'a and Al Hodeidah stopped reporting to the Bank's Head Office - Aden despite the continuation of Bank's Head Office - Aden in recording transactions it received from those branches during the year. The management believes that the situation of the Bank's branches in Sana'a and Al Hodeidah can be resolved in the future.

As at 31 December 2019, number of Bank's branches continuing in business under the control and authority of Bank's Head Office-Aden were 25 commercial branches and 3 offices and number of employees was 862 permanent employees and 21 on contract bases (31 December 2018: 971). Number of employees at Bank's branches in Sana'a and Al Hodeidah as at 31 July 2019 was 90 permanent employees and 8 on contract bases

For the year ended 31 December 2019, the Bank achieved good results for the year as a result of the measures taken by management to support the continued operation of the Bank, in the light of the events the Bank has gone through during the year and the continuing political and security instability in the Country since April 2015 and their various repercussions alongside the deterioration of the local currency rate, the reduction in the volume of transactions locally and abroad, the difficulty of communication with some correspondent banks and the limited opportunities for internal and external investment due to exiting regional and international situation.

1 GENERAL INFORMATION (CONTINUED)**Activity (Continued)**The Year Ended 31 December 2019 (Continued)

Management believes that despite the difficulty to predict the impact of circumstances on the financial statements and management's estimates concerning the fair value of Bank's assets and liabilities and the financial plans prepared for the subsequent period, the Bank will continue in business as a going concern in the foreseeable future. Therefore, the Bank's financial statements were prepared on a going concern basis.

Financial Statements

The financial statements include the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements.

Profit or loss and other comprehensive income are recognised in statement of comprehensive income. The Bank presents the statement of profit or loss using the classification by function of expenses. The Bank believes this method provides more useful information to the readers of the financial statements as it better reflects the way operations are run from a business point of view.

The format of the statement of financial position considers liquidity and current / non-current calcification (Note 2).

Transactions with the Government in its capacity as owner are presented in the statement of changes in equity.

The statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments. Note 33 shows in which item of the statement of financial position cash and cash equivalents are included. The cash flows from operating activities are determined by using the indirect method. Profit for the year is therefore adjusted by non-cash items, such as measurement's gains and losses, changes in provisions, as well as changes from receivables and payables. In addition, all revenues and expenses from cash transactions that are attributable to investing or financing activities are eliminated. Interests received or paid are classified as operating cash flows. The cash flows from investing and financing activities are determined by using the direct method. The Bank's assignment of the cash flows to operating, investing and financing category depends on the Bank's business model (management approach).

The Bank discloses on risks it is exposed to in Note 35 - Risk Management and discloses on capital adequacy in Note 36 - Capital Management.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New Or Amended Accounting Standards And Interpretations Adopted

The Bank has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standard is most relevant to the Bank:

IFRS 16 Leases

The Bank has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Basis Of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') in addition to provisions of Central Bank of Yemen circulars.

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of certain classes of property, plant and equipment and financial assets at fair value through other comprehensive income. The Bank does not carry any financial assets or liabilities at fair value through profit or loss

Critical Accounting Estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Discontinued Operations**

IFRS 5- "Non-current Assets Held for Sale and Discontinued Operations" defines discontinued operations as a component of the entity that has either been excluded or classified as held for sale, and represents major business line operations, a separate geographical area, or part of a single plan. Coordinated to exclude a line of business, a separate geographical area or a subsidiary facility acquired only with a resale perspective. Given that the definition of the standard does not match the status of the Bank's commercial branches in Sana'a, Al Hodeidah, and the Islamic branch in Sana'a, as it has gone out of the control and supervision of the general administration of the bank - Aden, but it still continues in business under the name and logo of the Bank independently and the management believes that the situation of these branches can be resolved the future Note 1, the Bank did not apply the requirements of IFRS 5 and has presented, independently, in the notes to the financial statements, the amounts and balances of the Bank's two commercial branches in Sana'a and Al Hodeidah as at 31 July 2019, the date of the last Trial Balance obtained by the Bank from the two branches, and reversed all transactions recorded in Bank's Head Office- Aden records for the period 1 August - 31 December 2019 as suspended accounts because the two branches stopped reporting to the Bank's Head Office- Aden after 31 July 2019. It also presented the balances of the Bank's Islamic Branch as at 25 December 2019, the date of the last transaction recorded in Bank's Head Office- Aden records relevant to Islamic Branch which did not raise any reports to Bank's Head Office- Aden for the period 1 January 25 December 2019.

Translation Of Foreign Currencies

- The Bank maintains its accounting records in Yemeni Rial which is the Bank's functional and presentation currency.
- Transactions denominated in foreign currencies or required to be paid in foreign currencies are initially recorded in Yemeni Rial according to exchange rate ruling at date of the transactions.
- All monetary assets and liabilities denominated in foreign currencies at year end are re-translated at exchange rate ruling at reporting date. Non-monetary items measured at historical cost in foreign currencies are re-translated using exchange rate ruling at transaction date. Non-monetary items measured at fair value are re-translated using exchange rate ruling when determining fair value and its recognition in equity. Differences on re-translation of balances in foreign currencies are included in profit or loss.
- The Bank does not deal in forward foreign exchange contracts.

Revenue RecognitionActivity Revenues

Activity revenues of the Bank are represented by revenues of banking activity as determined by article no. 2-h of Law No. 38 of 1998 on Banks. The Bank recognises activity revenue as follows:

- Interest received on direct credit facilities and paid for customers' deposits: on accrual basis using the effective interest rate method which is established on initial recognition of the financial asset / liability and is not revised subsequently. In compliance with Central Bank of Yemen instructions in its circular no. 6 of 1996, the revenue on interest on credit facilities which passed due time three months or more are not recognised until actually collected.
- Commission and fee income on banking services such as issuing letters of credit and letters of guaranty, etc.: when earned.
- Gain on selling foreign currencies: when earned.
- Dividends from investments: when the right of the Bank to receive payment is established.
- Returns on certificates of deposit at Central Bank of Yemen and treasury bills: based on maturity period as it is recognised at the end of the financial period concerning the year of such interest and received at maturity date.
- Interest on due from banks: when the right of the Bank to receive the amount on fixed deposits and some current accounts at banks is established.

Other Revenues

All other revenues are recognised when received or the right to be received is established.

Employees' BenefitsRegular Leave

An employee is entitled of a regular leave with full salary on each year of actual service that is not less than 30 days. If have passed the age of 50 the employee could obtain a regular leave for 45 days. Eid and official holidays are not included in the regular leave in accordance with article no. 53 of Law No. 19 of 1991 on Civil Service. Enjoying this leave is compulsory in year of entitlement and should not accumulate to more than 90 days at maximum in accordance with article no. 54 of the same law.

Social Insurance

Bank's employees' contribution for social insurance is calculated in accordance with Law No. 25 of 1991 on Social Insurance. The Bank deducts this contribution directly from employees' salaries and pays it on their behalf to the General Authority for Insurance and Pensions in accordance with Authority's procedures. Bank's annual contribution in social insurance is included in "salaries, wages and related expenses".

End of Service Benefits

The Bank provides end of service benefits to it employees since 2015. It is represented by employee's 3 months' salary according to last payroll sheet when retired.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Lease Contracts**

Lease contracts entered by the Bank are rent contracts to use buildings for Bank's branches and apartments for some of Bank's employees'..

Zakat

The Bank pays Zakat amount calculated to capital for the year divided on Zakat General Directorate branches in several governorates based on Zakat General Directorate - Capital / Aden claims and gets clearance letters on total amount paid from it. Donations and charities paid upon management decision are stated in general and administrative expenses.

TaxesIncome Tax On Trade And Industry Profits

This tax liability is calculated in accordance with Law No. 17 of 2010 on Income Tax, its bylaw no. 508 of 2010 and orders effective in the Republic of Yemen. The amount for income tax is paid in accordance with Tax Authority procedures.

The Bank is not obliged to pay tax on provisions for losses / impairment of direct credit facilities (and suspended interests) and indirect credit facilities it makes in compliance to Central Bank of Yemen instructions in accordance with article no. 85 of Law No. 38 of 1998 on Banks and article no. 14-a-2 of Law No. 17 of 2010 on Income Tax.

In accordance with article no. 19-a of Law No. 17 of 2010 on Income Tax "If the account of one year subject to tax was closed with a loss for the Bank and it has provided its tax declaration as approved by a licensed chartered accountant based on proper books and accounts in accordance with provisions of this law, this loss would be carried on expenses of the year following the year of loss and would be deducted from its profit. If profit is not enough to cover the whole loss, the rest of the loss is to be transferred to the next year and so on until the fifth year of starting the deduction". Article no. 19-b, indicates that the provision of previous article "does not apply on the losses incurred by the Company's in the tax year and prior years, if there is a change in ownership of capital by 100%".

Payroll Tax

This tax liability is calculated in accordance with Law No. 17 of 2010 on Income Tax, its bylaw no. 508 of 2010 and orders effective in the Republic of Yemen. The Bank deducts this tax directly from employees' salaries and pays it on their behalf to the Tax Authority in accordance with Authority's procedures.

Other Taxes

Other taxes are calculated in accordance with effective related taxes laws.

Basic Earnings Per Share

Basic earnings per share is calculated by dividing the comprehensive profit for the year by the weighted average number of ordinary shares during the year.

Profit Distribution

In accordance with article no. 10-a of the Bank's Article of Association, the net profit after Zakat and tax is distributed as follows:

15%	Statutory reserve;	15%	General reserve;
60%	Government share in excess of profit;	10%	Employee's incentives as per their activity in accordance with performance reports based on a recommendation of Bank's management and approval of Board of Directors.

Current And Non-Current Classification

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Bank's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realized within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Bank's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash And Cash Equivalents

Bank's cash and cash equivalents are represented by cash on hand and accounts due from banks, certificates of deposit at Central Bank of Yemen and treasury bills maturing in less than three months to date of report.

Mandatory Reserve With Central Bank Of Yemen

This reserve represents minimum limit of balances the Bank has to maintain at Central Bank of Yemen against customers' deposits it has in Yemeni Rial and foreign currencies as per article no. 11-c of Law No. 38 of 1998 on Banks. This balance is not available for daily use of the Bank.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mandatory Reserve With Central Bank Of Yemen (Continued)

In accordance with Central Bank of Yemen circular no. 4 for 2009 on Weekly Reporting On Calculating The Mandatory Reserve On Deposits, the mandatory reserve is calculated on the basis of the average deposit balances during the week at 7% on deposits in local currency and 20% on deposits in foreign currencies. This reserve ratio has been reduced to 10% on all deposits in foreign currencies at the Bank in accordance with article no. 1 of the Governor of the Central Bank of Yemen Resolution no. 3 of 2013.

Certificates Of Deposit At Central Bank Of Yemen

These accounts represent a public debt instrument subscribed at Central Bank of Yemen and are stated at nominal value. The return on this instrument is defined by the period of maturity and interest rate as determined by Central Bank of Yemen / Aden.

Treasury Bills

These accounts represent a public debt instrument issued by the Central Bank of Yemen on behalf of the Ministry of Finance. They are stated at their face value less unamortised discount from date of purchase to its due date on the bases of the straight-line method. In accordance with Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended) treasury bills, which mature in a period not more than three months are considered part of cash and cash equivalents.

Due From Banks

These accounts are represented by bank current accounts and fixed deposits at banks and are stated at amortised cost. The provision for impairment is calculated using a simplified approach to measure expected credit losses - in one stage over the life of the instrument.

Direct Credit Facilities

These accounts are represented by short term loans and overdraft credit facilities. They are stated on the statement of financial position net of relevant provision for impairment and uncollected interest in accordance with Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended).

Impairment of these credit facilities are recognised in accordance with several indicators as defined in Central Bank of Yemen circular no. 6 of 1996, its annex circular no. 5 of 1998 and its annex circular no. 8 of 2015 on Classification Of Credit Facilities And The Way To Calculate Required Provisions and Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended) including the following:

- The amount of difference between the size of customer's deposits and cash flows in his accounts at the bank and the return due from the debt for a certain period of time;
- The amount the customer is exceeding the authorised limit of facility granted to him for a certain period of time;
- The period of customer's delay in payment of the debt, agreed installment or interest; and
- Occurrence of defect in the customer's financial position resulting in negative net equity.

