

Financial Statements and Independent Auditor's Report

Shamil Bank of Yemen and Bahrain

(Yemeni Closed Joint Stock Company)

December 31, 2022

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Independent Auditor's Report

To: **The Shareholders' of
Shamil Bank of Yemen and Bahrain
(Yemeni Closed Joint Stock Company)
Sana'a - Republic of Yemen**

Report on the Financial Statements

We have audited the accompanying financial statements of Shamil Bank of Yemen and Bahrain (Yemeni closed Joint Stock Company) (the Bank), which comprise the statement of financial position as at December 31, 2022 and statement of income, statement of changes in equity, statement of cash flows and statement of sources and uses of Al-Qard Al-Hasan fund for the year then ended, and a summary of significant accounting policies and other explanatory information (1-46).

Management's responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of the financial statements in accordance with Islamic Shari'a rules, principles and instructions issued by Central Bank of Yemen and applicable laws. The management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from any material misstatements, whether due to fraud or error, this responsibility also includes selecting and applying appropriate accounting policies and providing reasonable accounting estimates that are suitable for the circumstances.

Auditor's Responsibility

Our responsibility is limited to express our opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organization for Islamic Financial Institutions "AAOIFI". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The audit process involves performing procedures to obtain audit evidences about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of material misstatements risks in the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of stating an opinion about the efficiency of the Bank's internal control. The audit process also includes assessing the appropriateness of accounting principles and significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

As explained in Note (13.2) to the financial statements, the Bank's Management has neither determined nor recognized impairment losses for investments in associates amounting to YER 458,695,000 in accordance with the instructions of the Central Bank of Yemen. Hence, net profit for the year is overstated by YER 458,695,000 and equity as at December 31, 2022 is also overstated by the same amount.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view, in all material respects, the financial position of Shamil Bank of Yemen and Bahrain as at December 31, 2022, and the result of its operations, its cash flows, its changes in equity and sources and uses of Al-Qard Al-Hasan fund for the year then ended in accordance with the Financial Accounting Standards issued by "AAOIFI", the Shari'a rules and principles as determined by the Shari'a supervisory board of the Bank and instructions issued by Central Bank of Yemen and related Yemeni laws and regulations.

Emphasis of Matters

1. We draw attention to Note (44) to the financial statements related to the political crisis, economic situation and current security events in the Republic of Yemen, which indicate to the existence of an uncertainty about the improvement of the political situation that may affect the Bank's operations and its financial position in case of the continuation of these circumstances. Our opinion is not modified in respect of this matter.
2. We draw attention to Note (7.2) of paragraph (c) of the notes to the financial statements related to the Bank's exposure to foreign exchange risk and its impact on significant foreign exchange positions. The bank has complied with the instructions issued by the Central Bank of Yemen to record the transactions in foreign currencies during the year, as well as, the valuation of the monetary assets and liabilities in foreign currencies as December 31, 2022 using the official exchange rates. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory requirements

We have obtained all the information and clarifications, which we considered necessary for the purpose of our audit. The Bank keeps proper books of account, and the accompanying financial statements are in agreement with these books. Furthermore. Nothing has come to our attention, which causes us to believe that the bank has breached any of the provisions of Yemeni commercial Companies Law No. (22) of 1997 and its amendments, or the Bank's Articles of Association, Islamic Banking Law No. (21) of 1997 amended by law no (16) of 2009 or Banking law No. (38) of 1998, or instructions issued by Central Bank of Yemen, which would materially affect the reported results of the Bank's operations or its financial position. Except for the bank's violation of the Banking Law No. (38) of 1998, Article No. (22) related to the permitted period with a maximum of five years from the acquisition of assets which titles have been transferred to bank's ownership, in which there are buildings and lands owned by the bank (assets which titles have been transferred to the bank's ownership), but they have not used for the purposes of the current operation or in carrying out the bank's investment activities.

Sana'a – Republic of Yemen

April 17, 2023



Dar Al-Mohassaba
Russell Bedford Yemen
Hassan M. Al-Dailami

Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Statement of Financial Position as at December 31, 2022

	Notes	2022 YER 000s	2021 YER 000s
Assets			
Cash and reserve balances with Central Bank of Yemen	9	28,995,138	27,100,958
Due from banks and financial institutions	10	30,082,084	34,251,555
Financing Murabaha, Istisna'a and Ijarah transactions	11	2,716,692	2,279,204
Investments in Islamic sukuk	12	-	-
Investments in subsidiaries and associates	13	6,679,493	1,986,066
Investments in real estate	14	975,975	975,975
Al-Qard Al-Hasan	15	-	-
Debit balances and other assets	16	3,963,404	7,093,749
Property and equipment	17	4,530,787	4,128,025
Total assets		77,943,573	77,815,532
Liabilities, equity of investments account holders and equity			
Liabilities			
Due to banks and financial institutions	18	4,150,267	5,923,347
Current accounts and other deposits	19	42,379,290	44,296,396
Credit balances and other liabilities	20	2,062,838	2,324,092
Other provisions	21	34,044	31,973
Total liabilities		48,626,439	52,575,808
Equity of Unrestricted investment and saving accounts' holders	22	14,328,187	14,025,655
Equity			
Share Capital	23	8,800,000	6,000,000
Statutory reserve	24	1,677,159	930,927
General reserve	25	248,744	-
Retained earnings		4,263,044	4,283,142
Total equity		14,988,947	11,214,069
Total liabilities, equity of investment accounts holders and equity		77,943,573	77,815,532
Total contingent liabilities and commitments	26	3,404,442	3,197,243

The attached notes (1-46) form an integral part of these financial statements.

finance Manager

Khalid A. Al-Ward

Type text here
General Manager

Saeed Mohammed Bazara

Chairman

Ahmed Abubakr Bazara



Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Statement of Income for the year ended December 31, 2022

	Notes	2022 YER 000s	2021 YER 000s
Income from financing Murabaha and Istisnaa	27	257,815	316,115
Income from other Joint Investments	28	1,690,123	558,582
Total income from jointly financed assets		1,947,938	874,697
Less:			
Return on unrestricted investments and saving accounts holders	29	(466,051)	(357,040)
Bank's share of income from jointly financed assets		1,481,887	517,657
Fee and commission income	30	916,985	666,503
Less:			
Fee and commission expenses		(330,337)	(198,809)
Net fee and commission income		586,648	467,694
Gains on foreign currencies transactions	31	4,936,610	7,797,971
Other operating income	32	2,251,082	199,498
operating income		9,256,227	8,982,820
Less:			
Provisions	33	(41,130)	(146,913)
Staff costs	34	(1,953,650)	(1,561,254)
Depreciation of property and equipment	17	(129,101)	(104,877)
Other expenses	35	(1,660,919)	(1,657,140)
Net profit for the year before tax		5,471,427	5,512,636
Less:			
Income tax for the year	20 . 1 . 1	(496,549)	(753,589)
Net profit for the year after tax		4,974,878	4,759,047
Earnings per share	36	829.15	793.17

The attached notes (1-46) form an integral part of these financial statements.

finance Manager

Khalid A. Al-Ward

General Manager

Saeed Mohammed Bazara

Chairman

Ahmed Abubakr Bazara



Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Statement of Changes in Equity for the year ended December 31, 2022

	<u>Share Capital</u> <u>YER 000s</u>	<u>Statutory Reserve</u> <u>YER 000s</u>	<u>General Reserve</u> <u>YER 000s</u>	<u>Retained Earnings</u> <u>YER 000s</u>	<u>Total</u> <u>YER 000s</u>
2022					
Balance at January 1	6,000,000	930,927	-	4,283,142	11,214,069
Net profit for the year	-	-	-	4,974,878	4,974,878
Transferred to reserves	-	746,232	248,744	(994,976)	-
Transferred to capital increase	2,800,000	-	-	(2,800,000)	-
Cash dividends paid to shareholders	-	-	-	(1,200,000)	(1,200,000)
Balance at December 31	8,800,000	1,677,159	248,744	4,263,044	14,988,947
2021					
Balance at January 1	6,000,000	455,022	-	1,399,385	7,854,407
Net profit for the year	-	-	-	4,759,047	4,759,047
Transferred to statutory reserve	-	475,905	-	(475,905)	-
Cash dividends paid to shareholders	-	-	-	(1,399,385)	(1,399,385)
Balance at December 31	6,000,000	930,927	-	4,283,142	11,214,069

The attached notes (1-46) form an integral part of these financial statements.

finance Manager

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General Manager

Saeed Mohammed Bazara

Chairman

Ahmed Abubakr Bazara



Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Statement of Cash Flows for the year ended December 31, 2022

	Notes	2022 YER 000s	2021 YER 000s
Cash flows from operating activities			
Net profit for the year before tax		5,471,427	5,512,636
Adjustments for:			
Depreciation of property and equipment	17	129,101	104,877
Provisions charged to the income statement	33	41,130	146,913
Provisions used and reversed during the year		(2,176,256)	(146,913)
Gain on sale of property and equipment	32	(12,548)	(54)
Return of unrestricted investments and saving accounts' holders	29	466,051	357,040
Operating income before changes in operating assets and liabilities		3,918,905	5,974,499
Changes in operating assets and liabilities:			
Reserve balances with CBY		155,539	(528,313)
Financing Murabaha, Istisna'a and Ijarah transactions		159,884	1,212,341
Al-Qard Al-Hasan		101,852	-
Debit balance and other assets		4,598,012	(5,988,550)
Current accounts and other deposits		(1,917,106)	4,953,444
Credit balances and other liabilities		45,786	(261,533)
Cash flows from (used in) operating transactions		3,143,967	(612,611)
Tax paid		(803,589)	(404,226)
Net cash flows from operating activities (1)		6,259,283	4,957,662
Cash flows from investing activities			
Change in investments in subsidiaries		(4,643,427)	-
Change in investments in associates		(50,000)	(147,802)
Change in ijarah muntahia bittamleek		-	19,957
Change in investments in real estate		-	3,401
Change in investment deposits due over 3 months		800,000	(749,950)
Purchase of property and equipment	17	(536,396)	(1,728,998)
Proceeds from sale of property and equipment		17,081	842
Net cash flows used in investing activities (2)		(4,412,742)	(2,602,550)

The attached notes (1-46) form an integral part of these financial statements

finance Manager

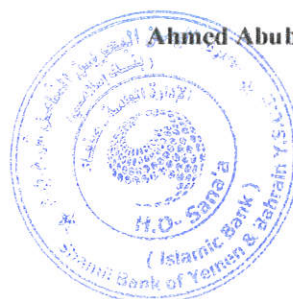
Khalid A. Al-Ward

General Manager

Saeed Mohammed Bazara

Chairman

Ahmed Abubakr Bazara



Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Statement of Cash Flows for the year ended December 31, 2022

	Notes	2022 YER 000s	2021 YER 000s
Cash flows from financing activities			
Change in equity of unrestricted investments and saving accounts' holders		302,532	1,342,478
Change in due to banks and financial institutions		(1,773,080)	2,359,955
Cash dividends paid to shareholders		(1,200,000)	(1,399,385)
Dividends paid to depositors		(466,051)	(357,040)
Net cash flows (used in) from financing activities (3)		(3,136,599)	1,946,008
Net change in cash and cash equivalents (1+2+3)		(1,290,058)	4,301,120
Cash and cash equivalents at the beginning of the year		55,723,061	51,421,941
Cash and cash equivalents at the end of the year		54,433,003	55,723,061
Cash and cash equivalents at the end of the year consist of:			
Cash and reserve balances with Central Bank of Yemen	9	28,995,138	27,100,958
Due from banks and financial institutions	10	30,111,778	34,251,555
		59,106,916	61,352,513
Less:			
Reserve balances with CBY	9	(4,673,913)	(4,829,452)
Investment deposits maturing more than 3 months	10	-	(800,000)
		54,433,003	55,723,061

