



Financial statements and independent auditor's report

Yemen Commercial Bank (Yemeni Closed Joint Stock Company)

December 31, 2010



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Grant Thornton

Independent Auditor's Report

**To: THE SHAREHOLDERS' OF
YEMEN COMMERCIAL BANK
(YEMENI CLOSED JOINT STOCK COMPANY)
SANA'A - REPUBLIC OF YEMEN**

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Report on the Financial Statements

We have audited the accompanying financial statements of **Yemen Commercial Bank (Yemeni Closed Joint Stock Company)**, which comprise the statement of financial position as of December 31, 2010, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes (1-40).

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 instructions issued by Central Bank of Yemen. 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. 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 statement. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal controls. 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.

Notes to the Financial Statements

For the year ended December 31, 2010

1. Nature of Operations

The Yemen Commercial Bank (Yemeni Closed Joint Stock Company) was established on February 20, 1993 in accordance with the Companies Law No. (22) for the year 1997, the Yemeni prevailing laws and the Ministerial Decree number (385) for the year 2004. The Bank registered with the Ministry of Industry and Trade under the Commercial Registration No. 1418/21 dated on February 14, 2003. 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, Hadda and Bab Al Salam), Hodeidah, Aden (Queen Arwa and Sheikh Othman), Taiz, Mukalla, Ibb, Dhamar and Radaa.

2. General

The financial statements are prepared on a going concern and 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) and instructions issued by the Central Bank of Yemen (CBY). 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 statements of the Bank as of on December 31, 2010.

The financial statements for the year ended as of December 31, 2010 approved by the Board of Directors on April 30, 2011.

2.1 Functional and presentation currency

The financial statements are presented in Yemeni Rial, which is the functional currency of the Bank, and all values are rounded to the nearest one thousand Yemeni Rial except when otherwise is indicated.

2.2 Significant accounting judgments and estimates

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

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.

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 (5, 11 and 21).

3. Changes in Accounting Policies

3.1 Overall considerations

The accounting policies applied by the Bank have been followed is similar to the previous year, no material effects on the financial statement or the accounting policies have been raised from the adoption of the standards and its amendments interpretations that were effective from January 1, 2010.

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- Improvements to IFRSs 2009

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Bank.

Management anticipates that all of the relevant pronouncements will be adopted in the Bank's accounting policies for the first year beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Bank's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Bank's financial statements.

- **Annual Improvements 2010 (effective from July 1, 2010 and later)**

The IASB has issued Improvements to IFRS 2010 (2010 Improvements). Most of these amendments become effective in annual years beginning on or after July 1, 2010 or January 1, 2011. The 2010 Improvements amend certain provisions of IFRS 3R, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The Bank's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the Bank's financial statements.

- **IFRS 9 Financial Instruments (effective from January 1, 2013)**

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. These chapters are effective for annual years beginning January 1, 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Bank. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

4. Significant Accounting Policies

4.1 Foreign currency transactions

- The Bank maintains its records in Yemeni Rial, which is the Bank'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 on that date. Gains or losses resulting from translation are taken to the statement of comprehensive income.
- 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.

4.2 Revenue recognition

- Revenues are recognized on the accrual basis. However, in order to comply with the requirements of CBY circular No. (6) of 1996 related to classification of assets and liabilities, 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.
- Revenue of investments available for sale are recognized when its related dividends are distributed.
- Revenue of investments in subsidiaries are recognized at the separate financial statements when the Bank's right to receive the dividend is established.
- Commissions' revenue and bank service charges are recognized as the related services are performed.

4.3 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 at face value less balance of unearned discount outstanding at the financial statements date.

4.4 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 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. 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 comprehensive income, when the increase in fair value can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income.

4.5 Investments in subsidiaries

Investments in subsidiaries (in the separate financial statements of the Bank), are recorded at the cost less any impairment in their value and impairment loss is charged to the statement of comprehensive income. Revenue of investments in subsidiaries is recognized when the Bank's right to receive the dividend is established.

4.6 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 statement of financial position under debit balances and other assets at the values carried by the bank less any impairment in their value at the financial statements date, if any. Impairment losses are charged to the statement of comprehensive income.

4.7 Provision for loans and contingent liabilities

In order to comply with CBY circular No. (6) of 1996 and No. (5) of 1998, provision is made for specific loans, advances and contingent liabilities, in addition to percentage for general risks calculated on the total of other loans, advances 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 advance and contingent liabilities</u> (including watch list accounts)	1%
<u>Non-performing loans and advance and contingent liabilities:</u>	
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 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 statement of financial position net of provision (specific and general) and uncollected interest.

4.8 Contingent liabilities and commitments

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

4.9 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, current accounts demand deposits with banks, investments in treasury bills, and certificates of deposit with CBY, which are due within three months from the issuance date.

4.10 Impairment of assets

The Bank 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.

