

البنك الأهلي اليمني

National Bank Of Yemen

Trust & Experience

الخبرة والثقة



Annual Report

2020





⇒ Content List

| | |
|--|--------------|
| Our Vision, Our Message, Strategic Objectives | 7 |
| Main Basic Financial Indicators | 5-6 |
| Financial Statement Summary | 4 |
| Chairman and Members of Board of Directors | 8 |
| Executive Management | 9 |
| Independent Auditor's Report | 11 |
| Financial Position Statement | 14 |
| Profit or loss & other Comprehensive | 10 |
| Statement of Changes in Equity | 16 |
| Cash Flows Statement | 17 |
| Notes To The Financial Statements | 18-62 |
| List of Branches in Yemen | 63-66 |





Financial Statement Summary

total assets(YR millions)

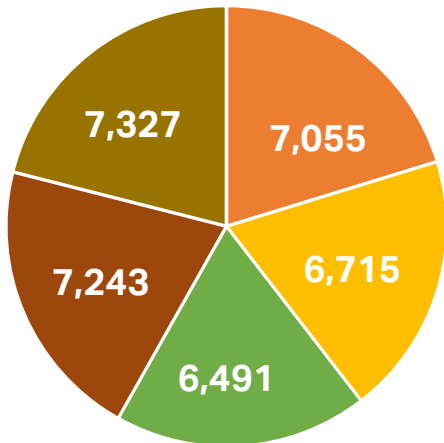
| Statement | Years | | | | |
|----------------------------|------------------|------------------|------------------|------------------|---------------------|
| | م2020 | م2019 | م2018 | م2017 | م2016 |
| Financial Position: | | | | | |
| Total Assets | 355,332 | 324,917 | 284,752 | 267,584 | 194,617 |
| Loans and Advances | 7,055 | 6,715 | 6,491 | 7,243 | 7,327 |
| Customers & Bank Deposits | 298,635 | 283,317 | 252,541 | 242,718 | 171,550 |
| Local Investments | 166,581 | 196,644 | 187,536 | 166,581 | 134,453 |
| Capital | 17,000 | 14,000 | 10,000 | 10,000 | 10,000 |
| Equity | 33,340 | 27,965 | 20,935 | 18,434 | 17,121 |
| Balances with Banks | 93,457 | 71,378 | 60,264 | 66,477 | 26,631 |
| Contra Items | 13,408 | 22,323 | 16,411 | 12,742 | 9,659 |
| Income Statement: | | | | | |
| Net Interest Income | 18,962 | 17,542 | 14,739 | 11,478 | 8,836 |
| Operation Income | 1,683 | 2,561 | 1,338 | -71 | 1,027 |
| Profit Before Tax | 8,272 | 7,575 | 5,411 | 3,265 | 3,358 |
| Net Profit | 6,618 | 6,060 | 4,329 | 2,612 | 2,894 |
| Financial Ratios: | | | | | |
| Return on Assets | 1.9% | 1.9% | 1.5% | 1.0% | 1.5% |
| Return on Average Equity | 23% | 28% | 23% | 15% | 20% |
| Capital Adequacy Rate | 82% | 50% | 78% | 78% | 67% |
| Liquidity Rate | 95% | 56% | 92% | 90% | 91% |
| U.S.Dollar Price | 400 ريال يمني | 380 ريال يمني | 380 ريال يمني | 393 ريال يمني | 250.25 ريال يمني |
| Share Profit | 389 ريال يمني | 433 ريال يمني | 433 ريال يمني | 261 ريال يمني | 289 ريال يمني |
| Number of Branches | 27 | 27 | 27 | 27 | 27 |
| Number of Employees | 973 | 973 | 973 | 966 | 969 |





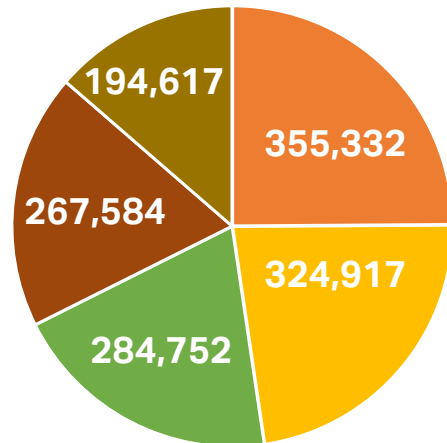
➔ The most important financial indicators (2016 -2020)

**Loans and Advances
(YR millions)**



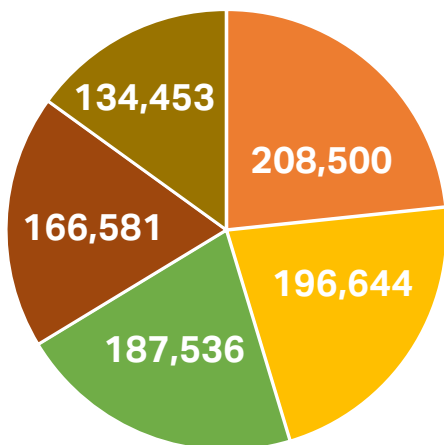
■ 2018 ■ 2017 ■ 2016
■ 2020 ■ 2019

**Total Assets
(YR millions)**



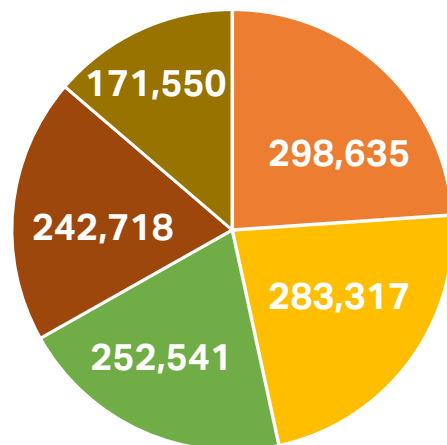
■ 2018 ■ 2017 ■ 2016
■ 2020 ■ 2019

**Local Investments
(YR millions)**



■ 2018 ■ 2017 ■ 2016
■ 2020 ■ 2019

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



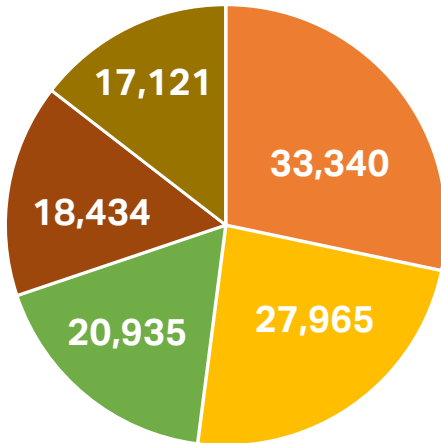
■ 2018 ■ 2017 ■ 2016
■ 2020 ■ 2019





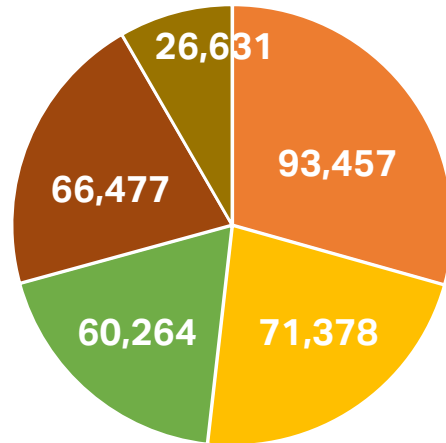
➔ The most important financial indicators (2014 -2018)

Equity
(YR millions)



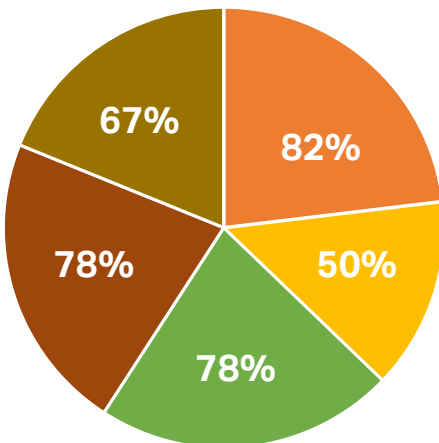
2018 ■ 2017 ■ 2016 ■
 2020 ■ 2019 ■

Balances with Banks
(YR millions)



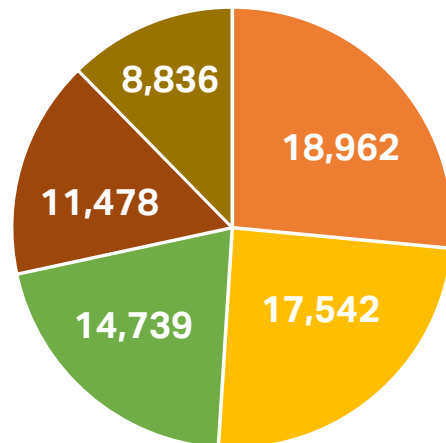
2018 ■ 2017 ■ 2016 ■
 2020 ■ 2019 ■

Capital Adequacy Rate



2018 ■ 2017 ■ 2016 ■
 2020 ■ 2019 ■

Net Interest Income
(YR millions)



2018 ■ 2017 ■ 2016 ■
 2020 ■ 2019 ■





⇒ 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 Banking Departments



Deputy Director General of Supporting Departments



Director of the Human Resources Department



Director of the Treasury Department



Director of the Financial Control Department



Director of the Internal Audit Department



IT department manager



Director of the Bank Credit Department



Director of the Department of Administrative Affairs



Branches department manager



Director of the Troubled Debt Department



Director of Public Relations Department



Director of the legal department



Automation project manager



Director of the Marketing department



Director of the risk department





Dahman & Co.

Auditors . Accountants . Advisors

Correspondent to RSM Network

Third Floor, Makki Building, Front Saba School ,
Saba Cross Road, Al-Qahira Street
P. O. Box: 16146, Sana'a, Republic Of Yemen
T: +967 (1) 224 676
F: +967 (1) 224 676
E: bassam@rsm.ae

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 matter 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 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, related local laws and regulations and Central Bank of Yemen instructions.

We have audited the financial statements of the Bank, which comprise the statement of comprehensive income for the year ended 31 December 2020 and the related statement of financial position, 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

As stated in Note 17-b to the financial statements, the Bank could not obtain a confirmation note from the Central Bank of Yemen on Bank's mandatory reserve balance as at 31 December 2020.

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.

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 so that it may not be able 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 the 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 Reorganisation 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.

Continue...





Dahman & Co.

Auditors . Accountants . Advisors
Correspondent to RSM Network

Third Floor, Makki Building, Front Saba School ,
Saba Cross Road, Al-Qahira Street
P. O. Box: 16146, Sana'a, Republic Of Yemen
T: +967 (1) 224 676
F: +967 (1) 224 676
E: bassam@rsm.ae

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)

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.

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

Further to the above and as required by the Prime Minister's Decree No. 405 of 2013 on Reorganisation 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, the other related laws 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 what is 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 all laws and regulations regulating Bank's business.
- The Bank maintains appropriate accounting records and the accompanying financial statements and the Board of Directors Annual Report are in agreement therewith.
- Note 34 to the financial statements of the Bank discloses the significant related parties' transactions. Terms on which these transactions are made and the basis for managing conflicts of interest were clarified.

Continue...





Dahman & Co.

Auditors . Accountants . Advisors

Correspondent to RSM Network

Third Floor, Makki Building, Front Saba School ,
Saba Cross Road, Al-Qahira Street
P. O. Box: 16146, Sana'a, Republic Of Yemen
T: +967 (1) 224 676
F: +967 (1) 224 676
E: bassam@rsm.ae

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

- We also confirm that based on the information provided to us, nothing has come to our attention that causes us to believe that the Bank has contravened, during the financial year ended 31 December 2020, any provisions of the laws and regulations that regulates the Bank's business that may have a material impact on Bank's activities or 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

Aden, Republic of Yemen
7 April 2022





NATIONAL BANK OF YEMEN

STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2020

| REVENUES | Note | 2020 | 2019 |
|--|------|---------------------|---------------------|
| | | YR' 000 | YR' 000 |
| Activity Revenues: | | | |
| Interest on direct credit facilities to customers, net | 4 | (15,090,578) | (14,762,926) |
| Interest on due from banks, net | 5 | 86,696 | 100,036 |
| Commissions and fee income on banking services, net | 6 | 370,257 | 961,596 |
| Interest on certificates of deposit at Central Bank of Yemen | 7 | 220,457 | 203,140 |
| Returns from treasury bills | | 33,745,938 | 32,002,050 |
| Dividends from investments | 8 | 16,522 | 26,231 |
| Gain on selling and buying foreign currencies | | 88,417 | 1,435,700 |
| Total Activity Revenues | | 19,437,709 | 19,965,827 |
| Other revenues | 9 | 1,262,597 | 505,093 |
| TOTAL REVENUES | | 20,700,306 | 20,470,920 |
| EXPENSES | | | |
| Employees' related expenses | 10 | (8,469,881) | (7,167,237) |
| General and administration expenses | 11 | (1,140,882) | (1,191,063) |
| Other expenses | 12 | (2,482,594) | (3,513,917) |
| TOTAL EXPENSES | | (12,093,357) | (11,872,217) |
| Re-translation differences on balances in foreign currencies | 13 | (84,634) | (773,453) |
| PROFIT FOR THE YEAR BEFORE ZAKAT AND INCOME TAX | | 8,522,315 | 7,825,250 |
| Zakat | 14 | (250,000) | (250,000) |
| PROFIT FOR THE YEAR AFTER ZAKAT AND BEFORE INCOME TAX | | 8,272,315 | 7,575,250 |
| Income tax | 15 | (1,654,463) | (1,515,050) |
| PROFIT FOR THE YEAR AFTER ZAKAT AND INCOME TAX | | 6,617,852 | 6,060,200 |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive income for the year | | - | - |
| TOTAL OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 16 | 6,617,852 | 6,060,200 |

