

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
AND INDEPENDENT AUDITOR'S REPORT

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF YEMEN COMMERCIAL BANK SANA'A, REPUBLIC OF YEMEN

Report on the Financial Statements

We have audited the accompanying financial statements of Yemen Commercial Bank (the Bank), which comprise the balance sheet as at December 31, 2008, and the income statement, cash flow statement and statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and prevailing local laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 Bank'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 financial statements.

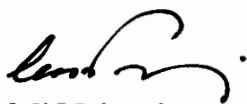
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yemen Commercial Bank as at December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and prevailing local laws and regulations.

Report on Other Legal and Regulatory Requirements

We have obtained from management the information and clarifications that we deemed necessary for our audit. The Bank keeps proper books of account, and the accompanying financial statements are in agreement with these books.



M. Zohdi Mejanni
Associated Accountant

Sana'a, February 28, 2009




**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**BALANCE SHEET
AS AT DECEMBER 31, 2008**

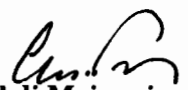
ASSETS	Note	2008 YR 000s	2007 YR 000s
Cash on hand & reserve balances with Central Bank of Yemen (CBY)	6	7,958,626	9,259,928
Due from banks	7	10,301,817	12,762,503
Treasury bills (net)	8	20,778,061	20,937,294
Certificates of deposits with Central Bank of Yemen (CBY)	9	12,050,000	-
Loans and advances (net)	10	14,111,631	11,606,028
Available-for-sale investments	12	89,181	79,200
Investments in subsidiaries and associates	13	89,663	109,769
Debit balances and other assets (net)	14	5,366,971	5,119,134
Property and equipment (net)	16	<u>2,659,630</u>	<u>2,176,305</u>
TOTAL ASSETS		<u>73,405,580</u>	<u>62,050,161</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	17	16,706	1,510,494
Customers' deposits	18	64,337,627	51,757,886
Credit balances and other liabilities	19	1,411,906	1,730,241
Other provisions	20	<u>462,316</u>	<u>489,915</u>
TOTAL LIABILITIES		<u>66,228,555</u>	<u>55,488,536</u>
SHAREHOLDERS' EQUITY			
Paid-up capital	21a	6,137,390	5,100,000
Statutory reserve	21b	419,503	419,503
General reserve		12,529	12,529
Retained earnings		<u>607,603</u>	<u>1,029,593</u>
TOTAL SHAREHOLDERS' EQUITY		<u>7,177,025</u>	<u>6,561,625</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>73,405,580</u>	<u>62,050,161</u>
CONTINGENT LIABILITIES AND COMMITMENTS (NET)			
	22	<u>35,531,566</u>	<u>38,040,603</u>

(The accompanying notes from 1 to 41 form part of these financial statements)


Sheikh/Mohamed Bin Yehya Al Rowaishan
Chairman


Ayed Almashni
General Manager & Chief Executive Officer

Auditor's report attached


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



**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Note</u>	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Interest on loans and due from banks	23	2,668,540	2,619,286
Interest on treasury bills and certificates of deposits	24	<u>3,646,930</u>	<u>2,461,454</u>
		6,315,470	5,080,740
Less: cost of deposits and borrowings	25	(<u>4,302,161</u>)	(<u>3,013,629</u>)
Net interest income		2,013,309	2,067,111
Commissions revenues and banking service charges	26	810,545	766,853
Less: commissions' expenses and banking service charges		(<u>27,350</u>)	(<u>25,128</u>)
Gain on foreign currency transactions	27	105,235	83,704
Other income	28	<u>477,654</u>	<u>825,665</u>
Net operating income		3,379,393	3,718,205
Less: provisions	29	(<u>420,212</u>)	(<u>189,725</u>)
Less: general and administrative expenses and depreciation	30	(<u>2,040,489</u>)	(<u>1,757,725</u>)
Operating Profit		918,692	1,770,755
Add: revenues of available-for-sale investments		3,089	8,220
Less: losses of investment in subsidiaries and associates		(<u>20,106</u>)	(<u>65,011</u>)
NET PROFIT OF THE YEAR BEFORE INCOME TAX		901,675	1,713,964
Less: income tax for the year		(<u>294,159</u>)	(<u>451,880</u>)
Less: income tax for the previous years		<u>-</u>	(<u>50,914</u>)
NET PROFIT FOR THE YEAR		<u>607,516</u>	<u>1,211,170</u>
Earnings per share	31	<u>YR 99</u>	<u>YR 273</u>

(The accompanying notes from 1 to 41 form part of these financial statements)


Sheikh Mohamed Bin Yehya Al Rowaishan
Chairman


Ayed Almashni
General Manager & Chief Executive Officer



Auditor's report attached.




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

**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Note</u>	<u>2008 YR 000s</u>	<u>2007 YR 000s</u>
<u>Cash flows from operating activities</u>			
Net profit for the year before tax		901,675	1,713,964
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation	16	305,240	212,464
Provisions provided during the year	29	420,212	189,725
Provisions reversed	28	(25,599)	(539,729)
Provisions used		(158,221)	(3,522,672)
Corporate tax paid		(50,914)	(30,172)
Evaluation losses of investment in subsidiaries and associates		20,106	65,011
Net (profit) on sale of property and equipment		(1,026)	(185,226)
Operating profit (losses) before changes in assets and liabilities used in operating activities		1,411,473	(2,096,635)
<u>Net (increase) decrease in assets</u>			
Reserve balances with Central Bank of Yemen		967,336	(2,221,618)
Loans and advances		(2,778,063)	1,999,474
Treasury bills		2,442,408	(1,619,880)
Debit balances and other assets		(239,368)	(3,279,305)
<u>Net increase (decrease) in liabilities</u>			
Due to banks		(1,493,788)	1,284,616
Customers' deposits		12,579,741	17,037,163
Credit balances and other liabilities		(561,580)	325,034
Net cash provided by operating activities		<u>12,328,159</u>	<u>11,428,849</u>
<u>Cash flows from investing activities</u>			
Payment to purchases property and equipment		(803,279)	(546,312)
Cash proceeds from sale of property and equipment		15,740	302,769
Increase in time deposits - restricted		(62,101)	-
Available for sale investments		(9,981)	-
Net cash (used in) investing activities		<u>(859,621)</u>	<u>(243,543)</u>
<u>Cash flows from financing activities</u>			
Increase in paid-up capital		7,884	657,413
Net cash provided by financing activities		<u>7,884</u>	<u>657,413</u>
Net change in cash and cash equivalents		11,476,422	11,842,719
Cash and cash equivalents at the beginning of the year		<u>30,959,155</u>	<u>19,116,436</u>
Cash and cash equivalents at the end of the year		<u>42,435,577</u>	<u>30,959,155</u>
<u>Cash and cash equivalents consist of:</u>			
Cash on hand & ATM machines and cheques purchased		2,140,909	2,474,875
Due from banks		10,301,817	12,762,503
Treasury bills maturing within 3 months		18,748,987	16,465,812
CBY certificates of deposits maturing within 3 months		<u>12,050,000</u>	-
		43,241,713	31,703,190
Less: Time deposits - restricted	7	(806,136)	(744,035)
		<u>42,435,577</u>	<u>30,959,155</u>

(The accompanying notes from 1 to 41 form part of these financial statements)

Sheikh / Mohamed Bin Yehya Al Rowaishan
Chairman

Ayed Almasbini
General Manager / Chief Executive Officer



Auditor's report attached.