4.11 Property and equipment and depreciation

Property and equipment is stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the statement of comprehensive income on the straight-line basis over the estimated useful lives of items of property and equipment excluding land. The depreciation method, useful lives and residual value, if any, are reassessed annually by the Bank's management. The estimated useful lives are as follows:

Description	Estimated Useful Lives (Years)
Buildings	20
Equipment and machinery	10
Computers	5
Vehicles	5
Furniture and decoration	10

4.12 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.

4.13 Taxation

- 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.

4.14 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.

5. Financial Instruments and their Related Risks Management

5.1 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, loans and advances to customers, treasury bills and certificates of deposit (CBY). 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 (4) 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 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 until sometime reliable measure of the fair value is available.

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

The following table provides a comparison by class of the carrying amount and fair values of the Bank's financial instruments that are carried in the financial statements.

The table does not include the fair values of non-financial assets and non-financial liabilities.

	Dec. 31, 2010		Dec. 31, 2009	
	Carrying amount YR 000s	Fair value YR 000s	Carrying amount YR 000s	Fair value YR 000s
Financial assets				
Cash on hand and reserve balances with the CBY	11,027,500	11,027,500	9,952,998	9,952,998
Due from banks	16,964,457	16,964,457	15,234,146	15,234,146
Treasury bills, (net)	43,611,694	43,611,694	30,995,737	30,995,737
Loans and advances, (net)	13,932,006	13,932,006	15,529,051	15,529,051
Financial investments	124,458	124,458	109,458	109,458
Investments in subsidiaries	112,179	112,179	70,604	70,604
Financial liabilities				
Due to banks	7,831	7,831	1,177,704	1,177,704
Customers' deposits	83,354,164	83,354,164	69,591,955	69,591,955

c. Fair value hierarchy

The Bank 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 124,459 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 liabilities that are liquid or having a term maturity of less than three months, the carrying amounts approximate to their fair value.

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

Information 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, operational 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 and minimize 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 statement of financial position. The maximum exposure is shown gross, before the effect of risk mitigation by the use of collateral agreements:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Cash on hand and reserve balances with CBY (excluding Cash on hand and at ATM)	8,520,360	7,036,520
Due from banks	16,964,457	15,234,146
Treasury bill, net	43,611,694	30,995,737
Loans and advances, net	13,932,006	15,529,051
Financial investments	124,458	109,458
Investments in subsidiaries	112,179	70,604
Debit balances and other assets, net	5,656,638	5,273,340
	88,921,792	74,248,856
Contingent liabilities and commitments	49,505,878	39,789,404
Total credit risk exposure	138,427,670	114,038,260

The following is an analysis of the Bank 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):

	Dec. 31, 2010		Dec. 31, 2009	
	Gross Maximum Exposure YR 000s	Net Maximum Exposure YR 000s	Gross Maximum Exposure YR 000s	Net Maximum Exposure YR 000s
Government	55,974,544	-	43,394,037	-
Industry	601,508	601,508	670,460	670,460
General trade	6,394,349	6,167,755	6,873,117	6,873,117
Contractors	5,184,201	5,184,201	1,274,559	1,274,559
Consumers	203,462	203,462	101,651	101,651
Others	20,563,728	18,056,588	21,935,032	19,015,554
	88,921,792	30,213,514	74,248,856	27,935,341
Contingent liabilities and commitments	49,505,878	43,615,062	39,789,404	34,093,237
	138,427,670	73,828,576	114,038,260	62,028,578

The Bank manages concentration of risk by distributing the portfolio over diversified economic sectors and geographical locations. Note No. (34) shows the distribution of assets, liabilities, contingent liabilities and commitments based on economic sectors and Note No. (35) shows the distribution of financial instruments based on geographic allocations at the financial statements date.

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:

	Dec. 31, 2010					Total YR 000s
	Less than 3 months YR 000s	From 3 to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s		
Liabilities						
Due to banks	7,831	-	-	-	-	7,831
Customers' deposits	63,799,117	8,465,981	11,089,066	-	-	83,354,164
Income tax for the year	-	278,872	-	-	-	278,872
	63,806,948	8,744,853	11,089,066	-	-	83,640,867

	Dec. 31, 2009					Total YR 000s
	Less than 3 months YR 000s	From 3 to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s		
Liabilities						
Due to banks	1,177,704	-	-	-	-	1,177,704
Customers' deposits	60,622,739	6,858,662	2,110,554	-	-	69,591,955
Income tax for the year	-	383,804	-	-	-	383,804
Total liabilities	61,800,443	7,242,466	2,110,554	-	-	71,153,463

In addition to the above, Note No. (32) shows the maturity analysis of assets and liabilities and the net gap between them at the financial statements date compared with last year.

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.