Provision for impairment of these facilities is calculated after deducting uncollected interest and cash or bank guarantees of high quality that can get liquefied in a short term in same currency of credit facility in accordance with rates determined by the relevant Central Bank of Yemen circulars.

The Bank applies the requirements of IFRS 9 - Financial Instruments since 1 January 2018, in line with the Central Bank of Yemen circulars regarding direct credit facilities issued in prior periods due to not obtaining any instructions or circulars on IFRS 9 - Financial Instruments from Central Bank of Yemen, which are as follows:

- Stages of impairment recognition:

Impairment stages	Exposure to credit risk	Default payment indicator	Recognition of expected credit loss
First	Not materially high since initial recognition or of low credit risk	Less than 30 days	For 12 months
Second	Materially high since initial recognition or no subjective evidence of impairment	30 days and less than 90 days 90 days and less than 180 days 180 days and less than 360 days	For debt life
Third	There is a subjective evidence of impairment	360 days or more	For debt life

- Credit classification categories and provision type:

Impairment stages	Credit classification category	Provision rate	Provision type
First	Performing	2%	General
Second	Under performing-1 : Under watch	2%	Specific
	Under performing-2 : Substandard	15%	
	Under performing-3 : Doubtful	45%	
Third	Impaired	100%	Specific

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Direct Credit Facilities (Continued)**

- Suspended interest: The Bank includes the interest on direct credit facilities that have passed due three months or more and not been paid marginally under suspended interest. They are not carried to customers' accounts receivable and are not credited to profit or loss unless collected and after the principal has been collected.

Receivables

These accounts are mainly represented by amounts due to the Bank from its employees or other entities and are presented at amortised cost. The provision for impairment is calculated using the simplified approach to measure expected credit losses - one stage over the life of the instrument.

Investments

The Bank holds investments at fair value through other comprehensive income represented by shares in capital of financial and commercial entities. These accounts are stated at fair value including purchase price and costs associated with their acquisition. Changes in fair value are recognised, upon notice from the investment entity, in other comprehensive income and then transferred to the related reserve. The Bank provides for impairment when it is not possible to receive dividends and the investment is incurring accumulated losses in accordance with the latest available financial statements of investment.

Property, Plant and Equipment

Land and buildings are shown at revaluation amount. Plant and equipment is shown at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives using the rates set forth in the Council of Ministers Resolution No. 144 of 1999 on this regard as shown below:

- | | | | |
|--------------------------------------|---|--|-------|
| • Buildings | 2% | • Furniture and equipment - safes | 10-2% |
| • Vehicles | 20% | • Swift and computer hardware and software | 20% |
| • Improvements to leasehold property | Years of lease or estimated useful life whichever is lower. | | |
| • Land | Not depreciated | | |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Bank. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

The Bank revaluates its lands and buildings with the help of an independent advisory firm every five years since 2007. The recognition of re-valuation results and their inclusion in the Bank's records require the approval of the Central Bank of Yemen.

Capital Work In Progress

These assets are represented by construction and procurement projects relevant to the Bank whose implementation has started but not been completed, yet, as at reporting date. It is stated at cost which includes all related expenses such as professional fees and amounts paid to developer or implementer. It is transferred to property, plant and equipment and becomes subject to depreciation or to the appropriate account when ready for use.

Due To Banks

These accounts are represented by banks' fixed deposits and current accounts at the Bank.

Customer Deposits

These accounts are mainly represented by current accounts, saving accounts and fixed deposits.

Payables

These accounts are mainly represented by amounts due from the Bank to its employees or other entities.

Other Provisions

Other than the provisions made by the Bank for impairment of financial and non-financial assets, the Bank recognises other provisions when it has an obligation (legal or constructive) arising from a past event, and the Bank may be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Fair Value Measurement (Continued)**

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Investments' Fair Value

Year	Level one YR '000	Level two YR '000	Level three YR '000	Total YR '000
2019	-	-	341,792	341,792
Total Investments' fair value	-	-	341,792	341,792

ReservesStatutory Reserve And General Reserve

In accordance with article no. 10-b of Bank's Article of Association, the Bank is to maintain a statutory or general reserve or both together until reserve balance is double the authorised capital for the Bank. The Bank is to stop deducting and calculating reserve when reaching such limit. Such percentage could be increased upon the recommendation of management, approval of Board of Directors and acceptance of the Minister. In accordance with article no. 10-c of the Bank's Article of Association the Bank may use the general reserve to increase capital or develop Bank's activities and raise its efficiency, based on Bank's management recommendation and Board of Directors and Minister approval.

Surplus On Revaluation Of Property, Plant And Equipment Reserve

This reserve includes the difference between fair value and book value of Bank's lands and buildings which were revalued for the first time on 1 December 1999 effective as at 31 December 1999 by an independent specialised firm. In accordance with IAS 16, the cost and related accumulated depreciation as at that date were eliminated based on revaluation results and the revaluation amount has been considered the new gross book carrying amount. Surplus was added to this reserve.

Cumulative Change In Fair Value Reserve

This reserve includes the cumulative net change in the fair value of Bank's investments at fair value through other comprehensive income that are still recognised in the Bank's financial statements. This reserve is maintained until these investments are sold, disposed of or impaired. This reserve consists of non-distributable profits, i.e. fair value gains or losses and is part of restricted equity, which also includes share capital and revaluation reserve

Contingent Liabilities, Commitments And Contra Accounts

These accounts are represented by contractual amounts for the purpose of providing funds to a customer when necessary. They are not included in the statement of financial position as they are not actual assets or liabilities of the Bank at the reporting date but get converted from a contingent liability to a direct obligation in the future and the Bank is obliged to pay the amounts due on behalf of the customer, only, when the customer defaults on the terms of the contract. These accounts are stated at unamortised value (net value after deducting the corresponding cash security) in accordance with the Central Bank of Yemen circular no. 2 of 2002 on Rules on Preparation and Presentation of the Financial Statements and Basis of Evaluation of Banks (amended).

Indirect Credit Facilities

These accounts are represented by local and foreign letters of guaranty and letters of credit - import and export. The Bank makes general or specific provisions for the value not covered with cash security of all these accounts in compliance with the requirements of IFRS 9- Financial Instruments on the 'expected credit loss' model.

Other Contingent Liabilities, Commitments and Contra Accounts

These accounts are represented by accepted securities on suppliers' facilities, re-discounted bills, non-cancellable credit grants or whose cancellation would result Bank incurring significant fines or expenses, commitments for differed foreign exchange contracts, interest rate contracts etc. While securities that do not entail any contingent liability to the Bank, as the Bank is not a party of, and its responsibility is restricted to the custody of them, such as cheques, bills deposited for collection, bills deposited for insurance and securities deposited for guarantee or as free deposit, are considered contra accounts. These are maintained in regular record books to register value and are reviewed and adjusted in accordance with sound systems and proper control.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Related Party Transactions**

In its ordinary course of business, the Bank conducts transactions with other entities that falls in the definition of related parties as comprised in the International Accounting Standard 24 - Related Party Disclosures. A related party is a person or entity that is able to control or exercise significant and material influence over the Bank's financial and operating decision making process. The Bank discloses in its financial statements on transactions made with related parties such as Board of Directors, senior management, their families and companies in which they own 25% or more of its share capital. The Bank deals with related parties at the same basis it deals with others in accordance with provisions of Law No. 38 of 1998 on Banks and interpretation of Central Bank of Yemen in its circular no. 4 of 1999 on Lending Related Parties And Their Related Interest. The pricing policies and terms of these transactions are approved by the Bank's management.

Offsetting The Financial Assets And Liabilities

Financial assets and financial liabilities are offset and the resultant net balance is reported in the statement of financial position, if and only if, there is a legally enforceable right to offset the recognised amounts and there is intention for either settlement on a net basis or an asset to be realised and a liability settled simultaneously

Fiduciary Assets

Assets held in trust are not treated as assets of the Bank. Therefore, they are not included in the financial statements of the Bank.

Rounding of Amounts

Amounts in this report have been rounded off to the nearest thousand Yemeni Riyal, unless otherwise stated.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of the financial assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience of the Bank and various other factors the Bank believes are reasonable under the circumstances, the results of which form the basis of making the judgments made about the carrying values of assets and liabilities that are not readily apparent from other sources. Therefore, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Key judgment, estimates and assumptions are subject to management approval.

Management Estimates

Estimates considered by the management of the Bank to have a significant risk of material adjustment in subsequent periods primarily comprise provisions for impairment of direct credit facilities.

When determining the provisions for direct credit facilities, the Bank takes into consideration the following factors:

- The overall customer's financial position;
- Risk percentage i.e. the ability of the customer to conduct profitable business activities and collect enough income to enable it pay the debt;
- Value of the collateral and possibility of transferring ownership to the Bank; and
- Cost of settling the debt.

4 IMPLEMENTATION OF NEW IFRSS**International Financial Reporting Standard No. 16 - Lease Contracts**

The Bank has adopted International Financial Reporting Standard No. 16 for lease contracts, effective 1 January 2019. The application of the standard did not result in material changes.

5 INTEREST ON DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

	2019 YR '000	2018 YR '000
Interest on direct credit facilities to customers (Note 5-a)	522,328	684,374
Cost of customers' deposits (Note 5-b)	<u>(15,285,254)</u>	<u>(14,292,871)</u>
Total interest on direct credit facilities to customers, net	<u>(14,762,926)</u>	<u>(13,608,497)</u>

5-a Interest On Direct Credit Facilities To Customers

	2019 YR '000	2018 YR '000
Overdraft facilities	322,590	274,941
Short term loans	152,662	409,433
Sana'a Branch	1,007	-
Al Hodeidah Branch	46,069	-
Total interest on direct credit facilities to customers	<u>522,328</u>	<u>684,374</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

5 INTEREST ON DIRECT CREDIT FACILITIES TO CUSTOMERS, NET (CONTINUED)

5-b Cost Of Customers' Deposits

	2019 YR'000	2018 YR'000
Fixed deposits	(10,494,064)	(10,748,373)
Saving accounts	(3,683,166)	(3,544,498)
Sana'a Branch	(908,165)	-
Al Hodeidah Branch	(199,859)	-
Total cost of customers' deposits	<u>(15,285,254)</u>	<u>(14,292,871)</u>

6 INTEREST ON DUE FROM BANKS, NET

	2019 YR'000	2018 YR'000
Interest on due from banks (Note 6-a)	100,036	97,146
Interest on due to banks	-	-
Total interest on due from banks, net	<u>100,036</u>	<u>97,146</u>

6-a Interest On Due From Banks

	2019 YR'000	2018 YR'000
Foreign banks:		
Fixed deposits	99,840	97,223
Current accounts	196	(77)
Total interest on due from banks	<u>100,036</u>	<u>97,146</u>

7 COMMISSIONS AND FEE INCOME ON BANKING SERVICES, NET

	2019 YR'000	2018 YR'000
Commissions and fee income on banking services (Note 7-a)	1,010,548	509,654
Commissions and fee expenses on banking services (Note 7-b)	(48,952)	(23,046)
Total commissions and fee income on banking services, net	<u>961,596</u>	<u>486,608</u>

7-a Commissions And Fee Income On Banking Services

	2019 YR'000	2018 YR'000
Commissions:		
Letters of credit	593,388	111,556
Cheques and money transfer	131,613	94,685
Letters of guaranty	22,488	169,467
Collection policies and export drafts	2,848	493
Fees:		
Opening, renewing and canceling deposits	74,003	72,648
Current accounts	13,467	13,597
Postage, fax and swift	13,344	5,470
Others	53,873	41,738
Sana'a Branch	98,392	-
Al Hodeidah Branch	7,132	-
Total commissions and fee income on banking services	<u>1,010,548</u>	<u>509,654</u>

7-b Commissions And Fee Expenses On Banking Services

	2019 YR'000	2018 YR'000
Commissions:		
Foreign banks	(48,483)	(20,972)
Money exchangers	-	(991)
Local banks	-	(96)
Charges on printing Central Bank of Yemen sheets	(469)	(322)
Receivable interest on overdrawn balance at Central Bank of Yemen	-	(665)
Total commissions and fee expenses on banking services	<u>(48,952)</u>	<u>(23,046)</u>

8 DIVIDENDS FROM INVESTMENTS

	2019 YR'000	2018 YR'000
Yemen Mobile Company - Yemen (Note 8-a)	21,000	18,000
ALUBAF Arab International Bank - Bahrain (Note 8-b)	5,231	5,232
Arab Financial Services Company - Bahrain (Note 8-c)	-	-
Total dividends from investments	<u>26,231</u>	<u>23,232</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

8 DIVIDENDS FROM INVESTMENTS (CONTINUED)**8-a Yemen Mobile Company - Yemen**

On 17 June 2019, the Bank received the dividend amount according to the latest financial statements available of the investment as at 31 December 2018.

