INTERNATIONAL BANK OF YEMEN
(Yemeni Joint Stock Company)
Sana'a, Republic of Yemen

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
AND INDEPENDENT AUDITOR'S REPORT

INTERNATIONAL BANK OF YEMEN
(Yemeni Joint Stock Company)
Sana'a, Republic of Yemen

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
AND INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

Contents	Page
Independent auditor's report	1 - 2
Consolidated statement of financial position	3
Consolidated statement of comprehensive income	4
Consolidated statement of changes in shareholders' equity	5 - 6
Consolidated statement of cash flows	7 - 8
Notes to the consolidated financial statements	9 - 45

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
INTERNATIONAL BANK OF YEMEN
(Yemeni Joint Stock Company)
Sana'a, Republic of Yemen

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Bank of Yemen-Yemeni joint stock company (the Bank), and its subsidiary company (together referred to the "Group) which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and instructions issued by Central Bank of Yemen, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Group as at December 31, 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and instructions issued by Central Bank of Yemen.

Report on Other Legal and Regulatory Requirements

We have obtained from management the information and clarifications that we deemed necessary for our audit. The Group keeps proper books of account, and the accompanying consolidated financial statements are in agreement with these books. We are not aware of any violations of Yemen Commercial Companies Law No. 22 of 1997 and its amendments or the Banking Law No. 38 of 1998 and the articles of association during the year, which might have a material impact on the consolidated financial statements as at December 31, 2010.

M. Zohdi Mejanni
Associated Accountant

KPMG
Public Accountants
License No. 307
Mejanni, Hazem Hassan & Co.

Sana'a, April 30, 2011

INTERNATIONAL BANK OF YEMEN
(Yemeni Joint Stock Company)
Sana'a, Republic of Yemen

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

ASSETS	**Note**	**2010 YR 000's**	**2009 YR 000's**
Cash on hand and reserve balances with Central Bank of Yemen	6	24,025,240	17,408,729
Due from banks	7	31,459,323	22,938,485
Treasury bills (net)	8	84,925,798	69,671,110
Treasury bills with repurchase obligation	9	8,028,988	9,616,973
Loans and advances (net)	10	34,133,238	23,444,548
Available for sale investments	13	96,803	96,142
Debit balances and other assets (net)	14	2,501,925	1,604,446
Usufruct	16	1,237,841	1,163,249
Property and equipment (net)	17	1,858,183	1,913,694
TOTAL ASSETS		188,267,339	147,857,376
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	18	7,295,764	2,961,794
Customers' deposits	19	161,416,796	129,536,838
Credit balances and other liabilities	20	5,431,601	3,118,982
Other provisions	21	1,152,809	1,442,092
Dividends payable		-	1,050,000
Total Liabilities		175,296,970	138,109,706
SHAREHOLDERS' EQUITY	22		
Paid-up capital	22/a	8,000,000	7,000,000
Legal reserve	22/b	1,951,058	1,463,675
Other reserves		(952)	(197)
Retained earnings		2,794,637	1,058,972
Total equity attributable to equity holders of the Bank		12,744,743	9,522,450
Non-controlling interest		225,626	225,220
Total shareholders' equity		12,970,369	9,747,670
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		188,267,339	147,857,376
Contingent liabilities and commitments (net)	23	40,280,863	43,809,541

(The notes on pages 9 to 45 are an integral part of these consolidated financial statements)

Shaher Abdul Haq
Vice Chairman

Ahmed Thabet Al Absi
General Manager

Muneer Ahmed Muzahem
Finance Manager

Independent auditor's report attached.

M. Zohdi Mejanni
(KPMG Mejanni, Hazem Hassan & Co.)

INTERNATIONAL BANK OF YEMEN
(Yemeni Joint Stock Company)
Sana'a, Republic of Yemen

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010 YR 000's	2009 YR 000's
Interest income	24	20,222,443	14,712,962
Less: interest expense	25	(10,973,583)	(7,168,303)
Net interest income		9,248,860	7,544,659
Commissions' revenue and bank service charges	26	1,733,710	1,309,625
Less: commissions' expense and bank service charges		(207,291)	(107,983)
Gain of foreign currency transactions	27	270,206	359,675
Other operating income	28	1,891,255	227,849
Net operating income		12,936,740	9,333,825
Less: provisions	29	(5,044,888)	(3,078,049)
Less: general and administrative expenses and depreciation	30	(2,731,473)	(2,290,327)
Net profit for the year before income tax		5,160,379	3,965,449
Less: Income tax for the year		(1,943,874)	(1,551,787)
Net profit for the year after tax		3,216,505	2,413,662
Other comprehensive income		-	-
Total comprehensive income for the year		3,216,505	2,413,662
Attributable to:			
Equity holders of the Bank		3,223,048	2,416,434
Non-controlling interest		(6,543)	(2,772)
Total comprehensive income for the year		3,216,505	2,413,662
Earnings per share	31	YR 40.30	YR 34.50

(The notes on pages 9 to 45 are an integral part of these consolidated financial statements)

Shaher Abdul Haq
Vice Chairman

Independent auditor's report attached.

Ahmed Thabet Al Absi
General Manager

M. Zohdi Mejanni
(KPMG Mejanni, Hazem Hassan & Co.)

Muneer Ahmed Muzahem
Finance Manager

INTERNATIONAL BANK OF YEMEN
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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010

Year 2010	Paid-up Capital YR 000's	Legal Reserve YR 000's	Reserve for Foreign Currency Valuation YR 000's	Retained Earnings YR 000's	Equity Attributable to Equity Holders of the Bank YR 000's	Non-Controlling Interest YR 000's	Total YR 000's
Balance as at January 1, 2010	7,000,000	1,463,675	(197)	1,058,972	9,522,450	225,220	9,747,670
Total comprehensive income for the year							
Net profit for the year	-	-	-	3,223,048	3,223,048	(6,543)	3,216,505
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,223,048	3,223,048	(6,543)	3,216,505
Transactions with owners, recorded directly in shareholders' equity							
Transfer to legal reserve (proposed)	-	487,383	-	(487,383)	-	-	-
Transfer to capital increase	1,000,000	-	-	(1,000,000)	-	-	-
Change in reserve for foreign currency valuation	-	-	(755)	-	(755)	6,949	6,194
	1,000,000	487,383	(755)	(1,487,383)	(755)	6,949	6,194
Balance as at December 31, 2010	8,000,000	1,951,058	(952)	2,794,637	12,744,743	225,626	12,970,369

INTERNATIONAL BANK OF YEMEN
(Yemeni Joint Stock Company)
Sana'a, Republic of Yemen

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY (continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

Year 2009	Paid-up Capital YR 000's	Legal Reserve YR 000's	Reserve for Foreign Currency Valuation YR 000's	Retained Earnings YR 000's	Equity Attributable to Equity Holders of the Bank YR 000's	Non-Controlling Interest YR 000's	Total YR 000's
Balance as at January 1, 2009	5,100,000	1,099,546	-	1,956,667	8,156,213	-	8,156,213
Total comprehensive income for the year							
Net profit for the year	-	-	-	2,416,434	2,416,343	(2,772)	2,413,662
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,416,434	2,416,343	(2,772)	2,413,662
Transactions with owners, which recorded directly in shareholders' equity							
Transfer to legal reserve	-	364,129	-	(364,129)	-	-	-
Transfer to capital increase	1,900,000	-	-	(1,900,000)	-	-	-
Dividends to shareholders	-	-	-	(1,050,000)	(1,050,000)	-	(1,050,000)
Change in reserve for foreign currency valuation	-	-	(197)	-	(197)	(49)	(246)
Change in non-controlling interest	-	-	-	-	-	228,041	228,041
	1,900,000	364,129	(197)	(3,314,129)	1,050,197	227,992	(822,205)
Balance as at December 31, 2009	7,000,000	1,463,675	(197)	1,058,972	9,522,450	225,220	9,747,670

(The notes on pages 9 to 45 are an integral part of these consolidated financial statements)

Shaher Abdul Haq
Vice Chairman

Ahmed Thabet Al Absi
General Manager

Muneer Ahmed Muzahem
Finance Manager

Independent auditor's report attached.