The attached notes (1-46) form an integral part of these financial statements.

finance Manager

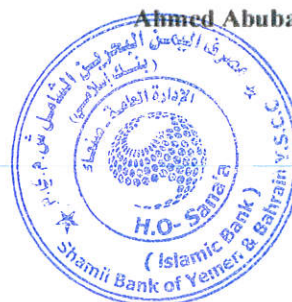
Khalid A. Al-Ward

General Manager

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Chairman

Ahmed Abubakr Bazara



Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)

Statement of sources and uses of Al-Qard Al-Hasan fund for the year ended December 31, 2022

	Notes	2022 YER 000s	2021 YER 000s
Balance at beginning of the year as represented by outstanding utilized loans		101,852	101,852
Add: Sources of fund			
Transferred from customers' current accounts		-	-
Loans to banks and financial institutions		-	-
		101,852	101,852
Less: Uses of fund			
Paid to customers' current accounts		(101,852)	-
Balance at the end of the year		-	101,852
Less: Provision for Al-Qard Al-Hasan fund		-	(101,852)
		-	-
The following shows the movement of provision for Al-Qard Al-Hasan fund:			
Balance at the beginning of the year		101,852	101,852
Add: Provided during the year		-	-
Less: Reversed during the year		(101,852)	-
Balance at the end of the year		-	101,852

The attached notes (1-46) form an integral part of these financial statements.

finance Manager

Khalid A. Al-Ward

General Manager

Saeed Mohammed Bazara

Chairman

Ahmed Abubakr Bazara



1. Legal Status and Principal Activities

Shamil Bank of Yemen and Bahrain (Closed Joint Stock Company) was established on February 17, 2002. The Bank exercises its banking activities in the Republic of Yemen through its Head Office located in Sana'a city El.siteen St, and its branches located in Sana'a, (Sho'oup, Taiz St. and Haddah) Aden, Sheikh Othman, Mukalla, Hodeidah, ,Taiz, Sayun, Ma'rib and Al-Shihr.. The bank performs its services in conformity with Islamic Sharia.

The Bank is involved in the following business activities:

- Opening current accounts;
- Accepting unrestricted investment accounts, and commingling the same with those of the bank and investing them in accordance with Islamic Shari'a;
- Managing the investment of other parties' funds as an agent for a fixed fee or as a Mudarib and any other banking activities not contravening with the provisions of the Islamic Shari'a;
- Industrial, commercial and agricultural business activities, etc. either directly or through companies the Bank may establish, or in which the Bank may acquire part of its shares;
- Leasing and acquiring lands, constructing buildings and renting out thereof;
- Foreign currencies exchange deals.

2. Basis of preparation

2.1. Statement of compliance

The financial statements are prepared in accordance with the Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI "), the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and instructions issued by the Central Bank of Yemen (CBY) and related Yemeni law and regulation. For matters that are not covered by AAOIFI, the bank uses the guidance from the relevant International Financial Reporting Standards (IFRS).

The unconsolidated financial statements for the year ended December 31, 2022 were approved by the board of directors 2023 on April 17, 2023 and are subject to approval by the general assembly and the Central Bank of Yemen (note no. 46).

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investments in subsidiaries and associates as well as real estate investment, which are measured at fair value.

2.3. Functional and presentation currency

The financial statements are presented in Yemeni Rials ("YER") (the Bank's functional currency), which is the currency in which the majority of transactions are denominated. Except as otherwise indicated, financial information presented in YER has been rounded off to the nearest thousands.

2.4. Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

The most significant use of judgments and estimates are as follows:

2.4.1. Going concern principle

The management has made an assessment of the bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, the management confirms it is taking appropriate measures to support the sustainability of the bank's business. Therefore, the financial statements are prepared on the going concern principle.

2.4.2. Classification of investments

In the process of applying the Bank's accounting policies, management decides on acquisition of an investment whether it should be classified as debt type instruments carried at fair value through equity or amortized cost, or equity-type instruments carried at fair value through income statement. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

2.4.3. Provision for impairment of assets

The Bank exercises its judgment in the estimation of provision for impairment of financial assets. The methodology for the estimation of the provision is provided in the impairment of financial assets and non-financial assets, which is shown in the significant accounting policies below.

2.4.4. Impairment of financial investments

The Bank determines that equity investments carried at fair value through equity are impaired when there is a significant or prolonged (judgmental) decline in the fair value of the investment below its cost or where other objective evidence of impairment exists. In addition, the Bank evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the present value calculation factors for unquoted equities.

The investments which were held for trading are recorded at cost on acquisition date. On financial statements date, they are evaluated at fair value and the differences are charged on the income statement in accordance with the business model and cash flow characteristics and in line with Islamic financing contracts.

2.4.5. Valuation of unquoted private equity and real estate investments

Valuation of above investments is normally based on one of the following methods:

- Valuation by independent external valuers;
- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- present value of expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The Bank determines valuation techniques on a periodic basis and examines their validity either using current observable market transaction prices for the same instrument or other observable market data.

2.4.6. Useful lives of property and equipment

The Bank exercises its judgment in the estimation of provision for impairment of financial assets. The methodology for the estimation of the provision is provided in the impairment of financial assets and non-financial assets, which is shown in the significant accounting policies below.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below.

These accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year, except for those changes arising from revised/new standards issued by AAOIFI.

3.1. New standards, amendments, and interpretations

1) New standards, amendments and interpretations effective from January 1, 2022

During the period, the bank applied the following standards and amendments to standards in preparation of these financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net profit or equity of the bank.

▪ Financial accounting standard (30) Impairment, credit losses and onerous commitments

AAOIFI has issued FAS 30 “Impairment, credit losses and onerous commitments” in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future outflows associated with such assets and transactions. FAS 30 replaces FAS 11 “Provisions and Reserves” and parts of FAS 25 “Investment in Sukuk, shares and similar instruments that deal with impairment”.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e., credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets (1) Credit losses approach, (2) Net realizable approach “NRV” and (3) Impairment approach.

The bank is assessing the impact of adoption of this standard during the year 2023

▪ Financial Accounting Standard (38) Wa’ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 Wa’ad, Khiyar and Tahawwut in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari’a compliant Wa’ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after 1 January 2022.

This standard classifies Wa’ad and Khiyar arrangements into two categories as follows:

- a. “Ancillary Wa’ad and Khiyar” which is related to a structure of transaction carried out using other products i.e. Murabaha, Ijarah Muntahia Bittamleek, etc.; and
- b. “Product Wa’ad and Khiyar” which is used as a stand-alone Shari’a compliant arrangement.

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa’ad and Khiyar products.

The bank does not expect any significant impact on adoption this standard.

2) New standards, amendments and interpretations issued but not effective from January 1, 2022

▪ Financial accounting standard No. (39) Financial Reporting for Zakat

AAOIFI has issued FAS 39 Financial Reporting for Zakat in 2021. The objective of this standard is to establish principles of financial reporting related to Zakat attributable to different stakeholders of an Islamic financial institution. This standard supersedes FAS 9 Zakat and is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

This standard does not prescribe the method for determining the Zakat base, and measuring Zakat due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakat base and to measure Zakat due for a period.

The bank is assessing the impact of adoption of this standard.

▪ **Financial accounting standard (1) General Presentation and Disclosures in the Financial Statements**

AAOIFI has issued revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic financial institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI Conceptual framework for the financial reporting.

Some of the significant revisions to the standard are as follows:

- a. Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b. Definition of Quasi equity is introduced;
- c. Definitions have been modified and improved;
- d. Concept of comprehensive income has been introduced;
- e. Institutions other than banking institutions are allowed to classify assets and liabilities as current and non-current;
- f. Disclosure of Zakat and Charity have been relocated to the notes;
- g. True and fair override has been introduced;
- h. Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i. Disclosures of related parties, subsequent events and going concern have been improved;
- j. Improvement in reporting for foreign currency and segment reporting;
- k. Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable to the banks and similar Islamic financial institutions, and third part prescribes the authoritative status, effective date of amendments to other AAOIFI FAS's; and
- l. The illustrative financial statements are not part of this standard and will be issued separately.

The bank is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its financial statements

3.2. Foreign currency transactions

- a. In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the average official exchange rates issued by the CBY at that date. Translation gain or losses on non-monetary items carried at fair value are included in owner's equity as part of fair value adjustment. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.
- b. The Bank does not engage in forward contracts to meet its obligations in foreign currencies, nor does it engage in foreign exchange contracts to cover the risk of settlement of future liabilities in foreign currencies, or its customers' need to meet their obligations in foreign currencies resulting from their transactions through the Bank.

3.3. Financial contracts

Financial contracts consist of due from banks and financial institutions, Sukuk, Wakala, financing Murabaha and Istisna'a (net of deferred profit), Mudaraba, Musharaka and Ijarah Muntahia Bittamleek. Balances relating to these contracts are stated net of provisions for impairments.

– **Placements with and from financial institutions, non-financial institutions and individuals**

These comprise of fund deposited from and to the Bank using Shari'a compliant contracts. Placements are usually for short-term and are stated at their amortized cost.

▪ **Equity of investments accounts holders**

Equity of investments accounts holders are funds held by the bank in unrestricted investments accounts, which it can invest at its own discretion. The investments accounts holder authorizes the bank to invest the account holders' funds in a manner which the bank deems appropriate without setting any conditions as to where, how and for what purpose the funds should be invested.

Return due on unrestricted investments and saving accounts is determined on the basis of Mudaraba contract, which determines profit (loss) on a sharing basis during the period.

– **Sukuk**

Sukuk are quoted and unquoted securities which are classified as investment and carried at amortized cost.

– **Murabaha receivables**

Murabaha is a contract whereby one party sells ("Seller") an asset to the other party ("Purchaser") at cost plus profit, on a deferred payment basis, after the Seller have purchased the asset based on the Purchaser 's promise to purchase the same on such Murabaha basis. The sale price comprises the cost of the asset and an agreed profit margin. The sale price (cost plus the profit amount) is paid by the Purchaser to the Seller on installment basis over the agreed finance tenure.

The Bank considers the purchaser's promissory is obliged for the Murabaha transaction in favour of the Seller.

Murabaha receivables are stated at cost, less deferred profits and provision for impairment.

– **Istisna'a**

Istisna'a is an agreement between the Bank and a customer whereby the Bank sells to the customer a developed asset according to agreed upon specifications, for an agreed price. Istisna'a transactions are stated at cost, net of deferred profits and provision for impairment.

– **Mudaraba**

Mudaraba is a contract between two parties whereby one party is a fund provider (Rab Al Mal) who would provide a certain amount of funds (Mudaraba capital), to the other party (Mudarib). Mudarib would then invest the Mudaraba capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit. The Rab Al Mal is not involved in the management of the Mudaraba activity.

The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise, the loss would be borne by the Rab Al Mal. Under the Mudaraba contract, the Bank may act either as Mudarib or as Rab Al Mal, as the case may be.

Mudaraba financing are recognized at fair value of the Mudaraba assets net of provision for impairment, if any, and Mudaraba capital amount is settled. If the valuation of the Mudaraba assets results in difference between fair value and book value, such difference is recognized as profit or loss to the Bank.