8-b ALUBAF Arab International Bank - Bahrain

On 29 May 2019, the Bank received the dividend amount of USD 13,768 according to the latest financial statements available of the investment as at 31 December 2018.

8-c Arab Financial Services Company - Bahrain

During the year ended 31 December 2019, the Bank did not receive dividends from this investment for 2018 nor the amount of USD 11,761 for the years 2015-2017 (2018: the Bank could not receive dividends from this investment for the years 2015-2017 of USD 11,761) due to difficulty to transfer the amount by the Company.

9 OTHER REVENUES

	2019 YR'000	2018 YR'000
Written back provision for:		
Impairment of direct credit facilities (Note 20-b)	482,625	947,842
Indirect credit facilities (Note 29-b)	8,355	10,468
Closing cash increase with tellers	13,871	-
Prior years revenue	-	7,977
Revenue on penalties on employees	-	4,439
Charges on changing local currency notes	-	1,553
Others	242	444
Total other revenues	<u>505,093</u>	<u>972,723</u>

10 SALARIES, WAGES AND RELATED EXPENSES

	2019 YR'000	2018 YR'000
Basic salaries and wages	2,540,710	1,875,756
Bonuses and incentives	1,942,596	1,635,359
Allowances and benefits	1,849,762	1,780,836
Employees regular leave (Note 28-b-ii)	190,178	156,574
Bank's contribution in social insurance	185,512	127,425
End of service benefits (Note 28-b-i)	132,998	92,226
Qualification and Training (Note 10-a)	116,090	23,042
Professional Training Fund	39,424	26,865
Sana'a Branch	106,891	-
Al Hodeidah Branch	63,076	-
Total salaries, wages and related expenses	<u>7,167,237</u>	<u>5,718,083</u>

During the year ended 31 December 2019, the Bank paid YR'000 725,493 (2018: YR'000 482,777) for payroll tax on behalf of employees including YR'000 394,211 (2018: YR'000 257,666) as per monthly tax declarations until the end of the year. The tax examination has not been completed by the Tax Authority as at the reporting date.

10-a Qualification and Training

	2019 YR'000	2018 YR'000
Academic and professional qualification:		
External	108,341	3,624
Internal	7,749	9,588
Total	<u>116,090</u>	<u>13,212</u>
Institute of Banking Studies (Note 10-a-i)	-	9,830
Total qualification and training	<u>116,090</u>	<u>23,042</u>

10-a-i Institute of Banking Studies

The account represents Bank's contribution in the estimated annual budget of the Institute of Banking Studies in accordance with the Order of the Law No. 27 of 1978 on Establishing And Organising The Institute Of Banking Studies.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

11 GENERAL AND ADMINISTRATION EXPENSES

	2019 YR '000	2018 YR '000
Guarding and security	317,988	235,345
Local and abroad transport	158,254	106,744
Maintenance and repairs	141,562	84,158
Advertisement and publishing	85,079	46,857
Fuel and oil - vehicles and generators	76,968	65,091
Postage, communication and internet	61,341	50,059
Electricity and water	60,252	51,391
Professional and consultancy fees	50,241	34,801
Stationery and printing	49,995	41,994
Rent	40,688	68,559
Donations and gifts	28,397	37,018
Insurance	26,390	24,431
Hospitality and reception	18,414	15,785
Public charges	6,158	4,796
Information technology	3,236	3,327
Prescriptions	3,000	2,166
Other	14,709	19,145
Sana'a Branch	31,885	-
Al Hodeidah Branch	16,506	-
Total general and administration expenses	<u>1,191,063</u>	<u>891,667</u>

12 OTHER EXPENSES

	2019 YR '000	2018 YR '000
Provisions made during the year (Note 12-a)	3,005,404	3,275,644
Fees on annual subscription in Bank Deposit Insurance Corporation (Note 12-b)	338,260	304,319
Depreciation of property plant and equipment (Note 24)	151,422	112,559
Judicial expenses (Note 12-c)	8,876	12,808
Penalties - Central Bank of Yemen	5,030	3,219
Prior years expenses (Note 12-d)	4,925	74,389
Total other expenses	<u>3,513,917</u>	<u>3,782,938</u>

12-a Provisions Made During The Year

	2019 YR '000	2018 YR '000
For:		
Impairment of direct credit facilities (Note 20-b)	1,878,182	351,679
Contingent liabilities (Note 29-a)	1,000,000	500,000
Indirect credit facilities - General (Note 29-c)	127,222	212,784
Letters of guaranty - Foreign under disagreement	-	1,915,901
Impairment of due from banks	-	189,560
Impairment of investments	-	105,720
Total provisions made during the year	<u>3,005,404</u>	<u>3,275,644</u>

12-b Fees On Annual Subscription in Bank Deposit Insurance Corporation

The account represents the annual subscription fee to the Bank Deposit Insurance Corporation in accordance with Law No. 21 of 2008 on the Bank Deposit Insurance Corporation. The amount is calculated as a percentage of the total deposits with the Bank, excluding government deposits, interbank deposits and cash insurances within the limits of the value of facilities granted by the guarantee of these insurances, in accordance with article no. 13 of the same law.

12-c Judicial Expenses

	2019 YR '000	2018 YR '000
Law suites follow up:		
Impaired debts	1,553	3,950
Housing Project - Land and apartments	1,035	-
Martyr Abdulla AlNaqeeb - Ex AbdulAziz AbdulWali Branch Manager	1,015	2,450
Oil Company	630	275
Letters of guaranty- Foreign under disagreement	304	557
AlRowaimi Apartments	-	185
Others	4,339	5,391
Total judicial expenses	<u>8,876</u>	<u>12,808</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

12 OTHER EXPENSES (CONTINUED)

12-d Prior Years Expenses

	2019 YR'000	2018 YR'000
Employees entitlements	1,213	20,807
Juman Company	455	-
Fuel - Bank's vehicles	177	-
Difference in income tax for 2016 paid during the year	-	45,920
Institute of Banking Studies remaining charges – 2016	-	5,840
Subscription in "14 October Newspaper"	-	157
Others	2,300	1,665
Sana'a Branch	780	-
Total prior years expenses	<u>4,925</u>	<u>74,389</u>

13 RE-TRANSLATION DIFFERENCE ON BALANCES IN FOREIGN CURRENCIES

	2019 YR'000	2018 YR'000
Gain on re-translation of debt balances in foreign currencies	36	537,967
(Loss) on re-translation of credit balances in foreign currencies	<u>(773,489)</u>	<u>(2,024,034)</u>
Re-translation differences on balances in foreign currencies	<u>(773,453)</u>	<u>(1,486,067)</u>

14 ZAKAT

	2019 YR'000	2018 YR'000
Balance at 1 January	62,500	-
Made for the year	250,000	250,000
(Paid) during the year for 2018:		
Aden	(59,500)	(187,500)
Al Hodeidah	(5,000)	(-)
Taiz	(2,000)	(-)
Hadramout- Coast	(1,000)	(-)
Hadramout- Valley	(1,000)	(-)
(Paid) during the year for 2019:		
Aden	(237,000)	(-)
Hadramout- Coast	(1,000)	(-)
Hadramout- Valley	(1,000)	(-)
Balance at 31 December	<u>5,000</u>	<u>62,500</u>

During the year ended 31 December 2019, the Bank completed the payment of Zakat liability for 2018 on Bank's branches in Aden, Taiz and Hadramout and obtained clearance on paying the Zakat liability for 2018 on 4 February 2019. It also paid Zakat liability for 2018 on Al Hodeidah Branch and the increase specified for Hadramout branches in the Zakat General Directorate claim dated 14 March 2019 and Zakat liability for 2019 on Bank's branches in Aden and Hadramawt and obtained the clearance on paying Zakat liability for 2019 in a subsequent period (Note 41-c) (2018: the Bank paid Zakat liability of YR'000 187,500 for Bank's branches in Aden for 2018).

15 INCOME TAX

	2019 YR'000	2018 YR'000
Balance at 1 January	1,082,253	608,056
Adjustment of difference in tax for 2016 paid during the year	-	45,000
Made for the year -20%	1,515,050	1,082,253
(Paid) during the year - for prior year	<u>(1,082,253)</u>	<u>(653,056)</u>
Balance at 31 December	<u>1,515,050</u>	<u>1,082,253</u>

16 COMPREHENSIVE INCOME FOR THE YEAR

For the year ended 31 December 2019 the Bank made a total comprehensive income (excess profits) of YR'000 6,060,200 (2018: comprehensive income of YR'000 4,329,011).

16-a Basic Earnings Per Share

	2019 YR'000	2018 YR'000
Comprehensive income for the year	6,060,200	4,329,011
Weighted average number of shares	14,000	10,000
Basic earnings per share	<u>433</u>	<u>433</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

16 COMPREHENSIVE INCOME FOR THE YEAR (CONTINUED)**16-b Proposed Dividends**

For the year ended 31 December 2019 the comprehensive income (excess profits) for the year after paying Zakat and tax was distributed as follows:

	2019 YR'000	2018 YR'000
Balance at 1 January	3,030,307	1,828,556
Comprehensive income for the year	6,060,200	4,329,011
Government's share in prior year's profit- retained (Note 28-c)	(2,597,407)	(1,567,333)
Employees' share in prior year's profit	(432,900)	(261,223)
Balance distributable for the year	<u>6,060,200</u>	<u>4,329,011</u>
Transfer to statutory reserve during the year	(909,030)	(649,352)
Transfer to general reserve during the year	(909,030)	(649,352)
Balance at 31 December	<u>4,242,140</u>	<u>3,030,307</u>
Proposed dividends for current year:		
Government's share	3,636,120	2,597,407
Employees' share	606,020	432,900
Total proposed dividends	<u>4,242,140</u>	<u>3,030,307</u>

17 CASH ON HAND AND MANDATORY RESERVE BALANCES AT CENTRAL BANK OF YEMEN

	2019 YR'000	2018 YR'000
Cash on hand:		
In foreign currencies	3,208,583	3,149,814
In local currency	1,028,751	2,219,258
Sana'a Branch	11,604	-
Al Hodeidah Branch	7,523	-
Total cash on hand	<u>4,256,461</u>	<u>5,369,072</u>
Mandatory reserve balances at Central Bank of Yemen:		
In local currency	10,800,555	9,806,074
In foreign currencies	7,938,622	7,578,762
Total mandatory reserve balances at Central Bank of Yemen	<u>18,739,177</u>	<u>17,384,836</u>
Total cash on hand and mandatory reserve balances at Central Bank of Yemen	<u>22,995,638</u>	<u>22,753,908</u>

The amount of mandatory reserve at Central Bank of Yemen represents the account balance as at 30 September 2019. The Bank was unable to obtain a confirmation letter from the Central Bank of Yemen on its mandatory reserve balance as at 31 December 2019.

18 CERTIFICATES OF DEPOSIT AT CENTRAL BANK OF YEMEN

	2019 YR'000	2018 YR'000
Nominal value for the duration of:		
90 Days	1,000,000	-
40 Days	-	500,000
30 Days	-	500,000
Total certificates of deposit at Central Bank of Yemen	<u>1,000,000</u>	<u>1,000,000</u>

19 DUE FROM BANKS, NET

	2019 YR'000	2018 YR'000
Local banks:		
Central Bank of Yemen (Note 19-a)	36,590,263	43,880,902
Other local banks (Note 19-b)	701	437
Total due from local banks	<u>36,590,964</u>	<u>43,881,339</u>
Foreign banks (Note 19-c)	34,984,210	16,580,250
Provision for impairment (Note 19-d)	(197,324)	(197,480)
Total due from banks, net	<u>71,377,850</u>	<u>60,264,109</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

19 DUE FROM BANKS, NET (CONTINUED)

19-a Central Bank of Yemen

	2019 YR'000	2018 YR'000
Current accounts:		
In foreign currencies	42,783,428	39,991,752
In local currency (Note 19-a-i)	(6,713,644)	3,889,150
Sana'a Branch	332,688	-
Al Hodeidah Branch	187,791	-
Total Central Bank of Yemen	<u>36,590,263</u>	<u>43,880,902</u>

19-a-i Current Accounts in Local Currency

The overdrawn cheques account at Central Bank of Yemen/ Aden was covered during the subsequent period (Note 41-d).