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

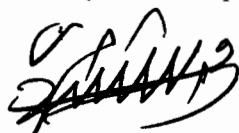


**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Description</u>	<u>Paid-up Capital YR 000s</u>	<u>Statutory Reserve YR 000s</u>	<u>General Reserve YR 000</u>	<u>Retained Earnings YR 000s</u>	<u>Total YR 000s</u>
Balance at January 1, 2007	3,650,187	237,827	12,529	792,499	4,693,042
Transfer to capital	792,400	-	-	(792,400)	-
Capital cash increase	657,413	-	-	-	657,413
Net profit for the year (after tax)	-	-	-	1,211,170	1,211,170
Transfer to statutory reserve	-	<u>181,676</u>	-	(181,676)	-
Balance at December 31, 2007	5,100,000	419,503	12,529	1,029,593	6,561,625
Transfer to capital	1,029,506	-	-	(1,029,506)	-
Capital cash increase	7,884	-	-	-	7,884
Net profit for the year (after tax)	-	-	-	<u>607,516</u>	<u>607,516</u>
Balance at December 31, 2008	<u>6,137,390</u>	<u>419,503</u>	<u>12,529</u>	<u>607,603</u>	<u>7,177,025</u>

(The accompanying notes from 1 to 41 form part of these financial statements)



**Sheikh Mohamed Bin Yehya Al Rowaishan
Chairman**

**Ayed Almashni
General Manager & Chief Executive Officer**



Auditor's report attached.



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



**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**PROPOSED APPROPRIATION ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Retained earnings at the beginning of the year	87	99
Add: net profit for the year	<u>607,516</u>	<u>1,211,170</u>
	<u>607,603</u>	<u>1,211,269</u>
Proposed to be appropriated as follows:		
15% statutory reserve	91,127	181,676
Transfer to capital	-	1,029,506
Retained earnings	<u>516,476</u>	<u>87</u>
	<u>607,603</u>	<u>1,211,269</u>

**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. BACKGROUND INFORMATION

The Yemen Commercial Bank (Yemeni Joint Stock Company) was incorporated in Sana'a, Republic of Yemen on February 20, 1993. The Bank engages in banking activities through its head office in Sana'a and branches in the cities of Sana'a (Zubeiry St., Taiz St., Dar Selm, New University and Hadda), Hodeidah, Aden (Queen Arwa and Sheikh Othman), Taiz, Mukalla, Ibb, Dhamar and Radaa.

2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The financial statements are prepared on the historical cost basis, 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) as adopted by the International Accounting Standards Board (IASB) in force at December 31, 2008 and the interpretations of the International Financial Reporting interpretations committee (IFRIC) of the IASB in force at December 31, 2008, the requirements of the current local prevailing laws and regulations as well as rules and instructions issued by the Central Bank of Yemen (CBY).

The financial statements are presented in Yemeni Rials and all values are rounded to the nearest one thousand Yemeni Rial except when otherwise is indicated.

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

- a. The adoption of minimum fixed percentages for loan provisions in accordance with Central Bank of Yemen circular No. 6 of 1996 and No. 5 of 1998,
- b. The recording of provision for general risks calculated on performing loans under "loans provision" and not under head office equity,
- c. The recording of provision for contingent liabilities under "other provisions" and not under head office equity.

The effect of these deviations is immaterial on the financial statement of the Bank as on December 31, 2008.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS 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 Bank and various other factors that are believed by the Bank 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.

**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

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 financial statements are described in notes 4, 10, 19 and 20.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Translation of foreign currencies

- The Bank maintains its records in Yemeni Rial, which is the Bank 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 on that date. Gains or losses resulting from translation are taken to the income statement.
- The Bank deals in short-term forward contracts only to the extent necessary to cover its needs for foreign currencies or its customers' needs to meet their obligations in foreign currencies as a result of their operations through the Bank.

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 Bank 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.
- Income from investments available for sale is recognized when its related dividends are distributed.
- Income from investments in subsidiaries and associates are recorded when the financial statements of these companies are approved.

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 balance sheet at face value less balance of unearned discount outstanding at the balance sheet date.

3.4 CBY certificates of deposits

Certificates of deposit issued by the Central Bank of Yemen are recorded at face value at the balance sheet date and the related accrued interest outstanding is included under debit balances and other assets at balance sheet date.

**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

3.5 Available-for-sale investments

After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, available for sale investments are subsequently measured at fair value. 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 included in the statement of 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 income as a provision for impairment of investments. Reversals in respect of equity investments classified as available for sale are treated as increase in fair value through statement of changes in equity. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment. Reversal of impairment losses on debt instruments are reversed through the statement of income, when the increase in fair value can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

3.6 Investments in subsidiaries and associates

Investments in subsidiaries, which the Bank has control over, or associates, which the Bank has significant influence over, are recorded at acquisition cost. At the financial statements date the value of these investments are adjusted according to the Bank's share in the equity of subsidiaries and associates based on the approved financial statements of these companies. Such adjustment is taken to the statement of income. In case these financial statements are not available the investments are recorded at cost.

3.7 Valuation of assets whose titles have been transferred to the bank as a repayment of loans

Assets whose titles have been transferred to the bank are presented in the balance sheet under debit balances and other assets at the values carried by the bank less any impairment in their value at the financial statement date, if any. Impairment losses are charged to the income statement.

3.8 Provision for loans and contingent liabilities

In order to comply with CBY circular No. (6) of 1996 and (5) of 1998, provision is made 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 bank guarantees issued by credit worthy foreign banks, based on periodic comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, provision is made at the following rates:

<u>Performing loans and contingent liabilities</u> <u>(including watch list accounts)</u>	1%
<u>Non-performing loans and contingent liabilities:</u>	
Substandard debts	15%
Doubtful debts	45%
Bad debts	100%

**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

Loans to customers and banks are presented on the balance sheet net of provision (specific and general) and uncollected interest.

3.9 Contingent liabilities and commitments

Contingent liabilities and commitments to which the Bank is a party are presented off balance sheet, net of any margins held for customers, under contingent liabilities and commitments, as they do not represent actual assets or liabilities at the balance sheet date.

3.10 Cash and cash equivalents

For the purpose of preparing the cash flow statement, cash and cash equivalents consist of cash on hand, cash balances with CBY other than reserve balances, demand deposits with other banks, investments in treasury bills, and certificates of deposit with the CBY, which are due within three months from the issuance date.

3.11 Impairment of assets

The Bank reviews the carrying amounts of the assets according to their materiality at each balance sheet 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 income statement.

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

3.12 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the income statement 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 Bank's management. The Bank has amended the depreciation rate and the estimated useful lives for equipment and machinery became 10 years instead of 8 years according to the Board of Directors decision no. (7) dated December 31, 2008. The estimated useful lives are as follows:

	<u>Estimated Useful Lives</u>
Buildings	20 years
Equipment and machinery	10 years
Computers	5 years
Vehicles	5 years
Furniture and decoration	10 years

3.13 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 Bank in order to estimate the amount of the obligation.