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

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

Mohsen Saeed Ali AlShabahi
Vice General Manager for
Banking Departments

Dr. Ahmed Ali Bin Sankar
General Manager

Dr. Mohammad Husain Halboob
Chairman





NATIONAL BANK OF YEMEN

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

| | | 31 December 2020 | 31 December 2019 |
|--|------|---------------------|---------------------|
| | Note | YR' 000 | YR' 000 |
| ASSETS | | | |
| Cash on hand and mandatory reserve balances at Central Bank of Yemen | 17 | 31,130,489 | 22,995,638 |
| Certificates of deposit at Central Bank of Yemen | 18 | - | 1,000,000 |
| Due from banks, net | 19 | 93,456,564 | 71,377,850 |
| Treasury bills, net | 20 | 208,500,000 | 196,643,816 |
| Direct credit facilities to customers, net | 21 | 7,055,446 | 6,714,513 |
| Receivables and other assets, net | 22 | 8,089,175 | 19,857,397 |
| Investments, net | 23 | 356,560 | 341,792 |
| Property, plant and equipment | 24 | 4,447,804 | 3,875,426 |
| Capital work in progress | 25 | 2,296,068 | 2,135,745 |
| TOTAL ASSETS | | 355,332,106 | 324,942,177 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Due to banks and financial institutes | 26 | 2,191,246 | 1,670,232 |
| Customers' deposits | 27 | 298,634,520 | 281,649,257 |
| Payables and other liabilities | 28 | 16,117,384 | 9,392,963 |
| Other provisions | 29 | 5,048,670 | 4,265,151 |
| Total Liabilities | | 321,991,820 | 296,977,603 |
| EQUITY | | | |
| Capital paid | 30 | 17,000,000 | 14,000,000 |
| Reserves | 31 | 11,707,790 | 9,722,434 |
| Dividends proposed | 16-b | 4,632,496 | 4,242,140 |
| Total Equity | | 33,340,286 | 27,964,574 |
| TOTAL LIABILITIES AND EQUITY | | 355,332,106 | 324,942,177 |
| CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET | 32 | 13,408,070 | 22,323,111 |

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

Mohsen Saeed Ali AlShabahi
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 2020

| | <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 2020 | 14,000,000 | 9,722,434 | 4,242,140 | 27,964,574 |
| Comprehensive income | | | | |
| Profit for the year before Zakat and income tax | - | - | 8,522,315 | 8,522,315 |
| Zakat | - | - | (250,000) | (250,000) |
| Income tax | - | - | (1,654,463) | (1,654,463) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | 6,617,852 | 6,617,852 |
| Transactions with owner | | | | |
| Transfer to capital from Government's share in profit for the year retained (Note 28-c): | 3,000,000 | - | - | 3,000,000 |
| Prior year dividends (Note 16-b) | - | - | (4,242,140) | (4,242,140) |
| Transfer from profit for the year to: | - | - | - | - |
| Statutory reserve (Note 31-a) | - | 992,678 | (992,678) | - |
| General reserve (Note 31-b) | - | 992,678 | (992,678) | - |
| Total transaction with owner | 3,000,000 | 1,985,356 | (6,227,496) | (1,242,140) |
| Balance at 31 December 2020 | 17,000,000 | 11,707,790 | 4,632,496 | 33,340,286 |
| 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 to capital from Government's share in profit for the year retained (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 | 14,000,000 | 9,722,434 | 4,242,140 | 27,964,574 |

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 2020

| | 2020 YR 000 | 2019 YR 000 |
|--|---------------------------|--------------------------|
| OPERATING ACTIVITIES | | |
| Profit for the year after Zakat and income tax | 6,617,852 | 6,060,200 |
| <i>Adjustments for the following:</i> | | |
| Depreciation of property, plant and equipment | 197,971 | 151,422 |
| Provisions: | | |
| Re-translation differences on balances in foreign currencies | 319,055 | (1,935) |
| Made | 1,757,737 | 3,005,404 |
| Written back | (1,255,813) | (490,980) |
| Written off | - | (19,089) |
| Operating Profit Before Changes In Banking Assets And Liabilities Related To Operating Activities | <u>7,636,802</u> | <u>8,705,022</u> |
| CHANGES IN BANKING ASSETS | | |
| Mandatory reserve balances at Central Bank of Yemen | (417,822) | (1,354,341) |
| Due from banks maturing in over than three months | - | - |
| Direct credit facilities to customers before provision for impairment but after suspended interest | (378,393) | (1,598,408) |
| Receivables and other assets | <u>11,768,223</u> | <u>(18,385,973)</u> |
| Net decrease / (increase) in banking assets | <u>10,972,008</u> | <u>(21,338,722)</u> |
| CHANGES IN BANKING LIABILITIES | | |
| Due to banks and financial institutes | 521,014 | - |
| Customers' deposits | 16,985,263 | 30,775,845 |
| Payables and other liabilities | <u>6,724,420</u> | <u>1,240,257</u> |
| Net increase in banking liabilities | <u>24,230,697</u> | <u>32,016,102</u> |
| Net Cash Flows From Operating Activities (1) | <u>42,839,507</u> | <u>19,382,402</u> |
| INVESTING ACTIVITIES | | |
| Treasury bills maturing in over than three months | (11,856,184) | (54,134,439) |
| Investments | (14,768) | - |
| Additions to property, plant and equipment | (770,349) | (1,071,536) |
| Capital work in progress | <u>(160,323)</u> | <u>(172,023)</u> |
| Net Cash Flows (Used In) Investing Activities (2) | <u>(12,801,624)</u> | <u>(55,377,998)</u> |
| FINANCING ACTIVITIES | | |
| Dividends proposed | (4,242,140) | (3,030,307) |
| Capital increase | <u>3,000,000</u> | <u>4,000,000</u> |
| Net Cash Flows (Used In) / From Financing Activities (3) | <u>(1,242,140)</u> | <u>969,693</u> |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3) | 28,795,743 | (35,025,903) |
| Cash and cash equivalents at 1 January | <u>76,634,311</u> | <u>111,660,214</u> |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER (Note 33) | <u>105,430,054</u> | <u>76,634,311</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 2020

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's status was amended in accordance with Prime Minister Decree No. 405 of 2013 on Reorganisation 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 until that date it was operating in accordance with Law No. 35 of 1991 on Authorities, Corporations and Public 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. It enjoys a corporate personality of a 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 Reorganisation of the National Bank of Yemen.

The Bank's Head Office and legal place is located in Aden City and it can establish branches, agencies or offices inside or outside the Republic upon a license 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 2020

During the year, the Bank continued doing 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 13 January -17 December 2020 the Board of Directors held 10 periodic and exceptional meetings.

As at 31 December 2020, number of Bank's branches continuing in business under the authority and control of Bank's Head Office-Aden reached 25 commercial branches and 3 offices with 875 employees - 862 permanent and 13 contracted (31 December 2019: 25 commercial branches and 3 offices with 875 employees - 862 permanent and 13 contracted). The number of Bank's branches continuing in business but out of the authority and control of the Bank's Head Office-Aden were 3 with 98 employees - 90 permanent and 8 contracted as at 31 July 2019 (31 December 2019: 3 branches with 98 employees - 90 permanent and 8 contracted as at 31 July 2019).

• *Significant Events*

- *Inaugurating the Modern Banking "BANKS" System*

On 2 February 2020, the Bank's Head Office - Aden inaugurated the "Go Live" stage of the "BANKS" System at the Bank's Head Office and the two branches Al-Aydarous and Queen Arwa in conjunction with the 50 memorial of establishing the Bank and werer followed by Little Aden Branch on 1 November 2020. The implementation of this project comes in accordance to an agreement signed on 22 May 2017 with ICSFS, Amman - Jordan for the purchase, supply of systems and programs, application and training for "Banks" System. The tender was awarded to the company according to the Higher Tender Committee Resolution 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.

- *Covid-19 Pandemic*

Early 2020, the world witnessed the spread of the Covid-19 Virus, which caused death of thousands of people around the world and led to the imposition of quarantine, the closure of several cities and countries, decrease in transport, travel and trade between and within countries and a global economic recession. On 11 March 2020, the World Health Organisation (WHO) declared Covid-19 Virus a world-wide pandemic and recommended with national health ministries, several measures to preserve the health of employees and support the prevention of contagion in their administrative and operational places, such as working from home, reducing work shifts in operation areas to minimise number of commuting workers, rigorous cleaning in workplaces, distribution of personal protective materials, testing of suspected cases and measuring body temperature.

At the local level, the Yemeni Banks Association issued on 28 March 2020 a comprehensive plan for banks to confront the Corona Virus crisis that comprised the following areas: a) preventive measures, b) remote work continuity plan c) technological requirements for working remotely and ensuring business continuity and d) Providing customers' needs with a focus on the basic and necessary 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.





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended 31 December 2020
1 GENERAL INFORMATION (CONTINUED)**Activity (Continued)**The Year Ended 31 December 2020 (Continued)

- *Significant Events (Continued)*
 - *Covid-19 Pandemic (Continued)*

Later on, during the period April-June 2020 and with the emergence of Covid-19 Virus cases in some governorates of the Republic, transportation in and between governorates of the Republic got limited, the social distancing measures were applied and the number of office hours were reduced at working places, which affected work execution in the public and private sectors, including the Bank where circumstances required providing personal protection and cleanliness materials to employees working in the Bank and paying aid to employees inside Yemen and those who are abroad in assignments related to the Bank (Note 12-c) during the period. Also, Bank's performance with regard to implementing of the new banking system and the revaluation of Bank's land and buildings were affected in addition to the delay of external audit procedures for 2019.

Management cannot determine the long term impact of Covid-19 Virus on the Bank and its activities (Covid-19 Risks) but it took possible measures in the light of local situation and available resources in that regard, in response to the economic impacts that may result from the pandemic locally, in addition to the other events, local and regional, during the period including making provisions for expected credit loss on direct credit facilities and communicating and field visiting several correspondent banks to solve issues concerning balances due to the Bank at these banks and letters of credit in foreign currencies.

- *Inaugurating Bank's Branches' Buildings*

On 26 November 2020 the building of Zunjubar Branch - Abyan and the office of Ma'alla Wharf - Aden Port were inaugurated after completion of their rehabilitation projects.

- *Management Approval On Bank's Audited Financial Statements For The Year Ended 31 December 2019*

On 27 December 2020, management approved the Bank's audited financial statements for the year ended 31 December 2019 on which the Independent Auditors expressed a qualified audit opinion issued on 29 December 2020. One reason for this opinion was the no possibility to verify the amounts and balances of the Bank's two commercial branches in Sana'a and Al-Hodeidah and its Islamic branch in Sana'a that are shown in those financial statements due management inability to provide adequate and proper audit evidence on these branches.

During the subsequent period, the Board of Directors held a meeting in its capacity as the Bank's General Assembly, in which it discussed and approved those financial statements in the light of the independent auditors' conservative report (note 41-a), that was amended, later on, based on audit evidence provided by the management on the Bank's two commercial branches in Sana'a and Al-Hodeidah (Note 41-b).

- *Year's Results*

For the year ended 31 December 2020, the Bank achieved good year's results due to measures taken by management to support the continued operating of the Bank, in the light of continuing political and security instability in the Country since April 2015 and their various repercussions, the deterioration of the local currency rate, the reduction transactions volume locally and abroad, the difficulty of communication with some correspondent banks, the limited opportunities for internal and external investment due to the existing regional and international conditions and the exit of Bank's branches in Sana'a and Al-Hodeidah from the authority and control of Bank's Head Office in Aden. 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.

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.

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





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis Of Preparation (Continued)

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.

Discontinued Operations

In June 2019, the Bank's branches in Sana'a and Al-Hodeidah (two commercial branches and an Islamic branch) exited out of the authority and control of the Bank's Head Office - Aden. The Bank and the Central Bank of Yemen / Aden published a warning announcement on that regard on 24 and 26 December 2019.

Due to the continuity of those branches in operation under the name and logo of the Bank independently and management's belief that their situation can be resolved in the future, the management did not apply the requirements of IFRS 5- "Non-current Assets Held for Sale and Discontinued Operations" which defines discontinued operations as a component of an 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 since the definition of the Standard does not apply on the status of those branches.

Therefore, the accounts of the Bank's two commercial branches in Sana'a and Al-Hodeidah as at 31 July 2019 are presented, independently, in the notes to the Bank's financial statements, based on the last trial balance obtained by Bank's Head Office -Aden from the two branches dated 31 July 2019, while the accounts of the same branches as in the records of Bank's Head Office -Aden for the period 1 August - 31 December 2019 are presented as suspended accounts balances because the Bank's Head Office -Aden did not obtain any financial reports on them from the two branches. As for the Islamic Branch, which represents an independent entity of the Bank according to the requirements of the Central Bank of Yemen, its balance is presented as at 25 December 2019 which is the date of the last transaction recorded for this branch in the records of the Bank's Head Office -Aden in the light of the fact that this branch did not submit any financial reports to Bank's Head Office -Aden for the period 1 January - 31 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 Recognition

The Company recognises revenue from contracts with customers based on a five-step model as set out in 'IFRS 15 – Revenue from Contracts with Customers' as follows:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and set out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligations is a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation

Activity 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.





NATIONAL BANK OF YEMEN

 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)Activity Revenues

The Bank recognizes activity revenues 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.
- Interest on certificates of deposit at Central Bank of Yemen and returns on treasury bills: based on maturity period.
- Interest on due from banks: when the right of the Bank to receive payment 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 days 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. The amount of the leave is paid in cash to Bank's employees whose duties require continuing to work throughout the year.

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 "employees 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.

Leases

Lease contracts entered by the Bank are annual rent contracts to use buildings for Bank's branches and apartments for some of Bank's employees'. The Bank recognizes lease payments as an expense in the statement of profit or loss on a straight-line basis over the lease term as permitted by IFRS 16 "Leases".

Zakat

The Bank pays Zakat amount for the year in accordance with claims of General Department For Al-Zakah-Dues / Aden and obtains clearance letter from it on payment for the year. Donations and gifts paid upon management's decision are stated in general and administrative expenses.

TaxesIncome Tax On Trade And Industry Profits

The amount of this tax is calculated at 20% 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 and is paid in accordance with Tax Authority procedures.

The Bank does not pay tax on provisions for losses / impairment of direct credit facilities (and suspended interests) and indirect credit facilities it makes in compliance with 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, the Bank, "If the account of one year subject to tax was closed with a loss and it has provided its tax declaration as approved by a licensed chartered accountant based on proper books and accounts, could carry this loss on expenses of the year following the year of loss and deduct it 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". The provision of this article "does not apply on the losses carried by the Bank in the tax year and prior years, if there is a 100% change in ownership of capital in accordance with Article No. 19-b of the same law.