M. Zohdi Mejanni
(KPMG Mejanni, Hazem Hassan & Co.)

INTERNATIONAL BANK OF YEMEN
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010 YR 000's	2009 YR 000's
Cash flows from operating activities			
Net profit for the year before income tax		5,160,379	3,965,449
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation of property and equipment	17	253,571	238,028
Provisions provided during the year	29	5,044,888	3,078,049
Revaluation differences of provision in foreign currencies		42,884	47,017
Provisions reversed	28	(1,788,449)	(137,073)
Provisions used		(606,429)	(146,413)
Revaluation differences of available for sale investments		(661)	(738)
Revaluation differences of usufruct in foreign currencies		(36,416)	-
Revaluation differences of foreign currencies		6,194	(246)
Net (profit) on sale of property and equipment		(2,082)	(117)
Operating profit before changes in assets and liabilities used in operating activities		8,073,879	7,043,956
Net (increase) decrease in assets			
Reserve balances with Central Bank of Yemen		(6,572,611)	(542,633)
Loans and advances		(8,994,594)	6,455,423
Treasury bills due after 3 months		7,265,143	(31,632,102)
Debit balances and other assets		(5,573,752)	548,121
Net increase (decrease) in liabilities			
Due to banks		4,333,970	(532,964)
Customers' deposits		31,879,958	3,246,275
Credit balances and other liabilities		1,120,532	(134,052)
Income tax paid		(751,787)	(1,432,735)
Net cash from (used in) operating activities		30,780,738	(16,980,711)
Cash flows from investing activities:			
Net payments to the acquisition of property and equipment		(195,978)	(202,636)
(Increase) in usufruct		(38,176)	(1,163,249)
(Increase) decrease in time deposits – restricted	7	(1,976,452)	211,837
(Increase) in available for sale investments		-	(75,000)
Net cash (used in) investing activities		(2,210,606)	(1,229,048)

INTERNATIONAL BANK OF YEMEN
(Yemeni Joint Stock Company)
Sana'a, Republic of Yemen

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010 YR 000's	2009 YR 000's
Cash flows from financing activities:			
Dividend paid to shareholders		(1,050,000)	(612,000)
Non-controlling interest		-	228,041
Net cash (used in) financing activities		(1,050,000)	(383,959)
Net change in cash and cash equivalents		27,520,132	(18,593,718)
Cash and cash equivalents at the beginning of the year		59,978,813	78,572,531
Cash and cash equivalents at the end of the year		87,498,945	59,978,813
Cash and cash equivalents consist of:			
Cash on hand and reserve balances with central Bank of Yemen	6	24,025,240	17,408,729
Due from banks	7	31,459,323	22,938,485
Treasury bills (net)	8	84,925,798	69,671,110
Treasury bills with repurchase obligation maturing within 3 months	9	8,028,988	9,616,973
		148,439,349	119,635,297
Less: Reserve balances with Central Bank of Yemen		(21,249,714)	(14,677,103)
Less: Treasury bills (net) due after 3 months		(37,610,583)	(44,875,726)
Less: Time deposits – restricted	7	(2,080,107)	(103,655)
		87,498,945	59,978,813

(The notes on pages 9 to 45 are an integral part of these consolidated financial statements)

Shaher Abdul Haq
Vice Chairman

Ahmed Thabet Al Absi
General Manager

Muneer Ahmed Muzahem
Finance Manager

Independent auditor's report attached.

M. Zohdi Mejanni
(KPMG Mejanni, Hazem Hassan & Co.)

1. BACKGROUND INFORMATION

The International Bank of Yemen - Yemeni Joint Stock Company was incorporated in the Republic of Yemen on January 4, 1979 under the Republican Decree No. 4 of 1979. The Bank operates in the Republic of Yemen, through its head office and in Sana'a city and branches in Sana'a (Zubeiry St., Bal Al Yemen, Haddah, Sheraton, Airport, Al Farasha, Al Steen, Taiz St., University, and GfT), Hodeidah, Aden (Aden and Al-Mansora), Mukalla, Alquten, Ibb, Dhamar, Taiz and Seiyun (Seiyun and Seiyun Airport), in addition to the subsidiary company in Yemen as follow:

	Percentage of equity	
Subsidiary Name	**2010**	**2009**
Ocean Breeze for Investment & Development Co., Sana'a, Yemen	80%	80%

- The Group has prepared and presented these consolidated financial statements as at December 31, 2010 for the first time in compliance with Central Bank of Yemen (CBY) instructions which were issued on January 9, 2010 regarding compliance with the International Financial Reporting Standards (IFRS).

- The Consolidated financial statements were approved by Board of Directors on April 28, 2011 and a Board resolution proposing the approval of the consolidated financial statements by the General Assembly of the shareholders was issued.

2. PREPARATION BASIS OF THE CONSOLDIATED FINANCIAL STATEMENTS

2.1 Statement of compliance

a. The consolidated financial statements are prepared on a going concern and the historical cost bases, except available-for-sale investments and financial instruments (financial assets and liabilities) held at fair value, and in accordance with International Financial Reporting Standards (IFRS) and instructions issued by the Central Bank of Yemen (CBY).

b. The consolidated financial statements include all balances of assets, liabilities and results of operation of the subsidiary after eliminating all balances and transactions and income statement items which result from intra-group transactions.

c. Non-controlling interests represent the portion of profit and loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statements of comprehensive income and under equity in the consolidated statement of financial position, separately from the Bank shareholders' equity.

d. The subsidiary financial statements are prepared and presented in accordance with International financial Reporting Standards (IFRS).

In deviation from International Financial Reporting Standards and to apply the provisions of local laws and regulations, issued by CBY, the following are treated as follows:

a. The adoption of minimum fixed percentages for loan provisions in accordance with CBY circular No. 6 of 1996 and No. 5 of 1998.

b. The provision for general risks calculated on performing loans is presented as part of loans and advances provision and not part of shareholders' equity.

c. The provision for contingent liabilities is presented as part of other provisions and not as part of shareholders' equity.

The effect of these deviations is immaterial on the consolidated financial statements of the Bank as on December 31, 2010.

2.2 Functional and presentation currency

The consolidated financial statements are presented in Yemen Rials, which is the functional currency, and all values are rounded to the nearest one thousand Yemeni Rail except when otherwise is indicated.

2.3 Significant accounting judgments and estimates

The preparation of consolidated 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.

The estimates and associated assumptions are based on historical experience of the Group and various other factors that are believed by the Group to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in notes 3, 11, 15, 17, 20 and 21.

2.4 Change in accounting policies and disclosures

The adopted accounting policies for the preparation of the consolidated financial statements as at December 31, 2010 are consistent with those policies for the preparation of the prior year's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currencies transactions

a. The Group maintains its records in Yemeni Rial, which is the Group's functional currency. Transactions in other currencies are recorded during the financial year at the prevailing exchange rates at the date of transaction. Balances of monetary assets and liabilities in other currencies at the end of the financial year are translated at the prevailing exchange rates at that date. Gains or losses resulting from translation are recognized in the statement of comprehensive income.

b. At the end of the financial year, the assets and liabilities of the subsidiary are translated into Yemeni Rial (presentation currency) at the prevailing exchange rates at that date. The income and expenses of the subsidiary are translated at the average exchange rates during the year. Exchange differences arising on translation are recorded directly to other reserves under shareholders' equity.

c. The Group does not deal in forward contracts to cover its needs for foreign currencies or foreign exchange contracts to cover the risks of settling its future liabilities in foreign currencies.

3.2 Revenue recognition

- Revenues are recognized on the accrual basis. However, in order to comply with the requirements of CBY circular No. 6 of 1996, the Group does not accrue interest on non-performing loans and credit facilities. When an account is treated as non-performing loan, all uncollected interest relating to the three months prior to categorizing the loan as non-performing is reversed from income and transferred to other credit balances as suspense interest.

- Revenue of available for sale investments is recognized when its related dividends are distributed in cash during the year.

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

- Interest income is recognized on the accrual basis according to the time-proportion and original values in the statement of comprehensive income using the effective interest rate method.

- Commissions' revenue and the Bank service charges are recognized as the related services are performed.

3.3 Treasury bills

- Treasury bills are recorded at face value and the balance of unearned discount is recorded under credit balances and other liabilities.

  Treasury bills are presented on the statement of financial position net of balance of unearned discount outstanding at the consolidated financial statements date.

- Treasury bills with repurchase obligation are presented in the financial statements at cost at the financial statements date. The related accrued interest is included in other receivables.

3.4 Valuation of available for sale investments

After initial recognition, available for sale investments are measured at fair value for each individual investment. Unrealized gains or losses arising from a change in the fair value are recognized directly in the fair value reserve under equity until the investment is sold, at which time the cumulative gain or loss previously recognized in equity is transferred to the statement of comprehensive income.

In cases where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognized in the statement of comprehensive income as a provision for impairment of investments. Any increase in the fair value of avalibale for sale investment is recognized as fair value reserve under shareholder's equity. A significant or prolonged decline in the value of the financial investment is an objective evidence of impairment. Reversal of impairment losses on debt instruments, previously impaired, are reversed through statement of comprehensive income.