**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

3.14 Taxation

Corporate tax due is calculated in accordance with the prevailing laws and regulations in the Republic of Yemen.

A provision is made for tax liabilities after appropriate review of tax assessments received.

3.15 Zakat due on shareholders accounts

The Bank remits the Zakat due from the shareholders annually to the relevant government authority, which decides on its allocation in accordance with Shari'a.

3.16 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, 2008 and are not yet in effect, have not been adopted early.

- Revised IAS 1 Presentation of Financial Statements which becomes effective from January 1, 2009 introduces the term "total comprehensive income," which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.
- IAS 23 Borrowing costs (as revised during 2007) which becomes effective from January 1, 2009.
- Amended IAS 27 Consolidated and Separate Financial Statements, which becomes effective from July 1, 2009 requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognized as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss.
- Amendments to IAS 32 and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation, require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Bank's 2009 financial statements.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory from 2010.
- IFRS 2 "Share-based payment" (as revised during 2008) which becomes effective from January 1, 2009.

**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

- IFRS 3 Business combination (as revised during 2008) which becomes effective from July 1, 2009.
- IFRS 8 Operating Segments, which becomes effective for annual periods beginning on or after January 2009, introduces the “management approach” to segment reporting, will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Bank’s “chief operating decision maker” in order to assess each segment’s performance and to allocate resources to them. Currently, the Bank presents segment information in respect of its business segments and geographical distribution. This standard will have no effect on the Bank’s reported total profit or loss or equity.
- IFRIC 13 Customer Loyalty Programmes which becomes effective annual periods beginning on or after July 2008 addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank’s 2009 financial statements.

The Bank 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 Bank’s financial instruments consist of financial assets and liabilities. Financial assets include cash balances, current accounts, and deposits with banks, financial investments, treasury bills, certificates of deposit (CBY) and loans to customers. Financial liabilities include customers’ deposits, and due to banks. Also, financial instruments include rights and obligations in the form of contingent liabilities and commitments.

Note (3) to the financial statements includes significant accounting policies applied for recognition and measurement of 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 on the balance sheet 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 until sometime reliable measure of the fair value is available.

**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
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4.2 Risk management of financial instruments

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.

Monitoring and controlling risks is 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 compiled 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 Bank is exposed to credit risk, liquidity risk, interest rate risk, currency 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 bank applies minimum procedures in order to properly manage its credit risk. The following are the major 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 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 balance sheet. The maximum exposure is shown gross, before the effect of risk mitigation by the use of collateral agreements:

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	2008	2007
	<u>YR 000s</u>	<u>YR 000s</u>
Cash on hand and reserve balances with the Central Bank of Yemen (excluding cash on hand)	5,875,833	7,116,446
Due from bank	10,301,817	12,762,503
Treasury bill (net)	20,778,061	20,937,294
Certificate of deposits with Central Bank of Yemen	12,050,000	-
Loans and advances to customers (net)	14,111,631	11,606,028
Available-for-sale investments	89,181	79,200
Investments in subsidiaries and associates	89,663	109,769
Debit balances and other assets (net)	<u>5,366,971</u>	<u>5,119,134</u>
	68,663,157	57,730,374
Contingent liabilities and commitments	<u>41,604,808</u>	<u>43,502,228</u>
Total credit risk exposure	<u>110,267,965</u>	<u>101,232,602</u>

The Bank manages concentration of risk by distributing the portfolio over diversified economic sectors and geographical locations. Note no. 34 shows the distribution of financial instruments over different economic sectors and Note no. 35 shows the distribution of financial instruments based on geographical locations.

(b) Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its obligations when they fall due and other risks related to sufficient liquidity without incurring losses on timely basis. To limit this 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 table below shows the maturity analysis for financial liabilities that shows the remaining contractual maturities:

	2008				
	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 year	Total
	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>
<u>Liabilities</u>					
Due to banks	16,706	-	-	-	16,706
Customers' deposits	57,371,064	5,191,796	360,445	1,414,322	64,337,627
Income tax for the year	<u>294,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,159</u>
Total liabilities	<u>57,681,929</u>	<u>5,191,796</u>	<u>360,445</u>	<u>1,414,322</u>	<u>64,648,492</u>

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	2007				
	Less than 3 months <u>YR 000s</u>	From 3 to 6 months <u>YR 000s</u>	From 6 months to 1 year <u>YR 000s</u>	Over 1 year <u>YR 000s</u>	Total <u>YR 000s</u>
<u>Liabilities</u>					
Due to banks	1,510,494	-	-	-	1,510,494
Customers' deposits	46,539,126	1,882,848	1,114,535	2,221,377	51,757,886
Income tax for the year	-	<u>451,880</u>	-	-	<u>451,880</u>
Total liabilities	<u>48,049,620</u>	<u>2,334,728</u>	<u>1,114,535</u>	<u>2,221,377</u>	<u>53,720,260</u>

In addition to the above, Note no. 32 shows the maturity analysis of financial assets and liabilities and the net gap between them at the balance sheet 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 bank 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.

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

	2008						Average interest rates	
	Less than 3 months YR 000s	From 3 months to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s	Non- interest sensitive YR 000s	Total YR 000s	Local Currency %	Foreign Currency %
Assets								
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	7,958,626	7,958,626		
Due from banks	2,383,292	-	-	-	7,918,525	10,301,817	15.00	0.75
Treasury bills (net)	18,748,987	493,500	1,535,574	-	-	20,778,061	14.87	
Certificates of deposits with CBY	12,050,000	-	-	-	-	12,050,000	14.87	
Loans and advances (net)	3,601,715	2,867,954	3,961,206	3,680,756	-	14,111,631	18.50	8.00
Available-for-sale investment	-	-	-	-	89,181	89,181		
Investment in subsidiaries and associates	-	-	-	-	89,663	89,663		
Debit balances and other assets (net)	-	-	-	-	5,366,971	5,366,971		
Property and equipments (net)	-	-	-	-	2,659,630	2,659,630		
Total Assets	<u>36,783,994</u>	<u>3,361,454</u>	<u>5,496,780</u>	<u>3,680,756</u>	<u>24,082,596</u>	<u>73,405,580</u>		
Liabilities and Shareholders' Equity								
Due to banks	16,706	-	-	-	-	16,706	15.00	
Customers' deposits	30,830,352	625,034	211,011	1,012,057	31,659,173	64,337,627	13.00	1.06
Credit balances and other liabilities	-	-	-	-	1,411,906	1,411,906		
Other provisions	-	-	-	-	462,316	462,316		
Shareholders' equity	-	-	-	-	7,177,025	7,177,025		
Total Liabilities and Shareholders' Equity	<u>30,847,058</u>	<u>625,034</u>	<u>211,011</u>	<u>1,012,057</u>	<u>40,710,420</u>	<u>73,405,580</u>		
Interest rate sensitivity gap	<u>5,936,936</u>	<u>2,736,420</u>	<u>5,285,769</u>	<u>2,668,699</u>	<u>(16,627,824)</u>	<u>-</u>		
Cumulative interest rate sensitivity gap	<u>5,936,936</u>	<u>8,673,356</u>	<u>13,959,125</u>	<u>16,627,824</u>	<u>-</u>	<u>-</u>		