Payroll Tax

This amount of this tax 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.





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes (Continued)

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's 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 balances at the Central Bank (except mandatory reserve), short term current accounts and fixed deposits due from banks and treasury bills and certificates of deposit at Central Bank maturing in three months from its issuance date.

Mandatory Reserve With Central Bank Of Yemen

This reserve represents the minimum limit of balances the Bank has to maintain at Central Bank of Yemen against customers' deposits at the Bank in local currency and foreign currencies and is calculated on the basis of the average deposit balances during the week at 7% on deposits in local currency and 20% on deposits balances in foreign currencies in accordance with Central Bank of Yemen circular no. 4 of 2009 on Weekly Reporting On Calculating The Mandatory Reserve On Deposits. The percentage of this reserve on all deposits in foreign currency with the bank has been reduced to 10% in accordance with Article No. 1 of the Governor of the Central Bank of Yemen Decision No. 3 of 2011 regarding the reserve in foreign currencies. The Central Bank does not give interest on this reserve and it is not available for the Bank's daily use.

Certificates Of Deposit At Central Bank Of Yemen

These accounts represent a public debt instrument subscribed at Central Bank of Yemen. They are stated at nominal value and revenue on them is defined by the period of maturity, interest rate and commission 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 net value and revenue on them is defined by the period of maturity and return rate as determined by Central Bank of Yemen/ Aden. Treasury bills which mature in a period not more than three months are considered part of cash and cash equivalents 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).

Due From Banks

These accounts are represented by Bank's current accounts and fixed deposits at other banks and are stated 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.

Direct Credit Facilities

These accounts are represented by short term loans and overdraft facilities to Bank's customers in public and private sectors and individuals. They are stated net of relevant provision for impairment and suspended 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:





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Direct Credit Facilities (Continued)

- 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 on 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 on agreed installment or interest; and
- Occurrence of defect in the customer's financial position resulting in negative net equity.

Provision for impairment on these facilities is calculated after deducting suspended interest and cash or bank guarantees of high quality that can get liquefied in a short term in same currency of direct 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 issued by Central Bank of Yemen on IFRS 9 - Financial Instruments, 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 |

- Suspended interest (uncollected 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

Bank's lands and buildings are stated 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 assets 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 | | |





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (Continued)

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.

Bank's lands and buildings are revalued with the help of an independent advisory firm every five years since 2007 in the light of the situation the Country is going through. 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 And Financial Institutes

These accounts are represented by fixed deposits and current accounts of other banks and financial institutions at the Bank.

Customer Deposits

These accounts are mainly represented by current accounts, saving accounts and fixed deposits of Bank's clients in public and private sectors and individuals.

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. 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 |
|-------------------------------|---------------------|---------------------|-----------------------|-----------------|
| 2020 | - | - | 356,560 | 356,560 |
| Total Investments' fair value | - | - | 356,560 | 356,560 |

Reserves

Statutory 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.





NATIONAL BANK OF YEMEN

 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended 31 December 2020
2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Reserves (Continued)**Statutory Reserve And General Reserve (Continued)

Such percentage could be increased upon the recommendation of management, approval of the Board 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 or impaired. Fair value gains or losses in this reserve represent non-distributable profits and it 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 And Commitments

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 contract and interest rate contracts etc.

Contra Accounts

These accounts are represented by 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. These are maintained in regular record books to register value and are reviewed and adjusted in accordance with sound systems and proper control.

Related Party Transactions

In its normal course of business, the Bank conducts transactions with other entities that fall 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 subject to Bank's management approval.

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.





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

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 Bank's management 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 several factors including: 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 its ownership to the Bank; and cost of settling the debt.

4 INTEREST ON DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

| | 2020 YR '000 | 2019 YR '000 |
|--|---------------------|---------------------|
| Interest on direct credit facilities to customers (Note 4-a) | 762,508 | 522,328 |
| Cost of customers' deposits (Note 4-b) | <u>(15,853,086)</u> | <u>(15,285,254)</u> |
| Total interest on direct credit facilities to customers, net | <u>(15,090,578)</u> | <u>(14,762,926)</u> |

4-a Interest On Direct Credit Facilities To Customers

| | 2020 YR '000 | 2019 YR '000 |
|---|-----------------|-----------------|
| Short term loans | 472,621 | 322,590 |
| Overdraft facilities | 289,887 | 152,662 |
| Sana'a and Al-Hodeidah Branches | - | 47,076 |
| Total interest on direct credit facilities to customers | <u>762,508</u> | <u>522,328</u> |

4-b Cost Of Customers' Deposits

| | 2020 YR '000 | 2019 YR '000 |
|-----------------------------------|---------------------|---------------------|
| Fixed deposits | (11,951,639) | (10,494,064) |
| Saving accounts | (3,901,447) | (3,683,166) |
| Sana'a and Al-Hodeidah Branches | - | (1,108,024) |
| Total cost of customers' deposits | <u>(15,853,086)</u> | <u>(15,285,254)</u> |

5 INTEREST ON DUE FROM BANKS

| | 2020 YR '000 | 2019 YR '000 |
|----------------------------------|-----------------|-----------------|
| Foreign banks: | | |
| Fixed deposits | 63,432 | 99,840 |
| Current accounts | 23,264 | 196 |
| Total interest on due from banks | <u>86,696</u> | <u>100,036</u> |

6 COMMISSIONS AND FEE INCOME ON BANKING SERVICES, NET

| | 2020 YR '000 | 2019 YR '000 |
|---|-----------------|-----------------|
| Commissions and fee income on banking services (Note 6-a) | 402,851 | 1,010,548 |
| Commissions and fee expenses on banking services (Note 6-b) | <u>(32,594)</u> | <u>(48,952)</u> |
| Total commissions and fee income on banking services, net | <u>370,257</u> | <u>961,596</u> |





NATIONAL BANK OF YEMEN

 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended 31 December 2020

6 COMMISSIONS AND FEE INCOME ON BANKING SERVICES, NET (CONTINUED)

6-a Commissions And Fee Income On Banking Services

| | 2020 | 2019 |
|--|----------------|------------------|
| | YR '000 | YR '000 |
| Commissions: | | |
| Cheques and money transfer | 90,275 | 131,613 |
| Letters of credit | 84,068 | 593,388 |
| Letters of guaranty | 24,282 | 22,488 |
| Collection policies and export drafts | - | 2,848 |
| Fees: | | |
| Fixed deposits | 112,458 | 74,003 |
| Current accounts | 15,776 | 13,467 |
| Postage, fax and swift | 13,608 | 13,344 |
| Others | 62,384 | 53,873 |
| Sana'a and Al-Hodeidah Branches | - | 105,524 |
| Total commissions and fee income on banking services | <u>402,851</u> | <u>1,010,548</u> |

6-b Commissions And Fee Expenses On Banking Services

| | 2020 | 2019 |
|--|-----------------|-----------------|
| | YR '000 | YR '000 |
| Commissions - foreign banks | (32,592) | (48,483) |
| Charges on printing Central Bank of Yemen sheets | (2) | (469) |
| Total commissions and fee expenses on banking services | <u>(32,594)</u> | <u>(48,952)</u> |

7 INTEREST ON CERTIFICATES OF DEPOSIT AT CENTRAL BANK OF YEMEN

| | 2020 | 2019 |
|--|----------------|----------------|
| | YR '000 | YR '000 |
| Interest receivable | 207,865 | 207,865 |
| Central Bank of Yemen: | | |
| Commission | (4,725) | (4,725) |
| Additional interest | 17,317 | - |
| Total interest on certificates of deposit at Central Bank of Yemen | <u>220,457</u> | <u>203,140</u> |

8 DIVIDENDS FROM INVESTMENTS

| | 2020 | 2019 |
|--|---------------|---------------|
| | YR '000 | YR '000 |
| ALUBAF Arab International Bank - Bahrain (Note 8-a) | 16,522 | 5,231 |
| Yemen Mobile Company - Yemen (Note 8-b) | - | 21,000 |
| Arab Financial Services Company - Bahrain (Note 8-c) | - | - |
| Total dividends from investments | <u>16,522</u> | <u>26,231</u> |

8-a ALUBAF Arab International Bank - Bahrain

In March 2020, the Bank received the dividend amount of USD 41,304 according to the latest financial statements available of the investment as at 31 December 2019.

8-b Yemen Mobile Company - Yemen

During the year ended 31 December 2020, the Bank did not receive dividends from this investment for the year 2019 nor received any response from it on that regard.

8-c Arab Financial Services Company - Bahrain

On 5 November 2020 the Bank received an email from the investment confirming that the investment did not pay dividends for the two years 2019 and 2018 and that the total amount of dividends due to the Bank not paid for the period from 2015 to 2017 is USD 11,761 (2019: total amount of unpaid dividends for the period from 2015 to 2017 is USD 11,761).

9 OTHER REVENUES

| | 2020 | 2019 |
|--|------------------|----------------|
| | YR '000 | YR '000 |
| Written back provision for: | | |
| Impairment of direct credit facilities (Note 21-b) | 1,052,652 | 482,625 |
| Indirect credit facilities (Note 29-c) | 203,161 | 8,355 |
| Surplus cash with tellers' | 5,163 | 13,871 |
| Others | 1,621 | 242 |
| Total other revenues | <u>1,262,597</u> | <u>505,093</u> |





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

10 EMPLOYEES' RELATED EXPENSES

| | 2020 YR'000 | 2019 YR'000 |
|--|------------------|------------------|
| Basic salaries and wages | 2,959,374 | 2,540,710 |
| Allowances and benefits | 2,586,306 | 1,849,762 |
| Bonuses and incentives | 2,289,283 | 1,942,596 |
| Employees regular leave (Note 28-a-ii) | 250,000 | 190,178 |
| Bank's contribution in social insurance | 188,735 | 185,512 |
| End of service benefits (Note 28-a-i) | 146,419 | 132,998 |
| Professional Training Fund | 40,462 | 39,424 |
| Qualification and Training (Note 10-a) | 9,302 | 116,090 |
| Sana'a and Al-Hodeidah Branches | - | 169,967 |
| Total employees' related expenses | 8,469,881 | 7,167,237 |

During the year ended 31 December 2020, the Bank paid YR'000 422,920 (2019: YR'000 725,493) for payroll tax on behalf of employees including YR'000 251,125 (2019: YR'000 394,211) as per monthly tax declarations until the year end. The tax examination has not been completed by the Tax Authority as at the reporting date.

10-a Qualification And Training

| | 2020 YR'000 | 2019 YR'000 |
|--|----------------|----------------|
| Academic and professional qualification- Bank: | | |
| External | 4,939 | 108,341 |
| Internal | 4,363 | 7,749 |
| Institute of Banking Studies (Note 10-a-i) | - | - |
| Total qualification and training | 9,302 | 116,090 |

10-a-i *Institute of Banking Studies*

During the year ended 31 December 2020, Bank's employees did not participate in any training activity held by the Institute of Banking Studies. The account represents Bank's contribution in the estimated annual budget of the Institute in accordance with the Order of the Law No. 27 of 1978 on Establishing And Organising The Institute Of Banking Studies.

11 GENERAL AND ADMINISTRATION EXPENSES

| | 2020 YR'000 | 2019 YR'000 |
|--|------------------|------------------|
| Guarding and security | 328,723 | 317,988 |
| Maintenance and repairs | 187,720 | 141,562 |
| Fuel and oil - vehicles and generators | 99,051 | 76,968 |
| Local and abroad transport | 93,481 | 158,254 |
| Electricity and water | 87,447 | 60,252 |
| Advertisement and publishing | 56,775 | 85,079 |
| Postage, communication, swift and internet | 55,119 | 61,341 |
| Stationery and printing | 49,956 | 49,995 |
| Rent | 35,499 | 40,688 |
| Professional and consultancy fees | 29,231 | 50,241 |
| Prescriptions | 25,491 | 3,000 |
| Hospitality and reception | 25,429 | 18,414 |
| Donations and gifts | 22,489 | 28,397 |
| Insurance | 20,334 | 26,390 |
| Information technology | 2,979 | 3,236 |
| Public charges | 1,611 | 6,158 |
| Other | 19,547 | 14,709 |
| Sana'a and Al-Hodeidah Branches | - | 48,391 |
| Total general and administration expenses | 1,140,882 | 1,191,063 |

12 OTHER EXPENSES

| | 2020 YR'000 | 2019 YR'000 |
|---|------------------|------------------|
| Provisions made during the year (Note 12-a) | 1,757,737 | 3,005,404 |
| Prior years expenses (Note 12-b) | 361,907 | 4,925 |
| Depreciation of property plant and equipment (Note 24) | 197,971 | 151,422 |
| Corona Virus epidemic related expenses (Note 12-c) | 143,000 | - |
| Judicial expenses (Note 12-d) | 3,898 | 8,876 |
| Fees on annual subscription in Bank Deposit Insurance Corporation | - | 338,260 |
| Penalties - Central Bank of Yemen | - | 5,030 |
| Others | 18,081 | - |
| Total other expenses | 2,482,594 | 3,513,917 |





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

12 OTHER EXPENSES (CONTINUED)**12-a Provisions Made During The Year**

| | 2020 | 2019 |
|--|------------------|------------------|
| | YR'000 | YR'000 |
| For: | | |
| Impairment of direct credit facilities (Note 21-b) | 891,318 | 1,878,182 |
| Contingent claims (Note 29-a) | 500,000 | 1,000,000 |
| Fees on annual subscription in Bank Deposit Insurance Corporation (12-a-i) | 365,657 | - |
| Indirect credit facilities - General (Note 29-c) | 512 | 127,222 |
| Operational risks | 250 | - |
| | <u>1,757,737</u> | <u>3,005,404</u> |
| Total provisions made during the year | | |

12-a-i Fees On Annual Subscription in Bank Deposit Insurance Corporation

During the year ended 31 December 2020, the Bank did not receive a claim from the Bank Deposit Insurance Corporation on such fees in accordance with Article No. 16 of Law No. 21 of 2008 on Bank Deposit Insurance Corporation. Therefore, it made an estimated provision on total clients deposits with the Bank in case of any future claims. The Bank pays these fees in accordance with Article No. 12-2-b of the same law.