19-b Other Local Banks

	2019 YR'000	2018 YR'000
Commercial current accounts	298	429
Islamic Investment deposits	272	8
Sana'a Branch	131	-
Total other local banks	<u>701</u>	<u>437</u>

19-c Foreign Banks

	2019 YR'000	2018 YR'000
Current accounts	22,658,310	5,603,147
Fixed deposits	12,325,900	10,977,103
Total foreign banks	<u>34,984,210</u>	<u>16,580,250</u>

19-d Provision for Impairment

	2018 YR'000	Re-translation difference on balances in foreign currencies YR'000	2019 YR'000
Current account:			
Asya Katlim Bank – Turkey	189,560	-	189,560
Bank of Credit and Development – Netherlands	7,920	(156)	7,764
Total	<u>197,480</u>	<u>(156)</u>	<u>197,324</u>

20 DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

	2019 YR'000	2018 YR'000
Gross direct credit facilities to customers (Note 20-a)	16,133,376	13,857,789
Provision for Impairment (Note 20-b)	(6,188,364)	(4,813,831)
Suspended interest (Note 20-c)	(3,230,499)	(2,553,320)
Total direct credit facilities to customers, net	<u>6,714,513</u>	<u>6,490,638</u>

20-a Gross Direct Credit Facilities To Customers

20-a-i Purposes

	2019			2018
	Overdraft facilities YR'000	Short term loans YR'000	Total YR'000	Total YR'000
Personal	-	4,491,355	4,491,355	3,167,581
Commercial	3,673,197	420,903	4,094,100	9,622,175
Industrial	7,325	448,674	455,999	856,723
Services	93,025	19,168	112,193	53,838
Others	130,787	10,851	141,638	157,472
Sana'a Branch:				
Commercial	4,390,462	349,122	4,739,584	-
Personal	-	182,283	182,283	-
Industrial	127,564	-	127,564	-
Al Hodeidah Branch:				
Commercial	1,352,998	24,315	1,377,313	-
Industrial	-	397,767	397,767	-
Personal	-	3,777	3,777	-
Others	-	9,803	9,803	-
Total	<u>9,775,358</u>	<u>6,358,018</u>	<u>16,133,376</u>	<u>13,857,789</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the Year Ended 31 December 2019

20 DIRECT CREDIT FACILITIES TO CUSTOMERS, NET (CONTINUED)

20-a Gross Direct Credit Facilities To Customers (Continued)

20-a-ii Beneficiaries

	2019			2018
	Overdraft facilities	Short term loans	Total	Total
	YR'000	YR'000	YR'000	YR'000
Private sector	3,849,247	1,111,737	4,960,984	8,657,441
Bank's employees	-	2,510,020	2,510,020	1,293,671
Public sector	55,087	1,749,133	1,804,220	3,906,333
Related parties	-	20,061	20,061	344
Sana'a Branch:				
Public sector	4,143,876	126,031	4,269,907	-
Private sector	374,150	405,374	779,524	-
Al Hodeidah Branch:				
Private sector	1,352,998	435,662	1,788,660	-
Total	9,775,358	6,358,018	16,133,376	13,857,789

20-a-iii Credit Classification

	2019			2018
	Overdraft facilities	Short term loans	Total	Total
	YR'000	YR'000	YR'000	YR'000
Performing	55,088	1,391,426	1,446,514	1,671,281
Under performing-1: Under watch	1,051,676	647,995	1,699,671	262,772
Under performing-2: Substandard		871,499	871,499	875,211
Under performing-3: Doubtful	352	57,516	57,868	1,679,767
Impaired	2,797,218	2,422,515	5,219,733	9,368,758
Sana'a Branch:				
Under performing-3: Doubtful		8,649	8,649	-
Impaired	4,518,026	522,756	5,040,782	-
Al Hodeidah Branch:				
Under performing-3: Doubtful	141	6,592	6,733	-
Impaired	1,352,857	429,070	1,781,927	-
Total	9,775,358	6,358,018	16,133,376	13,857,789

20-b Provision For Impairment

	2019					2018
	Gross value	Cash guarantees	Suspended interest	Net debt	Provision	Provision
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
Credit Classification:						
Performing	1,446,514	-	(17,604)	1,428,910	28,578	31,168
Under performing -1: Under watch	1,699,671	-	(3,165)	1,696,506	33,930	5,217
Under performing -2: Substandard	871,499	-	(261,141)	610,358	91,554	129,380
Under performing -3: Doubtful	73,250	(2,000)	(4,054)	67,196	30,238	55,911
Impaired	12,042,442	(4,325,739)	(2,944,535)	4,772,168	4,772,168	4,592,155
Expected credit loss	-	-	-	-	1,231,896	-
Total	16,133,376	(4,327,739)	(3,230,499)	8,575,138	6,188,364	4,813,831

For the year ended 31 December 2019 movement of provision for impairment was as follows:

	2019				2018
	General	Specific			Total
	Performing	Under performing	Impaired	Total	Total
	YR'000	YR'000	YR'000	YR'000	YR'000
Balance at 1 January	31,168	190,508	4,592,155	4,813,831	5,531,408
Re-translation difference on balances in foreign currencies	-	-	(1,935)	(1,935)	(121,414)
(Written off) during the year	-	-	(19,089)	(19,089)	-
(Written back) during the year (Note 9)	(2,590)	(62,662)	(417,373)	(482,625)	(947,842)
Made during the year (Note 12-a)	-	28,713	1,849,469	1,878,182	351,679
Balance at 31 December	28,578	156,559	6,003,227	6,188,364	4,813,831

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

20 DIRECT CREDIT FACILITIES TO CUSTOMERS, NET (CONTINUED)**20-c Suspended Interests**

	2019 YR '000	2018 YR '000
Balance at 1 January	2,553,320	2,066,107
Re-translation difference on balances in foreign currencies (Written off) during the year	(120,910)	(51,286)
(Written back) during the year	(69,843)	(116,258)
Made during the year	880,610	852,911
Balance at 31 December	<u>3,230,499</u>	<u>2,553,320</u>

21 TREASURY BILLS, NET

	2019 YR '000	2018 YR '000
Duration of:		
364 days	196,643,816	59,489,670
91 days	-	100,430,642
182 days	-	27,616,098
Total treasury bills, net	<u>196,643,816</u>	<u>187,536,410</u>

The treasury bills carry a return rate of 17% and would mature on 30 June 2020 (31 December 2018: return rate of 15.8% - 16.6% and the last one matures on 29 December 2019). The balances of treasury bills invested by the Bank were transferred to the Central Bank of Yemen / Aden based on the minutes of the meeting between the Ministry of Finance and the National Bank of Yemen on 26 June 2019 on the transfer of treasury bills balances of the National Bank of Yemen.

22 RECEIVABLES AND OTHER ASSETS, NET

	2019 YR '000	2018 YR '000
Return receivable- treasury bills	16,852,106	-
Operational risk (Note 22-a)	842,091	843,127
Prepayments	155,330	194,942
Entries suspended in H.O. account at Central Bank of Yemen- 1990, 1996	29,507	29,507
Assets acquired by the Bank against impaired debts (Note 22-b)	16,934	16,934
Interest receivable	14,824	5,360
Entries under settlement	12,036	14,260
Stationery and publication inventory	9,834	9,669
Inter-branch accounts	-	3,420
Others	58,979	161,751
Sana'a Branch:		
Debit balances	134,799	-
Suspended accounts	1,075,687	-
Al Hodeidah Branch:		
Debit balances	11,449	-
Suspended accounts	37,798	-
Islamic Branches' Department - National Bank of Yemen (Note 22-c)	1,611,781	1,198,212
Total receivables and other assets	<u>20,863,155</u>	<u>2,477,182</u>
Provision for impairment (Note 22-d)	<u>(1,030,995)</u>	<u>(1,030,995)</u>
Total receivables and other assets, net	<u>19,832,160</u>	<u>1,446,187</u>

22-a Operational Risk

These amounts are represented by work errors and embezzlement as well as branches' looted cash and buildings taken over in armed conflict areas. Management follows up with collecting collectible amounts along with taking necessary legal procedures and has provided for expected impairment / loss on these risks.

22-b Assets Acquired By The Bank Against Impaired Debts

The Bank maintains, in this account, a property that it had as a collateral and then got it acquired against impaired debts. In compliance with article 73 of Law No. 38 of 1998 on Banks, management follows up with addressing this account, which more than five years has passed on without being disposed due to the situation the country is going through (Note 1).

22-c Islamic Branches' Department - National Bank of Yemen

The amount represents the balance of Islamic Branches' Department - National Bank of Yemen represented by the Islamic Branch in Sana'a due to Bank's Head Office- Aden as at 25 December 2019 (Note 2).

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

22 RECEIVABLES AND OTHER ASSETS, NET (CONTINUED)**22-c Islamic Branches' Department - National Bank of Yemen (Continued)**

The Bank officially opened this Branch on 16 April 2018 according to a final license from the Central Bank of Yemen to open the Islamic Branch dated 10 March 2015, based on the initial approval granted to the Bank under number 7139 dated 18 December 2014, in response to the Bank's Board of Directors Resolution No. 33 of 2009 issued on 17 March 2009 on the recommendation of the Committee for the Preparation and Study of Establishing a Branch for Islamic Transactions and H.E. Minister of Finance approval on this resolution dated 1 April 2009.

22-d Provision For Impairment

	2019	2018
	YR'000	YR'000
Operational risk	964,610	964,610
Entries suspended in H.O. account at Central Bank of Yemen, 1990, 1996	29,507	29,507
Value of Al-Towahi Branch taken over -2014	25,000	25,000
Impairment of asset acquired by the Bank against impaired debts- Aden	11,878	11,878
Total provision for impairment	<u>1,030,995</u>	<u>1,030,995</u>

23 INVESTMENTS, NET

	2019	2018
	YR'000	YR'000
Foreign (Note 23-a)	452,360	452,360
Local (Note 23-b)	235,686	235,686
Total investments	<u>688,046</u>	<u>688,046</u>
Provision for impairment (Note 23-c)	<u>(346,254)</u>	<u>(346,254)</u>
Total investments, net	<u>341,792</u>	<u>341,792</u>

23-a Foreign Investments

	2019	2018
	YR'000	YR'000
UBAC Curacao N V- Curacao (Note 23-a-i)	171,768	171,768
ALUBAF Arab International Bank - Bahrain (Note 23-a-ii)	261,592	261,592
Arab Financial Services Company - Bahrain (Note 23-a-iii)	19,000	19,000
Total foreign investments	<u>452,360</u>	<u>452,360</u>

23-a-i UBAC Curacao N V- Curacao

The Bank subscribed in this investment on 23 September 1991. It's value as at 31 December 2019 amounted USD 452,020 (31 December 2018: USD 452,020) representing 0.88% of the investment capital distributed to 45,202 shares of value USD 10 per share.

23-a-ii ALUBAF Arab International Bank - Bahrain

The Bank subscribed in this investment on 31 December 1991. It's value as at 31 December 2019 amounted USD 688,400 (31 December 2018: USD 688,400), representing 0.28% of the investment capital distributed to 13,768 shares of value USD 50 per share.

23-a-iii Arab Financial Services Company - Bahrain

The Bank subscribed in this investment on 1 August 1984. It's value as at 31 December 2019 amounted USD 50,000 (31 December 2018: USD 50,000), representing 0.167% of the investment capital distributed to 10,000 shares of value USD 5 per share.