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	2007						Average interest rates	
	Less than 3 months YR 000s	From 3 months to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s	Non- interest sensitive YR 000s	Total YR 000s	Local Currency %	Foreign Currency %
Assets								
Cash on hand and reserve balances with the Central Bank of Yemen	3,529,848	-	-	-	5,730,080	9,259,928	13.00	-
Due from banks	4,531,639	-	-	744,035	7,486,829	12,762,503	15.50	0.50
Treasury bills, (net)	16,465,812	2,143,471	2,328,011	-	-	20,937,294	15.83	-
Loans and advances, (net)	3,505,278	2,370,240	1,953,633	3,776,877	-	11,606,028	17.50	8.00
Available-for-sale investment	-	-	-	-	79,200	79,200		
Investment in subsidiaries and associates	-	-	-	-	109,769	109,769		
Debit balances and other assets (net)	-	-	-	-	5,119,134	5,119,134		
Property and equipments, (net)	-	-	-	-	2,176,305	2,176,305		
Total Assets	<u>28,032,577</u>	<u>4,513,711</u>	<u>4,281,644</u>	<u>4,520,912</u>	<u>20,701,317</u>	<u>62,050,161</u>		
Liabilities and Shareholders' Equity								
Due to banks	1,510,494	-	-	-	-	1,510,494	15.00	-
Customers' deposits	24,934,111	776,007	1,385	1,249,523	24,796,860	51,757,886	13.00	2.25
Credit balances and other liabilities	-	-	-	-	1,730,241	1,730,241		
Other provisions	-	-	-	-	489,915	489,915		
Shareholders' equity	-	-	-	-	6,561,625	6,561,625		
Total Liabilities and Shareholders' Equity	<u>26,444,605</u>	<u>776,007</u>	<u>1,385</u>	<u>1,249,523</u>	<u>33,578,641</u>	<u>62,050,161</u>		
Interest rate sensitivity gap	<u>1,587,972</u>	<u>3,737,704</u>	<u>4,280,259</u>	<u>3,271,389</u>	<u>(12,877,324)</u>	<u>-</u>		
Cumulative interest rate sensitivity gap	<u>1,587,972</u>	<u>5,325,676</u>	<u>9,605,935</u>	<u>12,877,324</u>	<u>-</u>	<u>-</u>		

Note no. 33 shows the average interest rates on assets and liabilities applied during the years ended December 31, 2008 and December 31, 2007.

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(d) Exchange rate risk

Due to the nature of the Bank's activity, the Bank deals in different foreign currencies, hence it is exposed to exchange rate risk. In order to minimize the exposure to exchange rate risk, the Bank is trying to maintain a balanced foreign currencies position in compliance with the Central Bank of Yemen 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 open position for all foreign currencies should not exceed 25% of the Bank's capital and reserves.

In order to comply with the 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 rates on the dates of sale.

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

	2008					
	US		Saudi	Sterling	Other	Total
	Dollars	EURO	Rial	Pound	currencies	Total
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
Assets	25,427,722	2,189,263	1,022,077	132,724	217,496	28,989,282
Liabilities	(26,804,217)	(2,163,534)	(1,689,979)	(132,691)	(180,177)	(30,970,598)
Net currency position	(1,376,495)	25,729	(667,902)	33	37,319	(1,981,316)
	2007					
	US		Saudi	Sterling	Other	Total
	Dollars	EURO	Rial	Pound	currencies	Total
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
Assets	24,240,580	1,005,701	2,878,285	304,422	997,152	29,426,140
Liabilities	(23,635,902)	(970,826)	(2,894,155)	(150,066)	(972,524)	(28,623,473)
Net currency position	604,678	34,875	(15,870)	154,356	24,628	802,667

Note 36 to the financial statements indicates the significant foreign currencies' positions at the balance sheet date.

(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 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, staff education and assessment processes.

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(f) 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.

5. CAPITAL MANAGEMENT

5.1 The primary objectives of the Bank's capital management are to ensure that the Bank complies with capital requirements which issued by Central Bank of Yemen (CBY) and Basel Accords and that the Bank maintains strong credit ratings and excellently 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 Central Bank of Yemen for supervisory purposes. The required information is filed with the Central Bank of Yemen on a quarterly basis, in order to comply with the requirement of CBY circular no. (2) of 1997.

The Central Bank of Yemen 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 calculated in accordance with the guidelines of the Central Bank of Yemen compares between the Bank core and supplementary capital with risk weighted total assets and liabilities at the balance sheet date, is as follows:

	<u>Note</u>	<u>2008 YR 000s</u>	<u>2007 YR 000s</u>
Core and supplementary capital	5-2	<u>7,540,233</u>	<u>6,915,732</u>
<u>Risk-weighted assets:</u>			
Total assets		23,537,018	21,591,936
Contingent liabilities and commitments		<u>18,987,211</u>	<u>20,994,409</u>
Total risk-weighted assets		<u>42,524,229</u>	<u>42,586,345</u>
Capital adequacy ratio		<u>17.73%</u>	<u>16.2%</u>

5.2 Core and supplementary capital

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 as follows:

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	2008 <u>YR 000s</u>	2007 <u>YR 000s</u>
Paid-up capital	6,137,390	5,100,000
Reserves	432,032	432,032
Retained earnings	<u>607,603</u>	<u>1,029,593</u>
	7,177,025	6,561,625
Less: Investment in financial companies	(<u>104,663</u>)	(<u>124,769</u>)
Core capital	7,072,362	6,436,856
Add: General provisions	<u>467,871</u>	<u>478,876</u>
Total capital	<u>7,540,233</u>	<u>6,915,732</u>

6. CASH ON HAND AND RESERVE BALANCES WITH CBY

	2008 <u>YR 000s</u>	2007 <u>YR 000s</u>
Cash on hand and ATM machines– local currency	1,035,790	1,023,029
Cash on hand and ATM machines – foreign currency	<u>1,047,003</u>	<u>1,120,453</u>
	<u>2,082,793</u>	<u>2,143,482</u>
Mandatory reserve at CBY – local currency	2,718,878	3,529,848
Mandatory reserve at CBY – foreign currency	<u>3,098,839</u>	<u>3,255,205</u>
	<u>5,817,717</u>	<u>6,785,053</u>
Cheques purchased	<u>58,116</u>	<u>331,393</u>
	<u>7,958,626</u>	<u>9,259,928</u>

The reserve balances with Central Bank of Yemen represent the minimum reserve requirements against customers' accounts in Yemeni Rial of 7% (10% in 2007) and foreign currencies of 20% (20% in 2007). These funds are not available for the Bank's daily business.

7. DUE FROM BANKS

	2008 <u>YR 000s</u>	2007 <u>YR 000s</u>
<u>Central Bank of Yemen</u>		
Current accounts – local currency	1,702,349	2,024,466
Current accounts – foreign currency	<u>2,492,676</u>	<u>782,199</u>
	<u>4,195,025</u>	<u>2,806,665</u>
<u>Foreign banks</u>		
Current accounts	3,723,500	4,680,164
Time deposits – foreign currency*	<u>2,383,292</u>	<u>5,275,674</u>
	<u>6,106,792</u>	<u>9,955,838</u>
	<u>10,301,817</u>	<u>12,762,503</u>

*Time deposits – foreign currency – at December 31, 2008 included YR 806,136 thousand equivalent to US\$ 4,029 thousand (YR 744,035 thousand equivalent to US\$ 3,478 thousand at December 31, 2007) reserved at the Bank of New York. These deposits are free and added to the current accounts at February 9, 2009.