In case of, difficulty of obtaining a reliable estimate of fair the value for these investments as there are no quoted market prices, or the lack of stability concrete of these investments' values, or future cash flows could not be determined, such investments are carried at cost.

3.5 Valuation of assets whose titles have been transferred to the Group as a repayment of loans

Assets whose titles have been transferred to the Group, are measured at the values carried by the Bank in the statement of financial position under debit balances and other assets, less any impairment, if any, at the financial statements date. Impairment losses are charged to the statement of comprehensive income.

3.6 Provision of loans and advances and contingent liabilities

- In order to comply with CBY circular No. 6 of 1996 and No. 5 of 1998 relating to classification of assets and liabilities, provision is provided for specific loans, overdrafts and contingent liabilities, in addition to a percentage for general risks calculated on the total of other loans, overdrafts and contingent liabilities after deducting balances secured by deposits and banks' guarantees issued by foreign worthy banks. The provision is determined based on periodical comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, the provision is provided in accordance with the following rates:

Performing loans and advance and contingent liabilities, including watchlist accounts	1%
Non-performing loans and advance and contingent liabilities:	
Substandard debts	15%
Doubtful debts	45%
Bad debts	100%

- Loans are written off if procedures taken towards their collection prove useless, or if directed by CBY examiners upon review of the portfolio by debiting the provision. Proceeds from loans previously written off in prior years are credited to the provision.

- Loans to customers and banks are presented on the statement of financial position net of specific and general provisions, and suspense interest.

3.7 *Contingent liabilities and commitments*

Contingent liabilities and commitments, in which the Group is a party, are presented off statement of financial position under "contingent liabilities and commitments", after deducting its related deposits as they do not represent actual assets or liabilities at financial statements date.

3.8 *Recognition / derecognition of financial instruments*

- Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument with other party.

- Financial assets are derecognized when the Group's contractual rights related to the financial instruments have expired which ordinarily coincide with the sale or transfer of the contractual right to receive cash flows related to the asset to an independent parties.

- Financial liabilities are derecognized when they are extinguished, that is when the contractual obligation is discharged, canceled or expired.

3.9 *Offsetting financial assets and liabilities*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legally right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

3.10 *Statement of cash flows*

The Group uses the indirect method to present cash flows, whereby net profit or loss is adjusted with net cash flows from operating, investing and financing activities.

3.11 *Cash and cash equivalent*

For the purpose of preparing the statement of cash flow, cash and cash equivalent consist of cash on hand, cash balances with CBY other than reserve balances, call time and demand deposits with other banks and treasury bills and treasury bills with repurchase obligation which are due within three months from the issuance date.

3.12 *Impairment of assets*

The Group reviews the carrying amounts of the assets, according to their materiality, at each financial statements date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated and compared with the carrying amount and any excess in the carrying amount is charged to the statement of comprehensive income.

Any increase in the value of the assets, previously impaired, is also recognized in the statement of comprehensive income provided that the increase does not exceed the original recoverable value of the asset before impairment.

3.13 Property and equipment and depreciation

Property and equipment is stated at cost less accumulated depreciation and impairment losses, if any. Subsequent costs are recognized in the carrying amount of each item or as a separate item, as appropriate, if it is probable that the future economic benefits embodied within the item will flow to the Group, and its cost can be measured reliably.

Depreciation is charged to the statement of comprehensive income, except land, on the straight-line basis over the estimated useful lives of items of property and equipment. The depreciation method, useful lives and residual value, if any, are reassessed annually by the Group's management. The estimated useful lives are as follows:

	Estimated Useful lives
Buildings and constructions	5 - 40 years
Furniture and fixtures	5 - 10 years
Machinery and equipment	5 - 20 years
Computers	5 years
Motor vehicles	5 - 10 years

3.14 Usufruct

Usufruct is recorded at acquisition cost less accumulated deprecation and impairment losses, if any, and depreciated over the usufruct contract term.

3.15 Other provisions

A provision is provided for present legal or constructive obligations as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation based on the study prepared by the Group in order to estimate the amount of the obligation.

3.16 Leas contracts

Leases are classifeid as finance leases whereby the terms of the contract transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. All the leases entered into by the Group are operating leases.

Rentals payable under these contracts are charged to the statement of comprehensive income on a straight-line basis over the contract term.

3.17 Taxation

- For the Group operation inside Yemen, corporate tax is calculated in accordance with the prevailing laws and regulations in the Republic of Yemen.
- Due to the characteristics of the tax accounting in Yemen, application of International Accounting Standard on Income Taxes does not usually result in deferred tax liabilities. In the case that deferred tax assets have resulted from the application of this standard, these assets are not booked unless there is assurance that these assets will be realized in the near future.

- Provision for tax liabilities is made of in conducting the necessary studies and in consideration of tax assessments.

3.18 Zakat due on shareholders

The Group remits the Zakat due on the shareholders to the relevant governmental authority which decides on the allocation of the Zakat.

3.19 End of service benefits

The provisions of Social Insurance Law are applied to all employees of the Group concerning end of service benefits.

3.20 Applicable new standards and interpretations issued but not yet adopted

For the avoidance of doubt, the following applicable new standards, amendments to standards and interpretations, which were issued by IASB before December 31, 2010 and are not yet in effect, have not been adopted early.

- IAS 24 Related Party Disclosures (Amendment). The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemtpion of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment). The amendment to IAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

- IFRS 9 Financial Instruments: Classification and Measurement. IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- IFRIC 14 Prepayments of a minimum funding requirement (Amendment). The amendment to IFRIC 14 is effective for annual periods beginning on or after January 1, 2011 with restrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

- Improvements to IFRSs (issued in May 2010). The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The amendments are listed below:

    - IFRS 3 Business Combinations
    - IFRS 7 Financial Instruments: Disclosures
    - IAS 1 Presentation of Financial Statements
    - IFRIC 13 Customer Loyalty Programmes

The Group does not foresee that the application of these standards / interpretations will result in a significant impact on figures and disclosures on the reporting period they will be adopted.

4. FINANCIAL INSTRUMENTS AND THEIR RELATED RISKS MANAGEMENT

4.1 Financial instruments

(a) The Group's financial instruments are represented in financial assets and liabilities. Financial assets include cash balances, current accounts and deposits with banks, treasury bills, treasury bills with repurchase obligation, financial investments and loans to customers. Financial liabilities include customers' deposits, due to banks. Also, financial instruments include rights and obligations stated in contingent liabilities and commitments.

Note (3) to the consolidated financial statements includes significant accounting policies applied for recording and measuring significant financial instruments and their related revenues and expenses.

(b) Fair value of financial instruments

The fair value of financial assets traded in organized financial markets is determined by reference to quoted market bid prices on a regulated exchange at the close of business at 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.

Based on valuation bases of the Group'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 between the carrying amount and fair values of the Group's financial instruments which stated in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2010		2009	
	Carrying amount YR 000's	**Fair value YR 000's**	**Carrying amount YR 000's**	**Fair value YR 000's**
Financial assets				
Cash on hand and reserve balances with the CBY	24,025,240	24,025,240	17,408,729	17,408,729
Due from banks	31,459,323	31,459,323	22,938,485	22,938,485
Treasury bills (net)	84,925,798	84,925,798	69,671,110	69,671,110
Treasury bills with repurchase obligation	8,028,988	8,028,988	9,616,973	9,616,973
Loans and advances (net)	34,133,238	34,133,238	23,444,548	23,444,548
Available for sale financial investments	96,803	96,803	96,142	96,142
Financial liabilities				
Due to banks	7,295,764	7,295,764	2,961,794	2,961,794
Customers' deposits	161,416,796	161,416,796	129,536,838	129,536,838

(c) Fair value hierarchy

The Group measures fair values 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).

Level 3: Fair values are based on inputs for assets that are not based on observable market data.

The fair values for available-for-sale investments comprise of YR 96,803 thousand under the level 3 category. There were no investments qualifying for levels 1 and 2 fair value disclosures.

(d) 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.

4.2 Risk management of financial instruments

Risk is inherent in the Group'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 Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

Information complied from all businesses is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Board of Directors (ultimately responsible for identifying and controlling risks), the Risk Committee, and the head of each business division.

The Group's is exposed to credit risk, liquidity risk, interest rate risk, exchange rate risk, operating risk and other risks.

(a) Credit risk

Loans and credit facilities to customers and banks, current accounts and deposits with banks and rights and obligations from others are considered as financial assets exposed to credit risk. Credit risk represents the inability of these parties to fully or partially meet their obligations when they fall due. In order to comply with CBY circular No. 10 of 1997 regarding to the credit risk exposure, the Group adheres to certain minimum standards in order to properly manage its credit risk. In addition to the standards stated in the aforementioned circular, the Group performs a number of procedures in order to minimize credit risk such as:

- Preparing credit studies for 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 performing periodical reviews of customers and banks in order to evaluate their financial positions, credit rating and the required provision for non-performing loans.
- Distributing credit portfolio and balances with banks over diversified sectors to minimize concentration of credit risk.