12-b Prior Years Expenses

For the year ended 31 December 2020 these accounts include employees' entitlements amounting YR'000 353,088 (2019: YR'000 1,213).

12-c Corona Virus Epidemic Related Expenses

| | 2020 |
|--|----------------|
| | YR'000 |
| Aid to employees: | |
| Inside Yemen | 115,940 |
| Outside Yemen | 3,672 |
| Personal protection and hygiene materials | <u>23,388</u> |
| Total Corona Virus Epidemic related expenses | <u>143,000</u> |

2-d Judicial Expenses

For the year ended 31 December 2020 these accounts include expenses of law suits' follow up on Housing Project- land and apartments of YR'000 2,000 (2019: YR'000 1,035).

13 RE-TRANSLATION DIFFERENCE ON BALANCES IN FOREIGN CURRENCIES

| | 2020 | 2019 |
|---|------------------|------------------|
| | YR'000 | YR'000 |
| Gain on re-translation of debt balances in foreign currencies | 26,900 | 36 |
| (Loss) on re-translation of credit balances in foreign currencies | <u>(111,534)</u> | <u>(773,489)</u> |
| Re-translation differences on balances in foreign currencies | <u>(84,634)</u> | <u>(773,453)</u> |

14 ZAKAT

| | 2020 | 2019 |
|--|---------------|--------------|
| | YR'000 | YR'000 |
| Balance at 1 January | 5,000 | 62,500 |
| Made for the year | 250,000 | 250,000 |
| (Paid) during the year for current year: | | |
| Aden | (243,000) | (237,000) |
| Taiz | (2,000) | |
| Hadramout- Coast | - | (1,000) |
| Hadramout- Valley | - | (1,000) |
| (Paid) during the year for prior year | - | (68,500) |
| Balance at 31 December | <u>10,000</u> | <u>5,000</u> |

During the year ended 31 December 2020, the Bank could not complete paying Zakat amount for Hadramout Branches. In a subsequent period, the Bank obtained a clearance on paying Zakat for the year (Note 41-d) (2019: The Bank completed paying Zakat amount for 2018 on Bank's branches in Aden, Taiz and Hadramout and obtained a clearance on payment dated 4 February 2019. It also paid Zakat amount for 2018 on Hodeidah Branch and the increase defined on Hadramout Branches as per claim of General Department For Al-Zakat-Dues/ Aden dated 14 March 2019 and the Zakat amount for 2019 on Bank's branches in Aden and Hadramout and obtained the clearance on payment dated 5 July 2020).





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

15 INCOME TAX

| | 2020 YR'000 | 2019 YR'000 |
|---|--------------------|--------------------|
| Balance at 1 January | 1,515,050 | 1,082,253 |
| Made for the year | 1,654,463 | 1,515,050 |
| (Paid) during the year - for prior year | <u>(1,200,000)</u> | <u>(1,082,253)</u> |
| Balance at 31 December | <u>1,969,513</u> | <u>1,515,050</u> |

The Bank completed paying this tax for prior year during the subsequent period (Note 41-e).

16 COMPREHENSIVE INCOME FOR THE YEAR

For the year ended 31 December 2020 the Bank made a total comprehensive income (excess profits) of YR'000 6,617,852 (2019: comprehensive income of YR'000 6,060,200).

16-a Basic Earnings Per Share

| | | 2020 YR'000 | 2019 YR'000 |
|-----------------------------------|-------------|------------------|------------------|
| Comprehensive income for the year | YR'000 | <u>6,617,852</u> | <u>6,060,200</u> |
| Weighted average number of shares | 1000 shares | <u>17,000</u> | <u>14,000</u> |
| Basic earnings per share | YR | <u>389</u> | <u>433</u> |

16-b Proposed Dividends

| | | 2020 YR'000 | 2019 YR'000 |
|---|--|------------------|------------------|
| Balance at 1 January | | 4,242,140 | 3,030,307 |
| Comprehensive income for the year | | 6,617,852 | 6,060,200 |
| Government's share in prior year's profit- retained (Note 28-c) | | (3,636,120) | (2,597,407) |
| Employees' share in prior year's profit | | <u>(606,020)</u> | <u>(432,900)</u> |
| Balance distributable for the year | | 6,617,852 | 6,060,200 |
| Transfer to statutory reserve during the year | | (992,678) | (909,030) |
| Transfer to general reserve during the year | | <u>(992,678)</u> | <u>(909,030)</u> |
| Balance at 31 December | | <u>4,632,496</u> | <u>4,242,140</u> |
| Proposed dividends for current year: | | | |
| Government's share | | 3,970,711 | 3,636,120 |
| Employees' share | | <u>661,785</u> | <u>606,020</u> |
| Total proposed dividends | | <u>4,632,496</u> | <u>4,242,140</u> |

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

| | | 2020 YR'000 | 2019 YR'000 |
|--|--|-------------------|-------------------|
| Cash on hand: | | | |
| Foreign currencies | | 7,775,810 | 3,208,583 |
| Local currency | | <u>4,197,680</u> | <u>1,028,751</u> |
| Sana'a and Al-Hodeidah Branches (Note 17-a) | | - | 19,127 |
| Total cash on hand | | <u>11,973,490</u> | <u>4,256,461</u> |
| Mandatory reserve balances at Central Bank of Yemen (Note 17-b): | | | |
| Local currency | | 10,800,555 | 10,800,555 |
| Foreign currencies | | <u>8,356,444</u> | <u>7,938,622</u> |
| Total mandatory reserve balances at Central Bank of Yemen | | <u>19,156,999</u> | <u>18,739,177</u> |
| Total cash on hand and mandatory reserve balances at Central Bank of Yemen | | <u>31,130,489</u> | <u>22,995,638</u> |

17-a Sana'a And Al-Hodeidah Branches

Cash on hand balances of commercial Sana'a and Al-Hodeidah Branches were reclassified, after re-translation of the balances in foreign currencies, as advances due from the two branches (Note 22).

17-b Mandatory Reserve At Central Bank Of Yemen - Local Currency

As at 31 December 2020 the Bank could not obtain a confirmation from Central Bank of Yemen on its mandatory reserve balance. In a subsequent period the Bank obtained a notice from Central Bank of Yemen/ Aden on a mandatory reserve balance (Note 41-h)

18 CERTIFICATES OF DEPOSIT AT CENTRAL BANK OF YEMEN

As at 31 December 2020 the Bank had no balance of certificates of deposit at Central Bank of Yemen (31 December 2019: YR'000 1,000,000 for 91 days).





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

19 DUE FROM BANKS, NET

| | 2020 | 2019 |
|--------------------------------------|--------------------------|--------------------------|
| | YR '000 | YR '000 |
| Local banks: | | |
| Central Bank of Yemen (Note 19-a) | 62,024,979 | 36,619,770 |
| Other local banks (Note 19-b) | 709 | 701 |
| Total due from local banks | <u>62,025,688</u> | <u>36,620,471</u> |
| Foreign banks (Note 19-c) | 31,668,883 | 34,984,210 |
| Provision for impairment (Note 19-d) | <u>(238,007)</u> | <u>(226,831)</u> |
| Total due from banks, net | <u><u>93,456,564</u></u> | <u><u>71,377,850</u></u> |

19-a Central Bank of Yemen

| | 2020 | 2019 |
|--|--------------------------|--------------------------|
| | YR '000 | YR '000 |
| Current accounts: | | |
| Foreign currencies | 43,261,747 | 42,783,428 |
| Local currency | 18,187,693 | (6,713,644) |
| Suspended entries for the years 1990 and 1996 Sana'a and Al-Hodeidah Branches | <u>29,507</u> | <u>29,507</u> |
| Total Central Bank of Yemen | <u><u>62,024,979</u></u> | <u><u>36,619,770</u></u> |

19-b Other Local Banks

| | 2020 | 2019 |
|-----------------------------|-------------------|-------------------|
| | YR '000 | YR '000 |
| Commercial current accounts | 298 | 298 |
| Islamic Investment deposits | 272 | 272 |
| Sana'a Branch | <u>139</u> | <u>131</u> |
| Total other local banks | <u><u>709</u></u> | <u><u>701</u></u> |

19-c Foreign Banks

| | 2020 | 2019 |
|---------------------|--------------------------|--------------------------|
| | YR '000 | YR '000 |
| Current accounts | 18,389,743 | 22,658,310 |
| Fixed deposits | <u>13,279,140</u> | <u>12,325,900</u> |
| Total foreign banks | <u><u>31,668,883</u></u> | <u><u>34,984,210</u></u> |

19-d Provision For Impairment

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| | YR '000 | YR '000 |
| Central Bank of Yemen - suspended entries for the years 1990 and 1996 | 29,507 | 29,507 |
| Current accounts at: | | |
| Asya Katlim Bank - Turkey (Note 19-d-i) | 199,537 | 189,560 |
| Bank of Credit and Development – Netherlands | <u>8,963</u> | <u>7,764</u> |
| Total provision for impairment | <u><u>238,007</u></u> | <u><u>226,831</u></u> |

19-d-i Asya Katlim Bank – Turkey

In a subsequent period the Bank obtained its balance due from Asya Katlim Bank - Turkey (Note 41-g).

20 TREASURY BILLS, NET

| | 2020 | 2019 |
|---------------------------|---------------------------|---------------------------|
| | YR '000 | YR '000 |
| Duration of: | | |
| 91 days | 133,500,000 | - |
| 364 days | 45,000,000 | 196,643,816 |
| 182 days | <u>30,000,000</u> | <u>-</u> |
| Total treasury bills, net | <u><u>208,500,000</u></u> | <u><u>196,643,816</u></u> |

The outstanding treasury bills certificates carry a return at the rate of 16.25-17% and the last one is maturing on 30 June 2021 (31 December 2019: return rate of 17% and last one maturing on 30 June 2020) as per issued by the Central Bank of Yemen/ Aden.

21 DIRECT CREDIT FACILITIES TO CUSTOMERS, NET

| | 2020 | 2019 |
|---|-------------------------|-------------------------|
| | YR '000 | YR '000 |
| Gross direct credit facilities to customers (Note 21-a) | 17,053,867 | 16,133,376 |
| Provision for Impairment (Note 21-b) | <u>(6,225,824)</u> | <u>(6,188,364)</u> |
| Suspended interest (Note 21-c) | <u>(3,772,597)</u> | <u>(3,230,499)</u> |
| Total direct credit facilities to customers, net | <u><u>7,055,446</u></u> | <u><u>6,714,513</u></u> |





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

21 DIRECT CREDIT FACILITIES TO CUSTOMERS, NET (CONTINUED)

21-a Gross Direct Credit Facilities To Customers

21-a-i Purposes

| | 2020 | | | 2019 |
|----------------------------------|----------------------|------------------|-------------------|-------------------|
| | Overdraft facilities | Short term loans | Total | Total |
| | YR'000 | YR'000 | YR'000 | YR'000 |
| Personal | - | 4,979,153 | 4,979,153 | 4,491,355 |
| Commercial | 3,654,271 | 363,195 | 4,017,466 | 4,094,100 |
| Industrial | 7,325 | 472,289 | 479,614 | 455,999 |
| Services | 219,911 | 23,214 | 243,125 | 112,193 |
| Others | 131,740 | 49,363 | 181,103 | 141,638 |
| Sana'a and Al-Hodeidah Branches: | | | | |
| Commercial | 5,980,580 | 399,197 | 6,379,777 | 6,116,897 |
| Industrial | 134,131 | 397,767 | 531,898 | 525,331 |
| Personal | - | 187,640 | 187,640 | 186,060 |
| Others | 43,889 | 10,202 | 54,091 | 9,803 |
| Total | 10,171,847 | 6,882,020 | 17,053,867 | 16,133,376 |

21-a-ii Beneficiaries

| | 2020 | | | 2019 |
|----------------------------------|----------------------|------------------|-------------------|-------------------|
| | Overdraft facilities | Short term loans | Total | Total |
| | YR'000 | YR'000 | YR'000 | YR'000 |
| Private sector | 3,831,272 | 1,016,649 | 4,847,921 | 4,960,984 |
| Bank's employees | - | 2,917,251 | 2,917,251 | 2,510,020 |
| Public sector | 181,975 | 1,935,881 | 2,117,856 | 1,804,220 |
| Related parties | | 17,433 | 17,433 | 20,061 |
| Sana'a and Al-Hodeidah Branches: | | | | |
| Public sector | 4,361,974 | 126,510 | 4,488,484 | 4,269,907 |
| Private sector | 1,796,626 | 868,296 | 2,664,922 | 2,568,184 |
| Total | 10,171,847 | 6,882,020 | 17,053,867 | 16,133,376 |

21-a-iii Currencies

| | 2020 | | | 2019 |
|----------------------------------|----------------------|------------------|-------------------|-------------------|
| | Overdraft facilities | Short term loans | Total | Total |
| | YR'000 | YR'000 | YR'000 | YR'000 |
| Local currency | 2,149,500 | 5,152,551 | 7,302,051 | 6,246,059 |
| Foreign currencies | 1,863,747 | 734,663 | 2,598,410 | 3,049,227 |
| Sana'a and Al-Hodeidah Branches: | | | | |
| Foreign currencies | 5,751,180 | 319,784 | 6,070,964 | 5,755,648 |
| Local currency | 407,420 | 675,022 | 1,082,442 | 1,082,442 |
| Total | 10,171,847 | 6,882,020 | 17,053,867 | 16,133,376 |

21-a-iv Credit Classification

| | 2020 | | | 2019 |
|----------------------------------|----------------------|------------------|-------------------|-------------------|
| | Overdraft facilities | Short term loans | Total | Total |
| | YR'000 | YR'000 | YR'000 | YR'000 |
| Performing | 182,974 | 2,241,787 | 2,424,761 | 1,446,514 |
| Under performing | 161,728 | 1,730,198 | 1,891,926 | 2,629,038 |
| Impaired | 3,668,545 | 1,915,229 | 5,583,774 | 5,219,733 |
| Sana'a and Al-Hodeidah Branches: | | | | |
| Under performing | - | - | - | 15,382 |
| Impaired | 6,158,600 | 994,806 | 7,153,406 | 6,822,709 |
| Total | 10,171,847 | 6,882,020 | 17,053,867 | 16,133,376 |