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8. TREASURY BILLS (NET)

	2008	2007
	<u>YR 000s</u>	<u>YR 000s</u>
Treasury bills due within 90 days	19,121,947	16,817,000
Treasury bills due within 180 days	496,600	2,200,000
Treasury bills due within 360 days	<u>1,620,640</u>	<u>2,490,000</u>
	21,239,187	21,507,000
Less: Unearned discount balance	(461,126)	(569,706)
	<u>20,778,061</u>	<u>20,937,294</u>

9. CERTIFICATES OF DEPOSITS WITH CENTRAL BANK OF YEMEN (CBY)

	2008	2007
	<u>YR 000s</u>	<u>YR 000s</u>
CBY certificates of deposits due within 90 days	<u>12,050,000</u>	<u>-</u>

10. LOANS AND ADVANCES (NET)

a. By type

	Note	2008	2007
		<u>YR 000s</u>	<u>YR 000s</u>
Overdrafts		3,097,923	3,560,960
Loans to customers		7,248,608	7,658,458
LC facilities		3,129,271	1,308,151
Staff loans		2,843,102	1,243,780
Others		<u>219,296</u>	<u>558</u>
		16,538,200	13,771,907
Less: Provision for doubtful loans and advances	11	(1,823,045)	(1,550,585)
Less: Uncollected interest		(603,524)	(615,294)
		<u>14,111,631</u>	<u>11,606,028</u>

- Non-performing loans and advances amounted to YR 3,024,007 thousand at December 31, 2008 (after deducting the uncollected interest) (YR 2,690,255 thousand at December 31, 2007) is as follows:

	2008	2007
	<u>YR 000s</u>	<u>YR 000s</u>
Substandard loans and advances	512,755	773,712
Doubtful loans and advances	333,800	456,202
Bad loans and advances	<u>2,177,452</u>	<u>1,460,341</u>
	<u>3,024,007</u>	<u>2,690,255</u>

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- Non-performing loans and advances as at December 31, 2008 include balances secured by cash deposits amounting to YR 963,509 thousand (YR 334,839 thousand at December 31, 2007) are as follows:

	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Cash deposits for substandard loans and advances	224,959	4,168
Cash deposits for doubtful loans and advances	142,199	4,057
Cash deposits for bad loans and advances	<u>596,351</u>	<u>326,614</u>
	<u>963,509</u>	<u>334,839</u>

- b. By sector

	<u>Overdraft</u> <u>YR 000s</u>	<u>Loans to</u> <u>customers</u> <u>YR 000s</u>	<u>L/C</u> <u>facilities</u> <u>YR 000s</u>	<u>Staff</u> <u>loans</u> <u>YR 000s</u>	<u>Others</u> <u>YR 000s</u>	<u>Total</u> <u>YR 000s</u>
<u>As at Dec. 31, 2008</u>						
Individuals	778,308	835,320	222,453	2,843,102	219,296	4,898,479
Trade	1,294,539	3,313,078	2,795,592	-	-	7,403,209
Industry	186,402	507,111	111,226	-	-	804,739
Contractors	<u>838,674</u>	<u>2,593,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,431,773</u>
Total	<u>3,097,923</u>	<u>7,248,608</u>	<u>3,129,271</u>	<u>2,843,102</u>	<u>219,296</u>	<u>16,538,200</u>
<u>As at Dec. 31, 2007</u>						
Individuals	572,435	882,550	-	1,243,780	558	2,699,323
Trade	2,234,586	3,500,406	1,129,991	-	-	6,864,983
Industry	137,096	535,784	178,160	-	-	851,040
Contractors	<u>616,843</u>	<u>2,739,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,356,561</u>
Total	<u>3,560,960</u>	<u>7,658,458</u>	<u>1,308,151</u>	<u>1,243,780</u>	<u>558</u>	<u>13,771,907</u>

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

	<u>Note</u>	<u>2008</u>		
		<u>Specific</u> <u>YR 000s</u>	<u>General</u> <u>YR 000s</u>	<u>Total</u> <u>YR 000s</u>
Provision balance at first of Jan. 2008		1,452,624	97,961	1,550,585
Add: provided during the year	29	284,663	14,594	299,257
Less: provision used		<u>(26,797)</u>	<u>-</u>	<u>(26,797)</u>
Provision balance at end of Dec. 2008		<u>1,710,490</u>	<u>112,555</u>	<u>1,823,045</u>

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	<u>Note</u>	<u>2007</u>		
		<u>Specific YR 000s</u>	<u>General YR 000s</u>	<u>Total YR 000s</u>
Provision balance at first of Jan. 2007		5,067,575	83,630	5,151,205
Transferred to general provision		(14,331)	14,331	-
Less: provision used		(3,063,929)	-	(3,063,929)
Less: provision reversed	28	(536,691)	-	(536,691)
Provision balance at end of Dec. 2007		<u>1,452,624</u>	<u>97,961</u>	<u>1,550,585</u>

12. AVAILABLE-FOR-SALE INVESTMENTS

	<u>2008 YR 000s</u>	<u>2007 YR 000s</u>
Saba'a Airway Co. (under incorporation)	39,000	39,000
Yemen International Public Transportation Company	35,181	25,200
Al-Amal Bank for lending (under incorporation)	<u>15,000</u>	<u>15,000</u>
	<u>89,181</u>	<u>79,200</u>

All available for sale investments are local investments. Due to the difficulty of obtaining a reliable estimate of fair value for these investments as there are no quoted market prices, these investments were recorded at cost.

13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	<u>2008 YR 000s</u>	<u>Shareholding Percentage</u>	<u>2007 YR 000s</u>	<u>Shareholding Percentage</u>
Yemeni Company for Financial Services	<u>89,663</u>	90%	<u>109,769</u>	90%

14. DEBIT BALANCES AND OTHER ASSETS (NET)

	<u>Note</u>	<u>2008 YR 000s</u>	<u>2007 YR 000s</u>
Accrued interest		124,747	40,253
Prepaid expenses		203,604	178,469
Assets which have been transferred to the bank's ownership	3.7	4,447,034	4,245,308
Balances related to BCCI with CBY		197,316	197,507
Project in process		302,108	318,629
Stationery stock		14,399	12,211
Sundry debit balances		<u>122,545</u>	<u>180,008</u>
		5,411,753	5,172,385
Less: Provision for doubtful debts	15	(44,782)	(53,251)
		<u>5,366,971</u>	<u>5,119,134</u>

**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

15. PROVISION FOR DOUBTFUL DEBTS

	<u>Note</u>	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Balance at the beginning of the year		53,251	56,289
Add: provided during the year	29	14,263	-
Less: provision used		(22,732)	-
Less: provision reversed	28	<u>-</u>	<u>(3,038)</u>
Balance at the end of the year		<u>44,782</u>	<u>53,251</u>