23-b Local Investments

	2019	2018
	YR'000	YR'000
Yemen Financial Services Company -Yemen (Note 23-b-i)	153,486	153,486
Yemen Mobile Company-Yemen (Note 23-b-ii)	61,200	61,200
Al-Amal Bank for Microfinance -Yemen (Note 23-b-iii)	20,000	20,000
Aden Foundation for Microfinance - Yemen (23-b-iv)	1,000	1,000
Total local investments	<u>235,686</u>	<u>235,686</u>

23-b-i Yemen Financial Services Company - Yemen

The Bank subscribed in this investment on 18 April 2009. Its value as at 31 December 2019 amounted USD 310,700 distributed to 3,107 shares of value USD 100 per share with an increase of 30% in Bank's share in the Company as per Company's General Assembly Resolution of USD 93,210 that got deposited in Company's account at International Bank of Yemen. The Company's Article of Association will be amended as well as the Banks share by this increase according to the balance confirmation letter dated 12 January 2020 (31 December 2018: USD 310,700 in addition to an increase of USD 93,210) representing 7.06% of investment capital.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

23 INVESTMENTS, NET (CONTINUED)

23-b Local Investments (Continued)

23-b-ii Yemen Mobile Company - Yemen

The Bank subscribed in this investment on 29 July 2006. Its value as at 31 December 2019 amounted YR'000 61,200 (31 December 2018: YR'000 61,200), representing 1% of the investment capital distributed to 120 thousand shares of nominal value YR 500 per share in addition to issuance expenses amounting to YR'000 1,200.

23-b-iii Al-Amal Microfinance Bank - Yemen

The Bank subscribed in this investment on 11 April 2005. Its value as at 31 December 2019 amounted YR'000 20,000 (31 December 2018: YR'000 20,000), representing 1% of the investment capital distributed to 200 shares of nominal value of YR 100,000 per share according to the letter of the subject "Share of the National Bank of Yemen in the Capital of Al-Amal Bank as at 31 December 2019" dated 9 March 2020. The amount paid for the investment represents 50% of the Bank's share of YR'000 40,000.

23-b-iv Aden Microfinance Foundation

The Bank subscribed in this investment on 26 October 2005. Its value as at 31 December 2019 amounted YR'000 1,000 (31 December 2018: YR'000 1,000), which represents 16.1% of the investment capital. The name of the investment in the Bank's records has been changed from "Tadhmun Microfinance Foundation" to "Aden Microfinance Foundation" based on the approval of the Office of Insurance and Social Affairs in accordance with the letter of the Foundation on this regard in a prior period.

23-c Provision For Impairment

	2019 YR'000	2018 YR'000
UBAC Curacao N V – Curacao	171,768	171,768
Yemen Financial Services Company – Yemen	153,486	153,486
Al-Amal Bank for Microfinance - Yemen	20,000	20,000
Aden Foundation for Microfinance - Yemen	1,000	1,000
Total	<u>346,254</u>	<u>346,254</u>

The Bank has not received any dividends from these investments for many years in addition to them incurring accumulated losses as per their available financial statements.

24 PROPERTY, PLANT AND EQUIPMENT

Cost / Revaluation	Land	Buildings	Leasehold improvements	Furniture and equipment	Motor Vehicles	Swift, computer hardware and software	Total
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
At 1 January 2019	1,215,282	1,430,015	225,490	876,211	230,893	527,809	4,505,700
Additions during the year	-	797,899	15,697	156,473	-	101,466	1,071,535
At 31 December 2019	<u>1,215,282</u>	<u>2,227,914</u>	<u>241,187</u>	<u>1,032,684</u>	<u>230,893</u>	<u>629,275</u>	<u>5,577,235</u>
At 1 January 2018	1,215,282	1,100,235	207,552	765,081	175,935	472,150	3,936,235
Additions during the year	-	329,780	17,938	111,130	54,958	55,659	569,465
At 31 December 2018	<u>1,215,282</u>	<u>1,430,015</u>	<u>225,490</u>	<u>876,211</u>	<u>230,893</u>	<u>527,809</u>	<u>4,505,700</u>
Accumulated Depreciation							
At 1 January 2019	-	280,326	139,706	519,852	159,356	451,147	1,550,387
Charged for the year	-	31,867	14,557	56,659	15,770	32,569	151,422
At 31 December 2019	<u>-</u>	<u>312,193</u>	<u>154,263</u>	<u>576,511</u>	<u>175,126</u>	<u>483,716</u>	<u>1,701,809</u>
At 1 January 2018	-	256,269	125,502	472,464	150,228	433,365	1,437,828
Charged for the year	-	24,057	14,204	47,388	9,128	17,782	112,559
At 31 December 2018	<u>-</u>	<u>280,326</u>	<u>139,706</u>	<u>519,852</u>	<u>159,356</u>	<u>451,147</u>	<u>1,550,387</u>
Net Book Value							
At 31 December 2019	<u>1,215,282</u>	<u>1,915,721</u>	<u>86,924</u>	<u>456,173</u>	<u>55,767</u>	<u>145,559</u>	<u>3,875,426</u>
At 31 December 2018	<u>1,215,282</u>	<u>1,149,689</u>	<u>85,784</u>	<u>356,359</u>	<u>71,537</u>	<u>76,662</u>	<u>2,955,313</u>

Bank's Head Office-Aden holds all Bank's property, plant and equipment accounts including those of commercial branches in Sana'a and Al Hodeidah whose book values as at 31 July 2019 was as follows:

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

24 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Cost	Land	Buildings	Leasehold	Furniture	Motor	Swift, computer	Total
	YR'000	YR'000	improvements	and	vehicles	hardware and	
			YR'000	equipment	YR'000	software	YR'000
Sana'a Branch	-	-	2,300	12,617	14,784	5,380	35,081
Al Hodeidah Branch	61,478	230,025	2,761	15,816	8,180	2,949	321,209
Total	61,478	230,025	5,061	28,433	22,964	8,329	356,290
Accumulated Depreciation							
Sana'a Branch	-	-	2,201	5,503	14,784	4,673	27,161
Al Hodeidah Branch	-	46,218	1,327	8,565	8,180	2,217	66,507
Total	-	46,218	3,528	14,068	22,964	6,890	93,668
Net Book Value							
Sana'a Branch	-	-	99	7,114	-	707	7,920
Al Hodeidah Branch	61,478	183,807	1,434	7,251	-	732	254,702
Total	61,478	183,807	1,533	14,365	-	1,439	262,622

The Bank carried out revaluations of Bank's lands and buildings by an independent specialised firm as at 31 December 2007 and 2012. The Bank did not receive a reply from the Central Bank of Yemen on inclusion of these revaluations' results in Bank's records. During the period August - October 2019, management took a number of administrative procedures for the purpose of revaluation in the light of the prevailing conditions in the Country (Note 1). Based on information available to management, no indicators of impairment of these assets exist.

25 CAPITAL WORK IN PROGRESS

	2019	2018
	YR'000	YR'000
Automation and Technology Project (Note 25-a)	2,100,948	1,579,914
Bank's buildings rehabilitation projects (Note 25-b)	34,797	383,808
Total capital work in progress	2,135,745	1,963,722

25-a Automation and Technology Project

	2019	2018
	YR'000	YR'000
Systems and programs	1,039,056	802,554
External training	527,951	466,206
Equipment and tools	281,482	182,889
Products	230,506	126,075
Internal training	16,269	-
Incentives and fees	4,765	1,510
Stationery and printing	919	680
Total Automation and Technology Project	2,100,948	1,579,914

The process of launching the modern banking system, called "Live Launch of Banks System" of the project, started at a subsequent period (Note 41-b). The implementation of this project is according to an agreement signed with ICSFS, Amman - Jordan on 22 May 2017 for purchase and supply of systems and programs and application and training on the "Banks" system. ICSFS was awarded the tender pursuant to resolution of the Higher Tender Committee No. 61 of 2014 for the implementation of Part Two of Bank's Development and Modernization Project - Installing and Operating Information Technology Equipment and Programs which the Bank is implementing, self-financed, with the aim of enhancing the Bank's efficiency and competitiveness and maximizing profitability. The Bank had signed a contract with an international consulting firm on 20 December 2006 to implement the first part of the Project.

25-b Bank's Buildings Rehabilitation Projects

	2019	2018
	YR'000	YR'000
Building construction and repair:		
Head Office	29,828	29,828
Al-Towahi Branch	2,744	-
Arwa Branch	-	148,249
Al-Shahr Branch	-	110,948
Al-Mukalla Branch	-	22,798
Tareem Branch	-	225
Procurement- money counting and checking machines	-	43,236
Others	2,225	28,524
Total Bank's buildings rehabilitation projects	34,797	383,808

During the year ended 31 December 2019, the Bank inaugurated branches whose construction, repair and procurement projects were completed during 2019 and 2018 (Note 1).

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

26 DUE TO BANKS

	2019	2018
	YR'000	YR'000
Local banks:		
Commercial current accounts	2,941	2,941
Total due to banks	<u>2,941</u>	<u>2,941</u>

27 CUSTOMERS' DEPOSITS

	2019	2018
	YR'000	YR'000
Current accounts:		
Customers	98,139,949	104,238,843
Government (Note 27-a)	717,292	717,292
Fixed deposits	95,433,367	92,050,742
Saving accounts	52,801,626	51,367,424
Cash insurance on outstanding indirect credit facilities (Note 32)	16,933,259	2,428,119
Cheques, payment orders and money transfer balances	5,564,949	415,432
Unclaimed balances (Note 27-b)	866,978	865,469
Deposits on behalf of Central Bank of Yemen - Socotra Branch (Note 27-c)	623,744	460,323
Re-classification - dormant commercial bank current accounts	-	(2,941)
Sana'a Branch:		
Current accounts	790,555	-
Fixed deposits	7,885,886	-
Saving accounts	1,038,158	-
Cash insurance on outstanding indirect credit facilities	115,510	-
Others	50,298	-
Al Hodeidah Branch:		
Current accounts	464,470	-
Fixed deposits	1,711,531	-
Saving accounts	175,675	-
Others	3,301	-
Total customers' deposits	<u>283,316,548</u>	<u>252,540,703</u>

27-a Current Accounts - Government / Aden

These accounts are used to pay Government / Aden employees' salaries and issuance of letters of credit.

27-b Unclaimed Balances

The Bank maintains in this account, deposits of no withdrawal or deposit movements for more than 15 years and have not been claimed by their owners. Decrease of amount during 2019 is due to re-translation of balances in foreign currencies as practiced annually. Management monitors and evaluates status of this account in compliance to article no. 79-2 of the Law No. 38 of 1998 on Banks in the light of prevailing circumstances in the Country (Note 1).

27-c Deposits On Behalf Of Central Bank Of Yemen - Socotra Branch

The amount represents deposits of government facilities and corporations at Socotra Branch in accordance with authorisation from Central Bank of Yemen to the Bank to carry out its work in Socotra due to absence of a branch of Central Bank in there according to approval from Ministry of Finance dated 20 April 2014 on Central Bank of Yemen memo no. 2346 dated 14 April 2014 in which executive procedures to open budgetary accounts and current accounts (resources and expenses) at National Bank of Yemen branch in Socotra are illustrated, provided that the National Bank of Yemen should comply to rules of executing Government's General Budget and to be under supervision of Central Bank of Yemen.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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28 PAYABLES AND OTHER LIABILITIES

	2019 YR'000	2018 YR'000
Accrued interest payable - on customers' deposits	2,152,132	2,083,413
Government entities (Note 28-a)	2,001,127	1,491,433
Employees' entitlements (Note 28-b)	1,280,385	1,450,737
Government's share in profit for the year retained (Note 28-c)	1,277,841	2,680,434
Accrued expenses - outstanding commitments	580,598	146,222
Cash insurance on expired letters of guaranty	239,087	-
Entries under settlement	55,811	196,152
Projects maintenance guarantee	42,772	25,355
Surplus re-payments on loans to government facilities	6,868	8,099
Inter-branch accounts	-	29,337
Others	62,360	16,287
Sana'a Branch:		
Credit balances	117,982	-
Suspended accounts	426,188	-
Al Hodeidah Branch:		
Credit balances	33,957	-
Suspended accounts	12,532	-
Islamic Branches Department - National Bank of Yemen (Note 28-d)	1,078,086	-
Total payables and other liabilities	<u>9,367,726</u>	<u>8,127,469</u>

28-a Government Entities

	2019 YR'000	2018 YR'000
Tax Authority / Aden - income tax for the year (Note 15)	1,515,050	1,082,253
General Authority for Insurance and Pensions / Aden	306,840	174,429
Skills Development Fund	140,129	138,143
Zakat General Directorate - Capital / Aden:		
Payable for the year (Note 14)	5,000	62,500
Carried forward from prior years	34,108	34,108
Total government entities	<u>2,001,127</u>	<u>1,491,433</u>

28-b Employees Entitlements

	2019 YR'000	2018 YR'000
End of service benefits (Note 28-c-i)	600,493	467,495
Employees' regular leave (Note 28-c-ii)	376,172	310,697
Bounces and incentives	4,836	342,858
Outstanding commitments:		
Medication	216,674	180,100
Salaries	82,210	85,190
Employees share in profit for the year	-	64,397
Total employees entitlements	<u>1,280,385</u>	<u>1,450,737</u>

28-b-i End of Service Benefits

	2019 YR'000	2018 YR'000
Balance at 1 January	467,495	298,448
Made during the year (Note 10)	132,998	92,226
Balance at 31 December	<u>600,493</u>	<u>467,495</u>

28-b-ii Employees' Regular Leave

	2019 YR'000	2018 YR'000
Balance at 1 January	310,697	236,909
Made during the year (Note 10)	190,178	156,574
(Used) during the year	(124,703)	(82,786)
Balance at 31 December	<u>376,172</u>	<u>310,697</u>

The amount of leave is paid in cash to heads of departments and sections and employees whose tasks require continuing in work the whole year.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

28 PAYABLES AND OTHER LIABILITIES (CONTINUED)

28-c Government's Share In Profit For The Year Retained

	2019 YR'000	2018 YR'000
Profit for the year:		
2018	2,597,407	-
2017	1,567,333	1,567,333
2016	1,113,101	1,113,101
(Transferred) to paid capital (Note 30)	(4,000,000)	-
Total government's share in profit for the year retained	<u>1,277,841</u>	<u>2,680,434</u>

28-d Islamic Branches Department - National Bank of Yemen

The amount represents the value of letters of credit in Saudi Riyal for customers of the Islamic Branch in Sana'a.