– **Musharaka**

Musharaka is used to provide venture capital or project finance. The Bank and customer contribute towards the capital of the Musharaka. Usually, a special purpose company or a partnership is established as a vehicle to undertake the Musharaka. Profits are shared according to a pre-agreed profit distribution ratio but losses are borne by the partners according to the capital contributions of each partner. Capital contributions may be in cash or in kind, as valued at the time of entering into the Musharaka. Musharaka is stated at cost, less the impairments.

– **Ijarah Muntahia Bittamleek**

Ijarah (Muntahia Bittamleek) is an agreement whereby the Bank (as lessor) leases an asset to the customer (as lessee) after purchasing/acquiring the specified asset, either from a third-party seller or from the customer itself, according to the customer's request and promise to lease against certain rental payments for a specific lease term/periods, payable on fixed or variable rental basis.

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation, the timing of rental payment and responsibilities of both parties during the lease term. The customer (lessee) provides the Bank (lessor) with an undertaking to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Bank (lessor) retains the ownership of the assets throughout the lease term. At the end of the lease term, upon fulfilment of all the obligations by the customer (lessee) under the Ijarah agreement, the Bank (lessor) will sell the leased asset to the customer (lessee) for a nominal value based on sale undertaking given by the Bank (lessor). Leased assets are usually residential properties, commercial real estate or machinery and equipment.

Depreciation is provided on a straight-line basis on all Ijarah Muntahia Bittamleek assets other than land (which is deemed to have an indefinite life), at rates calculated to write off the cost of each asset over the shorter of either the lease term or economic life of the asset.

3.4. Investments securities

Investments securities comprise equity investments and investments in sukuk (Islamic bonds).

a. Classification

Debt-type instruments

Investments in debt - type instruments are classified in the following categories:

1. At amortized cost.
2. At fair value through income statement (FVTIS).

A debt-type Investments is classified and measured at amortized cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at FVTIS. Debt-type investments at amortized cost include investments in medium to long-term sukuk.

Debt-type investment classified and measured at FVTIS includes investments held for trading or designated at FVTIS. At inception, a debt-type investment managed on a contractual yield basis can only be designated at FVTIS if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognizing the gains or losses on them on different bases.

Equity-type instruments

Investments in equity type instruments are classified in the following categories:

- 1) At fair value through income statement (FVTIS).
- 2) At fair value through equity (FVTE), consistent with its investment strategy.

Equity - type investments classified and measured at FVTIS include investments held for trading or designated at FVTIS. An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

On initial recognition, the Bank makes an irrevocable election to designate certain equity instruments that are not designated at FVTIS to be classified as investments at fair value through equity. These include investments in certain quoted and unquoted equity securities (held for non-trading).

b. Recognition and de-recognition

Investment securities are recognized at the trade date i.e. the date that the Bank contracts to purchase or sell the asset, or at the date that the Bank becomes a party to the contractual provisions of the instrument.

Investment securities are derecognized when the rights to receive cash flows from the financial assets have expired or when the Bank transfers substantially all risk and rewards of ownership.

c. Measurement

Investment securities are measured initially at fair value, which is the value of the consideration given. For FVTIS investments, transaction costs are expensed in the income statement.

Subsequent to initial recognition, investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognized in the income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognized in the statement of changes in equity and presented in a separate fair value reserve within equity. When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognized in the statement of changes in equity are transferred to the income statement.

Investments at FVTE where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

Subsequent to initial recognition, debt type investments, other than those carried at FVTIS, are measured at amortized cost using the actual profit rate less any impairment allowances.

d. Measurement principles

- Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortization using the actual profit rate of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

The calculation of the actual profit rate includes all fees paid or received that are an integral part of the actual profit rate.

- Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects its non-performance risk.

The Bank measures the fair value of listed investments at the market closing price for the investment. For unlisted investments, the Bank recognizes any increase in the fair value, when they have reliable indicators to support such an increase. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between desirous and informed parties who do not have any reactions which might affect the price.

3.5. Investments in subsidiaries

Investments in subsidiaries are presented in the attached unconsolidated financial statements on a cost basis, representing the Bank's direct share in owner's equity and not based on business results and net assets of subsidiaries.

3.5.1. Subsidiaries

Are the companies over which the bank owns directly or indirectly the power to control and govern financial and operating policies. Generally, the Bank has a shareholding of more than a half of the voting rights.

3.5.2. Associates

Are the companies over which the Bank has direct or indirect significant influence but do not reach the extent of control. Generally, the bank has a shareholding of less than a half of the voting rights.

3.6. Impairment of financial assets

An assessment is made at each reporting date to determine whether there is an evidence that a specific financial asset may be impaired. Objective evidence that financial assets (including investments in securities) are impaired can include default or delinquency by a borrower, restructuring of financing facility or amount paid in advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers. If such evidence exists, any impairment loss is recognized in the income statement. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value.
- For assets carried at amortized cost, impairment is based on estimated cash flows based on the original actual profit rate.
- For assets carried at cost, impairment is based on present value of anticipated cash flows based on the current market rate of return for similar financial assets.

3.6.1. Valuation of Murabaha and Istisna'a financing transactions

- a. Debts related to Murabaha and Istisna'a financing transactions, whether short or long term, are recorded at cost plus agreed-upon profits in Murabaha or Istisna'a contracts. In order to comply with the requirements of the Central Bank of Yemen, provision is provided for specific debts of Murabaha, Istisna'a and contingent liabilities, in addition to a percentage for general risk calculated on the total of other Murabaha, Istisna'a and contingent liabilities after deducting balances secured by deposits and banks' guarantees issued by foreign worthy banks. Provision is determined based on periodical comprehensive reviews of the Murabaha, Istisna'a and contingent liabilities and made in accordance with the following minimum rates:

Performing debts including watch list (due within 90 days)	2%
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Non-performing debts

Substandard debts (due from 90 days and less than 180 days)	15%
Doubtful debts (due from 180 days and less than 360 days)	45%
Bad debts (due for more than 360 days)	100%

- b. Debts relating to financing Murabaha and Istisna'a transactions are written off if procedures taken toward their collection prove useless, or if directed by CBY examiners upon review of the portfolio. Proceeds from debts previously written off in prior years are credited to the provision.
- c. Debts relating to financing Murabaha and Istisna'a transactions whether short or long term, are presented on the statement of financial position net of their related provisions, (non-performing provision and general risk provision for performing debts) and deferred and suspense revenues at the financial statements date.

3.6.2. Valuation of investments in Mudaraba and Musharaka contracts

- a. Investments in Mudaraba and Musharaka contracts are recorded on the basis of the amount paid to the capital of Mudaraba or Muasharaka. In-kind investments in Mudaraba and Musharaka contracts are recorded based on the agreed-upon value between the Bank and the customer or partner. Accordingly, any differences between this value and the book value are recorded as profits or losses in the income statement.

In order to comply with the requirements of CBY, a provision is made for specific Mudaraba and Musharaka contracts which realized losses, in addition to a percentage for general risk calculated on the total investments of Mudaraba and Musharaka contracts after deducting balances secured by deposits and Banks' guarantees issued by worthy Banks.

Provision is determined based on periodical reviews of the portfolio and is made in accordance with the following minimum rates:

Performing debts including watch list (due within 90 days)	2%
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Non-performing debts

Substandard debts (due from 90 days and less than 180 days)	15%
Doubtful debts (due from 180 days and less than 360 days)	45%
Bad debts (due for more than 360 days)	100%

- b. At the end of each year, the Mudaraba and Musharaka capitals are reduced by losses incurred which are charged to the income statement.
- c. Investments in Mudaraba and Musharaka contracts are presented on the statement of financial position at carrying value which represents cost less realized losses and related provisions (provision for non-performing debts and general risk provision on performing debts).

3.6.3. Ijarah Muntahia Bittamleek

- a. Assets acquired for Ijarah and Ijarah Muntahia Bittamleek are recorded at historical cost less accumulated depreciation and impairment losses. They are depreciated, except for land, over the term of the Ijarah's contract.
- b. At the end of the Ijarah term, title of leased assets passes to the lessee, provided that all Ijarah instalments are settled by the lessee.

3.6.4. Valuation of assets whose titles have been transferred to the Bank ownership as a repayment of debts

According to CBY instructions, assets whose titles have been transferred to the Bank are presented in the statement of financial position under debit balances and other assets at the acquired values, less any impairment in their values, if any, at the financial statements date. Impairment losses are charged to the income statement. In case the assets value are increased, the difference is recognized in the income statement to the extent of impairment previously recognized.

3.7. Revenue recognition

a. Financing Murabaha and Istisna'a transactions

- Profits on Murabaha and Istisna'a contracts are recorded on the accrual basis as all profits at the completion of Murabaha contracts are recorded as deferred revenues, and taken into the income statement on the basis of the finance percentage, using the straight-line method over the term of the contract in accordance with Fatwa of Sharia'a Supervisory Board.
- In order to comply with the requirements of CBY, the Bank does not accrue the profits relating to non-performing Murabaha contracts in the income statement.

b. Investments in Mudaraba and Musharaka contracts

- Profit on Mudaraba and Musharaka contracts, which are initiated and terminated during the financial year, are recorded in the income statement at the disposing date of Mudaraba and Musharaka contracts.
- Profit on Mudaraba and Musharaka contracts, which last for more than one financial year are recognized based on the cash dividends received on these transactions during the year.

c. Investments in associates

Revenues of investments in associates are recognized when its related dividends are distributed.

d. Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek is proportionately allocated to the financial periods over the lease term.

e. Fees and commission income

Fees and commission income are integral to the actual profit rate of financial instruments carried at amortized cost and are included to the measurement of the actual profit rate of the financial assets. Fees and commission income are recognized when the related services are performed.

f. Wakala Income

Estimated income from Wakala is recognized on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

g. Income from sukuk and deposits

Income from sukuk and income/expenses on deposits are recognized at their actual profit rate over the term of the instrument.

h. Reversed provisions

In accordance with CBY instructions, the reversed provisions, no longer required provisions, are recorded in the income statement under "other operating income".

3.8. Investments in real estate

Investments in real estate are properties held for rental or for capital appreciation (including property under construction for such purposes) or for both. In accordance with FAS 26, the investment in real estate is initially recognized at cost and subsequently measured based on intention whether the investment in real estate is held for use or held for sale. The Bank has adopted the fair value model for its investments in real estate.

Under the fair value model, any unrealized gains are recognized directly in owners' equity. Any unrealized losses are adjusted in equity to the extent of the available credit balance. Where unrealized losses exceed the available balance in owners' equity, these are recognized in the income statement.

In case there are unrealized losses relating to investment in real estate that have been recognized in the income statement in a previous financial period, the unrealized gains relating to the current financial period are recognized to the extent of crediting balance of such previous losses in the income statement.

When the property is disposed, the cumulative gain previously transferred to the property fair value reserve is transferred to the income statement.

3.9. Property, equipment and their depreciation

3.9.1. Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment are capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items, (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognized net within "other income/expenses" in the income statement.

3.9.2. Subsequent costs

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income statement as incurred.

3.9.3. Depreciation

Depreciation is based on the cost of an asset less its residual value, if any. Significant components of individual assets are assessed and if a component has useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation for property and equipment, except land, is charged to the income statement on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives are as follows:

	Estimated Useful Lives
Buildings	40 years
Leasehold improvements on buildings	10 years or the term whichever is lesser
Machinery and equipment	5-10 years
Motor and vehicles	5 years
Furniture and fixtures	7 years
Computer equipment	5 years

The depreciation method, useful lives and residual values are reviewed by the management at each reporting date and adjusted if any.

3.10. Impairment of non-financial assets

The carrying amounts are reviewed at each reporting date for indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the present value in use and its fair value less costs to sell, whichever is greater. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks related to the asset. An impairment loss is recognized in the income statement to the extent that carrying values do not exceed the recoverable amounts.