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

	Dec. 31, 2010				Non-interest Sensitive YR 000s	Total YR 000s	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			Local Currency %	Foreign Currency %
Assets								
Cash on hand and reserve balances with the (CBY)	-	-	-	-	11,027,500	11,027,500	-	-
Due from banks	3,015,407	-	-	-	13,949,050	16,964,457	23%	0.1%
Treasury bills, (net)	25,563,114	8,433,012	9,615,568	-	-	43,611,694	22.9%	-
Loans and advances, (net)	7,439,108	3,988,200	2,504,698	-	-	13,932,006	26.5%	8%
Financial investment	-	-	-	-	124,458	124,458	-	-
Investment in subsidiaries	-	-	-	-	112,179	112,179	-	-
Debit balances and other assets, (net)	-	-	-	-	5,656,638	5,656,638	-	-
Property and equipments, (net)	-	-	-	-	2,699,707	2,699,707	-	-
Total Assets	36,017,629	12,421,212	12,120,266	-	33,569,532	94,128,639	-	-
Liabilities and Shareholders' Equity								
Due to banks	7,831	-	-	-	-	7,831	23%	-
Customers' deposits	63,799,117	8,465,981	11,089,066	-	-	83,354,164	20%	1.18%
Credit balances and other liabilities	-	-	-	-	1,466,043	1,466,043	-	-
Other provisions	-	-	-	-	638,923	638,923	-	-
Shareholders' equity	-	-	-	-	8,661,678	8,661,678	-	-
Total Liabilities and Shareholders' Equity	63,806,948	8,465,981	11,089,066	-	10,766,644	94,128,639	-	-
Interest rate sensitivity gap	(27,789,319)	3,955,231	1,031,200	-	22,802,888	-	-	-
Cumulative interest rate sensitivity gap	(27,789,319)	(23,834,088)	(22,802,888)	(22,802,888)	-	-	-	-

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

	Dec. 31, 2009				Non-interest sensitive YR 000s	Total YR 000s	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			Local Currency %	Foreign Currency %
Assets								
Cash on hand and reserve balances with the (CBY)	-	-	-	-	9,952,998	9,952,998	-	-
Due from banks	3,036,550	-	-	-	12,197,596	15,234,146	13%	0.7%
Treasury bills, (net)	14,032,240	6,164,148	10,799,349	-	-	30,995,737	13.3%	-
Loans and advances, (net)	3,200,838	3,312,860	9,015,353	-	-	15,529,051	18.5%	8.5%
Financial investment	-	-	-	-	109,458	109,458	-	-
Investment in subsidiaries	-	-	-	-	70,604	70,604	-	-
Debit balances and other assets, (net)	-	-	-	-	5,273,340	5,273,340	-	-
Property and equipments, (net)	-	-	-	-	2,881,325	2,881,325	-	-
Total Assets	20,269,628	9,477,008	19,814,702	-	30,485,321	80,046,659	-	-
Liabilities and Shareholders' Equity								
Due to banks	1,177,704	-	-	-	-	1,177,704	13%	-
Customers' deposits	60,622,739	6,858,662	2,110,554	-	-	69,591,955	10%	1.16%
Credit balances and other liabilities	-	-	-	-	947,018	947,018	-	-
Other provisions	-	-	-	-	510,933	510,933	-	-
Shareholders' equity	-	-	-	-	7,819,049	7,819,049	-	-
Total Liabilities and Shareholders' Equity	61,800,443	6,858,662	2,110,554	-	9,277,000	80,046,659	-	-
Interest rate sensitivity gap	(41,530,815)	2,618,346	17,704,148	-	21,208,321	-	-	-
Cumulative interest rate sensitivity gap	(41,530,815)	(38,912,469)	(21,208,321)	(21,208,321)	-	-	-	-

Note No. (33) shows the average interest rates on financial assets and liabilities applied during the year ended December 31, 2010 and December 31, 2009.

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 CBY instructions and the requirements of CBY circular No. 6 of 1998 which specifies that individual foreign currency positions should not exceed 15% of the Bank's capital and reserves, and that the aggregate 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 at the financial statements date:

	Dec. 31, 2010					
	US Dollars YR 000s	EURO YR 000s	Saudi Rial YR 000s	Sterling Pound YR 000s	Other Currencies YR 000s	Total YR 000s
Assets	24,889,769	2,225,025	393,574	147,726	70,415,764	98,071,858
Liabilities	(25,074,595)	(2,324,866)	(1,288,637)	(155,416)	(69,231,152)	(98,074,666)
Net currency position	(184,826)	(99,841)	(895,063)	(7,690)	1,184,612	(2,808)

	Dec. 31, 2009					
	US Dollars YR 000s	EURO YR 000s	Saudi Rial YR 000s	Sterling Pound YR 000s	Other Currencies YR 000s	Total YR 000s
Assets	32,341,404	2,321,726	2,053,556	140,157	232,479	37,089,322
Liabilities	(31,414,407)	(2,178,924)	(2,058,080)	(145,922)	(145,919)	(35,943,252)
Net currency position	926,997	142,802	(4,524)	(5,765)	86,560	1,146,070

Note No. (36) to the financial statements indicate the significant foreign currencies' positions at the financial statements 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 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.

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.

6. Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with capital requirements which issued by CBY, the rules and ratio established by the Basel Committee on banking supervision and that the Bank maintains strong credit ratings and excellently capital ratios. The capital adequacy are monitored by the management of the Bank employing techniques based on the guidelines as implemented by the 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 Bank is required to maintain a minimum ratio of total capital to the customers' deposits at or above 5%. The capital adequacy ratio calculated by comparing between the Bank core and supplementary capital with risk weighted total assets and liabilities at the financial statements date, is as follows:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Core capital	8,561,075	7,733,445
Supplementary capital	515,221	456,892
	9,076,296	8,190,337
Risk-weighted assets and contingent liabilities and commitments:		
Total assets	21,963,966	25,658,189
Contingent liabilities and commitments	23,344,121	18,042,124
Total risk-weighted assets and contingent liabilities and commitments	45,308,087	43,700,313
Capital adequacy ratio	20.03%	18.74%

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

7. Cash on Hand and Reserve Balances with CBY

This item consists of the following as of December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Cash on hand and ATM machines - local currency	1,406,311	1,038,880
Cash on hand and ATM machines - foreign currency	1,100,829	1,877,598
	2,507,140	2,916,478
Mandatory reserve at CBY - local currency	3,463,066	2,862,418
Mandatory reserve at CBY - foreign currency	5,025,797	3,999,632
	8,488,863	6,862,050
Cheques purchased	31,497	174,470
	11,027,500	9,952,998

The reserve balances with CBY represent the minimum reserve requirements against customers' accounts in Yemeni Rial and foreign currencies. These funds are not available for the Bank's daily business.

In accordance with CBY circular No. (1) of 2008 effective from 1 April 2008 the percentage of reserve balance held at CBY on Yemeni Rial customer accounts was reduced from 10% (interest bearing) to 7% (non-interest bearing).

The percentage of reserve balance on foreign currency customer accounts remained unchanged at 20% (non-interest bearing).

8. Due from Banks

This item consists of the following as of December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Central Bank of Yemen		
Current accounts - local currency	2,500,817	2,852,893
Current accounts - foreign currency	1,373,170	2,683,357
	3,873,987	5,536,250
Local banks		
Current accounts - foreign currency	81,068	52,754
Time deposits - local currency	30,000	-
	111,068	52,754
Foreign banks		
Current accounts - foreign currency	9,963,995	6,608,592
Time deposits - foreign currency	3,015,407	3,036,550
	12,979,402	9,645,142
	16,964,457	15,234,146

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

9. Treasury Bills, net

This item consists of the following as of December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Treasury bills due within 90 days	26,811,094	14,263,279
Treasury bills due within 180 days	9,400,000	6,300,000
Treasury bills due within 360 days	9,650,000	11,100,000
	45,861,094	31,663,279
Less: Unearned discount balance	(2,249,400)	(667,542)
	43,611,694	30,995,737

10. Loans and Advances, net

10.1 Loans and advances by type

This item consists of the following as of December 31:

	Note	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Overdrafts		4,133,329	3,468,066
Loans to customers		9,934,164	10,510,341
LC facilities		1,716,102	2,540,981
Staff loans		618,244	1,406,357
Others		705,074	468,313
		17,106,913	18,394,058
Less:			
Provision for doubtful loans and advances	11	(2,331,953)	(2,081,486)
Uncollected interest	12	(842,954)	(783,521)
		13,932,006	15,529,051

Non-performing loans and advances amounted to YR 3,384,274 thousand at December 31, 2010 after deducting the uncollected interest and balances secured by cash deposits (YR 2,614,158 thousand at December 31, 2009) and includes the following:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Substandard loans and advances	494,586	594,534
Doubtful loans and advances	1,298,871	260,503
Bad loans and advances	1,590,817	1,759,121
Total	3,384,274	2,614,158

10.2 Loans and advances by sector

This item consists of the following as of December 31:

	Dec. 31, 2010					
	Overdraft YR 000s	Loans to customers YR 000s	L/C facilities YR 000s	Staff loans YR 000s	Others YR000s	Total YR 000s
Individuals	993,610	1,101,604	118,613	618,244	705,074	3,537,145
Trade	1,988,062	4,411,153	1,480,859	-	-	7,880,074
Industry	418,438	823,218	116,630	-	-	1,358,286
Contractors	733,219	3,598,189	-	-	-	4,331,408
Total	4,133,329	9,934,164	1,716,102	618,244	705,074	17,106,913

	Dec. 31, 2009					
	Overdraft YR 000s	Loans to customers YR 000s	L/C facilities YR 000s	Staff loans YR 000s	Others YR000s	Total YR 000s
Individuals	872,500	1,320,265	187,562	1,406,357	468,313	4,254,997
Trade	1,675,187	4,705,830	2,182,899	-	-	8,563,916
Industry	207,526	745,206	170,520	-	-	1,123,252
Contractors	712,853	3,739,040	-	-	-	4,451,893
Total	3,468,066	10,510,341	2,540,981	1,406,357	468,313	18,394,058

The amount 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)

11.1 Provision for loans and advances by type

This item consists of the following as of December 31:

	Note	Dec. 31, 2010		
		Specific YR 000s	General YR 000s	Total YR 000s
Provision balance as of January 1, 2010		1,965,527	115,959	2,081,486
Add: provided during the year	29	451,560	-	451,560
Less: recovered during the year		(201,093)	-	(201,093)
Transferred during this year		33,503	(33,503)	-
Provision balance as of December 31, 2010		2,249,497	82,456	2,331,953