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

	2010 YR 000's	2009 YR 000's
Cash on hand and reserve balances with CBY (excluding cash on hand and ATM)	21,364,837	14,770,107
Due from banks	31,459,323	22,938,485
Treasury bills (net)	84,925,798	69,671,110
Treasury bills with repurchase obligation	8,028,988	9,616,973
Loans and advances (net)	34,133,238	23,444,548
Available-for-sale investments	96,803	96,142
Debit balances and other assets (net)	2,501,925	1,604,446
	182,510,912	142,141,811
Contingent liabilities and commitments	44,988,181	48,590,561
Total credit risk exposure	227,499,093	190,732,372

The following is an analysis of the Group's financial assets and contingent liabilities by industry sector, before and after taking into account collateral held of other credit enhancements (risk concentration for maximum exposure to credit risk by industry sector):

	2010		2009	
	Gross Maximum Exposure YR 000's	Net Maximum Exposure YR 000's	Gross Maximum Exposure YR 000's	Net Maximum Exposure YR 000's
Government	120,338,781	-	99,201,568	-
Finance	25,536,968	5,320,661	17,891,249	3,655,000
General trade	14,084,941	6,685,049	9,480,398	7,026,387
Industry	6,937,538	3,328,043	4,843,217	3,589,579
Service	7,209,401	3,430,549	4,900,117	3,631,751
Individuals	5,901,358	2,852,087	4,220,816	3,128,283
Others	2,501,925	2,501,925	1,604,446	1,604,446
	182,510,912	24,118,314	142,141,811	22,635,446
Contingent liabilities and commitments	44,988,181	40,280,863	48,590,561	43,809,540
	227,499,093	64,399,177	190,732,372	66,444,986

The Group manages concentration of risk by distributing the portfolio over diversified economic sectors and geographical locations. Note no. 34 to the consolidated financial statements, shows the distribution of assets, liabilities, contingent liabilities and commitments based on economic sectors and Note no. 35 to the consolidated financial statements, shows the distribution of financial instruments based on geographical locations at the financial statements date.

(b) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations when they fall due and other risks related to the inability of providing sufficient liquidity at affordable prices on timely basis. To limit these risks, the Group'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 table below shows the maturity analysis for financial liabilities that shows the remaining contractual maturities:

	2010				
	Less than 3 months YR 000's	**From 3 to 6 months YR 000's**	**From 6 months to 1 year YR 000's**	**Over 1 year YR 000's**	**Total YR 000's**
Liabilities					
Due to banks	7,295,764	-	-	-	7,295,764
Customers' deposits	89,943,540	57,503,197	13,970,059	-	161,416,796
Income tax for the year	-	1,943,874	-	-	1,943,874
Total liabilities	97,239,304	59,447,071	13,970,059	-	170,656,434

	2009				
	Less than 3 months YR 000's	**From 3 to 6 months YR 000's**	**From 6 months to 1 year YR 000's**	**Over 1 year YR 000's**	**Total YR 000's**
Liabilities					
Due to banks	2,961,794	-	-	-	2,961,794
Customers' deposits	91,703,000	4,702,098	33,131,740	-	129,536,838
Income tax for the year	-	1,551,787	-	-	1,551,787
Total liabilities	94,664,794	6,253,885	33,131,740	-	134,050,419

Note no. 32 to the consolidated financial statements, shows the maturity analysis of assets and liabilities and the net gap between them in comparison to last year at the financial statements date.

(c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of some of the financial instruments. The Group performs a number of procedures to limit the effect of such risk to the minimal level as follows:

- Correlating interest rates on borrowing with interest rates on lending.
- Considering the discount rates for different currencies when determining interest rates.
- Monitoring the matching of maturity dates of financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

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

	2010							
	Less than 3 months YR 000's	From 3 months to 6 months YR 000's	From 6 months to 1 year YR 000's	Over 1 year YR 000's	Non-interest sensitive YR 000's	Total YR 000's	Average interest rates Local Currency %	Average interest rates Foreign Currency %
Assets								
Cash on hand and reserve balances with CBY	-	-	-	-	24,025,240	24,025,240	-	-
Due from banks	9,336,144	958,500	107,420	-	21,057,259	31,459,323	-	0.25
Treasury bills (net)	47,315,215	16,434,283	21,176,300	-	-	84,925,798	20.50	-
Treasury bills with repurchase obligation	8,028,988	-	-	-	-	8,028,988	18.57	-
Loans and advances (net)	26,892,158	270,357	6,922,693	-	48,030	34,133,238	27	10.00
Available-for-sale investments	-	-	-	-	96,803	96,803		
Debit balances and other assets (net)	-	-	-	-	2,501,925	2,501,925		
Usufruct	-	-	-	-	1,237,841	1,237,841		
Property and equipment (net)	-	-	-	-	1,858,183	1,858,183		
Total Assets	91,572,505	17,663,140	28,206,413	-	50,825,281	188,267,339		
Liabilities and Shareholders' Equity								
Due to banks	2,481,764	-	-	-	4,814,000	7,295,764	22.00	3.00
Customers' deposits	89,943,540	57,503,197	13,970,059	-	-	161,416,796	20.00	2.00
Credit balances and other liabilities	-	-	-	-	5,431,601	5,431,601		
Other provisions	-	-	-	-	1,152,809	1,152,809		
Shareholders' equity	-	-	-	-	12,970,369	12,970,369		
Total Liabilities and Shareholders' Equity	92,425,304	57,503,197	13,970,059	-	24,368,779	188,267,339		
Interest rate sensitivity gap	(852,799)	(39,840,057)	14,236,354	-	26,456,502	-		
Cumulative interest rate sensitivity gap	(852,799)	(40,692,856)	(26,456,502)	(26,456,502)	-	-		

	2009							
	Less than 3 months YR 000's	From 3 months to 6 months YR 000's	From 6 months to 1 year YR 000's	Over 1 year YR 000'	Non-interest sensitive YR 000's	Total YR 000's	Average interest rates Local Currency %	Average interest rates Foreign Currency %
Assets								
Cash on hand and reserve balances with CBY	-	-	-	-	17,408,729	17,408,729	-	-
Due from banks	19,818,359	-	-	-	3,120,126	22,938,485	-	0.25
Treasury bills (net)	24,795,384	15,976,395	28,899,331	-	-	69,671,110	13.22	-
Treasury bills with repurchase obligation	9,616,973	-	-	-	-	9,616,973	12.95	-
Loans and advances (net)	9,534,550	6,356,366	7,402,766	-	150,866	23,444,548	19.00	9.00
Available-for-sale investments	-	-	-	-	96,142	96,142	-	-
Debit balances and other assets (net)	-	-	-	-	1,604,446	1,604,446	-	-
Usufruct	-	-	-	-	1,163,249	1,163,249		
Property and equipment (net)	-	-	-	-	1,913,694	1,913,694	-	-
Total Assets	63,765,266	22,332,761	36,302,097	-	25,457,252	147,857,376		
Liabilities and Shareholders' Equity								
Due to banks	2,961,794	-	-	-	-	2,961,794	12.00	3.00
Customers' deposits	31,233,260	4,702,098	33,131,740	-	60,469,740	129,536,838	12.00	2.50
Credit balances and other liabilities	-	-	-	-	3,118,982	3,118,982		
Other provisions	-	-	-	-	1,442,092	1,442,092		
Dividends to shareholders	-	-	-	-	1,050,000	1,050,000		
Shareholders' equity	-	-	-	-	9,747,670	9,747,670		
Total Liabilities and Shareholders' Equity	34,195,054	4,702,098	33,131,740	-	75,828,484	147,857,376		
Interest rate sensitivity gap	29,570,212	17,630,663	3,170,357	-	(50,371,232)	-		
Cumulative interest rate sensitivity gap	29,570,212	47,200,875	50,371,232	50,371,232	-	-		

Note no. 33 to the consolidated financial statements, shows the average interest rates on assets and liabilities applied during this year compared with last year.

(d) Exchange rate risk

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

In order to comply with the CBY circular No. 6 of 1998, the Group regularly monitors its foreign currency positions and sells the surplus funds in foreign currencies at the prevailing rates on the dates of sale.