3.11. Contingent liabilities and commitments

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

3.12. Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents consist of cash on hand, due from banks and financial institutions, other than reserve balances with CBY which are due within three months.

3.13. Other provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.14. End of service benefits

All the employees of the Bank are contributing to the social security scheme in accordance with the Republic of Yemen's Social Insurance Law No. (26) of 1991. Payments are made to the Social Security General Corporation before the 10th day of next month. The Bank's contribution is charged to the income statement.

The provisions of social security law in Republic of Yemen are applicable to all employees of the Bank concerning the end of service benefits.

3.15. Offsetting

Financial assets and financial liabilities can only be offset with the net amount being reported in the statement of financial position when there is a religious or legally enforceable right to set off the recognized amounts and the Bank intends to either settle on a net basis, or intends to realize the asset and settle the liability simultaneously.

3.16. Lease contracts

Leases are classified as finance leases whereby the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under these leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

3.17. Earnings per share

The basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the share number or the weighted average number of ordinary shares outstanding during the year.

3.18. Dividends

Dividends are recognized in equity in the period in which they are approved by the shareholders of the Bank.

3.19. Taxes

Income tax expense represents the tax currently payable as per the prevailing Yemeni Tax Law No. (17) for 2010 and the provision for tax liabilities is made after conducting the necessary studies and in consideration of tax assessments.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that are enacted at the statement of financial position date.

3.20. Revenue prohibited by Shari'a rules and principles

The Bank records revenues in violation of Shari'a rules and principles, under "credit balances and other liabilities". Such revenues are disbursed in aspects and activities approved by the Fatwa and Shari'a Supervisory Board of the Bank.

3.21. Customers' current accounts

Balances in current (non-investment) accounts are recognized when received by the Bank. The transactions are measured at the cash equivalent amount received by the Bank at the time of contracting. At the end of the accounting period, the accounts are measured at their book value.

3.22. Equity of investments accounts holders

Equity of investments account holders are funds held by the Bank in unrestricted investment accounts, which it can invest at its own discretion. The investments account holder authorizes the Bank to invest the account holders' funds in a manner which the Bank deems appropriate without setting any conditions as to where, how and for what purpose the funds should be invested.

Return due on unrestricted investments and saving accounts is determined on the basis of Mudaraba contract, which determines profit (loss) on a sharing basis during the period.

4. Supervision of Central Bank of Yemen

The Bank's activities are subject to the supervision of the Central Bank of Yemen, according to the guidelines and the laws governing the operations of banks and Islamic Banks in Yemen.

5. Fatwa and Shari'a Supervisory Board

The Bank is subject to the supervision of a Shari'a supervisory board of three members appointed by the Ordinary General Assembly of the Bank and their responsibility is restricted to the oversight of the Islamic-related aspects of the Bank's activities according to the provisions of Islamic Shari'a.

6. Zakat

Zakat is computed according to the directions of the Shari'a Board of the Bank and collected from the shareholders on behalf of the relevant government authority.

Payment of Zakat on the unrestricted investments and other accounts is the responsibility of the investments accounts holder.

7. Financial instruments and related risk management

7.1. Financial instruments

- a. The Bank's financial instruments are represented in financial assets and liabilities. The financial assets include cash balances, due from banks, financing Murabaha and Istisna'a transactions, Mudaraba, Musharaka, investment in securities, Ijarah Muntahia Bittamleek, and other assets. The financial liabilities include due to Banks and financial institutions, customers' current accounts and other deposits, equity of unrestricted investments and saving account holders and other financial liabilities. Also, financial instruments include rights and obligations stated in contingent liabilities and commitments. Note (3) to the financial statements includes significant accounting policies applied for recording and measuring significant financial instruments and their related revenues and expenses.
- b. Fair value hierarchy
The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:
- **Level 1:** Fair values are based on quoted prices (unadjusted) in active markets for identical assets.
 - **Level 2:** Fair values are based on inputs other than quoted prices included within level 1 that are observable for the assets either directly (i.e. as price) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
 - **Level 3:** Fair values are based on valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable input have a significant impact on the instrument's valuation.

As at December 31, 2022, the fair values for investments in associates comprise YR 1,390,566 thousand (YR 1,340,566 thousand as at December 31, 2021) under the level (3) category. There were no investments qualifying under the level (1) and level (2) of the fair value disclosures.

During the year ended December 31, 2022 as well as the year ended December 31, 2021 there were no transfers between levels of the fair value measurement.

a. Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a term maturity of less than three months, the carrying amounts approximate to their fair value.

b. Fair value of financial instruments

The fair value of financial assets traded in financial markets is determined by reference to quoted market bid prices on a regulated exchange at the close of business on the year-end date. For financial assets where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same. Where it is not possible to arrive at a reliable estimate of the fair value, the financial assets are carried at cost less any impairment until a reliable measure of the fair value is available.

Based on valuation bases of the Bank's assets and liabilities stated in the notes to the financial statements, the fair value of financial instruments does not differ fundamentally from their book value at the financial statements date.

The following table provides a comparison by class of the carrying amount and fair values of the Bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Notes to the Financial Statements For the year ended December 31, 2022

	As December 31, 2022			
	Available For-Sale	Other Amortized Cost	Total Carrying Amount	Fair Value
	YER 000s	YER 000s	YER 000s	YER 000s
Financial assets				
Cash on hand and reserve balances with CBY	-	28,995,138	28,995,138	28,995,138
Due from banks and financial institutions	-	30,082,084	30,082,084	30,082,084
Financing Murabaha and Istisna'a transactions	-	2,716,692	2,716,692	2,716,692
Investments in associates	1,390,566	-	1,390,566	1,390,566
	1,390,566	61,793,914	63,184,480	63,184,480
Financial liabilities				
Due to banks and financial institutions	-	4,150,267	4,150,267	4,150,267
Current accounts and other deposits	-	42,379,290	42,379,290	42,379,290
Equity of unrestricted investments and saving accounts' holders	-	14,328,187	14,328,187	14,328,187
	-	60,857,744	60,857,744	60,857,744
As December 31, 2021				
Financial assets				
Cash on hand and reserve balances with CBY	-	27,100,958	27,100,958	27,100,958
Due from banks and financial institutions	-	34,251,555	34,251,555	34,251,555
Financing Murabaha and Istisna'a transactions	-	2,279,204	2,279,204	2,279,204
Investments in associates	1,340,566	-	1,340,566	1,340,566
	1,340,566	63,631,717	64,972,283	64,972,283
Financial liabilities				
Due to banks and financial institutions	-	5,923,347	5,923,347	5,923,347
Current accounts and other deposits	-	44,296,396	44,296,396	44,296,396
Equity of unrestricted investments and saving accounts' holders	-	14,025,655	14,025,655	14,025,655
	-	64,245,398	64,245,398	64,245,398

7.2. Risk management of financial instruments

7.2.1. Risk management framework

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

7.2.2. Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks, however, there are separate independent bodies responsible for managing and monitoring risks including the following:

- **Executive Committee:** The Executive Committee has the responsibility to monitor the overall risk process within the Bank.
- **Risk Committee:** Risk Committee's primary role is selection and implementation of risk management systems, portfolio monitoring, risk reporting to the Board, Board Committee, Regulators and Executive management. In addition, credit transaction approval.
- **Asset and Liability Committee:** The Asset and Liability Committee establishes policy and objectives for the asset and liability management of the Bank's financial position in terms of structure, distribution, risk and return and its impact on profitability.
- **Audit Committee:** The Audit Committee is appointed by the Board of Directors who are non-executive directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, the soundness of the internal controls of the Bank, the measurement system of risk assessment and the methods for monitoring compliance with laws, regulations and supervisory and internal policies.

- **Shari'a Supervisory Board:** The Bank's Shari'a Supervisory Board is entrusted with the responsibility to ensure the Bank's adherence to Sahri'a rules and principles in its transactions and activities.

7.3. Risk measurement

Monitoring and controlling risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. Information collected from all businesses is examined and processed in order to analyze, control and identify early risks. The Bank is exposed to credit risk, liquidity risk, market risk (which include return rate risk and currency risk), operating risk and other risk.

a. Credit risk

Financing of Murabaha and Istisna'a transactions, Mudaraba and Musharaka contracts, Ijarah Muntahia Bittamleek and their related debts, due from banks and financial investments and rights and obligations from other parties are considered as financial assets exposed to credit risk. Credit risk represents the inability of these parties to meet their obligations when they fall due.

Management of credit risk

The Bank uses an internal risk rating system to assess the credit quality of borrowers and counterparties. The risk rating system has 5 grades. Grades 1 and 2 are performing debts and Grades 3-5 are non-performing. Non-performing grades are classified based on the below criteria which conform with CBY instructions.

<u>Grade</u>	<u>Classification</u>	<u>Criteria</u>
3	Sub-standard debts	Overdue greater than 90 days, and shows some loss due to adverse factors that hinder repayment.
4	Doubtful debts	Overdue greater than 180 days, and based on available information, full recovery seems doubtful, leading to loss on portion of these debts.
5	Bad debts	Overdue greater than 360 days, and probability of no recovery.

The performing debts portfolio of the Bank based on the internal credit ratings is as follows (excluding cash secured loans and advances):

<u>Grade</u>	<u>Classification</u>	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
1-2	Performing and watch list	3,057,762	2,589,517

In addition, in order to comply with CBY requirements in circular No. 10 of 1997 regarding to the credit risk exposure, the Bank adheres to certain minimum standards in order to properly manage its credit risk. The following are the procedures applied by the Bank:

- Preparing credit studies on customers and banks before dealing with them and determining their related credit risk rates.
- Obtaining sufficient collaterals to minimize the credit risk exposure which may result from financial problems facing customers or banks.
- Following up and periodical reviews of customers and banks in order to evaluate their financial positions, credit rating and the required provision for non-performing debts.
- Distributing credit portfolio and investments over diversified sectors to minimize concentration of credit risk.

The table below shows the maximum exposure to credit risk for the components of financial position and shows the maximum risk by total without taking into account the factors mitigating the impact of the risks (before deducting any guarantees).

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	2022 YER 000s	2021 YER 000s
Cash on hand and reserve balances CBY (excluding cash on hand and ATMs)	4,673,912	4,829,452
Due from banks and financial institutions	30,082,084	34,251,555
Financing Murabaha and Istisna'a transactions	2,716,692	2,279,204
Investments in associates and subsidiaries	6,679,493	1,986,066
Investments in real estate	975,975	975,975
Debit balances and other assets after deducting the advance payments	3,525,773	6,834,403
	48,653,929	51,156,655
Contingent liabilities and commitments	5,448,921	4,084,233
Total credit risk exposure	54,102,850	55,240,888

The following is an analysis for financial assets and contingent liabilities and commitments by sectors before and after the deduction of guarantees (concentration of maximum credit risk by sector):

	Gross Maximum Exposure YER 000s	Net Maximum Exposure YER 000s	Gross Maximum Exposure YER 000s	Net Maximum Exposure YER 000s
	2022		2021	
Governmental	21,065,169	-	23,323,000	-
Financial	13,392,465	13,392,465	15,901,646	15,901,646
Industrial	711,045	711,045	1,309,354	1,215,677
Trading	5,692,371	5,692,371	1,832,238	1,832,238
Constructions	7,660,687	7,660,687	7,932,571	7,932,571
Agricultural and fishing	42,882	42,882	90,917	90,917
Other	89,310	89,310	860,606	860,606
	48,653,929	27,588,760	51,250,332	27,833,655
Contingent liabilities and commitments	5,448,921	3,404,442	4,084,233	3,197,243
	54,102,850	30,993,202	55,334,565	31,030,898

The Bank manages concentration of risk by distributing the portfolio and contingent liabilities and commitments over diversified economic sectors and geographical locations. Note No. (38) Shows the distribution of assets, liabilities, contingent liabilities and commitment based on economic sectors and Note No. (39) Shows the distribution of financial instruments based on geographical locations at the financial statements date.