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

16. PROPERTY AND EQUIPMENT (NET)

	2008						
	Land	Buildings	Equipment & Machinery	Computers	Vehicles	Furniture & Decoration	Total
	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s	YR 000s
<u>Cost</u>							
Balance as at January 1, 2008	725,155	636,120	239,559	606,434	211,534	575,857	2,994,659
Additions during the year	15,073	-	74,590	231,433	131,652	350,531	803,279
Disposals during the year	-	-	(8,665)	(1,113)	(23,575)	(13,203)	(46,556)
Balance as at December 31, 2008	<u>740,228</u>	<u>636,120</u>	<u>305,484</u>	<u>836,754</u>	<u>319,611</u>	<u>913,185</u>	<u>3,751,382</u>
<u>Accumulated depreciation</u>							
Balance as at January 1, 2008	-	131,906	94,959	261,664	118,467	211,358	818,354
Depreciation	-	30,007	25,484	132,369	47,624	69,756	305,240
Disposals	-	-	(8,609)	(1,026)	(15,308)	(6,899)	(31,842)
Balance as at December 31, 2008	<u>-</u>	<u>161,913</u>	<u>111,834</u>	<u>393,007</u>	<u>150,783</u>	<u>274,215</u>	<u>1,091,752</u>
<u>Net book value</u>							
December 31, 2008	<u>740,228</u>	<u>474,207</u>	<u>193,650</u>	<u>443,747</u>	<u>168,828</u>	<u>638,970</u>	<u>2,659,630</u>

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2007						
	Land	Buildings	Equipment & Machinery	Computers	Vehicles	Furniture & Decoration	Total
	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>
<u>Cost</u>							
Balance as at January 1, 2007	707,185	644,227	164,838	428,783	171,598	464,494	2,581,125
Additions during the year	114,878	-	74,898	179,573	44,422	132,541	546,312
Disposals during the year	(96,908)	(8,107)	(177)	(1,922)	(4,486)	(21,178)	(132,778)
Balance as at December 31, 2007	<u>725,155</u>	<u>636,120</u>	<u>239,559</u>	<u>606,434</u>	<u>211,534</u>	<u>575,857</u>	<u>2,994,659</u>
<u>Accumulated depreciation</u>							
Balance as at January 1, 2007	-	102,743	75,764	170,743	90,133	181,742	621,125
Depreciation	-	30,413	19,255	92,694	31,855	38,247	212,464
Disposals	-	(1,250)	(60)	(1,773)	(3,521)	(8,631)	(15,235)
Balance as at December 31, 2007	<u>-</u>	<u>131,906</u>	<u>94,959</u>	<u>261,664</u>	<u>118,467</u>	<u>211,358</u>	<u>818,354</u>
<u>Net book value</u>							
December 31, 2007	<u>725,155</u>	<u>504,214</u>	<u>144,600</u>	<u>344,770</u>	<u>93,067</u>	<u>364,499</u>	<u>2,176,305</u>

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

17. DUE TO BANKS

	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Foreign banks - current accounts	16,706	14,169
Foreign banks - time deposits	<u>-</u>	<u>1,496,325</u>
	<u>16,706</u>	<u>1,510,494</u>

18. CUSTOMERS' DEPOSITS

a. By type

	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Current accounts	22,893,332	18,371,191
Time and call deposits	25,190,490	20,319,973
Saving accounts	7,487,964	6,641,053
LCs and LGs margins and others	6,077,390	5,463,715
Other deposits	<u>2,688,451</u>	<u>961,954</u>
	<u>64,337,627</u>	<u>51,757,886</u>

b. By sector

	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Trade	8,229,474	6,620,389
Industry	4,181,106	3,363,587
Agricultural	411,302	330,883
Service	23,427,620	18,846,888
Individuals and others	<u>28,088,125</u>	<u>22,596,139</u>
	<u>64,337,627</u>	<u>51,757,886</u>

19. CREDIT BALANCES AND OTHER LIABILITIES

	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Income tax for the year	294,159	451,880
Income tax for the last years	-	50,914
Tax Authority – due	440,774	560,000
Zakat department - due	-	111,674
Interest payable	292,875	296,615
Accrued expenses	20,350	15,537
Income received in advance	79,763	67,112
Inter-branch balances	11,682	15,550
Sundry credit balances	<u>272,303</u>	<u>160,959</u>
	<u>1,411,906</u>	<u>1,730,241</u>

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

20. OTHER PROVISIONS

		2008			
<u>Description</u>	<u>Note</u>	<u>Provision for contingent claims YR 000s</u>	<u>Provision for contingent liabilities YR 000s</u>	<u>Other provisions YR 000s</u>	<u>Total YR 000s</u>
Balance at beginning of the year		-	380,915	109,000	489,915
Provided during the year from income statement	29	-	-	106,692	106,692
Used during the year		-	-	(108,692)	(108,692)
Provision reversed	28	<u>-</u>	<u>(25,599)</u>	<u>-</u>	<u>(25,599)</u>
Balance at the end of the year		<u>-</u>	<u>355,316</u>	<u>107,000</u>	<u>462,316</u>
		2007			
<u>Description</u>	<u>Note</u>	<u>Provision for contingent claims YR 000s</u>	<u>Provision for contingent liabilities YR 000s</u>	<u>Other provisions YR 000s</u>	<u>Total YR 000s</u>
Balance at beginning of the year		827,000	300,190	200,000	1,327,190
Provided during the year from income statement	29	-	80,725	109,000	189,725
Used during the year		<u>(827,000)</u>	<u>-</u>	<u>(200,000)</u>	<u>(1,027,000)</u>
Balance at the end of the year		<u>-</u>	<u>380,915</u>	<u>109,000</u>	<u>489,915</u>

21. SHAREHOLDERS' EQUITY

a. Issued and paid-up capital

The Bank's extraordinary general assembly approved on May 13, 2006 the capital increase to YR Billion 8 (by the year 2009) divided into 8 million shares of par value of YR 1,000 each to be paid over annual equal installments of YR Million 1,450 including appropriated profits.

The following shows the paid-up capital at December 31, 2008:

	2008	2007
	<u>YR 000s</u>	<u>YR 000s</u>
Capital at beginning of the year	5,100,000	3,650,187
Transfer from retained earning	1,029,506	792,400
Capital paid during the year	<u>7,884</u>	<u>657,413</u>
Capital at end of the year	<u>6,137,390</u>	<u>5,100,000</u>

b. Statutory reserve

According to provisions of the Law, 15% of the net profit for the year is transferred to the statutory reserve until it equals twice the paid-up capital.