	Note	Dec. 31, 2009		
		Specific YR 000s	General YR 000s	Total YR 000s
Provision balance as of January 1, 2009		1,710,490	112,555	1,823,045
Add: provided during the year	29	259,360	3,404	262,764
Less: used during the year		(4,323)	-	(4,323)
Provision balance as of December 31, 2009		1,965,527	115,959	2,081,486

11.2 Provision for loans and advances by sector

This item consists of the following as of December 31:

	Dec. 31, 2010			Total YR 000s
	Corporate lending YR 000s	Consumer lending YR 000s	Mortgage lending YR 000s	
Provision balance as of January 1, 2010	1,341,567	133,184	606,735	2,081,486
Provided during the year	434,391	-	17,169	451,560
Less: recovered during the year	-	-	(201,093)	(201,093)
Provision balance as of December 31, 2010	1,775,958	133,184	422,811	2,331,953

	Dec. 31, 2009			Total YR 000s
	Corporate lending YR 000s	Consumer lending YR 000s	Mortgage lending YR 000s	
Provision balance as of January 1, 2009	1,094,271	129,619	599,155	1,823,045
Provided during the year	251,619	3,565	7,580	262,764
Less: used during the year	(4,323)	-	-	(4,323)
Provision balance as of December 31, 2009	1,341,567	133,184	606,735	2,081,486

12. Uncollected Interest

This item consists of the following as of December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Balance as of January 1	783,521	603,524
Increase during the year	86,493	369,670
Uncollected interest written off or collected during the year	(27,060)	(189,673)
Balance at the end of the year	842,954	783,521

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

13. Financial Investments

This item consists of the following as of December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Financial investments available for sale*:		
Saba'a Airway Co. (under incorporation)	39,000	39,000
Yemen International Public Transportation Company	55,458	55,458
	94,458	94,458
Financial investment unavailable for sale:		
Al-Amal Bank for lending	30,000	15,000
	30,000	15,000
	124,458	109,458

*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 also cannot be determined with sufficient accuracy, as future cash flows are not determinable, these investments were carried at cost.

14. Investments in Subsidiaries

This item consists of the following as of December 31:

	Dec. 31, 2010 YR 000s	Shareholding Percentage	Dec. 31, 2009 YR 000s	Shareholding Percentage
Yemen Payment and Cards Co. (Yemeni Closed Joint Stock Company)	112,179	90%	70,604	90%
Yemen International Technology Co. (Yemeni Closed Joint Stock Company)	-	80%	-	-
	112,179		70,604	

The value of investments in subsidiaries is presented after deducting losses of impairment of these investments amounting to YR 41,575 thousand for the year 2010 (YR 104,176 for the year 2009).

The following is the movement of investments in subsidiaries:

	Yemen Payment and Cards Co. YR 000s	Yemen International Technology Co. YR 000s	Total YR 000s
Investment (cost)	175,500	40,000	215,500
Impairment losses on investment value	(63,321)	(40,000)	(103,321)
	112,179	-	112,179

15. Debit Balances and Other Assets, net

This item consists of the following as of December 31:

	Note	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Assets which have been transferred to the bank's ownership	6.4	4,796,598	4,606,851
Prepaid expenses		413,232	292,119
Balances related to BCCI with CBY		197,537	197,471
Accrued interest		120,933	36,993
Project in process		26,081	66,154
Stationery stock		22,118	9,472
Sundry debit balances		138,869	123,010
		5,715,368	5,332,070
Provision for doubtful debts	16	(58,730)	(58,730)
		5,656,638	5,273,340

16. Provision for Doubtful Debts

This item consists of the following as of December 31:

	Note	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Balance at the beginning of the year		58,730	44,782
Add: provided during the year	29	-	13,948
Balance at the end of the year		58,730	58,730

17. Property and Equipment, net

This item consists of the following as of December 31:

	Lands YR 000s	Buildings YR 000s	Equipment & Machinery YR 000s	Computers YR 000s	Vehicles YR 000s	Furniture & Decoration YR 000s	Total YR 000s
Gross carrying amount							
January 1, 2010	752,144	839,251	336,816	946,640	325,362	1,081,991	4,282,204
Additions	-	-	37,718	37,472	88,174	61,141	224,505
Disposals	-	-	(7,819)	(5,615)	(47,181)	(6,896)	(67,511)
Balance as of December 31, 2010	752,144	839,251	366,715	978,497	366,355	1,136,236	4,439,198
Accumulated depreciation							
January 1, 2010	-	193,741	128,673	536,090	198,537	343,838	1,400,879
Depreciation	-	42,468	31,719	139,560	53,965	97,106	364,818
Disposals	-	-	(5,510)	(2,495)	(17,603)	(598)	(26,206)
Balance as of December 31, 2010	-	236,209	154,882	673,155	234,899	440,346	1,739,491
Carrying amount as of December 31, 2010	752,144	603,042	211,833	305,342	131,456	695,890	2,699,707
Gross carrying amount							
January 1, 2009	740,228	636,120	305,484	836,754	319,611	913,185	3,751,382
Additions	11,916	203,131	41,624	110,857	5,751	187,464	560,743
Disposals	-	-	(10,292)	(971)	-	(18,658)	(29,921)
Balance as of December 31, 2009	752,144	839,251	336,816	946,640	325,362	1,081,991	4,282,204
Accumulated depreciation							
January 1, 2009	-	161,913	111,834	393,007	150,783	274,215	1,091,752
Depreciation	-	31,828	28,282	143,739	47,754	86,067	337,670
Disposals	-	-	(11,443)	(656)	-	(16,444)	(28,543)
Balance as of December 31, 2009	-	193,741	128,673	536,090	198,537	343,838	1,400,879
Carrying amount as of December 31, 2009	752,144	645,510	208,143	410,550	126,825	738,153	2,881,325