The table below shows the significant net exposures to foreign currencies:

	2010					
	US Dollars YR 000's	**EURO YR 000's**	**Saudi Rial YR 000's**	**Sterling Pound YR 000's**	**Emirates Dirhams YR 000's**	**Total YR 000's**
Assets	128,849,899	4,715,456	1,934,627	763,267	109,954	136,373,203
Liabilities	(130,220,494)	(4,853,443)	(1,932,403)	(777,670)	(82,035)	(137,866,045)
Net currency position	(1,370,595)	(137,987)	2,224	(14,403)	27,919	(1,492,842)

	2009					
	US Dollars YR 000's	**EURO YR 000's**	**Saudi Rial YR 000's**	**Sterling Pound YR 000's**	**Emirates Dirhams YR 000's**	**Total YR 000's**
Assets	72,733,694	3,372,992	1,334,947	757,367	66,197	78,265,197
Liabilities	(75,446,941)	(3,416,555)	(1,484,415)	(776,421)	(43,561)	(81,167,893)
Net currency position	(2,713,247)	(43,563)	(149,468)	(19,054)	22,636	(2,902,696)

Note 36 to the consolidated financial statements, indicates the significant foreign currencies' positions at the financial statement date compared with last year.

(e) 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 Group 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, staff education and assessment processes.

(f) Other risks

Other risks to which the Group 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 Group, with guidelines and policies being issued as appropriate.

5. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with capital requirements issued by CBY, the rules and ratio established by the Basel Committee on banking supervision and that the Group maintains strong credit ratings and excellently capital ratios. The capital adequacy are monitored by the management of the Group employing techniques based on the guidelines as implemented by CBY for supervisory purposes. The required information is filed with the CBY on a quarterly basis, in order to comply with the requirement of 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 Group is required to maintain a minimum ratio of total capital to the customer deposits at or above 5%.

The capital adequacy ratio calculated in accordance with the guidelines of CBY compares between the Group's core and supplementary capital with risk weighted total assets and liabilities at the financial statements date, is as follows:

	2010 **YR 000's**	**2009** **YR 000's**
Core capital	12,647,940	9,426,308
Supplementary capital	595,367	511,091
Total capital	13,243,307	9,937,399
Risk-weighted assets and contingent liabilities and commitments:		
Total assets	64,532,297	25,554,544
Contingent liabilities and commitments	12,496,083	27,284,091
Total risk-weighted assets and contingent liabilities and commitments	77,028,380	52,838,635
Capital adequacy ratio	17.2%	18.8%

The core capital consists of paid-up capital, reserves and retained earnings (after deducting investment in any local bank or financial company) while supplementary capital consists of general provisions on performing debts with percentage 1% which should not exceed more than 2% of risk weighted assets.

6. CASH ON HAND AND RESERVE BALANCES WITH CENTRAL BANK OF YEMEN

	2010 YR 000's	2009 YR 000's
Cash on hand and at ATM – local currency	1,625,461	1,322,129
Cash on hand and at ATM – foreign currency	1,034,942	1,316,493
	2,660,403	2,638,622
Mandatory reserve at CBY – local currency	5,233,101	5,282,850
Mandatory reserve at CBY – foreign currency	16,016,613	9,394,253
	21,249,714	14,677,103
Cheques purchased	115,123	93,004
	24,025,240	17,408,729

The mandatory reserve balances with CBY represent the reserve requirements against non-bearing interest customers' accounts in Yemeni Rial and foreign currencies. These funds are not available for the Group's daily business.

7. DUE FROM BANKS

	2010 YR 000's	2009 YR 000's
Central Bank of Yemen		
Current accounts – local currency	2,433,717	4,655,068
Current accounts – foreign currency	3,585,441	488,310
	6,019,158	5,143,378
Foreign banks		
Current accounts	10,906,726	10,017,333
Time deposits	9,722,939	7,777,774
	20,629,665	17,795,107
Local banks		
Time deposits – foreign currency	4,810,500	-
	31,459,323	22,938,485

- Time deposits – foreign banks as at December 31, 2010 includes YR 2,080,107 Thousand which equivalent to a restricted amount with a foreign bank (YR 103,655 Thousand as at December 31, 2009).

- Time deposits with foreign and local banks carry variable interest rate while current accounts with CBY and foreign banks do not carry any interest.

8. TREASURY BILLS (NET)

	2010 YR 000's	2009 YR 000's
Treasury bills maturing within 90 days	49,000,000	25,327,510
Treasury bills maturing within 180 days	15,000,000	16,400,000
Treasury bills maturing within 360 days	25,800,000	30,648,180
	89,800,000	72,375,690
Less: Unearned discount balance	(4,874,202)	(2,704,580)
	84,925,798	69,671,110

The treasury bill**s** carry an interest rate between 20% and 20.5% during the year 2010 (11% to 13% during the year 2009). In accordance with the Central Bank of Yemen instructions, treasury bills which mature within a period not exceeding three months are considered as part of cash and cash equivalents.

9. TREASURY BILLS WITH REPURCHASE OBLIGATION

	2010 YR 000's	2009 YR 000's
Treasury bills with repurchase obligation maturing within 90 days	8,028,988	9,616,973

The treasury bills with repurchase obligation carry an interest rate between 20% and 20.5% during the year 2010 (11% to 13% during the year 2009). In accordance with the Central Bank of Yemen instructions, treasury bills with repurchase obligation which mature within a period not exceeding three months are considered as part of cash and cash equivalents.

10. LOANS AND ADVANCES (NET)

a. Loans and advances by type

	Note	2010 YR 000's	2009 YR 000's
Overdraft		34,779,216	29,439,650
Loans to customers		11,555,544	7,941,688
L/Cs finance		270,357	210,881
Staff loans		27,831	24,264
		46,632,948	37,616,483
Less:			
Loans and advances provision	11	(11,527,397)	(13,221,493)
Uncollected interest	13	(972,313)	(950,442)
		34,133,238	23,444,548

Non-performing loans and advances represents the amount of YR 12,903,270 Thousand as at December 31, 2010 after deducting uncollected interest and balances secured by cash deposits (YR 16,376,260 Thousand as at December 31, 2009), as follows:

	2010 YR 000's	2009 YR 000's
Substandard loans and advances	1,041,499	1,835,592
Doubtful loans and advances	1,242,103	3,155,124
Bad loans and advances	10,619,668	11,385,544
	12,903,270	16,376,260

b. Loans and advances by sector

	2010				
	Overdraft YR 000's	Loans to customers YR 000's	L/C finance YR 000's	Staff loans YR 000's	Total YR 000's
Trade	12,317,690	6,263,739	270,357	-	18,851,786
Industry	7,895,086	1,489,969	-	-	9,385,055
Services	6,865,212	3,488,033	-	-	10,353,245
Individuals and others	7,701,228	313,803	-	27,831	8,042,862
Total	34,779,216	11,555,544	270,357	27,831	46,632,948

	2009				
	Overdraft YR 000's	Loans to customers YR 000's	L/C finance YR 000's	Staff loans YR 000's	Total YR 000's
Trade	10,426,586	4,573,625	210,881	-	15,211,092
Industry	6,682,973	1,087,938	-	-	7,770,911
Services	5,811,213	2,050,994	-	-	7,862,207
Individuals and others	6,518,878	229,131	-	24,264	6,772,273
Total	29,439,650	7,941,688	210,881	24,264	37,616,483

The amounts above are shown gross figures before subtracting the provision for loans and advances and uncollected interest.

11. PROVISION FOR LOANS AND ADVANCES (PERFORMING AND NON-PERFORMING)

a. Provision for loans and advances by type

		2010		
	Note	Specific YR 000's	General YR 000's	Total YR 000's
Provision balance as at Jan. 1, 2010		13,080,688	140,805	13,221,493
Less: provision used during the year		(87,814)	-	(87,814)
Revaluation differences of provision in foreign currencies		42,884	-	42,884
Transferred to general provision		(51,753)	51,753	-
Less: reversed provision	28	(1,649,166)	-	(1,649,166)
Provision balances as at Dec. 31, 2010		11,334,839	192,558	11,527,397

		2009		
	Note	**Specific YR 000's**	**General YR 000's**	**Total YR 000's**
Provision balance as at Jan. 1, 2009		10,826,028	169,657	10,995,685
Less: provision used during the year		(146,413)	-	(146,413)
Revaluation differences of provision in foreign currencies		47,017	-	47,017
Transferred from general to specific provision		28,852	(28,852)	-
Add: provision provided during the year	29	2,325,204	-	2,325,204
Provision balances as at Dec. 31, 2009		13,080,688	140,805	13,221,493

b. Provision for loans and advances by sector

	2010		
	Corporate lending YR 000's	**Consumer lending YR 000's**	**Total YR 000's**
Provision balance as at Jan. 1, 2010	10,312,764	2,908,729	13,221,493
Less: provision used during the year	(68,495)	(19,319)	(87,814)
Revaluation differences of provision in foreign currencies	33,450	9,434	42,884
Less: reversed provision	(1,649,166)	-	(1,649,166)
Provision balances as at Dec. 31, 2010	8,628,553	2,898,844	11,527,397

	2009		
	Corporate lending YR 000's	**Consumer lending YR 000's**	**Total YR 000's**
Provision balance as at Jan. 1, 2009	8,576,634	2,419,051	10,995,685
Less: provision used during the year	(114,202)	(32,211)	(146,413)
Revaluation differences of provision in foreign currencies	36,673	10,344	47,017
Add: provision provided during the year	1,813,659	511,545	2,325,204
Provision balances as at Dec. 31, 2009	10,312,764	2,908,729	13,221,493

12. UNCOLLECTED INTEREST

	2010 YR 000s	**2009 YR 000s**
Balance at first of January	950,442	1,130,319
Uncollected interest written off or collected during the year	-	(190,415)
Revaluation differences of uncollected interest in foreign currencies	21,871	10,538
Balance at end of December	972,313	950,442

Uncollected interest is interest on non-performing loans and advances, which is recognized as revenue only when collected in accordance with CBY instructions.