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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22. CONTINGENT LIABILITIES AND COMMITMENTS (NET)

	2008 <u>YR 000s</u>	2007 <u>YR 000s</u>
Letters of credit	17,236,218	23,359,319
Less: margins held	<u>(1,926,269)</u>	<u>(2,050,630)</u>
	<u>15,309,949</u>	<u>21,308,689</u>
Letters of guarantee	24,368,590	20,142,909
Less: margins held	<u>(4,146,973)</u>	<u>(3,410,995)</u>
	<u>20,221,617</u>	<u>16,731,914</u>
	<u>35,531,566</u>	<u>38,040,603</u>

23. INTEREST ON LOANS AND DUE FROM BANKS

	2008 <u>YR 000s</u>	2007 <u>YR 000s</u>
<u>Interest on loans and overdrafts to customers</u>		
Interest earned on overdrafts	792,948	524,888
Interest earned on loans	<u>1,429,528</u>	<u>1,397,102</u>
	<u>2,222,476</u>	<u>1,921,990</u>
<u>Interest on due from banks</u>		
Foreign banks	335,845	293,069
Local banks	<u>110,219</u>	<u>404,227</u>
	<u>446,064</u>	<u>697,296</u>
	<u>2,668,540</u>	<u>2,619,286</u>

24. INTEREST ON TREASURY BILLS AND CERTIFICATES OF DEPOSITS

	2008 <u>YR 000s</u>	2007 <u>YR 000s</u>
Interest on treasury bills	3,027,556	1,931,322
Interest on CBY certificates of deposits	<u>619,374</u>	<u>530,132</u>
	<u>3,646,930</u>	<u>2,461,454</u>

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

25. COST OF DEPOSITS AND BORROWINGS

	2008	2007
	<u>YR 000s</u>	<u>YR 000s</u>
<u>Interest on customers' deposits</u>		
Interest on time deposits	2,854,250	1,986,100
Interest on call deposits	78,207	-
Interest on saving accounts	706,267	646,606
Other and miscellaneous	<u>658,168</u>	<u>361,403</u>
	<u>4,296,892</u>	<u>2,994,109</u>
<u>Interest on balances due to banks</u>		
Interest paid to foreign banks	930	19,317
Interest paid to local banks	<u>4,339</u>	<u>203</u>
	<u>5,269</u>	<u>19,520</u>
	<u>4,302,161</u>	<u>3,013,629</u>

26. COMMISSION REVENUES AND BANKING SERVICE CHARGES

	2008	2007
	<u>YR 000s</u>	<u>YR 000s</u>
Commissions on documentary credits	318,988	355,848
Commissions on letters of guarantee	355,430	277,384
Commissions on transfer of funds	48,483	45,945
Commissions on cheques collection	3,250	5,126
Commissions on banking services	<u>84,394</u>	<u>82,550</u>
	<u>810,545</u>	<u>766,853</u>

27. GAIN ON FOREIGN CURRENCY TRANSACTIONS

	2008	2007
	<u>YR 000s</u>	<u>YR 000s</u>
Gains from dealing in foreign currencies and translation of foreign currencies balances	<u>105,235</u>	<u>83,704</u>

28. OTHER INCOME

	Note	2008	2007
		<u>YR 000s</u>	<u>YR 000s</u>
Provisions reversed	20	25,599	539,729
Profit on sale of property and equipment		3,991	185,226
Profit on sale of property which have been transferred to Bank		-	42,972
Rental		57,625	21,738
Others		<u>390,439</u>	<u>36,000</u>
		<u>477,654</u>	<u>825,665</u>

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

29. PROVISIONS MADE DURING THE YEAR

	<u>Note</u>	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Provision for loans and advances	11	299,257	-
Provision for debit balances	15	14,263	-
Other provisions	20	106,692	109,000
Provision for contingent liabilities	20	<u>-</u>	<u>80,725</u>
		<u>420,212</u>	<u>189,725</u>

30. GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION

	<u>Note</u>	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Wages, salaries and related costs		737,176	620,707
Board of directors' allowances		3,768	2,880
Stationery and printing supplies		58,642	51,939
Water and electricity		38,940	32,489
Insurance		42,591	35,416
Fuel & maintenance		58,175	51,677
Communications		51,918	48,735
Governmental dues		12,159	6,931
Rent		77,109	76,191
Transportation		67,328	70,897
Depreciation	16	305,240	212,464
Zakat expenses		-	103,417
Professional fees		90,046	84,095
Donations		3,865	12,569
Hospitality expenses		32,001	33,851
Cleaning expenses		24,810	16,147
Advertisement and publication		130,301	107,676
Subscriptions		178,252	82,030
Security		55,473	35,505
Computer expenses		35,657	38,839
Training expenses		17,987	25,221
Bad debts		1,312	1,687
Other expenses		<u>17,739</u>	<u>6,362</u>
		<u>2,040,489</u>	<u>1,757,725</u>

31. EARNING PER SHARE

	<u>2008</u>	<u>2007</u>
Net profit for the year (YR thousand)	<u>607,516</u>	<u>1,211,170</u>
Weighted average of number of shares (in thousand)	<u>6,137</u>	<u>4,443</u>
Earning per share (in Yemeni Rial)	<u>99</u>	<u>273</u>

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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32. MATURITIES OF ASSETS AND LIABILITIES

<u>Description</u>	2008				
	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	7,658	137	164	-	7,959
Due from banks	10,302	-	-	-	10,302
Treasury bills (net)	18,394	1,472	912	-	20,778
Certificates of deposits	12,050	-	-	-	12,050
Loans and advances (net)	9,741	1,693	1,675	1,003	14,112
Available-for sale investments	-	-	-	89	89
Investments in subsidiaries and associates	-	-	-	90	90
	<u>58,145</u>	<u>3,302</u>	<u>2,751</u>	<u>1,182</u>	<u>65,380</u>
b. Liabilities					
Due to banks	17	-	-	-	17
Customers deposits	<u>57,371</u>	<u>5,192</u>	<u>360</u>	<u>1,415</u>	<u>64,338</u>
	<u>57,388</u>	<u>5,192</u>	<u>360</u>	<u>1,415</u>	<u>64,355</u>
Net gap	<u>757</u>	<u>(1,890)</u>	<u>2,391</u>	<u>(233)</u>	<u>1,025</u>
	2007				
<u>Description</u>	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	8,910	159	191	-	9,260
Due from banks	12,018	-	-	744	12,762
Treasury bills (net)	16,466	2,143	2,328	-	20,937
Loans and advances (net)	6,687	-	2,473	2,446	11,606
Available-for sale investments	-	-	-	79	79
Investments in subsidiaries and associates	-	-	-	110	110
	<u>44,081</u>	<u>2,302</u>	<u>4,992</u>	<u>3,379</u>	<u>54,754</u>
b. Liabilities					
Due to banks	1,510	-	-	-	1,510
Customers deposits	<u>46,297</u>	<u>3,940</u>	<u>53</u>	<u>1,468</u>	<u>51,758</u>
	<u>47,807</u>	<u>3,940</u>	<u>53</u>	<u>1,468</u>	<u>53,268</u>
Net gap	<u>(3,726)</u>	<u>(1,638)</u>	<u>4,939</u>	<u>1,911</u>	<u>1,486</u>

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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33. AVERAGE INTEREST RATES APPLIED DURING THE YEAR

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

<u>Description</u>	2008				
	Yemeni Rial %	SR %	US Dollar %	Sterling Pound %	Euro %
<u>Assets</u>					
Reserve balances at CBY	-	-	-	-	-
Banks – time deposits	15.00	0.25	0.75	-	-
Loans to customers	18.00	-	8.00	-	-
Overdrafts	19.00	-	-	-	-
Treasury bills	14.87	-	-	-	-
CBY certificates of deposit	14.87	-	-	-	-
<u>Liabilities</u>					
Time deposits – customers	13.00	0.80	1.50	0.9	1
Saving accounts	13.00	-	-	-	-
Time deposits-banks	15.00	-	-	-	-
<u>Description</u>	2007				
	Yemeni Rial %	SR %	US Dollar %	Sterling Pound %	Euro %
<u>Assets</u>					
Reserve balances at CBY	13.00	-	-	-	-
Banks – time deposits	15.50	2.50	3.00	-	-
Loans to customers	18.00	-	8.00	-	-
Overdrafts	19.00	-	8.00	-	-
Treasury bills	15.83	-	-	-	-
CBY certificates of deposit	15.83	-	-	-	-
<u>Liabilities</u>					
Time deposits – customers	13.20	1.35	2.25	3.5	2.9
Saving accounts	13.00	-	-	-	-
Time deposits-banks	15.00	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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**34. DISTRIBUTION OF ASSETS, LIABILITIES, CONTINGENT LIABILITIES AND
COMMITMENTS BASED ON ECONOMIC SECTORS**