29 OTHER PROVISIONS

	2019 YR'000	2018 YR'000
Provision for:		
Contingent claims (Note 29-a)	1,950,000	950,000
Foreign letters of guaranty under disagreement - Specific (Note 32-a)	1,915,901	1,915,901
Indirect credit facilities - General (Note 29-b)	354,259	235,393
Remaining amount of provision for income tax liability for 2010-2012	44,991	44,991
Total other provisions	<u>4,265,151</u>	<u>3,146,285</u>

29-a Provision For Contingent Liabilities

	2018 YR'000	Made during the year YR'000	2019 YR'000
Social insurance differences	450,000	1,000,000	1,459,000
Social insurance - 30% general increase in salaries	500,000	-	500,000
Total	<u>950,000</u>	<u>1,000,000</u>	<u>1,950,000</u>

29-b Provision For Indirect Credit Facilities - General

	2018 YR'000	Written back during the year YR'000	Made during the year YR'000	2019 YR'000
Letters of credit - Import	84,312	-	119,394	203,706
Letters of guaranty - Foreign	117,951	(3,478)	-	114,473
Letters of guaranty - Local in foreign currencies	20,268	-	7,112	27,380
Letters of guaranty - Local in local currency	6,912	-	716	7,628
Letters of credit- Export	5,949	(4,877)	-	1,072
Total	<u>235,392</u>	<u>(8,355)</u>	<u>127,222</u>	<u>354,259</u>

30 CAPITAL

The Bank's declared capital is YR'billion fifty and its paid capital is YR'billion twenty in accordance with article no. 5-1 of Prime Minister Decree no. 405 of 2013 on Organising the Bank and article no. 8 of Bank's Article of Association.

As at 31 December 2019 the Bank's paid capital amounted YR'billion 14 as a result of transfer of YR'billion 4 from Government share in profit for the year retained (Note 28-c) in response to H.E. Minister of Finance letter addressed to the Chairman dated 15 October 2017 approving Bank's Board of Directors' Resolution No. 69 of 2017 issued in its fourth extraordinary meeting held on 25 September 2017 on the National Bank of Yemen paid capital provided that the increase to be paid in three years period of time.

	Share value YR	----- 2019 -----		----- 2018 -----	
		No. of shares	Capital YR'000	No. of shares	Capital YR'000
Paid capital	<u>1,000</u>	<u>14,000,000</u>	<u>14,000,000</u>	10,000,000	10,000,000

31 RESERVES

	2019 YR'000	2018 YR'000
Statutory reserve (Note 31-a)	5,258,602	4,349,572
General reserve (Note 31-b)	3,773,980	2,864,950
Surplus on revaluation of property, plant and equipment reserve (Note 31-c)	639,762	639,762
Cumulative change in fair value reserve (Note 31-d)	50,090	50,090
Total reserves	<u>9,722,434</u>	<u>7,904,374</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

31 RESERVES (CONTINUED)

31-a Statutory Reserve

	2019 YR'000	2018 YR'000
Balance at 1 January	4,349,572	3,700,220
Transfer from profit for the year	909,030	649,352
Balance at 31 December	<u>5,258,602</u>	<u>4,349,572</u>

31-b General Reserve

	2019 YR'000	2018 YR'000
Balance at 1 January	2,864,950	2,215,598
Transfer from profit for the year	909,030	649,352
Balance at 31 December	<u>3,773,980</u>	<u>2,864,950</u>

31-c Surplus On Revaluation Of Property, Plant And Equipment Reserve

	Date of revaluation	2019 YR'000
Surplus on revaluation:		
Land and buildings of the Bank	As at 1999	637,093
Al-Mukairas building	August 2001	2,669
	Total	<u>639,762</u>

31-d Cumulative Change In Fair Value Reserve

In this account, changes in the fair value of Arab Financial Services Company - Bahrain and ALUBAF Arab International Bank - Bahrain during the years 2002 to 2012 are included.

32 CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET

	----- 2019 -----			2018
	Gross value YR'000	Cash guarantee YR'000	Net value YR'000	Net value YR'000
Indirect credit facilities:				
Letters of guaranty - Foreign	770,064		770,064	10,155,097
Letters of guaranty - Local in foreign currencies	2,608,573	(1,598,582)	1,009,991	1,013,384
Letters of guaranty - Local in local currency	1,230,623	(871,042)	359,581	345,624
Letters of credit - Import	14,098,582	(14,463,635)	(365,053)	4,215,616
Letters of credit - Export	-	-	-	297,473
Expected credit loss	-	-	10,550,331	-
Sana'a Branch:				
Letters of guaranty - Foreign	4,111,317	-	4,111,317	-
Letters of guaranty - Foreign under disagreement (Note 32-a)	4,257,558	-	4,257,558	-
Letters of guaranty - Local in foreign currencies	455,231	(96,245)	358,986	-
Letters of guaranty - Local in local currency	41,106	(19,265)	21,841	-
Letters of credit - Export	53,611	-	53,611	-
Al Hodeidah Branch:				
Letters of guaranty - Foreign	842,263	-	842,263	-
Total	<u>28,468,928</u>	<u>(17,048,769)</u>	<u>21,970,490</u>	16,027,194
Others	<u>352,621</u>	<u>-</u>	<u>352,621</u>	383,689
Total	<u>28,821,549</u>	<u>(17,048,769)</u>	<u>22,323,111</u>	<u>16,410,883</u>

32-a Sana'a Branch - Letters Of Guaranty - Foreign Under Disagreement

The amount represents letters of guaranty - foreign of USD 11,204,100 issued for Public Electricity Corporation that is under disagreement with State Bank of India. Management made a specific provision for these indirect credit facilities (Note 29).

33 CASH AND CASH EQUIVALENTS

	2019 YR'000	2018 YR'000
Due from Banks maturing in less than 3 months (Note -Liquidity risk)	71,377,850	60,264,109
Cash on hand (Note 17)	4,256,461	5,369,072
Certificate of deposit at Central Bank of Yemen (Note- Liquidity risk)	1,000,000	1,000,000
Treasury bills maturing in less than 3 months (Note -Liquidity risk)	-	45,027,033
Total cash and cash equivalents	<u>76,634,311</u>	<u>111,660,214</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

34 TRANSACTIONS WITH RELATED PARTIES

For the year ended 31 December 2019 transactions with related parties were as shown below. Management believes that the transactions were made at arm's length basis.

Statement of:	Account	2019 YR '000	2018 YR '000
Comprehensive Income	Interest cost	2,536	1,084
	Salaries and benefits	64,074	78,539
	Financial Position		
Financial Position	Direct credit facilities – loans	20,061	344
	Customers' deposits	52,196	33,483

35 RISK MANAGEMENT

The Bank's business involves taking on risks in a targeted manner and managing the risks professionally. The Bank defines risk as the possibility of incurring losses or profits foregone that may be caused by internal or external factors as the Bank is exposed to credit risk, liquidity risk, interest risk and exchange rate risk. The core functions of the Bank's risk management are identifying all risks that effect the Bank, measuring such risks, managing risk positions and determining 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 minimise potential adverse effects on the Bank's financial performance.

Risks are managed by Bank's management under policies approved by the Board of Directors which provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, interest rate risk, currency risk, use of derivative and non-derivative financial instruments. Bank's management determines and hedge financial risks in cooperation with other operating units in the Bank. In addition to this, 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 / her responsibilities.

Credit Risk

Credit risk is the risk of incurring a financial loss, should any of the Bank's customers or market counterparties fail to fulfill their contractual obligations towards the Bank. Credit risk arises mainly from commercial and consumer direct credit facilities, credit cards and loan commitments arising from such lending activities. It also could arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of guaranty, 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. Therefore, the Bank, carefully manages its exposure to credit risk through assigning credit risk management team to manage and control on credit risk, which reports to the Board of Directors and head of each business unit regularly. The Bank works within the framework of risk management standards stated in Central Bank of Yemen circular no. 10 of 1997 on Standards of Credit Risk Management and performs the following procedures to minimise the credit risk exposure:

- Preparing credit studies on customers and banks before dealing with them and determining their related credit risk rates;
- Obtaining sufficient collateral to minimise the credit risk exposure which may result from financial difficulties facing customers or banks;
- Following up and period reviewing of customers and banks in order to evaluate their financial positions, credit rating and the required provision for non performing credit facilities; and
- Distributing credit portfolio and balances with banks over diversified economic sectors and geographic locations to minimise concentration of credit risk.

Exposure To Credit Risk

The table below shows the maximum exposure of net financial assets and indirect credit facilities to credit risk as at 31 December 2019:

	2019 YR '000	2018 YR '000
Financial Assets:		
Treasury bills, net	196,643,816	187,536,410
Due from banks, net	71,377,850	60,264,109
Receivables and other assets (except for prepayments), net	19,545,334	1,251,245
Mandatory reserve balances at Central Bank of Yemen	18,739,177	17,384,836
Direct credit facilities to customers, net	6,714,513	6,490,638
Certificates of deposit at Central Bank of Yemen	1,000,000	1,000,000
Investments, net	341,792	341,792
Total	314,362,482	274,269,030
Indirect Credit Facilities:		
Letters of credit, net	10,238,889	4,513,089
Letters of guaranty - Foreign, net	9,981,202	10,155,097
Letters of guaranty - Local, net	1,750,399	1,359,008
Total	21,970,490	16,027,194
Total exposure to credit risk	336,332,972	290,296,224

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

35 RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

Managing Credit Risk

The Bank manages concentration of credit risk by distributing the portfolio over diversified economic sectors and geographical locations as possible according to its customers' requirements and the situation the Country is going through (Note 1) as shown below.