13. AVAILABLE FOR SALE INVESTMENTS

	2010 YR 000's	2009 YR 000's
Yemeni Co. for Financial Services	21,803	21,142
Yemeni Qatari Insurance Co.	75,000	75,000
	96,803	96,142

All available for sale investments are local investments (unquoted). 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 were carried at cost.

14. DEBIT BALANCES AND OTHER ASSETS (NET)

	Note	2010 YR 000's	2009 YR 000's
Accrued interest		244,676	230,738
Cash margin		5,913,096	391,020
Prepaid expenses		241,867	104,131
Assets whose titles have been transferred		704,088	
as a repayment of loans	3.5		648,288
Other debit balances		648,303	804,101
		7,752,030	2,178,278
Less: provision for doubtful debts	15	(5,250,105)	(573,832)
		2,501,925	1,604,446

15. PROVISION FOR DOUBTFUL DEBTS

	Note	2010 YR 000's	2009 YR 000's
Balance at first of January		573,832	470,987
Add: Provision provided during the year	29	4,676,273	102,845
Balance at end of December		5,250,105	573,832

16. USUFRUCT

	2010 YR 000's	2009 YR 000's
Lands – Aden city	1,085,517	1,085,517
Costs of studies and consulting	115,908	77,732
Differences of re-evaluation of assets in foreign currencies	36,416	-
	1,237,841	1,163,249

- Usufruct is represented in the right to benefit from the land of 26,181 m^2 relinquished by Sheikh Mohammed Bin Naji Al-Shaif, afforded by the Public Authority for Lands and Survey and Urban Planning in Aden city, free of charge, and under the record of temporary transmission in December 22, 2010, to identify the streets and the building for the investment project number (264/2010).

And currently, the Group is taking the necessary procedures for the licenses issuance to start the construction work of the project. According to the handing over conditions by the Public Authority for Lands and Survey and Urban Planning of Aden, the Group has been granted a lease contract for 99 years if the investment cost of the project will not exceed US$ 10 million, or awarded free of charge ownership contract if the investment cost of the project will exceed US$ 10 million.

- Based on the local authority in Aden instructions, the Group has been granted a time period of 24 months from the date of receipt of the licenses for the implementation of the project, otherwise, the Land and Survey and Urban Planning has the right to retrieve the land and its constructed buildings.
- At December 31, 2010, the fair value of the land amounted to YR 1,178,145 thousand.

17. PROPERTY AND EQUIPMENT (NET)

	2010						
	Land YR 000's	Buildings and Constructions YR 000's	Furniture and Fixtures YR 000's	Equipment & Machinery YR 000's	Motor Vehicles YR 000's	Computers YR 000's	Total YR 000's
Cost							
Balance at beginning of the year	66,914	1,263,692	310,018	772,589	140,690	743,250	3,297,153
Additions during the year	-	27,820	63,423	242,838	11,566	114,737	460,384
Disposals during the year	-	(70,752)	(36,013)	(78,031)	(6,084)	(77,102)	(267,982)
Balance at the end of the year	66,914	1,220,760	337,428	937,396	146,172	780,885	3,489,555
Accumulated depreciation							
Balance at beginning of the year	-	255,380	149,823	436,758	97,772	443,726	1,383,459
Depreciation	-	40,000	37,223	78,983	20,960	76,405	253,571
Disposals	-	-	(1,053)	(2,055)	(2,550)	-	(5,658)
Balance at the end of the year	-	295,380	185,993	513,686	116,182	520,131	1,631,372
Net book value							
December 31, 2010	66,914	925,380	151,435	423,710	29,990	260,754	1,858,183

	2009						
	Land YR 000's	**Buildings and Constructions YR 000's**	**Furniture and Fixtures YR 000's**	**Equipment & Machinery YR 000's**	**Motor Vehicles YR 000's**	**Computers YR 000's**	**Total YR 000's**
Cost							
Balance at beginning of the year	69,914	1,234,496	291,110	706,656	140,690	662,906	3,105,772
Additions during the year	-	40,053	33,554	86,200	-	89,102	248,909
Disposals during the year	(3,000)	(10,857)	(14,646)	(20,267)	-	(8,758)	(57,528)
Balance at the end of the year	66,914	1,263,692	310,018	772,589	140,690	743,250	3,297,153
Accumulated depreciation							
Balance at beginning of the year	-	216,290	123,994	366,815	77,621	372,083	1,156,803
Depreciation	-	39,363	30,821	76,050	20,151	71,643	238,028
Disposals	-	(273)	(4,992)	(6,107)	-	-	(11,372)
Balance at the end of the year	-	255,380	149,823	436,758	97,772	443,726	1,383,459
Net book value							
December 31, 2009	66,914	1,008,312	160,195	335,831	42,918	299,524	1,913,694

18. DUE TO BANKS

	2010 YR 000's	2009 YR 000's
Current account – foreign currency	1,481,764	2,919,385
Current account – local currency	-	7,374
Time deposits – foreign currency	-	35,035
Time deposits – local currency	1,000,000	-
Loans without interest – local currency	4,814,000	-
	7,295,764	2,961,794

Current account and time deposits which are due to banks carry variable interest rate.

19. CUSTOMERS' DEPOSITS

a. Customers' deposits by type

	2010 YR 000's	2009 YR 000's
Current accounts	69,266,850	55,188,529
Time and demand deposits	74,710,880	59,363,617
Saving accounts	10,077,423	9,086,681
Margins of LCs, LGs and other	6,211,753	5,025,983
Other deposits	1,149,890	872,028
	161,416,796	129,536,838

b. Customers' deposits by sector

	2010 YR 000's	2009 YR 000's
Public and mixed sectors	5,155,240	31,542,848
Individual	53,932,663	26,117,422
Corporation	102,328,893	46,437,986
Others	-	25,438,582
	161,416,796	129,536,838

20. CREDIT BALANCES AND OTHER LIABILITIES

	2010 YR 000's	2009 YR 000's
Corporate tax for the year	1,943,874	1,551,787
Tax Authority	800,000	-
Accrued interest payable	1,268,245	790,192
Accrued expenses	237,488	117,750
Income received in advance	58,667	91,739
Other credit balances	1,123,327	567,514
	5,431,601	3,118,982

21. OTHER PROVISIONS

Description	Note	2010 Provision for contingent liabilities YR 000's	2010 Provision for contingent claims YR 000's	2010 Total YR 000's
Balance at first of Jan. 2010		542,092	900,000	1,442,092
Provided during the year	29	-	368,615	368,615
Less: provision used during the year		-	(518,615)	(518,615)
Reversed provision	28	(139,283)	-	(139,283)
Balance at the end of Dec. 2010		402,809	750,000	1,152,809

Description	Note	2009 Provision for contingent liabilities YR 000's	2009 Provision for contingent claims YR 000's	2009 Total YR 000's
Balance at first of Jan. 2009		679,165	250,000	929,165
Provided during the year	29	-	650,000	650,000
Reversed provision	28	(137,073)	-	(137,073)
Balance at the end of Dec. 2009		542,092	900,000	1,442,092

22. SHAREHOLDERS' EQUITY

a. Paid up-capital

- Paid-up capital is YR 8 billion as at December 31, 2010 according to the Bank Extraordinary General Assembly Meeting on May 30, 2010 divided into 80 million shares with nominal value of YR 100 per share (YR 7 billion as at December 31, 2009).