NATIONAL BANK OF YEMEN

 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended 31 December 2020

21 DIRECT CREDIT FACILITIES TO CUSTOMERS, NET (CONTINUED)

21-b Provision For Impairment

| | 2020 | | | | | 2019 |
|------------------------|-----------------------|---------------------------|------------------------------|--------------------|---------------------|---------------------|
| | Gross value YR'000 | Cash guarantees YR'000 | Suspended interest YR'000 | Net debt YR'000 | Provision YR'000 | Provision YR'000 |
| Credit Classification: | | | | | | |
| Performing | 2,424,761 | (191,530) | (21,895) | 2,211,336 | 44,227 | 28,578 |
| Under performing | 1,891,926 | - | (178,302) | 1,713,624 | 497,933 | 155,722 |
| Impaired | 12,737,180 | (4,858,619) | (3,572,400) | 4,306,161 | 4,306,161 | 4,772,168 |
| Expected credit loss | - | - | - | - | 1,377,503 | 1,231,896 |
| Total | <u>17,053,867</u> | <u>(5,050,149)</u> | <u>(3,772,597)</u> | <u>8,231,121</u> | <u>6,225,824</u> | <u>6,188,364</u> |

For the year ended 31 December 2020 movement of provision for impairment was as follows:

| | 2020 | | | | | 2019 |
|---|---------------------------------|----------------------------|--------------------|---|------------------|------------------|
| | General Performing YR'000 | Under performing YR'000 | Impaired YR'000 | Specific- Expected credit loss YR'000 | Total YR'000 | Total YR'000 |
| Balance at 1 January | 28,578 | 155,722 | 4,772,168 | 1,231,896 | 6,188,364 | 4,813,831 |
| Re-translation difference on balances in foreign currencies | 58 | 389 | 198,347 | - | 198,794 | (1,935) |
| (Written off) during the year | - | - | - | - | - | (19,089) |
| (Written back) during the year (Note 9) | - | (31,369) | (1,021,283) | - | (1,052,652) | (482,625) |
| Made during the year (Note 12-a) | <u>15,591</u> | <u>373,191</u> | <u>356,929</u> | <u>145,607</u> | <u>891,318</u> | <u>1,878,182</u> |
| Balance at 31 December | <u>44,227</u> | <u>497,933</u> | <u>4,306,161</u> | <u>1,377,503</u> | <u>6,225,824</u> | <u>6,188,364</u> |

21-c Suspended Interests

| | 2020 YR'000 | 2019 YR'000 |
|---|------------------|------------------|
| Balance at 1 January | 3,230,499 | 2,553,320 |
| Re-translation difference on balances in foreign currencies | 117,916 | (120,910) |
| (Written off) during the year | (17,130) | (12,678) |
| (Written back) during the year | (8,264) | (69,843) |
| Made during the year | <u>449,576</u> | <u>880,610</u> |
| Balance at 31 December | <u>3,772,597</u> | <u>3,230,499</u> |

22 RECEIVABLES AND OTHER ASSETS, NET

| | 2020 YR'000 | 2019 YR'000 |
|---|--------------------|--------------------|
| Revenue receivable from: | | |
| Treasury bills | 3,867,033 | 16,852,106 |
| Loans | 788 | |
| Deposits at foreign banks | 210 | 14,824 |
| Islamic Branches' Department - National Bank of Yemen (Note 22-a) | 1,614,445 | 1,611,781 |
| Operational risk (Note 22-b) | 843,509 | 842,091 |
| Entries under settlement | 331,551 | 12,036 |
| Prepayments | 221,917 | 155,330 |
| Property acquired by the Bank against impaired debts (Note 22-c) | 16,934 | 16,934 |
| Stationery and publication inventory | 10,452 | 9,834 |
| Advances with branches | 9,167 | - |
| Inter-branch accounts | 5,000 | - |
| Others | 856,054 | 58,979 |
| Sana'a and Al-Hodeidah Branches: | | |
| Prepayments | 32,495 | 31,494 |
| Advances with branches | 20,625 | - |
| Stationery and publication inventory | 99 | 99 |
| July 2019 result | 134,427 | 134,427 |
| Others | 120,279 | 114,655 |
| Suspended accounts: | | |
| Accounts for the period August- December 2019 (Note 22-d) | 887,761 | 884,975 |
| Mutual account- Sana'a Branch September 2019 | 125,600 | 119,320 |
| Total receivables and other assets | <u>9,098,346</u> | <u>20,858,885</u> |
| Provision for impairment (Note 22-e) | <u>(1,009,171)</u> | <u>(1,001,488)</u> |
| Total receivables and other assets, net | <u>8,089,175</u> | <u>19,857,397</u> |





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

22 RECEIVABLES AND OTHER ASSETS, NET (CONTINUED)

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

The amount represents the balance of Islamic Branch of the Bank in Sana'a due to Bank's Head Office– Aden as at 25 December 2019 after re-translation of balances in foreign currencies which stopped communication with Bank's Head Office– Aden in June 2019 (Note 2). It includes employees' related expenses and general and administration expenses. The Bank officially opened this Branch on 16 April 2017 as a nucleus for an Islamic transaction department in accordance with 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 of 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 Committee for the Preparation and Study of Establishing a Branch for Islamic Transactions recommendation and H.E. Minister of Finance approval on this resolution dated 1 April 2009.

22-b Operational Risk

This account is represented by cash losses due to work errors and embezzlement as well as looted cash from Bank branches in armed conflict areas. Management follows up with recovering collectible amounts along with taking necessary legal procedures and has made provisions for.

22-c Property Acquired By The Bank Against Impaired Debts

The Bank maintains, in this account, a property that it had as a collateral and then acquired it against impaired debts. In compliance with Article No. 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-d Accounts Of The Period August- December 2019

| | 2020 YR '000 | 2019 YR '000 |
|--|--------------------|--------------------|
| Sana'a Branch: | | |
| Debit transactions | 114,756,917 | 114,756,794 |
| Credit transactions | <u>113,908,944</u> | <u>113,909,617</u> |
| Balance | <u>847,973</u> | <u>847,177</u> |
| Al-Hodeidah Branch: | | |
| Debit transactions | 43,308 | 41,143 |
| Credit transactions | <u>3,520</u> | <u>3,345</u> |
| Balance | <u>39,788</u> | <u>37,798</u> |
| Total accounts of the period August- December 2019 | <u>887,761</u> | <u>884,975</u> |

22-e Provision For Impairment

| | 2020 YR '000 | 2019 YR '000 |
|--|------------------|------------------|
| Operational risk | 972,293 | 964,610 |
| Buildings: | | |
| Al-Towahi Branch taken over -2014 | 25,000 | 25,000 |
| Property acquired by the Bank against impaired debts- Aden | <u>11,878</u> | <u>11,878</u> |
| Total provision for impairment | <u>1,009,171</u> | <u>1,001,488</u> |

23 INVESTMENTS, NET

| | 2020 YR '000 | 2019 YR '000 |
|--------------------------------------|------------------|------------------|
| Foreign (Note 23-a) | 476,168 | 452,360 |
| Local (Note 23-b) | <u>243,764</u> | <u>235,686</u> |
| Total investments | <u>719,932</u> | <u>688,046</u> |
| Provision for impairment (Note 23-c) | <u>(363,372)</u> | <u>(346,254)</u> |
| Total investments, net | <u>356,560</u> | <u>341,792</u> |

23-a Foreign Investments

| | 2020 YR '000 | 2019 YR '000 |
|---|-----------------|-----------------|
| ALUBAF Arab International Bank - Bahrain (Note 23-a-i) | 275,360 | 261,592 |
| Holding Company UBAC Curacao N V- Curacao (Note 23-a-ii) | 180,808 | 171,768 |
| Arab Financial Services Company - Bahrain (Note 23-a-iii) | <u>20,000</u> | <u>19,000</u> |
| Total foreign investments | <u>476,168</u> | <u>452,360</u> |

23-a-i ALUBAF Arab International Bank - Bahrain

The Bank has subscribed in this investee in accordance with subscription certificate no. 40 dated 31 December 1991. It's value as at 31 December 2020 amounted USD 688,400 representing 13,768 shares of value USD 50 per share in accordance with investment letter dated 26 May 2021 (31 December 2019: USD 688,400).





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

23 INVESTMENTS, NET (CONTINUED)**23-a Foreign Investments (Continued)****23-a-ii Holding Company UBAC Curacao N V- Curacao**

The Bank has subscribed in this investee in accordance with subscription certificate no. 15 dated 23 September 1991. It's value as at 31 December 2020 amounted USD 452,020 representing 45,202 shares of value USD 10 per share in accordance with investment letter dated 26 August 2021 (31 December 2019: USD 452,020).

23-a-iii Arab Financial Services Company - Bahrain

The Bank has subscribed in this investee in accordance with subscription certificate no. 41 dated 1 August 1984. It's value as at 31 December 2020 amounted USD 50,000 representing 10,000 shares of value USD 5 per share in accordance with investment letter dated 30 May 2021 (31 December 2019: USD 50,000).

23-b Local Investments

| | 2020 YR'000 | 2019 YR'000 |
|---|----------------|----------------|
| Yemen Financial Services Company –Yemen (Note 23-b-i) | 161,564 | 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>243,764</u> | <u>235,686</u> |

23-b-i Yemen Financial Services Company - Yemen

The Bank has subscribed in this investee in accordance with subscription certificate no. 1 which original of was received on 24 May 2006. Its value as at 31 December 2020 amounted USD 310,700 representing 3,107 shares of value USD 100 per share with an increase of 30% in Bank's share in the investee, based on investee's General Assembly Resolution, amounting USD 93,210 which got deposited in the investee's account at the International Bank of Yemen. The investee's Article of Association will be amended and Bank's share will be amended by this increase in accordance with latest letter the Bank received from the investee dated 12 January 2020 (31 December 2019: USD 310,700 in addition to an increase of USD 93,210).

23-b-ii Yemen Mobile Company - Yemen

The Bank has subscribed in this investee in accordance with subscription certificate no. 0020035246 dated 4 September 2009. Its value as at 31 December 2020 amounted YR'000 61,200 represented by 120 thousand shares of nominal value YR 500 per share in addition to issuance expenses amounting YR'000 1,200 in accordance with latest letter the Bank received from the investee dated 31 December 2018 (31 December 2019: YR'000 61,200).

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

The Bank has contributed in the share capital of this entity on 11 April 2005. The value of its share as at 31 December 2020 amounted YR'000 20,000 representing 200 shares of nominal value of YR 100,000 in accordance with entity's letter dated 25 May 2021. The share paid is 50% of Bank's share in the entity amounting YR'000 40,000. (31 December 2019: YR'000 20,000).

23-b-iv Aden Microfinance Foundation

The Bank has contributed in the share capital of this entity on 26 October 2005. The value of its share as at 31 December 2020 amounted YR'000 1,000 in accordance with entity's financial statements attached with entity's letter received by the Bank on 15 June 2021 (31 December 2019: YR'000 1,000). The previous name of this entity was "Tadhamun Microfinance Foundation".

23-c Provision For Impairment

| | 2020 YR'000 | 2019 YR'000 |
|--|----------------|----------------|
| Holding Company UBAC Curacao N V - Curacao | 180,808 | 171,768 |
| Yemen Financial Services Company - Yemen | 161,564 | 153,486 |
| Al-Amal Bank for Microfinance - Yemen | 20,000 | 20,000 |
| Aden Foundation for Microfinance - Yemen | 1,000 | 1,000 |
| Total provision for impairment | <u>363,372</u> | <u>346,254</u> |

24 PROPERTY, PLANT AND EQUIPMENT

| | 2020 YR'000 | 2019 YR'000 |
|-------------------------------------|------------------|------------------|
| Buildings | 2,255,808 | 1,915,721 |
| Land | 1,215,282 | 1,215,282 |
| Furniture and equipment | 510,109 | 456,173 |
| Swift and computer hardware | 213,380 | 145,559 |
| Motor vehicles | 128,681 | 55,767 |
| Leasehold improvements | 124,544 | 86,924 |
| Total property, plant and equipment | <u>4,447,804</u> | <u>3,875,426</u> |





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

24 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of these accounts are as follow:

| | Land YR'000 | Buildings YR'000 | Leasehold improvements YR'000 | Furniture and equipment YR'000 | Motor Vehicles YR'000 | Swift and computer hardware YR'000 | Total YR'000 |
|---------------------------------|----------------|---------------------|-------------------------------------|---|-----------------------------|---|-----------------|
| Cost / Revaluation | | | | | | | |
| At 1 January 2020 | 1,215,282 | 2,227,914 | 241,187 | 1,032,684 | 230,893 | 629,275 | 5,577,235 |
| Additions during the year | - | 386,460 | 53,441 | 124,928 | 89,880 | 115,640 | 770,349 |
| At 31 December 2020 | 1,215,282 | 2,614,374 | 294,628 | 1,157,612 | 320,773 | 744,915 | 6,347,584 |
| 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 | 1,215,282 | 2,227,914 | 241,187 | 1,032,684 | 230,893 | 629,275 | 5,577,235 |
| Accumulated Depreciation | | | | | | | |
| At 1 January 2020 | - | 312,193 | 154,263 | 576,511 | 175,126 | 483,716 | 1,701,809 |
| Charged for the year | - | 46,373 | 15,821 | 70,992 | 16,966 | 47,819 | 197,971 |
| At 31 December 2020 | - | 358,566 | 170,084 | 647,503 | 192,092 | 531,535 | 1,899,780 |
| 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 | - | 312,193 | 154,263 | 576,511 | 175,126 | 483,716 | 1,701,809 |
| Net Book Value | | | | | | | |
| At 31 December 2020 | 1,215,282 | 2,255,808 | 124,544 | 510,109 | 128,681 | 213,380 | 4,447,804 |
| At 31 December 2019 | 1,215,282 | 1,915,721 | 86,924 | 456,173 | 55,767 | 145,559 | 3,875,426 |

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

| | Land YR'000 | Buildings YR'000 | Leasehold improvements YR'000 | Furniture and equipment YR'000 | Motor vehicles YR'000 | Swift, computer hardware YR'000 | Total YR'000 |
|--------------------------|----------------|---------------------|-------------------------------------|---|-----------------------------|--|-----------------|
| Cost | 61,478 | 230,025 | 5,061 | 28,433 | 22,964 | 8,329 | 356,290 |
| Accumulated depreciation | - | 46,218 | 3,528 | 14,068 | 22,964 | 6,890 | 93,668 |
| Net book value | 61,478 | 183,807 | 1,533 | 14,365 | - | 1,439 | 262,622 |

As at 31 December 2020, the Bank could not carry out a revaluation of Bank's lands and buildings in spite of administrative measures taken for that regard during the period August - October 2019 due to the prevailing circumstances in the Country including Covid-19 epidemic (Note 1). According to information available to management there are no indicators of impairment of these assets. Management has carried out a revaluation for Bank's lands and buildings by an independent specialised firm as at 31 December 1999 and for AlMukairas Branch building in 2001 whose results were recorded in Bank's records. Management has also carried out a revaluation as at 31 December 2007 and 2012 but did not obtain a response from Central Bank of Yemen on including such revaluations' results in Bank's records.