The table below shows the financing assets and other assets by class of credit risk rating, and the corresponding provision of impairment as of December 31, 2022:

	YER 000s						
	Performing	Watch list	Sub-standard	Doubtful	Bad	Total	Provision
Financing assets							
Financing Murabaha, Istisna'a	2,937,004	120,758	37,198	38,661	1,980,423	5,114,044	2,064,555
Other assets							
Other debit balances							
Current accounts overdraw	1	0	0	0	585,884	585,885	585,885
Debit balances	201,251	0	1,000	0	199,998	402,249	200,172
	201,252	0	1,000	0	785,882	988,134	786,057
Other assets							
Contingent liabilities	3,404,443	0	0	0	0	3,404,443	34,044
Investments	2,102,495	0	0	0	0	2,102,495	66,428
Due from banks	32,099	0	0	0	29,052	61,151	29,694
	5,539,037	0	0	0	29,052	5,568,089	130,166
	5,740,289	0	1,000	0	814,934	6,556,223	916,223
	8,677,293	120,758	38,198	38,661	2,795,357	11,670,267	2,980,778

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b. Liquidity risk

Liquidity risk arises from cash flows generated by assets and liabilities, which are not consistent in currency, size and term, thereby creating financing needs which potentially cannot be met without incurring substantially higher costs or at any cost at all.

Liquidity risk is the risk that the Bank will be unable to meet its obligations when they fall due and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

Management liquidity risk

The Bank's management in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis and has arranged diversified funding sources.

The Central Bank of Yemen Circular No. 3 of 1997 requires that the liquidity ratio be 25% as a minimum. The liquidity rate as at December 31, 2022 was 86 % (as at December 31, 2021 was 82 %).

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

	Within 3 Months <u>YER 000s</u>	From 3 to 6 Months <u>YER 000s</u>	From 6 Months to 1 Year <u>YER 000s</u>	Over 1 Year <u>YER 000s</u>	Total <u>YER 000s</u>
December 31, 2022					
Liabilities					
Due to banks and financial institutions	4,150,267	-	-	-	4,150,267
Current accounts and other deposits	41,882,355	-	-	496,935	42,379,290
Equity of unrestricted investments and saving accounts' holders	7,482,043	180,580	-	6,665,564	14,328,187
Credit balances and other liabilities	1,787,883	-	-	274,955	2,062,838
Total liabilities	55,302,548	180,580	-	7,437,454	62,920,582
December 31, 2021					
Liabilities					
Due to banks and financial institutions	5,923,347	-	-	-	5,923,347
Current accounts and other deposits	43,799,461	-	-	496,935	44,296,396
Equity of unrestricted investments and saving accounts' holders	6,989,764	167,948	-	6,867,943	14,025,655
Credit balances and other liabilities	2,072,337	-	-	251,755	2,324,092
Total liabilities	58,784,909	167,948	-	7,616,633	66,569,490

Note (37) shows the maturity analysis of financial assets and liabilities and the net gap between them at the financial statements date compared with last year.

c. Market risk

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit margin that will affect the Bank's income, future cash flows or the value of its holdings of financial instruments. Market risk consists of exchange rate risk and return (profit) rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

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- Management of market risk

The Bank separates exposure to market risk between two portfolios; a trading portfolios and non-trading portfolios.

The Bank has no trading positions in equity or commodities and the main source of market risk for the Bank is its foreign exchange exposure and return rate (profit).

The Bank does not engage in forward contracts to meet its obligations in foreign currencies, nor does it engage in foreign exchange contracts to cover the risk of settlement of future liabilities in foreign currencies or its customers' need to meet their obligations in foreign currencies resulting from their transaction through the Bank.

Treasury department books all foreign exchange gain/losses arising out of customer transactions and revaluation of statement of financial position assets and liabilities. The responsibility for monitoring and managing the related risks also rests with the Treasury department.

Overall authority for market risk management is vested with Management Committee of Assets and Liabilities. Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by appropriate approving authorities) and the Financial Control Department is responsible for the day-to-day review of their implementation.

- Return rate risk

Return due on unrestricted investments and saving accounts is determined on the basis of Mudaraba contract, which determine profit (loss) sharing basis during the period. Accordingly, any change in the profitability level will determine the return ratio that the Bank could pay to unrestricted investments and saving accounts holders. Therefore, the Bank is not exposed, directly, to the risk of change in return rate.

Note (29) to the financial statements shows the average return (rate) allocated to equity of unrestricted investments and saving accounts holders during the year compared with the last year.

The following table shows the return rate gap position as of December 31, 2022:

	YER 000s					Total
	Up to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	Over one year	
<u>Return rate sensitive assets</u>						
Cash on hand and reserve balances with CE	28,995,138	-	-	-	-	28,995,138
Due from banks and financial institutions	30,082,084	-	-	-	-	30,082,084
Financing Murabaha, Istisna'a and Ijarah tr.	2,663,810	31,618	21,264	-	-	2,716,692
Investments in subsidiaries and associates	-	-	-	-	6,679,493	6,679,493
Investments in real estate	-	-	-	-	975,975	975,975
Overdraft accounts	-	-	-	-	585,885	585,885
<u>Return rate sensitive liabilities and equity of investment account holders</u>						
Due to banks and financial institutions	4,150,267	-	-	-	-	4,150,267
Current accounts and other deposits	42,379,290	-	-	-	-	42,379,290
Equity of unrestricted Investments and saving accounts' holders	7,482,045	180,580	-	-	6,665,564	14,328,189
Return rate gap	5,124,620	(50,580)	2,385,000	-	1,744,789	9,203,829
cumulative gap	5,124,620	(50,580)	2,385,000	-	1,744,789	9,203,829

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- **Exchange rate risk for foreign currencies**

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate and arises from financial instruments denominated in a foreign currency. The Bank's functional currency is the Yemeni Rial.

Due to the nature of the Bank's activity, the Bank deals in different foreign currencies, hence it is exposed to exchange rate risk. In order to minimize the exposure to exchange rate risk, the Bank is trying to maintain a balanced foreign currencies position in compliance with CBY instructions and the requirements of CBY circular No. 6 of 1998 which specifies that individual foreign currency positions should not exceed 15% of the Bank's capital and reserves, and that the aggregate long position for all foreign currencies should not exceed 25% of the Bank's capital and reserves.

In order to comply with CBY circular No. 6 of 1998, the Bank regularly monitors its foreign currency positions and sells the excess funds in foreign currencies at the prevailing exchange rates at the date of transaction.

The table below shows the Bank's net exposures to foreign currencies compared with last year:

	US Dollar YER 000s	Euro YER 000s	Saudi Rial YER 000s	Sterling Pound YER 000s	Others YER 000s	Total YER 000s
2022						
Assets	26,778,773	542,356	11,649,797	193,312	1,911,059	41,075,297
Liabilities	(25,180,077)	(543,285)	(14,631,469)	(191,573)	(269,912)	(40,816,316)
Net currency position	1,598,696	(929)	(2,981,672)	1,739	1,641,147	258,981
2021						
Assets	28,078,701	1,094,118	14,383,010	149,270	2,987,085	46,692,184
Liabilities	(26,424,016)	(1,086,829)	(18,414,724)	(147,382)	(29,755)	(46,102,706)
Net currency position	1,654,685	7,289	(4,031,714)	1,888	2,957,330	589,478

In accordance with the requirements of the CBY in Circular No. (18) of 2022, the following table shows net foreign currency positions as of December 31, 2022, according to the bank's records based on the official exchange rates (issued) approved by the CBY of 250.50 YR per 1 USD compared (with) to the market exchange rates specified in CBY Circular No. (3085) dated July 26, 2020, at the exchange rate of 560 YR per 1 USD.

	US Dollar YER 000s	Euro YER 000s	Saudi Rial YER 000s	Sterling Pound YER 000s	Others YER 000s	Total YER 000s
وفقاً لأسعار الصرف الرسمية						
Assets	26,778,773	542,356	11,649,797	193,312	1,911,059	41,075,297
Liabilities	25,180,077	543,285	14,631,469	191,573	269,912	40,816,316
Net currency position	1,598,696	(929)	(2,981,672)	1,739	1,641,147	258,981
وفقاً لأسعار صرف السوق الموازي						
Assets	59,924,527	1,213,664	26,069,476	432,586	4,276,496	91,916,749
Liabilities	56,347,025	1,215,743	32,741,749	428,695	603,999	91,337,211
Net currency position	3,577,502	(2,079)	(6,672,273)	3,891	3,672,497	579,538

Effect of change in fair value of currency (Sensitivity analysis)

The table below indicates the significant foreign currency rates at the end of the year compared with last year:

Currency	The closing exchange rates According to CBY		The average exchange rate According to the Market Rates*	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
	Equivalent YER	Equivalent YER	Equivalent YER	Equivalent YER
USD	250.25	250.25	885.00	805.50
Euro	265.90	283.55	944.27	911.99
Saudi Riyal	66.57	66.66	234.30	211.50
Sterling Pound	301.30	337.43	1,072.22	1,086.14

- * The Bank's management were dependent on the last transactions carried out to determine the average market exchange rate.

According to the instructions of CBY, to the banks and banks operating in the Republic of Yemen, the closing price of the USD for the month of December 2022 is 250.25 YER for 1 USD, and therefore their financial positions are evaluated at the end of December 2021 is 250.25 according to this price.

Taking into account the average exchange rates in the market and the current situation in the country, the table below indicates the effect of a reasonably possible movement of the currency rate against the Yemeni Rial on the income statement, with all other variables held constant:

Currency	Effect on Income Statement Increase (Decrease)	
	2022	2021
	USD	4,055,034
Euro	(2,370)	16,155
Saudi Riyal	(7,512,631)	(8,760,178)
Sterling Pound	4,449	4,189
Others	4,100,390	6,577,702

Note (40) indicates the significant foreign currencies' positions at the financial statements date compared with last year.

d. Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process, infrastructure, personnel and other risks having an operational risk impact. The Bank seeks to minimize actual or potential losses from operational risks failure through a framework of policies and procedures that identify, assess, control, manage and report those risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures and raising staff awareness about those risks and the means to assess them.

e. Other risks

Other risks to which the Bank is exposed are regulatory risk, legal risk, and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisers. Reputational risk is controlled through the regular examination of issues that are considered to have reputational repercussions for the Bank, with guidelines and policies being issued as appropriate.

8. Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with capital requirements which are issued by the CBY, the rules and ratio established by the Basel Committee on banking supervision and that the Bank maintains strong credit ratings and excellent capital ratios. The capital adequacy are monitored on a quarterly basis by the management of the Bank employing techniques based on the guidelines as implemented by the CBY for supervisory purposes. The Bank prepares a quarterly reports for capital adequacy ratio in accordance with CBY circular No. (2) of 1997. The CBY requires each bank in Yemen to maintain a minimum ratio of total capital to the risk-weighted assets at or above the internationally agreed minimum of 8%. In addition, the Bank is required to maintain a minimum ratio of total capital to the customer deposits at or above 5%. The capital adequacy ratio is calculated in accordance with the guidelines of CBY comparing between the core and supplementary capital with risk weighted total assets and liabilities at the financial statements date, is as follows:

	2022	2021
	YER Millions	YER Millions
Core capital	14,796	11,071
Supplementary capital	-	-
Total capital	14,796	11,071
Risk-weighted assets and liabilities:		
Total assets	30,050	22,933
Contingent liabilities and commitments	1,386	1,959
Total risk-weighted assets and liabilities	31,436	24,892
Capital adequacy ratio	47.07%	44.48%

The core capital consists of paid-up capital, reserves (statutory and general) and retained earnings or deficits (after deducting investment in any local bank or financial company) and the deficit in provisions, while supplementary capital consists of general provisions on performing debts which should not exceed 2% of risk weighted assets.