18. Due to Banks

This item consists of the following as of December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Current accounts - local banks	7,831	1,409
Current accounts - foreign banks	-	4,841
Short term loans - foreign banks*	-	1,171,454
	7,831	1,177,704

*Short term loans - foreign banks at December 31, 2009 consist of:

- Loan from Bank of Beirut - amounting to USD 4,756 thousand equivalent to YR 985,948 thousand, for period of 120 days due on February 13, 2010 and carry fixed interest rate 4.75% yearly.
- Loan from France Lebanon Bank amounting to USD 895 thousand equivalent to YR 185,506 thousand for period of 120 days due on April 22, 2010 and carry fixed interest rate 5.25% yearly.

19. Customers' Deposits

19.1 Customers' deposits by type

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Time and call deposits	33,790,053	24,550,246
Current accounts	30,460,111	27,682,573
Saving accounts	9,891,193	8,287,595
LCs and LGs margins and others	5,890,816	5,902,810
Other deposits	3,321,991	3,168,731
	83,354,164	69,591,955

19.2 Customers' deposits by sector

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Trade	27,813,610	10,969,118
Industry	2,043,512	1,646,121
Agricultural	519,632	299,042
Service	8,713,611	4,231,130
Individuals and others	44,263,799	52,446,544
	83,354,164	69,591,955

20. Credit Balances and Other Liabilities

This item consists of the following as of December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Accrued Interest	399,918	203,115
Income tax	306,789	383,804
Income received in advance	110,054	82,067
Inter-branch balances	51,249	10,830
Accrued expenses	58,119	29,093
Sundry credit balances	539,914	238,109
	1,466,043	947,018

21. Other Provisions

This item consists of the following as of December 31:

	Note	Dec. 31, 2010 Provision for Contingent Liabilities YR 000s	Dec. 31, 2010 Provision for Contingent Claims YR 000s	Total YR 000s
Balance as of January 1, 2010		340,933	170,000	510,933
Add: Provided during the year from income statement	29	95,217	172,268	267,485
Less: Used during the year		-	(139,495)	(139,495)
Balance as of December 31, 2010		436,150	202,773	638,923

	Note	Dec. 31, 2009 Provision for Contingent Liabilities YR 000s	Dec. 31, 2009 Provision for Contingent Claims YR 000s	Total YR 000s
Balance as of January 1, 2009		355,316	107,000	462,316
Add: Provided during the year from income statement	29	-	165,967	165,967
Less: Used during the year		-	(102,967)	(102,967)
Less: Provision reversed	28	(14,383)	-	(14,383)
Balance as of December 31, 2009		340,933	170,000	510,933

Some court cases have been filed against the bank and rulings by the courts have been issued on some of these cases. The bank has objected to these rulings and the cases are now at the courts. The Bank management believes that a financial liability of approximately YR 25 million could result from these cases and has established appropriate provisions for such claims presented as provision for contingent claims as December 31, 2010

22. Shareholders' Equity

22.1 Issued and paid-up capital

The Bank's extraordinary general assembly approved on May 13, 2006 the capital increase of YR 2.2 Billion to YR 8 Billion (by the year 2009) divided into 800 thousand shares of par value of YR 10,000 each (according to the extraordinary general assembly decision on April 28, 2009 which change the nominal value from YR 1,000 to YR 10,000 per share) to be paid over annual equal installments of YR 1,450 Million including profits available for distribution.

The following shows the breakdown of paid-up capital:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Capital according to extraordinary general assembly on May 13, 2006	8,000,000	8,000,000
Less: amounts not paid	(1,073,150)	(1,346,110)
Paid-up capital at end of the year	6,926,850	6,653,890
Paid-up capital is as follows:		
Capital at beginning of the year	6,653,890	6,137,390
Add: Transferred from retained earnings	272,860	516,389
Add: Transferred from general reserve according to extraordinary general assembly decision on April 28, 2009	100	111
	6,926,850	6,653,890

22.2 Statutory reserve

According to provisions of the Law, 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.