25 CAPITAL WORK IN PROGRESS

| | 2020 YR'000 | 2019 YR'000 |
|---|----------------|----------------|
| Automation and Technology Project (Note 25-a) | 2,251,421 | 2,100,948 |
| Bank's buildings rehabilitation projects | 33,675 | 34,797 |
| Fixed assets under classification | 10,972 | - |
| Total capital work in progress | 2,296,068 | 2,135,745 |

25-a Automation and Technology Project

| | 2020 YR'000 | 2019 YR'000 |
|---|----------------|----------------|
| Systems and programs | 1,072,854 | 1,039,056 |
| Training: | | |
| External | 527,951 | 527,951 |
| Internal | 20,778 | 16,269 |
| Equipment and tools | 281,724 | 281,482 |
| Products | 230,506 | 230,506 |
| Incentives and fees | 116,689 | 4,765 |
| Stationery and printing | 919 | 919 |
| Total Automation and Technology Project | 2,251,421 | 2,100,948 |





NATIONAL BANK OF YEMEN

 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended 31 December 2020
26 DUE TO BANKS AND FINANCIAL INSTITUTIONS

| | 2020 | 2019 |
|---|-----------|-----------|
| | YR'000 | YR'000 |
| Local: | | |
| Central Bank of Yemen- Current Account | 380 | 361 |
| Other local banks- Current Accounts | 5,170 | 4,908 |
| Exchange companies (Note 26-a) | 1,437,759 | 1,016,670 |
| Total due to local banks and financial institutions | 1,443,309 | 1,021,939 |
| Foreign: | | |
| Banks- Current Accounts | 746,914 | 647,291 |
| Exchange companies - Current Accounts | 1,023 | 1,002 |
| Total due to foreign banks and financial institutions | 747,937 | 648,293 |
| Total due to banks and financial institutes | 2,191,246 | 1,670,232 |

26-a Local- Exchange Companies

| | 2020 | 2019 |
|---------------------------------|-----------|-----------|
| | YR'000 | YR'000 |
| Current accounts | | |
| Local currency | 1,299,957 | 749,617 |
| Foreign currency | 37,700 | 266,958 |
| Sana'a Branch: | | |
| Local currency | 20 | 20 |
| Foreign currency | 82 | 75 |
| Fixed deposit - Local currency | 100,000 | - |
| Total local -exchange companies | 1,437,759 | 1,016,670 |

27 CUSTOMERS' DEPOSITS

| | 2020 | 2019 |
|--|-------------|-------------|
| | YR'000 | YR'000 |
| Current accounts: | | |
| Customers | 108,966,071 | 96,472,658 |
| Government (Note 27-a) | 714,999 | 717,292 |
| Fixed deposits | 108,703,586 | 95,433,367 |
| Saving accounts | 57,447,189 | 52,801,626 |
| Cash insurance on outstanding indirect credit facilities (Note 27-b) | 6,744,002 | 16,945,296 |
| Payment orders | 2,001,004 | 5,564,949 |
| Unclaimed balances (Note 27-c) | 893,059 | 845,427 |
| Socotra Branch - Deposits on behalf of Central Bank of Yemen (Note 27-d) | 827,912 | 623,744 |
| Sana'a and Al-Hodeidah Branches: | | |
| Fixed deposits | 9,599,653 | 9,597,417 |
| Current accounts | 1,312,087 | 1,255,025 |
| Saving accounts | 1,239,138 | 1,213,833 |
| Cash insurance on outstanding indirect credit facilities | 109,643 | 103,473 |
| Unclaimed balances | 22,450 | 21,551 |
| Payment orders | 53,727 | 53,599 |
| Total customers' deposits | 298,634,520 | 281,649,257 |

27-a Current Accounts - Government / Aden

As at 31 December 2020, the balance of these accounts decreased due to the transfer of USD 100,000 to the Ministry of Health / Aden under the directives of the Prime Minister in his letter dated 15 September 2020.

27-b Cash Insurance On Outstanding Indirect Credit Facilities

As at 31 December 2020, the account includes an amount of YR'000 817,536 representing a cash insurance surplus for Letters of Credit – import, resulting from customers paying cash insurances to the Central Bank of Yemen directly for the purpose of conducting foreign currency exchange through correspondent banks, provided that the Bank would issue Letters of Credit - import after receipt of relevant notifications from the Central Bank of Yemen.

27-c Unclaimed Balances

The Bank maintains in this account, deposits which more than 15 years have passed on without any withdrawal or deposit movement and have not been claimed by their owners. Management monitors and evaluates the status of this account in compliance with Article No. 79-2 of Law No. 38 of 1998 on Banks in the light of the prevailing conditions in the Country (Note 1).

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

Bank's branch in Socotra maintains deposits of Government facilities and corporations in accordance with authorisation from Central Bank of Yemen due to absence of Central Bank branch there based on 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 with rules of executing Government's General Budget and to be under the supervision of Central Bank of Yemen.





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

28 PAYABLES AND OTHER LIABILITIES

| | 2020 YR'000 | 2019 YR'000 |
|--|-------------------|------------------|
| Cash insurance on expired indirect credit facilities | 5,428,510 | 227,048 |
| Employees' entitlements (Note 28-a) | 2,510,459 | 1,280,385 |
| Accrued interest payable on customers' deposits | 2,400,757 | 2,152,132 |
| Government entities (Note 28-b) | 2,141,049 | 2,001,127 |
| Government's share in profit for the year retained (Note 28-c) | 1,913,961 | 1,277,841 |
| Accrued expenses | 221,227 | 580,598 |
| Entries under settlement | 195,330 | 55,811 |
| Projects maintenance guarantee | 61,111 | 42,772 |
| Islamic Branches Department - National Bank of Yemen (Note 28-d) | 39,102 | 1,078,086 |
| Loan installments- surplus and under settlement | 6,835 | 6,868 |
| Interest and commission received in advance | 86 | - |
| Others | 563,934 | 62,362 |
| Sana'a and Al-Hodeidah Branches | | |
| Accrued interest payable on customers' deposits | 134,590 | 134,585 |
| Cash insurance on expired indirect credit facilities | 12,873 | 12,707 |
| Interest and commission received in advance | 12,446 | 11,759 |
| Entries under settlement | 305 | 290 |
| Others | 4,855 | 4,635 |
| Suspended accounts: | | |
| Accounts for the period August- December 2019 (Note 28-e) | 112,249 | 106,252 |
| Mutual account- Sana'a Branch September 2019 | 357,705 | 357,705 |
| Total payables and other liabilities | <u>16,117,384</u> | <u>9,392,963</u> |

28-a Employees' Entitlements

| | 2020 YR'000 | 2019 YR'000 |
|---|------------------|------------------|
| End of service benefits (Note 28-a-i) | 746,912 | 600,493 |
| Employees' regular leave (Note 28-a-ii) | 497,873 | 376,172 |
| Social security | 69,646 | - |
| Bounces and incentives | 49,595 | 4,836 |
| Outstanding commitments: | | |
| Employees share in profit for the year | 606,020 | - |
| Salaries | 352,955 | 82,210 |
| Medication | 187,458 | 216,674 |
| Total employees' entitlements | <u>2,510,459</u> | <u>1,280,385</u> |

28-a-i End of Service Benefits

| | 2020 YR'000 | 2019 YR'000 |
|--------------------------------|----------------|----------------|
| Balance at 1 January | 600,493 | 467,495 |
| Made during the year (Note 10) | 146,419 | 132,998 |
| Balance at 31 December | <u>746,912</u> | <u>600,493</u> |

28-a-ii Employees Regular Leave

| | 2020 YR'000 | 2019 YR'000 |
|--------------------------------|----------------|----------------|
| Balance at 1 January | 376,172 | 310,697 |
| Made during the year (Note 10) | 250,000 | 190,178 |
| (Used) during the year | (128,299) | (124,703) |
| Balance at 31 December | <u>497,873</u> | <u>376,172</u> |

28-b Government Entities

| | 2020 YR'000 | 2019 YR'000 |
|---|------------------|------------------|
| Tax Authority / Aden - income tax for: | | |
| Current year (Note 15) | 1,654,463 | 1,515,050 |
| Prior year (Note 41-e) | 315,050 | - |
| Skills Development Fund | 126,101 | 140,129 |
| General Department For Al-Zakat-Dues/ Aden: | | |
| Payable for the year (Note 14) | 10,000 | 5,000 |
| Carried forward from prior years | 34,108 | 34,108 |
| General Authority for Insurance and Pensions / Aden | 1,327 | 306,840 |
| Total government entities | <u>2,141,049</u> | <u>2,001,127</u> |





NATIONAL BANK OF YEMEN

 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended 31 December 2020
28 PAYABLES AND OTHER LIABILITIES (CONTINUED)**28-c Government's Share In Profit For The Year Retained**

| | 2020 | 2019 |
|--|--------------------|--------------------|
| | YR '000 | YR '000 |
| Profit for the year: | | |
| 2019 | 3,636,120 | - |
| 2016 (Note 41-c) | 1,113,101 | 1,113,101 |
| Balance of 2017 and 2018 | 164,740 | 4,164,740 |
| (Transferred) to paid capital (Note 30) | <u>(3,000,000)</u> | <u>(4,000,000)</u> |
| Total government's share in profit for the year retained | <u>1,913,961</u> | <u>1,277,841</u> |

28-d Islamic Branches' Department - National Bank of Yemen

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

28-e Accounts Of The Period August- December 2019

| | 2020 | 2019 |
|--|----------------|----------------|
| | YR '000 | YR '000 |
| Sana'a Branch: | | |
| Credit transactions | 304,986 | 282,757 |
| Debit transactions | <u>230,067</u> | <u>214,274</u> |
| Balance | <u>74,919</u> | <u>68,483</u> |
| Al-Hodeidah Branch: | | |
| Credit transactions | 201,595 | 201,594 |
| Debit transactions | <u>164,265</u> | <u>163,825</u> |
| Balance | <u>37,330</u> | <u>37,769</u> |
| Total accounts of the period August- December 2019 | <u>112,249</u> | <u>106,252</u> |

29 OTHER PROVISIONS

| | 2020 | 2019 |
|---|------------------|------------------|
| | YR '000 | YR '000 |
| Provision for: | | |
| Contingent claims (Note 29-a) | 2,494,991 | 1,994,991 |
| Indirect credit facilities: | | |
| Specific (Note 29-b) | 2,016,738 | 1,915,901 |
| General (Note 29-c) | 171,284 | 354,259 |
| Fees on annual subscription in Bank Deposit Insurance Corporation | <u>365,657</u> | <u>-</u> |
| Total other provisions | <u>5,048,670</u> | <u>4,265,151</u> |

29-a Contingent Claims

| | 2020 | 2019 |
|-------------------------------------|------------------|------------------|
| | YR '000 | YR '000 |
| Social insurance | 2,450,000 | 1,950,000 |
| Balance of income tax for 2010-2012 | <u>44,991</u> | <u>44,991</u> |
| Total | <u>2,494,991</u> | <u>1,994,991</u> |

29-b Indirect credit Facilities - Specific

The Bank made a specific provision for Letters of Guaranty - Foreign amounting USD 11,204,100 issued for Public Electricity Corporation which is under disagreement with State Bank of India.

29-c Indirect credit Facilities - General

| | ----- 2020 ----- | | | | 2019 |
|--|---------------------------------|-----------------------------|------------------|------------------|------------------|
| | Letters of Credit YR '000 | --- Letters of Guaranty --- | | Total YR '000 | Total YR '000 |
| | Foreign YR '000 | Local YR '000 | Total YR '000 | Total YR '000 | Total YR '000 |
| Balance at 1 January | 204,778 | 114,473 | 35,008 | 354,259 | 235,392 |
| Re-translation differences on balances in foreign currencies | 11,384 | 6,458 | 1,832 | 19,674 | - |
| (Written back) during the year (Note 9) | (202,335) | (244) | (582) | (203,161) | (8,355) |
| Made during the year (Note 12-a) | 112 | - | 400 | 512 | 127,222 |
| Balance at 31 December | <u>13,939</u> | <u>120,687</u> | <u>36,658</u> | <u>171,284</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 Reorganisation of the National Bank of Yemen and Article No. 8 of Bank's Article of Association.





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

30 CAPITAL (CONTINUED)

As at 31 December 2020 the Bank's paid capital amounted YR'billion 17 (31 December 2019: YR'billion 14) by transfer of increase amount from Government's share in profit for the year retained (Note 28-c) in response to H.E. Minister of Finance's 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, which the Bank could not achieve during the specified period due to the insufficient balance of the Government's share in profit for the year as at 31 December 2020. The capital increase will be completed in the subsequent year.