Distribution Of Financial Instruments According To Economic Sectors

	2019				
	Trade YR'000	Industry YR'000	Services YR'000	Others YR'000	Total YR'000
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	22,995,638	-	-	-	22,995,638
Certificates of deposit at Central Bank of Yemen	1,000,000	-	-	-	1,000,000
Due from banks, net	71,377,850	-	-	-	71,377,850
Direct credit facilities to customers, net	3,725,960	-	53,987	2,934,566	6,714,513
Treasury bills, net	196,643,816	-	-	-	196,643,816
Investments, net	341,792	-	-	-	341,792
Total	<u>296,085,056</u>	<u>-</u>	<u>53,987</u>	<u>2,934,566</u>	<u>299,073,609</u>
Financial Liabilities					
Due to banks	2,941	-	-	-	2,941
Customers' deposits	40,094,446	8,691,588	43,622,005	190,908,509	283,316,548
Total	<u>40,097,387</u>	<u>8,691,588</u>	<u>43,622,005</u>	<u>190,908,509</u>	<u>283,319,489</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	<u>17,670,114</u>	<u>2,128,026</u>	<u>2,118,739</u>	<u>406,232</u>	<u>22,323,111</u>

	2018				
	Trade YR'000	Industry YR'000	Services YR'000	Others YR'000	Total YR'000
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	22,753,908	-	-	-	22,753,908
Certificates of deposit at Central Bank of Yemen	1,000,000	-	-	-	1,000,000
Treasury bills, net	187,536,410	-	-	-	187,536,410
Due from banks, net	60,264,109	-	-	-	60,264,109
Direct credit facilities to customers, net	4,404,327	-	-	2,086,311	6,490,638
Investments, net	341,792	-	-	-	341,792
Total	<u>276,300,546</u>	<u>-</u>	<u>-</u>	<u>2,086,311</u>	<u>278,386,857</u>
Financial Liabilities					
Due to banks	2,941	-	-	-	2,941
Customers' deposits	36,428,097	8,909,233	53,314,781	153,888,592	252,540,703
Total	<u>36,431,038</u>	<u>8,909,233</u>	<u>53,314,781</u>	<u>153,888,592</u>	<u>252,543,644</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	<u>5,334,373</u>	<u>1,188,099</u>	<u>7,126,652</u>	<u>2,761,759</u>	<u>16,410,883</u>

Distribution Of Financial Instruments According To Geographical Locations

	2019					
	Republic of Yemen YR'000	America and Caribbean YR'000	Europe YR'000	Asia YR'000	Africa YR'000	Total YR'000
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	22,995,638	-	-	-	-	22,995,638
Certificates of deposit at Central Bank of Yemen	1,000,000	-	-	-	-	1,000,000
Due from banks, net	36,590,965	-	34,566,503	60,384	159,998	71,377,850
Direct credit facilities to customers, net	6,714,513	-	-	-	-	6,714,513
Treasury bills, net	196,643,816	-	-	-	-	196,643,816
Investments, net	61,200	-	-	280,592	-	341,792
Total	<u>264,006,132</u>	<u>-</u>	<u>34,566,503</u>	<u>340,976</u>	<u>159,998</u>	<u>299,073,609</u>
Financial Liabilities						
Due to banks	2,941	-	-	-	-	2,941
Customers' deposits	283,316,548	-	-	-	-	283,316,548
Total	<u>283,319,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,319,489</u>
Contingent Liabilities, Commitments and Contra Accounts, Net	<u>878,914</u>	<u>-</u>	<u>15,326,196</u>	<u>5,828,166</u>	<u>289,835</u>	<u>22,323,111</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

35 RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

Managing Credit Risk (Continued)

- Distribution Of Financial Instruments According To Geographical Locations (Continued)

	2018					
	Republic of Yemen YR'000	America and Caribbean YR'000	Europe YR'000	Asia YR'000	Africa YR'000	Total YR'000
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	22,753,908	-	-	-	-	22,753,908
Certificates of deposit at Central Bank of Yemen	1,000,000	-	-	-	-	1,000,000
Treasury bills, net	187,536,410	-	-	-	-	187,536,410
Due from banks, net	43,881,339	-	9,077,533	7,149,226	156,011	60,264,109
Direct credit facilities to customers, net	6,490,638	-	-	-	-	6,490,638
Investments, net	61,200	-	-	280,592	-	341,792
Total	261,723,495	-	9,077,533	7,429,818	156,011	278,386,857
Financial Liabilities						
Due to banks	2,941	-	-	-	-	2,941
Customers' deposits	252,540,703	-	-	-	-	252,540,703
Total	252,543,644	-	-	-	-	252,543,644
Contingent Liabilities, Commitments and Contra Accounts, Net	2,737,655	-	2,212,765	10,796,524	663,939	16,410,883

Liquidity Risk

Liquidity risk is the risk of Bank's incapability to meet its financial obligations when they fall due under normal circumstances. To limit such risk, the Bank's management in addition to its core deposit base; manages assets with required liquidity in mind, monitors future cash flows and liquidity on a daily basis and arranges diversified funding sources as available in the current circumstances in compliance to Central Bank of Yemen circular no. 5 of 2009 on Management of Liquidity Risk.

Liquidity Ratio

The Central Bank of Yemen, in its Circular No. 3 of 1997 on The Liquidity Ratio, requires the Bank to maintain a liquidity ratio not lower than 25%. It is represented by the ratio of rapidly liquefied financial assets to Bank's liabilities. As at 31 December 2019, the Bank's liquidity ratio was 56% (31 December 2018: 92%).

Maturity Gap

The maturity gap is a measure of Bank's capability to settle its liabilities from its assets for the same maturity period and is represented by the difference between the Bank's assets and liabilities for a certain maturity period. As at 31 December 2019, the maturity gap was as follows:

	2019				
	Less than 3 months YR'000	3-6 Months YR'000	6 months - 1 year YR'000	More than a year YR'000	Total YR'000
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	22,995,638	-	-	-	22,995,638
Certificates of deposit at Central Bank of Yemen	-	1,000,000	-	-	1,000,000
Due from banks, net	71,377,850	-	-	-	71,377,850
Direct credit facilities to customers, net	2,341,889	11,018	142,134	4,219,472	6,714,513
Treasury bills, net	-	-	196,643,816	-	196,643,816
Investments, net	-	-	-	341,792	341,792
Other assets	2,548,500	-	-	23,294,831	25,843,331
Total	99,263,877	1,011,018	196,785,950	27,856,095	324,916,940
Financial Liabilities and Equity					
Due to banks	2,941	-	-	-	2,941
Customers' deposits	99,917,467	15,175,887	30,599,486	137,623,708	283,316,548
Other liabilities	-	-	-	13,632,877	13,632,877
Equity	-	-	-	27,964,574	27,964,574
Total	99,920,408	15,175,887	30,599,486	179,221,159	324,916,940
Maturity gap	(656,531)	(14,164,869)	166,186,464	(151,365,064)	-

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

35 RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

Maturity Gap (Continued)

	2018				
	Less than 3 months	3 -6 Months	6 months - 1 year	More than a year	Total
	YR'000	YR'000	YR'000	YR'000	YR'000
Financial Assets					
Cash on hand and mandatory reserve balances at Central Bank of Yemen	22,753,908	-	-	-	22,753,908
Certificates of deposit at Central Bank of Yemen	1,000,000	-	-	-	1,000,000
Treasury bills, net	45,027,033	35,684,688	106,824,689	-	187,536,410
Due from banks, net	60,264,109	-	-	-	60,264,109
Direct credit facilities to customers, net	2,703,118	9,151	111,370	3,666,999	6,490,638
Investments, net	-	-	-	341,792	341,792
Other assets	221,372	-	-	6,143,850	6,365,222
Total	131,969,540	35,693,839	106,936,059	10,152,641	284,752,079
Financial Liabilities and Equity					
Due to banks	2,941	-	-	-	2,941
Customers' deposits	198,265,414	24,178,626	29,522,286	574,377	252,540,703
Other liabilities	-	-	7,634,619	3,639,135	11,273,754
Equity	-	-	-	20,934,681	20,934,681
Total	198,268,355	24,178,626	37,156,905	25,148,193	284,752,079
Maturity gap	(66,298,815)	11,515,213	69,779,154	(14,995,552)	-

Interest Rate Risk

Interest rate risk is the risk of effect of interest rates changes on future cash flows or value of financial instruments. The Bank performs a number of measures 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.

Average Interest Rates On Financial Instruments

	2019					
	Yemeni Rial	US Dollar	Sterling Pound	Euro	Saudi Rial	UAE Dirham
	%	%	%	%	%	%
Financial Assets						
Mandatory reserve balances at Central Bank of Yemen	-	-	-	-	-	-
Treasury bills, net	17	-	-	-	-	-
Due from banks - fixed deposits	-	-	-	-	-	-
Direct credit facilities to customers, net	21.00	11.00	-	-	-	-
Financial Liabilities						
Due to banks	-	-	-	-	-	-
Customers' deposits	15.00	0.25	0.25	0.25	0.25	-
	2018					
	Yemeni Rial	US Dollar	Sterling Pound	Euro	Saudi Rial	UAE Dirham
	%	%	%	%	%	%
Financial Assets						
Mandatory reserve balances at Central Bank of Yemen	-	-	-	-	-	-
Treasury bills, net	16.20	-	-	-	-	-
Due from banks - fixed deposits	-	1.93	0.47	-	1.94	1.22
Direct credit facilities to customers, net	21.00	11.00	-	-	-	-
Financial Liabilities						
Due to banks	-	-	-	-	-	-
Customers' deposits	15.00	0.25	0.25	0.25	0.25	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

35 RISK MANAGEMENT (CONTINUED)

Interest Rate Risk (Continued)

Interest Rate Sensitivity And Accumulated Interest Rate Sensitivity Gaps

	2019					
	Less than 3 months YR'000	3 - 6 months YR'000	6 months - 1 year YR'000	More than a year YR'000	Non interest sensitive YR'000	Total YR'000
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	-	-	-	-	22,995,638	22,995,638
Certificates of deposit at Central Bank of Yemen	-	1,000,000	-	-	-	1,000,000
Due from banks, net	71,377,149	-	-	-	701	71,377,850
Direct credit facilities to customers, net	2,340,889	11,018	143,134	4,219,472	-	6,714,513
Treasury bills, net	-	-	196,643,816	-	-	196,643,816
Investments, net	-	-	-	-	341,792	341,792
Other assets	186,824	-	-	-	25,656,507	25,843,331
Total	73,904,862	1,011,018	196,786,950	4,219,472	48,994,638	324,916,940
Financial Liabilities and Equity						
Due to banks	-	-	-	-	2,941	2,941
Customers' deposits	99,917,467	15,175,887	30,599,486	-	137,623,708	283,316,548
Other liabilities	1,568,252	238,193	480,273	-	11,346,159	13,632,877
Equity	-	-	-	-	27,964,574	27,964,574
Total	101,485,719	15,414,080	31,079,759	-	176,937,382	324,916,940
Interest rate sensitivity gap	(27,580,857)	(14,403,062)	165,707,191	4,219,472	(127,942,744)	-
Accumulated interest rate sensitivity gap	(27,580,857)	(41,983,919)	123,723,272	127,942,744	-	-
	----- 2018 -----					
	Less than 3 months YR'000	3 - 6 months YR'000	6 months - 1 year YR'000	More than a year YR'000	Non interest sensitive YR'000	Total YR'000
Financial Assets						
Cash on hand and mandatory reserve balances at Central Bank of Yemen	-	-	-	-	22,753,908	22,753,908
Certificates of deposit at Central Bank of Yemen	1,000,000	-	-	-	-	1,000,000
Treasury bills, net	45,027,033	35,684,688	47,684,688	-	59,140,001	187,536,410
Due from banks, net	60,263,672	-	-	-	437	60,264,109
Direct credit facilities to customers, net	2,703,118	9,151	111,370	3,666,999	-	6,490,638
Investments, net	-	-	-	-	341,792	341,792
Other assets	1,359,139	-	-	-	5,006,083	6,365,222
Total	110,352,962	35,693,839	47,796,058	3,666,999	87,242,221	284,752,079
Financial Liabilities and Equity						
Due to banks	-	-	-	-	2,941	2,941
Customers' deposits	87,691,967	14,324,187	29,057,943	-	121,466,605	252,540,702
Other liabilities	1,393,857	227,682	461,874	-	9,190,342	11,273,755
Equity	-	-	-	-	20,934,681	20,934,681
Total	89,085,824	14,551,869	29,519,817	-	151,594,569	284,752,079
Interest rate sensitivity gap	21,267,138	21,141,970	18,276,241	3,666,999	(64,352,348)	-
Accumulated interest rate sensitivity gap	21,267,138	42,409,108	60,685,349	64,352,348	-	-

Currency Risk

Currency risk or exchange rate risk is the risk of fluctuation of fair value or future cash flows of a financial instrument evaluated in a foreign currency due to changes in exchange rates. Due to the nature of the Bank's activities, it deals in different foreign currencies; thus it is exposed to currency risk. The Central Bank of Yemen, in its Circular No. 6 of 1998 on Exposure to Foreign Currencies Risk, requires the Bank not to keep a currency position of more than 25% for different currencies and 15% for a single currency to capital and reserves as defined in the circular no. 2 of 1997 on Capital Adequacy Ratio, whether the position is long or short.