9 Cash and reserve balances with Central Bank of Yemen

	<u>2022</u> YER 000s	<u>2021</u> YER 000s
Cash on hand and at ATM machines - local currency	10,485,244	6,157,054
Cash on hand and at ATM machines - foreign currency	13,835,981	16,114,452
	<u>24,321,225</u>	<u>22,271,506</u>
Mandatory reserve with CBY - local currency	1,474,967	1,098,475
Mandatory reserve with CBY - foreign currency	3,198,946	3,730,977
	<u>4,673,913</u>	<u>4,829,452</u>
	<u>28,995,138</u>	<u>27,100,958</u>

The reserve balances with CBY represent the minimum reserve required against customers' accounts in Yemeni Rial and foreign currencies (non-return bearing). These funds are not available for the use in the Bank's day to day operations.

10 Due from banks and financial institutions

	<u>Notes</u>	<u>2022</u> YER 000s	<u>2021</u> YER 000s
Central Bank of Yemen:			
Current account - local currency		11,120,591	12,107,163
Current account - foreign currency		5,270,665	6,386,074
		<u>16,391,256</u>	<u>18,493,237</u>
Local Banks:			
Current account - local currency		215,996	173,811
Current account - foreign currency		1,143,711	1,347,052
Deposit - local currency		-	800,000
		<u>1,359,707</u>	<u>2,320,863</u>
Foreign Banks:			
Current account - local currency		31,328	40,966
Current account - foreign currency		12,329,487	13,396,489
Deposit - foreign currency		-	-
		<u>12,360,815</u>	<u>13,437,455</u>
Deposit - foreign currency		30,111,778	34,251,555
Impairment allowance	10.1	(29,694)	-
		<u>30,082,084</u>	<u>34,251,555</u>

10.1 Impairment allowance

	<u>2022</u> YER 000s	<u>2021</u> YER 000s
Balance at the beginning of the year	-	-
Provided during the year	29,694	-
Used during the year	-	-
Balance at the end of the year	<u>29,694</u>	<u>-</u>

11 Financing Murabaha, Istisna'a and Ijarah transactions

	Notes	2022	2021
		YER 000s	YER 000s
Financing Murabaha transactions		4,201,799	4,167,361
Financing Istisna'a transactions		1,499	4,962
Ijarah Muntahia Bittamleek		910,746	1,067,224
		5,114,044	5,239,547
Less:			
Provision for financing Murabaha and Istisna'a transactions	11.1	(2,064,555)	(2,661,927)
Deferred revenues		(204,477)	(154,856)
Suspended revenues		(128,320)	(143,560)
		(2,397,352)	(2,960,343)
		2,716,692	2,279,204

- Financing Murabaha, Istisna'a and Ijarah include property financing amounted to USD 797,855 (2021: USD 1,150
- According to the Banks Law No. (38) of 1998, Article No. 85, and Income Tax Law No. 17 of 2010, Article No. 14, all provisions made in compliance with the Central Bank of Yemen instructions are exempt from income tax.
- Non-performing financing Murabaha, Istisna'a and Ijarah transactions amounted to YER 1,904,907 thousand as at December 31, 2022 after deducting balances secured by cash deposits (YER 2,322,912 thousand as at December 31, 2021 after deducting balances secured by cash deposits). The break-up of the above amount is as follows:

	2022	2021
	YER 000s	YER 000s
Bad debts	1,829,048	1,635,365
Doubtful debts	38,661	95,899
Substandard debts	37,198	591,648
	1,904,907	2,322,912

- The following table illustrates the financing assets based on credit risk rating, and the corresponding cash guarantees, deferred and suspended revenues, and impairment provision as of December 31, 2022

Categorization	Gross financing			Deposits and guarantees			Suspended revenues		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
	YER 000s			2022					
Performing	832,474	2,104,529	2,937,004	582,487	384,606	967,093	-	-	-
Watch list	8,375	112,383	120,758	-	14,137	14,137	-	-	-
Sub-standard	-	37,198	37,198	-	-	-	-	-	-
Doubtful	-	38,661	38,661	-	151,375	151,375	-	-	-
Bad	232,815	1,747,608	1,980,423	-	-	-	27,638	100,682	128,320
Total	1,073,665	4,040,379	5,114,044	582,487	550,119	1,132,606	27,638	100,682	128,320
	Deferred revenues			Impairment Provision					
	Local	Foreign	Total	Local	Foreign	Total			
	YER 000s			2022					
Performing	98,133	106,344	204,477	16,649	42,091	58,740			
Watch list	-	-	-	168	2,248	2,415			
Sub-standard	-	-	-	-	5,580	5,580			
Doubtful	-	-	-	-	17,398	17,398			
Bad	-	-	-	232,815	1,747,608	1,980,423			
Total	98,133	106,344	204,477	249,632	1,814,923	2,064,555			

11.1 Provision for financing Murabaha, Istisna'a and Ijarah transactions (performing and non-performing) and non-performing)

	Specific YER 000s	General YER 000s	Total YER 000s
	2022		
Balance at the beginning of the year	2,610,137	51,790	2,661,927
Provided during the year	-	9,365	9,365
Used during the year	-	-	-
Reversed during the year	(606,737)	-	(606,737)
Balance at the end of the year	2,003,400	61,155	2,064,555
	2021		
Balance at the beginning of the year	2,463,224	105,874	2,569,098
Provided during the year	146,913	-	146,913
Used during the year	-	-	-
Reversed during the year	-	(54,084)	(54,084)
Balance at the end of the year	2,610,137	51,790	2,661,927

11.2 Concentration of financing assets

11.2.1 By industry sector

البيان	Commercial			Industrial			Agricultural		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
	YER 000s 2022								
Gross financing	365,730	2,381,572	2,747,302	76,017	950,861	1,026,878	61,684	200	61,884
	Construction			Other			Total		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Gross financing	-	199,663	199,663	570,233	508,083	1,078,316	1,073,665	4,040,379	5,114,044

11.2.2 By geographical location

البيان	YER 000s
Republic of Yemen	5,114,044
Asia	-
Europe	-
America	-
Africa	-

12 Investments in Islamic sukuk

	2022 YER 000s	2021 YER 000s
Debt-type instruments classified as Investments in sukuk's debts at cost (unquoted)		
Islamic sukuks – local	-	-
	-	-

- Investments in local Islamic Sukuks are issued by the unit of the Islamic Sukuk at CBY (unquoted), the nominal value of each one is YER zero as at December 31, 2022 (YER zero as at December 31, 2021 for each one).
- The Yemeni Government represented by the Ministry of Finance guarantees the Sukuk at the maturity dates and authorized the Central Bank of Yemen to deduct such dues from the Ministry of Finance account with the Central Bank of Yemen at the maturity dates.

13 Investments in subsidiaries and associates

	Notes	2022 YER 000s	2021 YER 000s
Investments in subsidiaries	13,1	5,288,927	645,500
Investments in associates	13,2	1,390,566	1,340,566
		<u>6,679,493</u>	<u>1,986,066</u>

13,1 Investments in subsidiaries

	2022		2021	
	YER 000s	Ownership Percentage	YER 000s	Ownership Percentage
Al-ShamiI for Tiles Factory (unquoted)	500,000	100%	500,000	100%
Venesia Hotel	4,643,427	100%		
AL-Shamel Yemen Industrial and Trading Co. Ltd (under incorporation)	145,500	97%	145,500	97%
	<u>5,288,927</u>		<u>645,500</u>	

- Investment in Venesia hotel represents buildings and plots of land that have been acquired by the bank in 2021 as settlement of financing assets.

13,2 Investments in associates

	Notes	2022 YER 000s	2021 YER 000s
Al-Raida Construction Company		648,200	648,200
Arab Iron and Steel Company		525,123	525,123
Burum Seafood Company		90,917	90,917
Yemen Financial Service Company		92,754	92,754
Yemen Islamic Insurance Company		100,000	50,000
		<u>1,456,994</u>	<u>1,406,994</u>
Less:			
Impairment of investment in associates	13,2,1	(66,428)	(66,428)
		<u>1,390,566</u>	<u>1,340,566</u>

- As at December 31, 2020 and 2021 the investments in associates are local unquoted financial investments. Due to the difficulty of obtaining a reliable estimate of fair value for these investments as there are no quoted market prices and future cash flows are not determinable, these investments are carried at cost less the
- The impairment allowance for some investments in associates recognized because the Bank did not receive any dividends from these investments during prior years, and no dividends are expected to be received in the coming years.
- All of investments in associates are not classified by any international rating companies.

13,2,1 Impairment of investment in associates

	2022 YER 000s	2021 YER 000s
Balance at the beginning of the year	66,428	66,428
impairment during the year *	-	-
Used during the year	-	-
Balances at the end of the year	<u>66,428</u>	<u>66,428</u>

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* According to the CBY instruction, the Bank should provide impairment in the value of certain investments in associates by 20% per annum from the beginning of the year 2016 of YER 525,123,000, because the Bank did not receive any dividends from these investments during the prior years; furthermore, no dividends are expected to be received in the coming years.

14 Investments in real estate

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Investments in real estate - local	975,975	975,975
	<u>975,975</u>	<u>975,975</u>
Changes in fair value (unrealized gain)	-	-
	<u>-</u>	<u>-</u>
Less: fair value reserve for real estate investments transferred to fixed assets	-	-
	<u>975,975</u>	<u>975,975</u>

Real estate Investments are as follows:

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Balance in beginning of year	975,975	979,376
Additions	-	-
Disposals	-	(3,401)
Total cost	<u>975,975</u>	<u>975,975</u>
Less: Fair value reserves of real estate Investments transferred to fixed assets	-	-
	<u>975,975</u>	<u>975,975</u>

15 Al-Qard Al-Hasan

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Qard hasan granted to banks and financial institutions	-	-
Qard hasan granted to customers	101,852	101,852
	<u>101,852</u>	<u>101,852</u>
Less:		
Payment for current accounts of receivable	(101,852)	-
Qard Hasan's provision	-	(101,852)
	<u>-</u>	<u>-</u>

16 Debit balances and other assets

	Notes	2022 YER 000s	2021 YER 000s
Asset transferred to Bank's ownership*		3,013,480	6,307,660
Current accounts overdrawn		585,885	639,846
Employees advances		199,493	195,273
Prepaid expenses		111,630	111,996
Stationery inventory		97,687	100,511
Projects in process		326,001	147,350
Accrued income		-	9,425
Other debit balances		415,285	1,835,412
		4,749,461	9,347,473
Less:			
Provision for doubtful debit balances	16.1	(786,057)	(2,253,724)
		3,963,404	7,093,749

* The Bank is currently taking the necessary procedures to notarize some of assets which were transferred to the Bank's ownership with the relevant Government authorities.