Details of Bank's paid capital is as follows:

| | Share value YR | 2020 | | 2019 | |
|--------------|----------------------|-------------------|-------------------|-------------------|-------------------|
| | | No. of shares | Capital YR'000 | No. of shares | Capital YR'000 |
| Paid capital | <u>1,000</u> | <u>17,000,000</u> | <u>17,000,000</u> | <u>14,000,000</u> | <u>14,000,000</u> |

31 RESERVES

| | 2020 YR'000 | 2019 YR'000 |
|---|-------------------|------------------|
| Statutory reserve (Note 31-a) | 6,251,280 | 5,258,602 |
| General reserve (Note 31-b) | 4,766,658 | 3,773,980 |
| 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>11,707,790</u> | <u>9,722,434</u> |

31-a Statutory Reserve

| | 2020 YR'000 | 2019 YR'000 |
|-----------------------------------|------------------|------------------|
| Balance at 1 January | 5,258,602 | 4,349,572 |
| Transfer from profit for the year | 992,678 | 909,030 |
| Balance at 31 December | <u>6,251,280</u> | <u>5,258,602</u> |

31-b General Reserve

| | 2020 YR'000 | 2019 YR'000 |
|-----------------------------------|------------------|------------------|
| Balance at 1 January | 3,773,980 | 2,864,950 |
| Transfer from profit for the year | 992,678 | 909,030 |
| Balance at 31 December | <u>4,766,658</u> | <u>3,773,980</u> |

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

This reserve includes surplus on revaluation of Banks Land and buildings as at 1999 amounting YR'000 637,093 and of Al-Mukairas building at August 2001 amounting YR'000 2,669.

31-d Cumulative Change In Fair Value Reserve

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

32 CONTINGENT LIABILITIES, COMMITMENTS AND CONTRA ACCOUNTS, NET

| | 2020 | | | 2019 |
|----------------------------------|-----------------------|-----------------------------|---------------------|---------------------|
| | Gross value YR'000 | Cash guarantee YR'000 | Net value YR'000 | Net value YR'000 |
| Indirect credit facilities: | | | | |
| Letters of guaranty - Local | 3,033,701 | (1,630,089) | 1,403,612 | 1,369,572 |
| Letters of guaranty - Foreign | 798,393 | - | 798,393 | 770,064 |
| Letters of credit - Import | 4,931,332 | (4,296,377) | 634,955 | 10,185,278 |
| Letters of credit - Export | 5,580 | - | 5,580 | - |
| Sana'a and Al-Hodeidah Branches: | | | | |
| Letters of guaranty – Foreign | 9,717,612 | - | 9,717,612 | 9,211,138 |
| Letters of guaranty – Local | 538,935 | (109,643) | 429,292 | 380,827 |
| Letters of credit – Export | 56,432 | - | 56,432 | 53,611 |
| Total | <u>19,081,985</u> | <u>(6,036,109)</u> | <u>13,045,876</u> | <u>21,970,490</u> |
| Others | <u>362,194</u> | <u>-</u> | <u>362,194</u> | <u>352,621</u> |
| Total | <u>19,444,179</u> | <u>(6,036,109)</u> | <u>13,408,070</u> | <u>22,323,111</u> |





NATIONAL BANK OF YEMEN

 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended 31 December 2020

33 CASH AND CASH EQUIVALENTS

| | 2020 YR '000 | 2019 YR '000 |
|--|--------------------|-------------------|
| Due from Banks maturing in not more than 3 months (Note -Liquidity risk) | 93,456,564 | 71,377,850 |
| Cash on hand (Note 17) | 11,973,490 | 4,256,461 |
| Certificate of deposit at Central Bank of Yemen (Note- Liquidity risk) | - | 1,000,000 |
| Total cash and cash equivalents | <u>105,430,054</u> | <u>76,634,311</u> |

34 TRANSACTIONS WITH RELATED PARTIES

For the year ended 31 December 2020 transactions with related parties were as shown below. Management believes that the transactions were made at arm's length basis.

| Statement of: | Account | 2020 YR '000 | 2019 YR '000 |
|----------------------|----------------------------------|-----------------|-----------------|
| Comprehensive Income | Interest cost | - | 2,536 |
| | Salaries and benefits | 101,317 | 64,074 |
| Financial Position | Direct credit facilities – loans | 17,433 | 20,061 |
| | Customers' deposits | 50,662 | 52,196 |

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 2020:

| | 2020 YR '000 | 2019 YR '000 |
|-------------------------------|--------------------|--------------------|
| Financial Assets | 336,360,332 | 314,487,721 |
| Indirect Credit Facilities | 13,045,876 | 21,970,490 |
| Total exposure to credit risk | <u>349,406,208</u> | <u>336,458,211</u> |





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

35 RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

Exposure To Credit Risk

Financial Assets:

| | 2020 YR'000 | 2019 YR'000 |
|--|--------------------|--------------------|
| Treasury bills, net | 208,500,000 | 196,643,816 |
| Due from banks, net | 93,456,564 | 71,377,850 |
| Mandatory reserve balances at Central Bank of Yemen | 19,156,999 | 18,739,177 |
| Receivables and other assets (except for prepayments), net | 7,834,763 | 19,670,573 |
| Direct credit facilities to customers, net | 7,055,446 | 6,714,513 |
| Investments, net | 356,560 | 341,792 |
| Certificates of deposit at Central Bank of Yemen | - | 1,000,000 |
| Total | 336,360,332 | 314,487,721 |

Indirect Credit Facilities

| | 2020 YR'000 | 2019 YR'000 |
|------------------------------------|-------------------|-------------------|
| Letters of guaranty - Foreign, net | 10,516,005 | 9,981,202 |
| Letters of guaranty - Local, net | 1,832,904 | 1,750,399 |
| Letters of credit, net | 696,967 | 10,238,889 |
| Total | 13,045,876 | 21,970,490 |

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

| | 2020 | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 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 | 31,130,489 | - | - | - | 31,130,489 |
| Certificates of deposit at Central Bank of Yemen | - | - | - | - | - |
| Due from banks, net | 93,456,564 | - | - | - | 93,456,564 |
| Treasury bills, net | 208,500,000 | - | - | - | 208,500,000 |
| Direct credit facilities to customers, net | 3,581,295 | 179,315 | - | 3,294,836 | 7,055,446 |
| Investments, net | 356,560 | - | - | - | 356,560 |
| Total | 337,024,908 | 179,315 | - | 3,294,836 | 340,499,059 |
| Financial Liabilities | | | | | |
| Due to banks and financial institutes | 2,191,246 | - | - | - | 2,191,246 |
| Customers' deposits | 56,142,158 | - | 39,593,778 | 202,898,584 | 298,634,520 |
| Total | 58,333,404 | - | 39,593,778 | 202,898,584 | 300,825,766 |
| Contingent Liabilities, Commitments and Contra Accounts, Net | 274,917 | 28,000 | 9,118,330 | 3,986,823 | 13,408,070 |
| | ----- 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 |
| Treasury bills, net | 196,643,816 | - | - | - | 196,643,816 |
| Direct credit facilities to customers, net | 3,725,960 | - | 53,987 | 2,934,566 | 6,714,513 |
| Investments, net | 341,792 | - | - | - | 341,792 |
| Total | 296,085,056 | - | 53,987 | 2,934,566 | 299,073,609 |
| Financial Liabilities | | | | | |
| Due to banks and financial institutes | 1,670,232 | - | - | - | 1,670,232 |
| Customers' deposits | 38,427,155 | 8,691,588 | 43,622,005 | 190,908,509 | 281,649,257 |
| Total | 40,097,387 | 8,691,588 | 43,622,005 | 190,908,509 | 283,319,489 |
| Contingent Liabilities, Commitments and Contra Accounts, Net | 17,670,114 | 2,128,026 | 2,118,739 | 406,232 | 22,323,111 |



NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

35 RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

Managing Credit Risk (Continued)

• Distribution Of Financial Instruments According To Geographical Locations

| | 2020 | | | | | Total YR'000 |
|--|--------------------------------|---------------------------------------|-------------------|-------------------|------------------|--------------------|
| | Republic of Yemen YR'000 | America and Caribbean YR'000 | Europe YR'000 | Asia YR'000 | Africa YR'000 | |
| Financial Assets | | | | | | |
| Cash on hand and mandatory reserve balances at Central Bank of Yemen | 31,130,489 | - | - | - | - | 31,130,489 |
| Certificates of deposit at Central Bank of Yemen | - | - | - | - | - | - |
| Due from banks, net | 61,996,181 | - | 10,089,873 | 21,198,146 | 172,364 | 93,456,564 |
| Treasury bills, net | 208,500,000 | - | - | - | - | 208,500,000 |
| Direct credit facilities to customers, net | 7,055,446 | - | - | - | - | 7,055,446 |
| Investments, net | 61,200 | - | - | 295,360 | - | 356,560 |
| Total | 308,743,316 | - | 10,089,873 | 21,493,506 | 172,364 | 340,499,059 |
| Financial Liabilities | | | | | | |
| Due to banks and financial institutes | 1,443,309 | - | - | 747,937 | - | 2,191,246 |
| Customers' deposits | 298,634,520 | - | - | - | - | 298,634,520 |
| Total | 300,077,829 | - | - | 747,937 | - | 300,825,766 |
| Contingent Liabilities, Commitments and Contra Accounts, Net | 948,707 | - | 6,168,039 | 6,001,487 | 289,837 | 13,408,070 |
| | ----- 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 |
| Treasury bills, net | 196,643,816 | - | - | - | - | 196,643,816 |
| Direct credit facilities to customers, net | 6,714,513 | - | - | - | - | 6,714,513 |
| Investments, net | 61,200 | - | - | 280,592 | - | 341,792 |
| Total | 264,006,132 | - | 34,566,503 | 340,976 | 159,998 | 299,073,609 |
| Financial Liabilities | | | | | | |
| Due to banks and financial institutes | 1,021,739 | - | - | 648,493 | - | 1,670,232 |
| Customers' deposits | 281,649,257 | - | - | - | - | 281,649,257 |
| Total | 282,670,996 | - | - | 648,493 | - | 283,319,489 |
| Contingent Liabilities, Commitments and Contra Accounts, Net | 878,914 | - | 15,326,196 | 5,828,166 | 289,835 | 22,323,111 |

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 reliance on 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 with 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 Liquidity Ratio requires that banks maintain a percentage of assets that could be liquefied to meet their obligations not less than 25%.

As at 31 December 2020, the Bank's liquidity ratio, considering its obligations are represented by the total of its financial liabilities and its contingent liabilities and commitments, in the light of the prevailing circumstances was 95% (31 December 2019: 87%).

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 2020, the maturity gap was as follows:





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

35 RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

Maturity Gap

| | 2020 | | | | |
|--|--------------------|--------------------|-------------------|----------------------|--------------------|
| | 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 | 31,130,489 | - | - | - | 31,130,489 |
| Certificates of deposit at Central Bank of Yemen | - | - | - | - | - |
| Due from banks, net | 93,456,564 | - | - | - | 93,456,564 |
| Treasury bills, net | - | 163,500,000 | 45,000,000 | - | 208,500,000 |
| Direct credit facilities to customers, net | 2,569,065 | 511,052 | 501,614 | 3,473,715 | 7,055,446 |
| Investments, net | - | - | - | 356,560 | 356,560 |
| Other assets | - | - | - | 14,833,047 | 14,833,047 |
| Total | 127,156,118 | 164,011,052 | 45,501,614 | 18,663,322 | 355,332,106 |
| Financial Liabilities and Equity | | | | | |
| Due to banks and financial institutes | 2,091,246 | - | - | 100,000 | 2,191,246 |
| Customers' deposits | 99,917,407 | 15,175,887 | 30,599,486 | 152,941,740 | 298,634,520 |
| Other liabilities | - | - | - | 21,166,054 | 21,166,054 |
| Equity | - | - | - | 33,340,286 | 33,340,286 |
| Total | 102,008,653 | 15,175,887 | 30,599,486 | 207,548,080 | 355,332,106 |
| Maturity gap | 25,147,465 | 148,835,165 | 14,902,128 | (188,884,758) | - |

| | 2019 | | | | |
|--|--------------------|---------------------|--------------------|----------------------|--------------------|
| | 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 | 22,995,638 | - | - | - | 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 |
| Treasury bills, net | - | - | 196,643,816 | - | 196,643,816 |
| Direct credit facilities to customers, net | 2,341,889 | 11,018 | 142,134 | 4,219,472 | 6,714,513 |
| Investments, net | - | - | - | 341,792 | 341,792 |
| Other assets | 2,548,500 | - | - | 23,320,068 | 25,868,568 |
| Total | 99,263,877 | 1,011,018 | 196,785,950 | 27,881,332 | 324,942,177 |
| Financial Liabilities and Equity | | | | | |
| Due to banks and financial institutes | 1,670,232 | - | - | - | 1,670,232 |
| Customers' deposits | 98,250,176 | 15,175,887 | 30,599,486 | 137,623,708 | 281,649,257 |
| Other liabilities | - | - | - | 13,658,114 | 13,658,114 |
| Equity | - | - | - | 27,964,574 | 27,964,574 |
| Total | 99,920,408 | 15,175,887 | 30,599,486 | 179,246,396 | 324,942,177 |
| Maturity gap | (656,531) | (14,164,869) | 166,186,464 | (151,365,064) | - |

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

| | 2020 | | | | | | 2019 | | | | | |
|---|-------------|-----------|----------------|------------|------------|------|-------------|-----------|----------------|------------|------------|--|
| | Yemeni Rial | US Dollar | Sterling Pound | Saudi Euro | UAE Dirham | | Yemeni Rial | US Dollar | Sterling Pound | Saudi Euro | UAE Dirham | |
| | % | % | % | % | % | | % | % | % | % | % | |
| Financial Assets | | | | | | | | | | | | |
| Mandatory reserve balances at Central Bank of Yemen | - | - | - | - | - | - | - | - | - | - | - | |
| Treasury bills, net | 16.60 | - | - | - | - | - | 17.00 | - | - | - | - | |
| Due from banks - fixed deposits | - | 0.19 | 0.08 | - | - | 0.18 | - | - | - | - | - | |
| Direct credit facilities to customers, net | 21.00 | 11.00 | - | - | - | - | 21.00 | 11.00 | - | - | - | |
| Financial Liabilities | | | | | | | | | | | | |
| Due to banks and financial institutes | - | - | - | - | - | - | - | - | - | - | - | |
| Customers' deposits | 15.00 | 0.25 | 0.25 | 0.25 | 0.25 | - | 15.00 | 0.25 | 0.25 | 0.25 | 0.25 | |



NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

35 RISK MANAGEMENT (CONTINUED)

Interest Rate Risk (Continued)

Interest Rate Sensitivity And Accumulated Interest Rate Sensitivity Gaps

| | 2020 | | | | | Total YR'000 |
|--|---------------------------------|---------------------------|--------------------------------|-------------------------------|-------------------------------------|--------------------|
| | 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 | |
| Financial Assets | | | | | | |
| Cash on hand and mandatory reserve balances at Central Bank of Yemen | - | - | - | - | 31,130,489 | 31,130,489 |
| Certificates of deposit at Central Bank of Yemen | - | - | - | - | - | - |
| Due from banks, net | 93,456,564 | - | - | - | - | 93,456,564 |
| Treasury bills, net | - | 163,500,000 | 45,000,000 | - | - | 208,500,000 |
| Direct credit facilities to customers, net | 2,569,065 | 511,052 | 501,614 | 3,473,715 | - | 7,055,446 |
| Investments, net | - | - | - | - | 356,560 | 356,560 |
| Other assets | - | - | - | - | 14,833,047 | 14,833,047 |
| Total | 96,025,629 | 164,011,052 | 45,501,614 | 3,473,715 | 46,320,096 | 355,332,106 |
| Financial Liabilities and Equity | | | | | | |
| Due to banks and financial institutes | - | - | - | - | 2,191,246 | 2,191,246 |
| Customers' deposits | 99,917,467 | 15,175,867 | 30,499,486 | - | 153,041,700 | 298,634,520 |
| Other liabilities | - | - | - | - | 21,166,054 | 21,166,054 |
| Equity | - | - | - | - | 33,340,286 | 33,340,286 |
| Total | 99,917,467 | 15,175,867 | 30,499,486 | - | 209,739,286 | 355,332,106 |
| Interest rate sensitivity gap | (3,891,838) | 148,835,185 | 15,002,128 | 3,473,715 | (163,419,190) | - |
| Accumulated interest rate sensitivity gap | (3,891,838) | 144,943,347 | 159,945,475 | 163,419,190 | - | - |
| | ----- 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 |
| Treasury bills, net | - | - | 196,643,816 | - | - | 196,643,816 |
| Direct credit facilities to customers, net | 2,340,889 | 11,018 | 143,134 | 4,219,472 | - | 6,714,513 |
| Investments, net | - | - | - | - | 341,792 | 341,792 |
| Other assets | 186,824 | - | - | - | 25,681,744 | 25,868,568 |
| Total | 73,904,862 | 1,011,018 | 196,786,950 | 4,219,472 | 49,019,875 | 324,942,177 |
| Financial Liabilities and Equity | | | | | | |
| Due to banks and financial institutes | - | - | - | - | 1,670,232 | 1,670,232 |
| Customers' deposits | 99,917,467 | 15,175,887 | 30,599,486 | - | 135,956,417 | 281,649,257 |
| Other liabilities | 1,568,252 | 238,193 | 480,273 | - | 11,371,396 | 13,658,114 |
| Equity | - | - | - | - | 27,964,574 | 27,964,574 |
| Total | 101,485,719 | 15,414,080 | 31,079,759 | - | 176,962,619 | 324,942,177 |
| 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 | - | - |

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 with 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.





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

35 RISK MANAGEMENT (CONTINUED)

Currency Risk (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 (2019: 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 2020 were as follow:

| | 2020 | | | | 2019 |
|----------------|---------------|----------------|-------------|---------------|---------------|
| | 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 | % | % |
| Sterling pound | 7,705,755 | (2,145,120) | 5,560,635 | 20 | 21 |
| UAE Dirham | 2,287,336 | (21,889) | 2,265,447 | 8 | 11 |
| US Dollar | 81,978,000 | (84,775,200) | (2,797,200) | (10) | 29 |
| Euro | 1,291,433 | (5,889,860) | (4,598,427) | (16) | (13) |
| Saudi Rial | 8,621,737 | (17,478,083) | (8,856,346) | (32) | (83) |
| Others | 187,020 | (20,614) | 166,406 | 1 | 1 |
| Total | 102,071,281 | (110,330,766) | (8,259,485) | (29) | (34) |

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 with 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: | 2020 | | | | |
|----------------------|----------|----------------|---------|-------------|-----------------|
| | USD | Sterling pound | Euro | Saudi Riyal | Emirates Dirham |
| Used at the Bank | 400 | 545 | 491.6 | 106.64 | 108.9 |
| At market | 676.29 | 1020 | 1070 | 178.79 | 195 |
| Difference | (276.29) | (475) | (578.4) | (72.15) | (86.1) |

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

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) | |
|----------------|--|--------------|
| | 2020 | 2019 |
| | YR'000 | YR'000 |
| Sterling pound | 4,846,425 | 2,700,770 |
| UAE Dirham | 1,791,139 | 1,441,976 |
| US Dollar | (1,932,096) | 4,014,772 |
| Euro | (5,410,354) | (1,616,449) |
| Saudi Rial | (5,991,986) | (11,132,508) |
| Total | (6,696,872) | (4,591,439) |





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2020

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 to 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 2020, capital adequacy ratio was as follows:

| | 2020 YR'000 | 2019 YR'000 |
|-------------------------------------|----------------|----------------|
| Capital | | |
| Core capital | 27,835 | 22,859 |
| Capital cushions | 1,914 | 2,074 |
| Total capital | <u>29,749</u> | <u>24,933</u> |
| Risk- weighted assets | | |
| On statement of financial position | 23,488 | 35,554 |
| Off statement of financial position | 12,850 | 14,133 |
| Total risk - weighted assets | <u>36,338</u> | <u>49,687</u> |
| Adequacy ratio of: | | |
| Core capital | 77% | 46% |
| Total capital | <u>82%</u> | <u>50%</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

| | 2020 YR'000 | 2019 YR'000 |
|---------------------------|----------------|----------------|
| In Yemeni Rial | 22,414 | 127,743 |
| In US Dollar | 2,500 | 251,185 |
| Total capital commitments | <u>24,914</u> | <u>378,928</u> |

39 LEGAL STATUS AND CONTINGENT ASSETS AND LIABILITIES

During the year ended 31 December 2020, 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.





NATIONAL BANK OF YEMEN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 31 December 2020

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 The Bank's Board of Directors' Approval of the Bank's Audited Financial Statements For 2019

On 12 January 2021, the Bank's Board of Directors, in its capacity as the Bank's General Assembly, held a session in which it discussed the Bank's audited financial statements for the year 2019 which the management approved on 27 December 2020 and the Independent Auditors issued a Qualified Report on as a result of being unable to verify the amounts and balances of the Bank's two commercial branches in Sana'a and Al-Hodeidah and the Islamic Branch in Sana'a shown in those financial statements due to inability of management to provide sufficient and appropriate audit evidence on those branches at the time. The Board of Directors approved the Qualified Report of the Independent Auditors for the year 2019 in accordance with its Resolution No. 2 for 2021 and approved the audited financial statements for the same year in accordance with its Resolution No. 3 for 2021. On 18 January 2021, management submitted the audited financial statements for the year ended 31 December 2019 to H. E. Minister of Finance- the representative of the Government the owner of the Bank.

41-b Amending The Independent Auditors' Report On The Bank's Audited Financial Statements For 2019

On 6 February 2021, the amended Independent Auditors' Report on the Bank's audited financial statements for 2019 was issued with regard to amounts and balances of the Bank's two commercial branches in Sana'a and Al-Hodeidah for the period from 1 January - 31 July 2019 based on sufficient and appropriate audit evidence provided by Bank's management in this regard.

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

On 8 February 2021 the Bank paid Government's share in profit for the year retained for 2016 amounting YR 1,113,101,677 (Note 28-c) to the Ministry of Finance - Government's General Account in response to the memorandum of H. E. Minister of Finance No. 234 dated 16 February 2020 in this regard.

41-d Obtaining A Clearance From The General Department For Al-Zakah-Dues / Aden

On 22 March 2021 a clearance letter on paying full Bank's estimated Zakat for 2020 was issued from the General Department For Al-Zakat-Dues / Aden.

41-e Completing Payment of Income Tax For 2019

On 14 April 2021, a check receipt was issued on Bank's payment of the remaining amount of income tax for 2019 amounting YR 315,050,005 (Note 28-b).

41-f Inaugurating The "Banks" System In Other Branches Of The Bank

Starting from June 2021, the Bank inaugurated the (Banks) System in a number of its branches in Lahij, Mukalla, Al-Qatn and Sayun.

41-g Recovery Of The Balance Due From Asya Katlim Bank - Turkey

On 2 December 2021, the Bank received an amount of Turkish Lira 1,525,108.94 representing its outstanding balance from Asya Katlim Bank - Turkey (Note 19-d-i) in accordance with the court decision and the management of the Deposit and Savings Fund - Turkey.

41-h Central Bank of Yemen / Aden Confirmation of the Bank's Mandatory Reserve Balance

On 9 February 2022, a notice was issued from the Central Bank of Yemen / Aden with a mandatory reserve balance of the Bank amounting YR'000 12,894,554 (Note 17-b).

41-i Issuance Of Decisions Of The Board Of Directors Of The Central Bank Of Yemen / Aden

On 21 March 2022, decisions of the Board of Directors of the Central Bank of Yemen / Aden were issued regarding raising the capital of banks, amending the legal reserve ratio for banks and the regulations for the conditions and procedures for granting licenses to banks and the practice of banking business.

42 Approving The Financial Statements

The management approved these financial statements on 6 April 2022, and it was decided to submit them to the Bank's Board of Directors and the Minister of Finance, the representative of the Government- owner of the Bank, at a subsequent period.





➔ National Bank of Yemen in Yemen

Headquarter

📍 Republic of Yemen
Aden - Crater

☎ +967 2 253753

📄 +967 2 252325

✉ nby.ho@y.net.ye

🌐 www.nbyemen.com

🌐 NBOYYESA

➔ Queen Arwa Branch

📍 Republic of Yemen
Aden - Crater - Arwa St.

☎ +967 2 252226

📄 +967 2 255724

🌐 NBOYYESA002

📧 Box(110)

➔ Aidroos Branch

📍 Republic of Yemen
Aden - Crater - Arwa St.

☎ +967 2 259171

📄 +967 2 251579

📧 (5)

➔ Mukalla Branch

📍 Republic of Yemen
Mukalla - Hadramout - M. St.

☎ +967 5 302935

📄 +967 5 302913

🌐 NBOYYESA009

📧 Box(8044)

➔ Sana'a Branch

📍 Republic of Yemen
Sana'a - Zubari St.

☎ +967 1 517774

📄 +967 1 517773

🌐 NBOYYESA033

📧 Box(198309)

➔ Malla'a Branch

📍 Republic of Yemen
Aden - Mualla'a - Main St.

☎ +967 1 243409

📄 +967 1 243291

➔ Hodedah Branch

📍 Republic of Yemen
Al-Hodedah

☎ +967 3 233123

📄 +967 3 233125

🌐 NBOYYESA034

📧 Box (4851)





Public Loan Branch

📍 Republic of Yemen
Aden - Crater - Qween A. St.
☎ +967 2 253327
📠 +967 2 252875
📧 Box (5)

Atwahi Branch

📍 Republic of Yemen
Aden - Atwahi - Hilal St.
☎ +967 2 203989
📠 +967 2 202255
📧 Box(1181)
🌐 NBOYYESA

Abdullaziz Branch

📍 Republic of Yemen
Aden - Al-Mansoura -
Abdullaziz
☎ +967 2 342929
📠 +967 2 343263

Sayon Branch

📍 Republic of Yemen
Hadmout - Syeon - G. St.
☎ +967 5 402434
📠 +967 5 405517
🌐 NBOYYESA007

Middle Aden Branch

📍 Republic of Yemen
Aden - M. Aden - Hoaj St.
☎ +967 2 377661
📠 +967 2 377155
📧 Box(3018)

Khormaksr Branch

📍 Republic of Yemen
Aden - Khormaksr - Airport St.
☎ +967 2 231076
📠 +967 2 231950

Zinjebar Branch

📍 Republic of Yemen
Abyan - Zinjebar - Main St.
☎ +967 2 605070
📠 +967 2 604281





Taiz Branch

📍 Republic of Yemen
Taiz - Jamal St.
☎ +967 4 266010
📠 +967 4 266012





Public Loan Branch

-  Republic of Yemen
Aden - Crater - Qween A. St.
-  +967 2 253327
-  +967 2 252875
-  Box (5)


Atwahi Branch

-  Republic of Yemen
Aden - Atwahi - Hilal St.
-  +967 2 203989
-  +967 2 202255
-  Box(1181)
-  NBOYYESA





Abdullaziz Branch

-  Republic of Yemen
Aden - Al-Mansoura -
Abdullaziz
-  +967 2 342929
-  +967 2 343263

Sayon Branch

-  Republic of Yemen
Hadmout - Syeon - G. St.
-  +967 5 402434
-  +967 5 405517
-  NBOYYESA007



Middle Aden Branch

-  Republic of Yemen
Aden - M. Aden - Hoaj St.
-  +967 2 377661
-  +967 2 377155
-  Box(3018)

Khormaksr Branch

-  Republic of Yemen
Aden - Khormaksr - Airport St.
-  +967 2 231076
-  +967 2 231950

Zinjebar Branch

-  Republic of Yemen
Abyan - Zinjebar - Main St.
-  +967 2 605070
-  +967 2 604281

Taiz Branch

-  Republic of Yemen
Taiz - Jamal St.
-  +967 4 266010
-  +967 4 266012





Gaydah Branch



Republic of Yemen
Almahra - Gaydah



+967 5 612156



+967 5 612137



Qataan Branch



Republic of Yemen
Hadramoot - Alqataan
Alhoyar Government



+967 5 457583



+967 5 459584



Socatra Branch



Republic of Yemen
Socatra - General Market



+967 5 660192



+967 5 660698





البنك الأهلي اليمني

National Bank Of Yemen

Trust & Experience

الخبرة والثقة



Annual Report

2020