  Currently, the Bank is taking the necessary procedures to record the capital increase in the commercial register and Articles of Association.

b. Statutory reserves

According to provisions of the Bank Law No 38 of 1998, 15% of the annual net profit, based on the approved annual financial statements, is transferred to the statutory reserve until it equals twice the paid-up capital and such reserve cannot be used without the prior approval of CBY.

23. CONTINGENT LIABILITIES AND COMMITMENTS (NET)

	2010		
	Gross commitment YR 000's	Margin held YR 000's	Net commitments YR 000's
Letters of credit	8,232,113	(1,179,854)	7,052,259
Letters of guarantee	36,751,333	(3,527,464)	33,223,869
Others	4,735	-	4,735
	44,988,181	(4,707,318)	40,280,863

	2009		
	Gross commitment YR 000's	Margin held YR 000's	Net commitments YR 000's
Letters of credit	7,866,872	(1,171,693)	6,695,179
Letters of guarantee	39,376,055	(3,356,633)	36,019,422
Others	1,347,634	(252,694)	1,094,940
	48,590,561	(4,781,020)	43,809,541

24. INTEREST INCOME

	2010 YR 000's	2009 YR 000's
Interest on loans and advances to customers		
Interest earned on overdrafts	3,870,726	3,040,435
Interest earned on loans	1,180,103	763,334
	5,050,829	3,803,769
Interest on due from banks		
Interest from foreign banks	72,471	94,460
Interest from local banks	46,949	33
	119,420	94,493
Interest on treasury bills and certificates of deposits		
Interest on treasury bills	15,052,194	9,843,468
Interest on CBY certificates of deposits	-	971,232
	15,052,194	10,814,700
	20,222,443	14,712,962

25. INTEREST EXPENSE

	2010 YR 000's	2009 YR 000's
Interest on customers' deposits		
Interest on time deposits	9,671,386	6,356,409
Interest on saving accounts	1,172,481	729,546
Other interest	56,516	22,842
	10,900,383	7,108,797
Interest on balances due to banks		
Interest paid to foreign banks	73,200	59,506
	10,973,583	7,168,303

26. COMMISSIONS' REVENUE AND BANK SERVICE CHARGES

	2010 YR 000's	2009 YR 000's
Commissions on letters of credit	131,778	119,499
Commissions on letters of guarantee	419,975	341,199
Commissions on transfer of funds	354,263	346,268
Commissions on visa card	219,954	131,498
Brokerage fees	404,023	203,861
Other banking commissions	203,717	167,300
	1,733,710	1,309,625

27. GAIN OF FOREIGN CURRENCY TRANSACTIONS

	2010 YR 000's	2009 YR 000's
Gain from dealing in foreign currencies	651,758	462,927
(Losses) from retranslation of foreign currencies	(381,552)	(103,252)
	270,206	359,675

28. OTHER OPERATING INCOME

	Note	2010 YR 000's	2009 YR 000's
Reversed provisions	11,21	1,788,449	137,073
Rental		93,340	87,447
Others		9,466	3,329
		1,891,255	227,849

29. PROVISIONS PROVIDED DURING THE YEAR

	Note	2010 YR 000's	2009 YR 000's
Provision for loans and advances (performing and non-performing)	11	-	2,325,204
Provision for doubtful debts (debit balances and other assets)	15	4,676,273	102,845
Provision for contingent claims	21	368,615	650,000
		5,044,888	3,078,049

30. GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION

	Note	2010 YR 000's	2009 YR 000's
Wages and salaries		1,039,842	943,867
Depreciation of property and equipment	17	253,571	238,028
Losses of damage of property and equipment		228,940	-
Marketing		193,033	167,761
Contract services		172,208	89,047
Rent		121,703	98,230
Subscriptions		76,011	115,400
Advertisement and publication		73,821	69,323
Communications		72,126	74,811
Maintenance		65,299	113,594
Water and electricity		59,487	46,660
Stationary and printing supplies		56,270	80,510
Board of Directors' allowances		35,280	32,731
Training expenses		28,095	23,392
Transportation		15,398	16,618
Donation		13,168	7,740
Insurance		12,318	12,183
Consultancy and professional fees		9,743	12,988
Zakat expenses		-	10,505
Other expenses		205,160	136,939
		2,731,473	2,290,327

31. EARNINGS PER SHARE

	2010	2009
Net profit for the year (Equity holders share - thousand YR)	3,223,048	2,416,434
Number of shares by thousand	80,000	70,000
Earnings per share (YR)	40.3	34.5

32. MATURITIES OF ASSETS AND LIABILITIES

	2010				
Description	**Due within 3 months YR Million**	**Due from 3 to 6 months YR Million**	**Due from 6 months to one year YR Million**	**Due over one year YR Million**	**Total YR Million**
a. Assets					
Cash on hand & reserve balances with CBY	24,025	-	-	-	24,025
Due from banks	30,393	959	107	-	31,459
Treasury bills (net)	47,316	16,434	21,176	-	84,926
Treasury bills with repurchase obligation	8,029	-	-	-	8,029
Loans and advances (net)	26,940	270	6,923	-	34,133
Available-for sale investments	-	-	-	97	97
	136,703	17,663	28,206	97	182,669
b. Liabilities					
Due to banks	7,296	-	-	-	7,296
Customers' deposits	89,944	57,503	13,970	-	161,417
	97,240	57,503	13,970	-	168,713
Net gap	39,463	(39,840)	14,236	97	13,956

	2009				
Description	**Due within 3 months YR Million**	**Due from 3 to 6 months YR Million**	**Due from 6 months to one year YR Million**	**Due over one year YR Million**	**Total YR Million**
a. Assets					
Cash on hand & reserve balances with CBY	17,409	-	-	-	17,409
Due from banks	22,938	-	-	-	22,938
Treasury bills (net)	24,795	15,977	28,899	-	69,671
Treasury bills with repurchase obligation	9,617	-	-	-	9,617
Loans and advances (net)	9,535	6,356	7,554	-	23,445
Available-for sale investments	-	-	-	96	96
	84,294	22,333	36,453	96	143,176
b. Liabilities					
Due to banks	2,962	-	-	-	2,962
Customers' deposits	91,448	4,957	33,132	-	129,537
	94,410	4,957	33,132	-	132,499
Net gap	(10,116)	17,376	3,321	96	10,677

33. APPLIED AVERAGE INTEREST RATES DURING THE YEAR

Average interest rates on assets and liabilities during the year compared with the last year were as follows:

	2010			
Description	**Yemeni Rial %**	**US Dollar %**	**EURO %**	**Saudi Rial %**
Assets				
Due to banks – time deposits	-	0.25	0.50	0.40
Loans to customers	27.00	10.00	-	-
Overdrafts	27.00	10.00	-	-
Treasury bills	20.51	-	-	-
Treasury bills with repurchase obligation	18.57	-	-	-
Liabilities				
Customers' - time deposits	20.00	2.00	2.00	-
Saving accounts	20.00	2.00	-	-
Banks - time deposits	22.00	3.00	-	-

	2009			
Description	**Yemeni Rial %**	**US Dollar %**	**EURO %**	**Saudi Rial %**
Assets				
Due to banks – time deposits	-	0.25	0.50	0.40
Loans to customers	19.00	10.00	-	-
Overdrafts	19.00	8.00	8.00	-
Treasury bills	13.22	-	-	-
Treasury bills with repurchase obligation	12.95	-	-	-
CBY certificates of deposit	14.80	-	-	-
Liabilities				
Customers' - time deposits	12.00	3.00	2.00	-
Saving accounts	12.00	2.00	-	-
Banks - time deposits	12.00	3.00	-	-

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

	2010					
	Financial YR Million	Trade YR Million	Manufac -turing YR Million	Services YR Million	Individuals & Others YR Million	Total YR Million
ASSETS						
Cash on hand and reserve balances with CBY	24,025	-	-	-	-	24,025
Due from banks	31,459	-	-	-	-	31,459
Treasury bills (net)	84,926	-	-	-	-	84,926
Treasury bills with repurchase obligation	8,029	-	-	-	-	8,029
Loans and advances (net)	-	14,085	6,938	7,209	5,901	34,133
Available-for-sale Investments	97	-	-	-	-	97
LIABILITIES						
Due to banks	7,296	-	-	-	-	7,296
Customers deposits	-	55,216	58,860	36,114	11,227	161,417
CONTINGENT LIABILITIES AND COMMITMENTS (NET)						
Letters of credit	-	5,873	1,179	-	-	7,052
Letters of guarantee	-	28,535	-	4,689	-	33,224
Other	5	-	-	-	-	5