16.1 Provision for doubtful debit balances

	Notes	2022 YER 000s	2021 YER 000s
Balance at beginning of the year		2,253,724	2,331,061
Provided during the year		-	-
Used during the year		-	-
Reversed during the year		(1,467,667)	(77,337)
Balance at the end of the year		786,057	2,253,724

17 Property and equipment

	Lands YER 000s	Building YER 000s	Machinery & Equipment YER 000s	Motor & Vehicles YER 000s	Furniture & Fixtures YER 000s	Computer & Equipment YER 000s	Leasehold Improvements on building YER 000s	Total YER 000s
2022								
Cost								
January 1	2,936,875	835,652	668,753	182,724	388,890	851,552	54,099	5,918,545
Additions	30,995	254,843	114,488	16,698	27,224	91,970	178	536,396
Disposals	-	-	(30,172)	(12,240)	(16,540)	(9,124)	-	(68,076)
Balance as of December 31	2,967,870	1,090,495	753,069	187,182	399,574	934,398	54,277	6,386,865
Accumulated depreciation								
January 1	-	39,829	500,888	116,166	289,930	801,431	42,276	1,790,520
Depreciation for the year	-	18,190	50,486	18,858	15,837	22,790	2,940	129,101
Disposals	-	-	(28,299)	(12,072)	(14,199)	(8,973)	-	(63,543)
Balance as of December 31	-	58,019	523,075	122,952	291,568	815,248	45,216	1,856,078
Carrying amount as of Dec 31	2,967,870	1,032,476	229,994	64,230	108,006	119,150	9,061	4,530,787
2021								
Cost								
January 1	1,706,678	464,241	631,084	129,521	402,930	843,045	54,662	4,232,161
Additions	1,230,197	371,411	45,342	53,203	5,095	23,750	-	1,728,998
Disposals	-	-	(7,673)	-	(19,135)	(15,243)	(563)	(42,614)
Balance as of December 31	2,936,875	835,652	668,753	182,724	388,890	851,552	54,099	5,918,545
Accumulated depreciation								
January 1	-	30,377	464,646	104,194	289,127	800,634	38,491	1,727,469
Depreciation for the year	-	9,452	43,598	11,972	19,688	15,839	4,328	104,877
Disposals	-	-	(7,356)	-	(18,885)	(15,042)	(543)	(41,826)
Balance as of December 31	-	39,829	500,888	116,166	289,930	801,431	42,276	1,790,520
Carrying amount as of Dec 31	2,936,875	795,823	167,865	66,558	98,960	50,121	11,823	4,128,025

18 Due to banks and financial institutions

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Local Banks		
Current accounts - local currency	3,955,650	5,070,057
Current accounts -foreign currency	194,617	853,290
	<u>4,150,267</u>	<u>5,923,347</u>
Foreign banks and financial institutions		
Current accounts - foreign currency	-	-
	<u>-</u>	<u>-</u>
	<u><u>4,150,267</u></u>	<u><u>5,923,347</u></u>

19 Current accounts and other deposits

19.1 Current accounts and other deposits by type

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Current accounts - local currency	13,556,401	12,162,572
Current accounts -foreign currency	23,774,316	28,593,773
	<u>37,330,717</u>	<u>40,756,345</u>
Cash margins - local currency	441,812	250,248
Cash margins - foreign currency	1,916,347	858,475
	<u>2,358,159</u>	<u>1,108,723</u>
Other deposits - local currency	1,971,987	652,401
Other deposits - foreign currency	718,427	1,778,927
	<u>2,690,414</u>	<u>2,431,328</u>
	<u><u>42,379,290</u></u>	<u><u>44,296,396</u></u>

19.2 Current accounts and other deposits by sector

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Commercial	23,292,855	13,282,847
Industrial	2,754,065	6,377,527
Agricultural and fishing	239,046	225,588
Individuals and others	16,093,324	24,410,434
	<u>42,379,290</u>	<u>44,296,396</u>

20 Credit balances and other liabilities

	<u>Notes</u>	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Murabahat in progress		751,235	647,561
Creditors and other credit balances		439,213	377,962
Accrued expenses		425,841	544,980
Income tax for the year	20.1	446,549	753,589
		<u>2,062,838</u>	<u>2,324,092</u>

20.1 Income tax for the year

	Notes	2022 YER 000s	2021 YER 000s
Balance at the beginning of the year		753,589	404,226
Charged during the year	20.1.1	496,549	753,589
Paid during the year		(753,589)	(404,226)
Advance payment		(50,000)	-
Balance at the end of the year		446,549	753,589

20.1.1 Charged during the year

Profit as per financial statements		5,471,427	5,512,636
Tax-exempt income		300,375	97,624
Non- deductible Expenses		(3,267,786)	(1,823,380)
		2,504,016	3,786,880
Tax expense at statutory rate		500,803	757,376
Reduction in tax rate		(4,254)	(3,787)
Net tax for the year		496,549	753,589

21 Other provisions

	Balance at the Beginning of the Year YER 000s	Provided during the Year YER 000s	Used during the Year YER 000s	Provisions reversed YER 000s	Balance at the End of the Year YER 000s
2022					
Provision for contingent liabilities	21,175	2,071	-	-	23,246
Provision for contingent claims	10,798	-	-	-	10,798
	31,973	2,071	-	-	34,044
2021					
Provision for contingent liabilities	36,667	-	-	(15,492)	21,175
Provision for contingent claims	10,798	-	-	-	10,798
	47,465	-	-	(15,492)	31,973

22 Equity of Unrestricted investment and saving accounts' holders

22.1 Equity of unrestricted Investments and saving accounts' holders by type

	2022 YER 000s	2021 YER 000s
Investments deposits - local currency	2,172,658	2,263,939
Investments deposits - foreign currency	4,993,639	5,123,088
	7,166,297	7,387,027
Saving deposits - local currency	2,094,021	2,000,305
Saving deposits - foreign currency	5,067,869	4,638,323
	7,161,890	6,638,628
	14,328,187	14,025,655

Equity of unrestricted investments accounts' holders funds are commingled with the Bank's funds and used to fund/invest in assets and contracts in accordance with Islamic practices.

22.2 Equity of unrestricted Investments and saving accounts' holders by sectors

	<u>2022</u> YER 000s	<u>2021</u> YER 000s
Commercial	1,383,733	1,972,951
Industrial	379	149,699
Agricultural and fishing	-	31,840
Individuals and others	12,944,075	11,871,165
	<u>14,328,187</u>	<u>14,025,655</u>

23 Share Capital

The issued and paid-up capital amounted to YER 8,8 billion as at December 31, 2022 distributed to 6 million shares with nominal value amounting to YER 1,466.67 per share (2021: YER 6 billion with nominal value amounting to YER 1,000 per share) in accordance with the shareholders' Extraordinary General Assembly decree dated May 24, 2005 which also complies with the CBY Board of Directors decree No. (12) of 2004 related to the increase of capital to YER 6 billion.

In its meeting held on October 31, 2022, the extraordinary general assembly of shareholders agreed approved a capital increase of YER 2.8 billion YR, funded from retained earnings, in compliance with CBY Resolution No. (1) of 2022, which requires banks operating in Yemen to raise their capital to 20 billion YR within five years, starting from 2022.

24 Statutory reserve

In accordance with the Islamic Banking Law No.(21) Of 1996 as amended by Law No.(16) of 2009 and the amended Articles of Association of the Bank, 10% of the annual net profit is required to be transferred to statutory reserve until the balance of this reserve reaches twice the share capital.

The Bank cannot use this reserve without the prior approval of the CBY. As at December 31, 2022, the statutory reserve amounted to YER 1,677,159 thousand (YER 930,927 thousand as at December 31, 2021). During the year, the statutory reserve percentage was adjusted to 15% in accordance with CBY Board of Directors decision No. (1) of 2022.

25 General reserve

In accordance with the provisions of the Bank's Articles of Association, 5% of the annual net profit is required to be transferred to general reserve based on the discretion of the board of directors and is subject to the approval of the general assembly..

26 Contingent liabilities and commitments

	<u>Gross</u> <u>Commitments</u> YER 000s	<u>Margin</u> <u>Held</u> YER 000s	<u>Net</u> <u>Commitments</u> YER 000s
	2022		
Letters of guarantee	2,496,117	(909,825)	1,586,292
Letters of credit	2,952,804	(1,134,654)	1,818,150
	<u>5,448,921</u>	<u>(2,044,479)</u>	<u>3,404,442</u>
	2021		
Letters of guarantee	580,934	(40,190)	540,744
Letters of credit	3,503,299	(846,800)	2,656,499
	<u>4,084,233</u>	<u>(886,990)</u>	<u>3,197,243</u>

27 Income from financing Murabaha and Istisnaa

	<u>2022</u> YER 000s	<u>2021</u> YER 000s
Income from financing Murabaha transactions	257,475	315,749
Income from Istisna'a transactions	340	366
	<u>257,815</u>	<u>316,115</u>

28 Income from other Joint Investments

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Income from Investments securities:		
Income from Investments in Islamic Wakala	398,487	439,527
	<u>398,487</u>	<u>439,527</u>
Income from Ijarah Muntahia Bittamleek		
Dividend income	1,258,214	-
Income from Investments deposits	4,087	115,802
Income from other investments	29,335	3,253
	<u>1,291,636</u>	<u>119,055</u>
	<u><u>1,690,123</u></u>	<u><u>558,582</u></u>

29 Return on unrestricted investments and saving accounts holders

The shares of return for unrestricted investment and saving accounts' holders from total return on investment achieved during the year are allocated between customers and owners based on various financing and joint investments, then the customers' shares are distributed among themselves based on the percentage of their participation weighted by numbers. This calculation is proposed by the budget committee, which calculates investments in local and foreign currencies and their related numbers as well as participation ratios and approved by the Bank Board of Directors. The average return ratios were as follows:

	<u>YER</u> <u>%</u>	<u>USD</u> <u>%</u>	<u>YER</u> <u>%</u>	<u>USD</u> <u>%</u>
	<u>2022</u>		<u>2021</u>	
Investments deposits for one year	8.50	2.50	6.50	2.50
Investments deposits for 6 months	6.00	1.50	4.25	1.50
Investments deposits for 3 months	4.00	1.25	3.00	1.25
Investments saving accounts	3.50	1.25	2.75	1.25

30 Fee and commission income

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Commission on transfer of funds	590,698	382,662
Other fees and commissions	209,715	181,087
Commissions on letters of credit	79,655	70,608
Commissions on letters of guarantee	36,917	32,146
	<u>916,985</u>	<u>666,503</u>

31 Gains on foreign currencies transactions

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Gain from translation of foreign currencies balances	4,933,991	7,790,925
Gain on dealing in foreign currencies	2,619	7,046
	<u>4,936,610</u>	<u>7,797,971</u>

32 Other operating income

	<u>Notes</u>	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Provisions reversed:			
Allowance for financing Murabaha and Istisna'a transactions		606,737	54,084
Provision for debt balances and other assets		1,467,667	77,337
Qard Hasan's provision		101,852	-
Other provisions	21	-	15,492
		<u>2,176,256</u>	<u>146,913</u>
Rents		25,368	13,514
Net profit on sale of property and equipment		12,548	54
Others		36,910	39,017
		<u>2,251,082</u>	<u>199,498</u>

33 Provisions charged to income statement

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Provision for financing Murabaha and Istisna'a transactions	9,365	146,913
Provision for contingent liabilities	2,071	-
Impairment provision on balances with banks	29,694	-
	<u>41,130</u>	<u>146,913</u>

34 Staff costs

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Basic salaries, allowances and incentive	1,862,471	1,488,717
Bank contributions to social security	91,179	72,537
	<u>1,953,650</u>	<u>1,561,254</u>