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Balance at the beginning of the year	510,630	510,630
Transferred from net profit of last year	96,304	-
Balance at the end of the year	606,934	510,630

22.3 General reserve

This item consists of the following as of December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Balance at the beginning of the year	12,418	12,529
Transferred to capital according to the extraordinary general assembly decision on April 28, 2009	(100)	(111)
Balance of the end of the year	12,318	12,418

23. Contingent Liabilities and Commitments, net

This item consists of the following as of December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Letters of credit	22,978,878	17,269,999
Less: margins held	(1,559,555)	(1,530,963)
	21,419,323	15,739,036
Letters of guarantee	26,527,000	22,519,405
Less: margins held	(4,331,261)	(4,165,204)
	22,195,739	18,354,201
	43,615,062	34,093,237

24. Interest Income

This item consists of the following for the year ended December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Interest on loans and overdrafts to customers:		
Interest on loans	1,884,482	1,518,247
Interest on overdrafts	870,005	746,258
	2,754,487	2,264,505
Interest on due from banks:		
Interest on foreign banks	140,027	47,386
	140,027	47,386
Interest on treasury bills and certificates of deposits:		
Interest on treasury bills	6,535,654	4,101,798
Interest on CBY certificates of deposits	-	175,942
	6,535,654	4,277,740
	9,430,168	6,589,631

25. Interest Expenses

This item consists of the following for the year ended December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Interest on customers' deposits:		
Interest on time deposits	4,037,151	2,593,442
Interest on saving accounts	1,163,256	640,223
Interest on call deposits	202,746	107,173
Other and miscellaneous	1,012,961	730,548
	6,416,114	4,071,386
Interest on balances due to banks:		
Interest paid to local banks	3,003	2
	3,003	2
	6,419,117	4,071,388

26. Commission Revenues and Banking Service Charges

This item consists of the following for the year ended December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Commissions on letters of guarantee	418,602	347,464
Commissions on documentary credits	349,794	297,032
Commissions on transfer of funds	53,139	46,446
Commissions on cheques collection	1,566	1,966
Commissions on banking services	152,524	111,410
	975,625	804,318

27. Gain on Foreign Currency Transactions

This item consists of the following for the year ended December 31:

	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Gains on dealing in foreign currencies and translation of foreign currencies balances	86,033	176,040
	86,033	176,040

28. Other Operating Income

This item consists of the following for the year ended December 31:

	Note	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Collection from previously written off amounts		241,722	201,316
Cash recovered from doubt debts provision		200,178	-
Rental		63,761	63,561
Profit on sale of property and equipment		9,065	3,169
Provisions reversed	21	-	14,383
Others		23,298	43,793
		538,024	326,222

29. Provisions

This item consists of the following for the year ended December 31:

	Note	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Provision for loans and advances	11	451,560	262,764
Provision for doubtful debit balances and other assets	16	-	13,948
Other provisions	21	267,485	165,967
		719,045	442,679

30. General and Administrative Expenses and Depreciation

This item consists of the following for the year ended December 31:

	Note	Dec. 31, 2010 YR 000s	Dec. 31, 2009 YR 000s
Wages, salaries and related costs		903,862	830,606
Depreciation of property and equipment	17	364,818	337,670
Subscriptions		278,089	223,454
Rent		93,286	77,698
Travel and transportation		89,828	70,926
Fuel & maintenance		84,769	82,424
Advertisement and publication		79,083	119,238
Security		77,532	72,835
Professional fees		77,290	70,966
Water and electricity		77,077	62,911
Stationery and printing supplies		58,214	56,210
Communications		46,200	48,964
Insurance		38,552	40,820
Computer expenses		37,830	42,671
Training expenses		33,493	29,054
Hospitality expenses		29,765	28,297
Cleaning expenses		29,704	27,342
Governmental dues		9,074	4,768
Bad debts		4,586	845
Donations		3,950	8,236
Board of directors' allowances		3,456	3,864
Other expenses		41,447	57,708
		2,461,905	2,297,507

31. Earnings per Share

This item consists of the following for the year ended December 31:

	Dec. 31, 2010	Dec. 31, 2009
Net profit for the year (YR thousand)	1,115,489	642,024
Weighted average for number of shares (in thousands)	693	665
Earnings per share (in Yemeni Rials)	1,610	965

32. Maturities of Assets and Liabilities

This item consists of the following as of December 31:

	Due within 3 months YR Million	Due from 3 to 6 months YR Million	2010 Due from 6 months to one year YR Million	Due over one year YR Million	Total YR Million
Assets					
Cash on hand & reserve balances with CBY	11,028	-	-	-	11,028
Due from banks	16,964	-	-	-	16,964
Treasury bills, (net)	25,563	8,433	9,616	-	43,612
Loans and advances, (net)	7,439	3,988	2,505	-	13,932
Financial investments	-	-	-	124	124
Investments in subsidiaries	-	-	-	112	112
	60,994	12,421	12,121	236	85,772
Liabilities					
Due to banks	8	-	-	-	8
Customers deposits	63,799	8,466	11,089	-	83,354
	63,807	8,466	11,089	-	83,362
Net	(2,813)	3,955	1,032	236	2,410