	2009					
	Financial YR Million	Trade YR Million	Manufac -turing YR Million	Services YR Million	Individuals & Others YR Million	Total YR Million
ASSETS						
Cash on hand and reserve balances with CBY	17,409	-	-	-	-	17,409
Due from banks	22,938	-	-	-	-	22,938
Treasury bills (net)	69,671	-	-	-	-	69,671
Treasury bills with repurchase obligation	9,617	-	-	-	-	9,617
Loans and advances (net)	-	9,480	4,844	4,900	4,221	23,445
Available-for-sale Investments	96	-	-	-	-	96
LIABILITIES						
Due to banks	2,962	-	-	-	-	2,962
Customers deposits	-	37,843	40,340	24,751	26,603	129,537
CONTINGENT LIABILITIES AND COMMITMENTS (NET)						
Letters of credit	-	5,576	1,119	-	-	6,695
Letters of guarantee	-	30,936		5,083		36,019
Other	1,095	-	-	-	-	1,095

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

	2010					
	Republic of Yemen YR Million	America YR Million	Europe YR Million	Asia YR Million	Africa YR Million	Total YR Million
ASSETS						
Cash on hand and reserve balances with CBY	24,025	-	-	-	-	24,025
Due from banks	10,830	7,597	7,582	5,155	295	31,459
Treasury bills (net)	84,926	-	-	-	-	84,926
Treasury bills with repurchase obligation	8,029	-	-	-	-	8,029
Loans and advances (net)	34,133	-	-	-	-	34,133
Available-for-sale investments	97	-	-	-	-	97
LIABILITIES						
Due to banks	5,827	1,360	109	-	-	7,296
Customers' deposits	161,417	-	-	-	-	161,417
CONTINGENT LIABILITIES AND COMMITMENTS (NET)						
Letters of credit	545	1,123	2,909	2,422	53	7,052
Letters of guarantee	30,131	353	2,133	607	-	33,224
Other	5	-	-	-	-	5

	2009					
	Republic of Yemen YR Million	America YR Million	Europe YR Million	Asia YR Million	Africa YR Million	Total YR Million
ASSETS						
Cash on hand and reserve balances with CBY	17,409	-	-	-	-	17,409
Due from banks	5,143	8,213	4,556	5,026	-	22,938
Treasury bills (net)	69,671	-	-	-	-	69,671
Treasury bills with repurchase obligation	9,617	-	-	-	-	9,617
Loans and advances (net)	23,445	-	-	-	-	23,445
Available-for-sale investments	96	-	-	-	-	96
LIABILITIES						
Due to banks	91	2,809	-	62	-	2,962
Customers' deposits	129,537	-	-	-	-	129,537
CONTINGENT LIABILITIES AND COMMITMENTS (NET)						
Letters of credit	653	605	1,208	4,229	-	6,695
Letters of guarantee	36,019	-	-	-	-	36,019
Other	1,095	-	-	-	-	1,095

36. SIGNIFICANT FOREIGN CURRENCIES' POSITIONS

To comply with CBY circular No. 6 of 1998, the Group establishes limits for positions in individual foreign currencies as well as an aggregate limitation for all currencies. These limits are 15% and 25% of total capital and reserves respectively. The following schedule shows the significant foreign currency positions at the financial statements date:

	2010		2009	
	Surplus (deficit) YR 000's	% of capital & reserves	Surplus (deficit) YR 000's	% of capital & reserves
US Dollar	(1,370,595)	(13.8%)	(2,713,247)	(32.1%)
Euro	(137,987)	(1.4%)	(43,563)	(0.5%)
Saudi Rial	2,224	-	(149,468)	(1.8%)
Sterling Pound	(14,403)	(0.1%)	(19,054)	(0.2%)
UAE Dirham	27,919	0.3%	22,636	0.3%
Net (deficit)	(1,492,842)	(15.0%)	(2,902,696)	(34.3%)

37. TRANSACTIONS WITH RELATED PARTIES

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

The Group deals with related parties on the same basis applied to third parties in accordance with the Banks Law as implemented by CBY circular No. 4 of 1999, which limits credit transactions with related parties and requires that the Bank should apply the same terms and conditions that are applied with unrelated parties.

The nature of the Group's activities requires dealing with some of its shareholders, members of the Board of Directors and companies owned by them. These transactions consist of obtaining loans and advances, issuing letters of credit and letters of guarantee and other various transactions conducted as part of the normal Group activities.

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

	2010 YR Million	2009 YR Million
Loans and advances (net)	6,763	6,540
Current accounts and time deposits	8,322	5,371
Indirect facilities (net)	3,380	5,286
Executive management salaries	35	33
Board of Directors' allowances	35	33
Commissions and interest received	446	427
Interest paid	169	191

38. TAX STATUS

- Difference between accounting profit (according to separate financial statements) and tax profit for the year 2010 represents an additional amount of YR 4,526,273 thousand as a result of adjusting accounting profit with provided provisions during the year which charged to statement of comprehensive income and subject to tax, and also used provisions, previously subject to tax, on the basis of tax rate of 20% for the year 2010 (Tax rate of 35% for the year 2009).

- Corporate and salary tax has been cleared up to the year 2006.

- The Group has submitted the tax declaration for the year 2007 and paid due amount within the legal deadline according to the declaration. The Group was notified during the year 2011 of differences in the corporate and salary tax for the year 2007 amounting to YR 312,975 thousand (after deducting the tax paid) according to form No. 5,which was rejected and appended by the Group for the difference in the application of the exemption interest earned from loans granted to companies established according to investment law such due Tax amounting to YR 118,623 thousand.

- The Group has submitted the tax declaration for the year 2008 and paid due amount within the legal deadline according to the decalaration . The Group was notified during the year 2011 of differences in the corporate and salary tax for the year 2008 amounting to YR 155,456 thousand (after deducting the tax paid) accroding to form No. 3 and the Group agreed to this assessment.

- The Group has submitted the tax declaration for the year 2009 in legal deadline, the tax inspection by the Tax Authourity has not started yet, and no assessment has been received for the year 2009 yet.

39. ZAKAT

- The Group has paid Zakat up to the end of the year 2009 according to the final settlement with the Zakat department on August 12, 2010.

40. COMPARATIVE FIGURES

Some comparative figures were reclassified to conform with this year consolidated financial statement classification for more appropriate presentation.

THE SEPARATE FINANCIAL STATEMENTS FOR INTERNATIONAL BANK OF YEMEN – SANA'A, YEMEN

The statement of financial position and statement of comprehensive income of the Parent Company are presented below:

1. STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

	2010 YR 000's	2009 YR 000's
ASSETS		
Cash on hand and reserve balances with Central Bank of Yemen	24,025,240	17,408,729
Due from banks	31,459,323	22,938,485
Treasury bills (net)	84,925,798	69,671,110
Treasury bills with repurchase obligation	8,028,988	9,616,973
Loans and advances (net)	34,133,238	23,444,548
Available for sale investments	96,803	96,142
Investments in subsidiaries	940,720	912,164
Debit balances and other assets (net)	2,494,756	1,604,442
Property and equipment (net)	1,851,907	1,913,694
TOTAL ASSETS	187,956,773	147,606,287
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Due to banks	7,295,764	2,961,794
Customers' deposits	161,503,271	129,792,066
Credit balances and other liabilities	5,221,970	2,826,598
Other provisions	1,152,809	1,442,092
Dividends payable	-	1,050,000
Total Liabilities	175,173,814	138,072,550
SHAREHOLDERS' EQUITY		
Paid-up capital	8,000,000	7,000,000
Legal reserve	1,951,058	1,463,675
Retained earnings	2,831,901	1,070,062
Total shareholder's equity	12,782,959	9,533,737
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	187,956,773	147,606,287
Contingent liabilities and commitments (net)	40,280,863	43,809,541

THE SEPARATE FINANCIAL STATEMENTS FOR INTERNATIONAL BANK OF YEMEN – SANA'A, YEMEN (continued)

2. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 YR 000's	2009 YR 000's
Interest income	20,222,443	14,712,962
Less: interest expense	(10,973,583)	(7,168,303)
Net interest income	9,248,860	7,544,659
Commissions' revenue and bank service charges	1,733,710	1,309,625
Less: commissions' expense and bank service charges	(207,291)	(107,983)
Gain of foreign currency transactions	270,206	359,675
Other operating income	1,891,255	227,849
Net operating income	12,936,740	9,333,825
Less: provisions	(5,044,888)	(3,078,049)
Less: general and administrative expenses and depreciation	(2,698,756)	(2,276,465)
Net profit of the year before income tax	5,193,096	3,979,311
Less: Income tax for the year	(1,943,874)	(1,551,787)
Net profit for the year after tax	3,249,222	2,427,524
Other comprehensive income	-	-
Total comprehensive income for the year	3,249,222	2,427,524
Earnings per share	YR 40.60	YR 34.70