Foreign Currencies Exchange Rates

The Bank deals with the market prevailing exchange rate for the US Dollar and other foreign currencies in trade in the Yemeni market according to exchange rate bulletin issued by Central Bank from its Head Office in Aden which is based on the exchange rate management base officially approved on the floating basis and evaluates foreign currencies positions in financial positions of the Bank on the basis of exchange rate bulletin issued by Central Bank since 15 August 2017 in compliance to resolution issued by the Office of Governor of Central Bank of Yemen, Head Office / Aden cancelling dealing with exchange rate of the US Dollar on the basis of a fixed exchange rate at YR 250 / US Dollar dated 14 August 2017.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

35 RISK MANAGEMENT (CONTINUED)

Currency Risk (Continued)

Foreign Currencies Exchange Rates (Continued)

Since the exchange rate bulletins issued by the Central Bank of Yemen / Aden are limited to the exchange rate of the US Dollar only (2018: US Dollar) the Bank extracts foreign currencies exchange rates from a specialised foreign website in relation to USD exchange rate as stated in the Central Bank of Yemen / Aden exchange rate bulletin. The exchange rate bulletin issued by the Bank under this procedure is approved by the Vice General Manager for Banking Departments.

Foreign Currencies Positions

Using exchange rates resulting from the procedure followed by the bank, mentioned above, for evaluating foreign currencies positions, the ratio of net foreign currencies positions of the Bank to core capital and reserves at 31 December 2019 were as follow:

	-----2019-----				2018
	Assets	Liabilities	Net foreign	Ratio to core	Ratio to core
	Long position	Short position	currency	capital and	capital and
	YR'000	YR'000	positions	reserves	reserves
			YR'000	%	%
US Dollar	84,934,656	(78,272,589)	6,662,067	29	(12)
Sterling pound	7,033,735	(2,113,633)	4,920,102	21	22
UAE Dirham	2,444,709	(21,112)	2,423,597	11	16
Euro	719,889	(3,622,163)	(2,902,274)	(13)	(7)
Saudi Rial	2,759,367	(21,971,004)	(19,211,637)	(83)	(51)
Others	197,207	(12,268)	184,939	1	-
Total	98,089,563	(106,012,769)	(7,923,206)	(34)	(32)

Net foreign currencies positions exceedings for several single foreign currencies and different currencies are due to commitments relevant to customers' dormant deposits and indirect credit facilities in Saudi Riyal with an increase of amounts due from banks in US Dollar and Sterling Pound in the light of conditions the country is going through (Note 1) Management is working on addressing such exceedings in compliance to ratios specified in the related Central Bank of Yemen circular.

Impact Of Changes In Fair Value Of Currency (Foreign currencies Sensitivity Analysis)

To calculate the impact of changes in fair value of currency, according to Central Bank of Yemen, Head Office/ Aden instructions, the Bank took in account the exchange rates it uses in evaluating significant foreign currencies positions and the average exchange rate of these currencies in accordance with market rates as per local specialised websites shown below:

Exchange rate in YR:	-----2019-----				
	USD	Sterling pound	Euro	Saudi Riyal	Emirates Dirham
Used by the Bank	380.00	498.41	425.83	101.30	103.45
Market	609	772	663	160	165
Difference	(229.00)	(273.59)	(237.17)	(58.70)	(61.55)

Exchange rate in YR:	-----2018-----				
	USD	Sterling pound	Euro	Saudi Riyal	Emirates Dirham
Used by the Bank	380.00	482.11	434.38	101.30	103.46
Market	524.500	675.00	586.50	139.125	138.50
Difference	(144.5)	(192.89)	(152.12)	(37.825)	(35.04)

Based on the exchange rates above, the following table shows the impact of decrease of Yemeni Rial exchange rate against significant foreign currencies and the expected effect on statements of comprehensive income and changes in equity, with all other factors held constant.

	Impact on statements of comprehensive income and changes in equity increase / (decrease)	
	2019	2018
	YR'000	YR'000
US Dollar	4,014,772	(782,612)
Sterling pound	2,700,770	1,516,308
UAE Dirham	1,441,976	916,542
Euro	(1,616,449)	(395,968)
Saudi Rial	(11,132,508)	(3,251,135)
Total	(4,591,439)	(1,996,865)

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

36 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 by Bank's management on a quarterly basis employing techniques based on the guidelines approved by Central Bank of Yemen for supervisory purposes. The required information is filed with the Central Bank of Yemen on a quarterly basis.

Capital Adequacy

Capital adequacy is Bank's capability to settle its obligations and confront any losses that might arise in the future. It is represented by the ratio of capital to its risks. The Central Bank of Yemen, in its circular no. 2 of 1997 amending circular no. 3 of 1996 on Minimum Limit Of Capital Ratio To Risk - Weighted Assets (Capital Adequacy), requires the Bank to maintain a ratio of total capital to the risk - weighted assets at or above 8%.

In accordance with provisions of the circular above the total capital of the Bank is divided in two tiers:

- Core capital: which comprises the paid capital, statutory and general reserves. Investments in any other local bank or financial company are deducted from core capital.
- Capital cushions: which comprises the surplus on revaluation of property, plant and equipment reserve, cumulative changes in fair value reserve, general provision for impairment of direct and indirect credit facilities and provision for impairment of receivables and other assets.

The risk - weighted assets are measured by means of a hierarchy of four risk weights classified according to the level of credit, market and operation risks associated with each asset, taking into account any eligible collateral or guarantees.

A similar treatment is adopted for off financial position items risks, with some adjustments to reflect the more contingent nature of potential losses.

The Bank complies with all the externally imposed capital requirements to which it is subject.

For the year ended 31 December 2019, capital adequacy ratio was as follows:

	2019 YR'000	2018 YR'000
Capital		
Core capital	22,859	17,041
Capital cushions	2,104	1,987
Total capital	<u>24,963</u>	<u>19,028</u>
Risk- weighted assets		
On statement of financial position	35,529	11,670
Off statement of financial position	14,133	12,802
Total risk - weighted assets	<u>49,662</u>	<u>24,472</u>
Adequacy ratio of:		
Core capital	46%	70%
Total capital	<u>50%</u>	<u>78%</u>

37 TRUST ACTIVITIES

The Bank does not undertake any activities related to the conservation and management of assets for or on behalf of third parties except for the Housing Project which is managed by the Bank on behalf of the State in accordance with the minutes of the expanded meeting held on 6 April 2000 and approved by H.E. Minister of Finance on 29 April 2000.

The Housing Project was established in Abdul Aziz Abdul Wali area, Al-Mansoura, Aden City, in accordance with Council of Ministers Decree No. 52 of 1988 with a self -financing system from the value of apartments sold in cash and installments to build a number of housing units for Yemeni immigrants and allocating some for the Ministry of Construction and Housing and entitled employees of the National Bank of Yemen. The Bank keeps the bank accounts of the Housing Project as contra accounts.

38 CAPITAL COMMITMENTS

	2019 YR'000	2018 YR'000
In US Dollar (Note 38-a)	251,185	2,375
In Yemeni Rial (Note 38-b)	127,743	-
Total capital commitments	<u>378,928</u>	<u>2,375</u>

38-a In US Dollar

	2019 YR'000	2018 YR'000
Systems and programs	206,578	-
Computer hardware maintenance	34,827	-
Constructions - Buildings of Head Office, main branch in Aden and Zunjobar Branch	8,864	2,375
Procuring and installing monitoring cameras	916	-
Total	<u>251,185</u>	<u>2,375</u>

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

38 CAPITAL COMMITMENTS (CONTINUED)**38-b In Yemeni Rial**

	2019 YR '000	2018 YR '000
Constructions- Buildings of Arwa, Mukalla, AlShihr and Zunjobar Branches	126,703	-
Data Center - Information Technology Department and Mukalla Branch	1,040	-
Total	<u>127,743</u>	<u>-</u>

39 LEGAL STATUS AND CONTINGENT ASSETS AND LIABILITIES

During the year ended 31 December 2019, the Bank had cases filed against non performing customers for not paying their debts and cases filed against the Bank by customers. While for some cases the verdict was in favor of the Bank, the related legal procedures have not been completed, yet. Some other cases are still in concerned court. Management has made adequate provisions for impaired loans.

40 COMPARATIVE FIGURES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Certain of the prior year amounts have been reclassified to conform to the presentation in the current year.

41 SUBSEQUENT EVENTS**41-a Corona Virus Epidemic**

At the beginning of 2020, the world witnessed the spread of the Corona virus, which killed thousands of people in a number of countries of the world and led to the imposition of quarantine and the closure of cities and multiple countries, resulting in a decrease in transport, travel and trade between and within countries and a global economic recession. The most important financial impact of the pandemic, according to the publications of many international accounting institutions, were the increase in credit risk and impairment of financial instruments, amongst which are loans to customers and receivables and impairment of non-financial instruments including inventory and property, plant and equipment, in addition to continuing business as a going concern which require development of disclosures on these matters, whether within subsequent events to 2019 or in relation to the financial statements and notes thereof for the subsequent year.

On 28 March 2020, at the local level, the Yemeni Banks Association issued a comprehensive plan for banks to confront the Corona Virus crisis that included the following areas: a) preventive measures, b) remote work continuity plan c) technological requirements for working remotely and ensuring business continuity and d) Meeting customers' needs with a focus on the basic and essential priorities of the Country e) recommendations on the role assigned to the Central Bank in providing incentives to support the banks' plans to confront the Corona Virus crisis.

During the period March - June 2020, with the emergence of cases of Corona Virus in some governorates of the Republic, social distancing measures were applied, number of official working hours were reduced and in governorates transportation as well as transportation between the governorates of the Republic were limited which affected work execution in the public and private sectors, including the Bank. Bank's performance with regard to land and buildings revaluation and the implementing of the new banking system were effected in addition to delaying the implementation of external audit procedures for 2019.

In response to the economic impacts that may result from the pandemic locally, in addition to the local and regional political and economic events during the subsequent period, management made additional provisions for expected credit loss on direct credit facilities and indirect credit facilities. Management condensed communication with correspondent banks to solve issues concerning balances due to the Bank with these banks and honoring letters of credit and letters of guaranty in foreign currency.

41-b Launch of the Modern Banking System "Banks"

On 3 February 2020, the Bank, at its Head Office in Aden, inaugurated the process of launching the modern banking system, called "Live Launch of the Banks System", as a start to be followed in the rest of the branches in Aden and other cities. The project will have a significant impact on the banking performance in conformance with new systems in foreign and commercial banks in Yemen. Launching this project coincides with the bank's 50th anniversary (Note 25-a).

41-c Final Payment Of Zakat Liability For 2019

On 5 July 2019, the Bank received a clearance from the Zakat General Directorate - Capital / Aden on full payment of Zakat liability estimated for National Bank of Yemen for 2019 (Note 14).

41-d Overdrawn Current Account At Central Bank Of Yemen

As at 31 July 2020, the year-end overdrawn cheques account at the Central Bank of Yemen / Aden (Note 19-a-i) was covered in the light of the prevailing conditions in the subsequent period.

41-e Audit Evidence On Bank's Branches in Sana'a and Al Hodeidah For The Year Ended 31 December 2019

The Bank's management approved the Bank's previous financial statements on 27 December 2020, on which the independent auditors expressed a qualified audit opinion. The qualification that arose on amounts and balances of the Bank's branches in Sana'a and Al Hodeidah presented in the Bank's financial statements for the year ended 31 December 2019 due to inability to verify them by independent auditors as a result of the management's inability to provide sufficient and appropriate audit evidence on those branches.

NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2019

41 SUBSEQUENT EVENTS (CONTINUED)

41-e Audit Evidence On Bank's Branches in Sana'a and Al Hodeidah For The Year Ended 31 December 2019 (Continued)


In a subsequent period to 27 December 2020 the Bank provided audit evidence on the Bank's two commercial branches in Sana'a and Al Hodeidah as at as at 31 July 2019 to independent auditors, but it was unable to provide any audit evidence on the balances of the Bank's commercial branches in Sana'a and Al Hodeidah for the period 1 August -31 December 2019 and held them separately in suspended accounts, nor any audit evidence on the Bank's Islamic Branch in Sana'a for the period 1 January - 25 December 2019.


42 Reporting The Audited Financial Statements To H.E. Minister of Finance


The amended audited financial statements will be submitted the H.E. Minister of Finance, the representative of the Government owner of the Bank after Bank obtaining Central Bank of Yemen Head Office / Aden approval on its publication.


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Annual Report 2019

البنك الأهلي اليمني
National Bank Of Yemen

Trust & Experience

الخبرة والثقة