35 Other expenses

	<u>2022</u> <u>YER 000s</u>	<u>2021</u> <u>YER 000s</u>
Security	95,954	268,744
Zakat	185,000	170,000
Rent	116,729	117,613
Fuel and lubricants	245,951	181,921
Maintenance	111,032	162,146
Communication	111,358	74,245
Hospitality	38,489	28,232
Sundry expenses	101,020	69,392
Insurance expenses	84,225	59,214
Water and electricity	76,993	56,022
Transportation	50,319	114,462
Cleaning expenses	44,062	31,881
Stationery	36,860	27,025
Professional and consultancy fees	30,647	39,957
Training	38,291	29,310
Advertising and publicity	47,583	19,857
Government fees and subscription	13,220	12,489
Subscription fee (Deposit insurance Corp.)	33,062	38,430
Travel expenses	52,981	33,903
Others	147,143	122,297
	<u>1,660,919</u>	<u>1,657,140</u>

36 Earnings per share

	2022 YER 000s	2021 YER 000s
Net profit for the year YER 000s	4,974,878	4,759,047
Number of shares (thousand shares)	6,000	6,000
Earnings per share (YER)	829.15	793.17

37 Maturities of financial assets and liabilities

	Due within 3 Months YER Million	Due from 3 to 6 Months YER Million	Due from 6 Months to one year YER Million	Due over one Year YER Million	Total YER Million
2022					
Assets:					
Cash on hand and reserve balances with CBY	28,995	-	-	-	28,995
Due from banks and financial institutions	30,082	-	-	-	30,082
Financing Murabaha, Istisna'a and Ijarah transactions	2,664	32	21	-	2,717
Investments in subsidiaries and associates	-	-	-	6,679	6,679
Investments in real estate	-	-	-	976	976
Qard Hasan	-	-	-	-	-
Overdraft accounts	-	-	-	586	586
	61,741	32	21	8,241	70,035
Liabilities:					
Due to banks and financial institutions	4,150	-	-	-	4,150
Current accounts and other deposits	42,379	-	-	-	42,379
Equity of unrestricted Investments and saving accounts' holders	7,482	181	-	6,666	14,329
	54,011	181	-	6,666	60,858
Net	7,730	(149)	21	1,575	9,177
2021					
Assets:					
Cash on hand and reserve balances with CBY	27,101	-	-	-	27,101
Due from banks and financial institutions	33,452	-	-	800	34,252
Financing Murabaha, Istisna'a and Ijarah transactions	1,175	88	43	-	1,306
Investments in subsidiaries and associates	-	-	-	1,986	1,986
Investments in real estate	-	-	-	976	976
Qard Hasan	-	-	-	-	-
Overdraft accounts	-	-	-	640	640
	61,728	88	43	4,402	66,261
Liabilities:					
Due to banks and financial institutions	5,923	-	-	-	5,923
Current accounts and other deposits	43,799	-	-	497	44,296
Equity of unrestricted Investments and saving accounts' holders	6,990	168	-	6,868	14,026
	56,712	168	-	7,365	64,245
Net	5,016	(80)	43	(2,963)	2,016

38 Distribution of assets, liabilities, and contingent liabilities and commitments based on economic sectors

	Manufacturing YER Million	Trading YER Million	Agricultural and Fishing YER Million	Financial YER Million	Individual & Others YER Million	Total YER Million
2022						
Assets:						
Cash on hand and reserve balances with CBY	-	-	-	28,995	-	28,995
Due from banks and financial institutions	-	-	-	30,082	-	30,082
Financing Murabaha, Istisna'a and Ijarah transac	26	2,107	61	-	523	2,717
Investments in subsidiaries and associates	1,025	648	91	193	4,722	6,679
Investments in real estate	-	-	-	-	976	976
Qard Hasan	-	-	-	-	-	-
Overdraft accounts	47	185	5	-	349	586
Liabilities:						
Due to banks and financial institutions	-	-	-	4,150	-	4,150
Current accounts and other deposits	2,754	23,293	239	-	16,093	42,379
Equity of unrestricted Investments and saving accounts' holders	-	1,384	-	-	12,944	14,328
Contingent liabilities and commitments						
Letters of guarantee	-	1,586	-	-	-	1,586
Letters of credit	-	824	-	-	995	1,819
2021						
Assets:						
Cash on hand and reserve balances with CBY	-	-	-	27,101	-	27,101
Due from banks and financial institutions	-	-	-	34,252	-	34,252
Financing Murabaha, Istisna'a and Ijarah transac	1,406	452	108	-	313	2,279
Investments in subsidiaries and associates	1,025	648	91	143	79	1,986
Investments in real estate	-	-	-	-	976	976
Qard Hasan	-	-	-	-	-	-
Overdraft accounts	44	258	-	1	337	640
Liabilities:						
Due to banks and financial institutions	-	-	-	5,923	-	5,923
Current accounts and other deposits	6,378	13,283	226	-	24,409	44,296
Equity of unrestricted Investments and saving accounts' holders	150	1,973	32	-	11,871	14,026
Contingent liabilities and commitments						
Letters of guarantee	-	394	-	-	147	541
Letters of credit	-	1,080	-	-	1,576	2,656

39 Distribution of assets, liabilities, and contingent liabilities and commitments based on geographical locations

	Republic of Yemen YER Million	America YER Million	Europe YER Million	Asia YER Million	Africa YER Million	Total YER Million
2022						
Assets:						
Cash on hand and reserve balances with CBY	28,995	-	-	-	-	28,995
Due from banks and financial institutions	17,721	-	1,458	10,823	80	30,082
Financing Murabaha, Istisna'a and Ijarah transac	2,717	-	-	-	-	2,717
Investments in subsidiaries and associates	6,679	-	-	-	-	6,679
Investments in real estate	976	-	-	-	-	976
Qard Hasan	-	-	-	-	-	-
Overdraft accounts	586	-	-	-	-	586
Liabilities:						
Due to banks and financial institutions	4,150	-	-	-	-	4,150
Current accounts and other deposits	41,901	2	328	145	3	42,379
Equity of unrestricted Investments and saving accounts' holders	14,179	57	-	91	1	14,328
Contingent liabilities and commitments:						
Letters of guarantee	1,586	-	-	-	-	1,586
Letters of credit	1,818	-	-	-	-	1,818
2021						
Assets:						
Cash on hand and reserve balances with CBY	27,101	-	-	-	-	27,101
Due from banks and financial institutions	20,814	-	1,626	11,804	8	34,252
Financing Murabaha, Istisna'a and Ijarah transac	2,279	-	-	-	-	2,279
Investments in subsidiaries and associates	1,986	-	-	-	-	1,986
Investments in real estate	976	-	-	-	-	976
Qard Hasan	-	-	-	-	-	-
Overdraft accounts	640	-	-	-	-	640
Liabilities:						
Due to banks and financial institutions	5,923	-	-	-	-	5,923
Current accounts and other deposits	44,018	2	4	269	3	44,296
Equity of unrestricted Investments and saving accounts' holders	13,875	57	-	93	1	14,026
Contingent liabilities and commitments:						
Letters of guarantee	541	-	-	-	-	541
Letters of credit	2,656	-	-	-	-	2,656

40. Significant foreign currencies' positions

In order to comply with CBY circular No. 6 of 1998, the Bank establishes limits for each individual foreign currency position as well as an aggregate limit for all currencies. Accordingly, the surplus in each individual currency position should not exceed 15% of the share capital and reserves, while the surplus in the aggregate currency position should not exceed 25% of the share capital and reserves. The following schedule reflects the Bank's significant foreign currencies positions at the financial statements date.

	December 31, 2022		December 31, 2021	
	Surplus (Deficit)	% Of Capital & reserves	Surplus (Deficit)	% Of Capital & reserves
	YER 000s		YER 000s	
USD	1,598,696	10.80%	1,654,685	41.95%
EURO	(929)	-0.01%	7,289	0.07%
Saudi Rial	(2,981,672)	-20.15%	(4,031,714)	(36.42%)
Sterling Pound	1,739	0.01%	1,888	0.02%
Others	1,641,147	11.09%	2,957,330	26.71%
Net surplus	258,981	1.75%	589,478	32.33%

The USD exchange rate at December 31, 2022 was 250.25 YER (at December 31, 2021: USD exchange rate was 250.25 YER) according to CBY instructions.

41. Transactions with related parties

Parties are considered to be related if the party has the ability to control or exercise significant influence over the Bank in making financial or operating decisions.

Related parties are presented by the members of the Board Directors, executive management, and the companies owned by the shareholders and members of the Board of Directors. The Bank deals with related parties on the same basis applied to third parties in accordance with the Banks Law and Central Bank of Yemen instructions, included in circular No. 4 of 1999 which limits credit transactions with related parties. These transactions consist of Murabaha financing and other various transactions conducted as part of the Bank's normal activities.

The following are the balances of these transactions in the financial statements date:

	2022	2021
	YER Millions	YER Millions
Current accounts and other deposits	2,638	6,510
Murabaha financing transactions	639	663
Letters of guarantee	211	1,009
Letters of credit	0	0
Debit balances and other assets	25	175
Executive management salaries and benefits	591	366
Board of directors' bonuses and allowances	44	28

42. Tax status

- The Bank is subject to income tax starting from February 17, 2009 due to the expiry of the exemption period granted by the Investment Law.
- Income and salaries taxes have been cleared up to the year 2020, except for:
 - Pending case with tax court concerning the additional assessment for foreign losses in 2017.
 - Pending case with high court concerning the additional assessment of provisions provided in 2010.
- The Bank has submitted the tax return for the years 2021/2022 within the legal deadline, and paid the due amounts according to the tax return. Inspection for the years is currently ongoing by the Tax Authority. The Bank has not received any notification of any additional assessment up to the date of issuing these financial statements.

43. Zakat status

- The Bank submits its Zakat declarations annually and remits the amount due based on the declaration.
- Final settlement has been made with the General Authority of Zakat, and accrued zakat was paid until the end of the year 2017 according to the Zakat declaration.
- The Bank has paid Zakat for the year 2018 according to the Zakat declaration. Additional assessment notification was received by the Bank. However, the Bank objected to the additional assessment, and the case is still pending with court up to the date of issuing these financial statements.
- The Bank has paid Zakat for the year 2019 according to the Zakat declaration. Additional assessment notification was received by the Bank. However, the Bank filed an appeal to the committee of appeal against the additional assessment (related to provisions, investments in associates, other liabilities, projects in process, net profit and penalties). The case is still pending with committee of appeal up to the date of issuing these financial statements.
- The bank has paid Zakat for the year 2020 according to the Zakat declaration. Additional assessment notification was received by the Bank. However, the Bank filed an appeal to the committee of appeal against the additional assessment (related to provisions, unrestricted investments and saving accounts, other liabilities, property and equipment, projects in process, and dividends paid to depositors). The case is still pending with committee of appeal up to the date of issuing these financial statements.
- The Bank has paid Zakat for the year 2021 according to the Zakat declaration. No additional assessment notification was received by the Bank up to the date of issuing these financial statements.

44. Events in Republic of Yemen

Due to the current political crisis, economic situation and security events in the Republic of Yemen, it is difficult for management to predict the effects of these events to the Bank activities and its financial position for the coming period. The management is studying the effects of this crisis in the short term and make the necessary precautions to ensure continuity.

45. Authorization of financial statements

The financial statements for the year ended December 31, 2022 were approved by the board of directors on April 17, 2023, and decision was issued to present the financial statements to the General Assembly for approval.

46. Comparative Numbers

Certain prior year's figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect previously reported profit for the year or total owners' equity.