	2008						Total YR Million
	Financial YR Million	Trade YR Million	Manufac- -turing YR Million	Agricul- -tural YR Million	Services YR Million	Individuals & Others YR Million	
ASSETS							
Cash on hand and reserve	7,959	-	-	-	-	-	7,959
Due from banks	10,302	-	-	-	-	-	10,302
Treasury bills (net)	20,778	-	-	-	-	-	20,778
Certificates of deposits	12,050	-	-	-	-	-	12,050
Loans and advances Available-for-sale	-	4,724	526	89	4,386	4,387	14,112
Investments	-	-	-	-	89	-	89
Investments in subsidiaries and associates	-	-	-	-	90	-	90
LIABILITIES							
Due to banks	17	-	-	-	-	-	17
Customers deposits	1,972	10,048	2,100	123	1,763	48,332	64,338
CONTINGENT LIABILITIES AND COMMITMENTS							
Letters of credit	-	9,772	453	3,684	-	1,401	15,310
Letters of guarantee	-	9,126	598	205	8,244	2,049	20,222
	2007						Total YR Million
	Financial YR Million	Trade YR Million	Manufac- -turing YR Million	Agricul- -tural YR Million	Services YR Million	Individuals & Others YR Million	
ASSETS							
Cash on hand and reserve	9,260	-	-	-	-	-	9,260
Due from banks	12,762	-	-	-	-	-	12,762
Treasury bills (net)	20,937	-	-	-	-	-	20,937
Certificates of deposits	-	-	-	-	-	-	-
Loans and advances Available-for-sale	-	9,131	61	7	690	1,717	11,606
Investments	-	-	-	-	79	-	79
Investments in subsidiaries and associates	-	-	-	-	110	-	110
LIABILITIES							
Due to banks	1,510	-	-	-	-	-	1,510
Customers deposits	1,641	9,315	1,683	100	1,377	37,642	51,758
CONTINGENT LIABILITIES AND COMMITMENTS							
Letters of credit	-	13,116	729	-	4,940	2,524	21,309
Letters of guarantee	-	11,338	1,170	-	1,734	2,490	16,732

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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**35. DISTRIBUTION OF ASSETS, LIABILITIES, CONTINGENT LIABILITIES AND
COMMITMENTS BASED ON GEOGRAPHICAL LOCATIONS**

	2008					Total YR Million
	Republic of Yemen YR Million	United States of America YR Million	Europe YR Million	Asia YR Million	Africa YR Million	
ASSETS						
Cash on hand and reserve	7,959	-	-	-	-	7,959
Due from banks	5,401	1,246	2,743	902	10	10,302
Treasury bills (net)	20,778	-	-	-	-	20,778
Certificates of deposits	12,050	-	-	-	-	12,050
Loans and advances	14,112	-	-	-	-	14,112
Available-for-sale Investments	89	-	-	-	-	89
Investments in subsidiaries and associates	90	-	-	-	-	90
LIABILITIES						
Due to banks	17	-	-	-	-	17
Customers deposits	64,338	-	-	-	-	64,338
CONTINGENT LIABILITIES AND COMMITMENTS						
Letters of credit	-	-	3,062	11,636	612	15,310
Letters of guarantee	18,199	-	-	2,023	-	20,222

	2007					Total YR Million
	Republic of Yemen YR Million	United States of America YR Million	Europe YR Million	Asia YR Million	Africa YR Million	
ASSETS						
Cash on hand and reserve	9,260	-	-	-	-	9,260
Due from banks	2,807	2,022	5,108	2,812	13	12,762
Treasury bills (net)	20,937	-	-	-	-	20,937
Certificates of deposits	-	-	-	-	-	-
Loans and advances	11,606	-	-	-	-	11,606
Available-for-sale Investments	79	-	-	-	-	79
Investments in subsidiaries and associates	110	-	-	-	-	110
LIABILITIES						
Due to banks	-	-	-	1,510	-	1,510
Customers deposits	51,758	-	-	-	-	51,758
CONTINGENT LIABILITIES AND COMMITMENTS						
Letters of credit	-	426	5,114	14,916	853	21,309
Letters of guarantee	15,429	-	-	1,303	-	16,732

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

36. SIGNIFICANT FOREIGN CURRENCIES POSITIONS

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

	2008		2007	
	Surplus (deficit) YR 000s	% of capital & reserves	Surplus (deficit) YR 000s	% of capital & reserves
US Dollar	(1,376,495)	(21.0%)	604,678	10.9%
Euro	25,729	0.4%	34,875	0.6%
Saudi Arabia Rial	(667,902)	(10.1%)	(15,870)	(0.3%)
Sterling Pound	33	-	154,356	2.8%
Others	<u>37,319</u>	<u>0.6%</u>	<u>24,628</u>	<u>0.4%</u>
Net surplus	<u>(1,981,316)</u>	<u>(30.1%)</u>	<u>802,667</u>	<u>14.5%</u>

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 Bank in making financial or operating decisions.

The Bank deals with related parties on the same basis applied to third parties.

The Banks Law as implemented by CBY circular no. 4 of 1999, 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 bank's activity requires dealing with some of its shareholders, members of the board of directors and companies owned by them. These transactions represent granting loans and facilities, issuing letters of guarantee, letters of credit, and other services among the bank's ordinary activities. The following are the balances of these transactions at the balance sheet date:

	2008 YR Million	2007 YR Million
Loans and advances	4,065	4,404
Current accounts & time deposits	1,101	3,965
Indirect facilities (net)	8,675	13,115
Investments in subsidiaries and associates	90	110
Executive management salaries	59	48
Board of Directors' allowances	4	3

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

38. TAXATION

- a. The difference between accounting and tax profit for the year 2008 represents the deduction of YR 61,221 thousand resulting from the adjustment of accounting profit with provisions provided during the year and charged to the income statement and actually used provisions during the year and 90% from revenues of investments and revenues for rent on the basis of tax rate of 35%.
 - Corporate tax and salaries tax has been cleared up to 2006.
 - The Bank has submitted the tax declaration for the year 2007 and the Bank has paid the tax from the declaration. The Tax Authority has not performed a review or issued final assessment yet.

39. ZAKAT

- The Bank submits its Zakat declaration annually and remits the amount due based on the declaration.
- The Bank has paid the Zakat up to 2007.

40. COMPARATIVE FIGURES

Some comparative figures were reclassified to conform with this year financial statement classification for more appropriate presentation. Such reclassifications do not impact the previously reported net profit or shareholders' equity.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by Board of Directors on February 28, 2009 and a Board resolution proposing the approval of the financial statements by the General Assembly of the shareholders was issued.