	Due within 3 months YR Million	Due from 3 to 6 months YR Million	2009 Due from 6 months to one year YR Million	Due over one year YR Million	Total YR Million
Assets					
Cash on hand & reserve balances with CBY	9,953	-	-	-	9,953
Due from banks	15,234	-	-	-	15,234
Treasury bills, (net)	14,032	6,164	10,800	-	30,996
Loans and advances, (net)	3,201	3,313	9,015	-	15,529
Financial investments	-	-	-	109	109
Investments in subsidiaries	-	-	-	71	71
	42,420	9,477	19,815	180	71,892
Liabilities					
Due to banks	1,178	-	-	-	1,178
Customers deposits	60,622	6,859	2,111	-	69,592
	61,800	6,859	2,111	-	70,770
Net	(19,380)	2,618	17,704	180	1,122

33. Average Interest Rates Applied

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

	2010				
	Yemeni Rial %	SR %	US Dollar %	Sterling Pound %	Euro %
Assets					
Banks - time deposits	23	-	-	-	-
Loans to customers	26.3	-	8	-	8
Overdrafts	27	-	9	-	9
Treasury bills	22.9	-	-	-	-
Liabilities					
Time deposits - customers	20	-	1.5	-	1
Saving accounts	20	-	-	-	-
Time deposits - banks	23	1	-	-	-

	2009				
	Yemeni Rial %	SR %	US Dollar %	Sterling Pound %	Euro %
Assets					
Banks - time deposits	13.5	-	-	-	-
Loans to customers	18	-	8	-	8
Overdrafts	19	-	9	-	9
Treasury bills	13.3	-	-	-	-
CBY certificates of deposit	13.3	-	-	-	-
Liabilities					
Time deposits - customers	10.2	1	1.5	-	1
Saving accounts	10	-	-	-	-
Time deposits - banks	13.5	-	-	-	-

34. Distribution of Assets, Liabilities, Contingent Liabilities and Commitments Based on Economic Sectors

	2010						Total YR Million
	Financial YR Million	Trade YR Million	Manufacturing YR Million	Agricultural YR Million	Services YR Million	Individuals & Others YR Million	
Assets							
Cash on hand and reserve balances with CBY	11,028	-	-	-	-	-	11,028
Due from banks	16,964	-	-	-	-	-	16,964
Treasury bills, (net)	43,612	-	-	-	-	-	43,612
Loans and advances, (net)	-	5,402	1,040	988	2,403	4,099	13,932
Financial Investments	30	-	-	-	94	-	124
Investments in subsidiaries	-	-	-	-	112	-	112
Liabilities							
Due to banks	8	-	-	-	-	-	8
Customers deposits	2,813	14,848	3,420	482	5,433	56,358	83,354
Contingent liabilities and commitments, net							
Letters of credits	-	8,568	4,284	4,284	3,213	1,070	21,419
Letters of guarantees	2,442	13,983	111	666	1,998	2,996	22,196

	2009						Total YR Million
	Financial YR Million	Trade YR Million	Manufacturing YR Million	Agricultural YR Million	Services YR Million	Individuals & Others YR Million	
Assets							
Cash on hand and reserve balances with CBY	9,953	-	-	-	-	-	9,953
Due from banks	15,234	-	-	-	-	-	15,234
Treasury bills, (net)	30,996	-	-	-	-	-	30,996
Loans and advances, (net)	-	6,873	670	1,023	2,720	4,243	15,529
Financial investments	15	-	-	-	94	-	109
Investments in subsidiaries	-	-	-	-	71	-	71
Liabilities							
Due to banks	1,178	-	-	-	-	-	1,178
Customers deposits	1,070	10,969	1,646	299	3,161	52,447	69,592
Contingent liabilities and commitments, net							
Letters of credits	-	9,443	3,935	2,361	-	-	15,739
Letters of guarantees	734	6,424	184	4,221	4,772	2,019	18,354

35. Distribution of Assets, Liabilities, Contingent Liabilities and Commitments Based on Geographical Locations

	Dec. 31, 2010						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 balances with CBY	11,028	-	-	-	-	-	11,028
Due from banks	4,351	3,432	4,109	5,060	12	-	16,964
Treasury bills, (net)	43,612	-	-	-	-	-	43,612
Loans and advances, (net)	13,932	-	-	-	-	-	13,932
Financial investments	124	-	-	-	-	-	124
Investments in subsidiaries	112	-	-	-	-	-	112
Liabilities							
Due to banks	-	-	-	8	-	-	8
Customers deposits	83,354	-	-	-	-	-	83,354
Contingent liabilities and commitments, net							
Letters of credits	-	884	3,941	15,678	916	-	21,419
Letters of guarantees	21,284	-	154	616	142	-	22,196

	Dec. 31, 2010						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 balances with CBY	9,953	-	-	-	-	-	9,953
Due from banks	5,590	2,236	3,096	4,303	9	-	15,234
Treasury bills, (net)	30,996	-	-	-	-	-	30,996
Loans and advances, (net)	15,529	-	-	-	-	-	15,529
Financial investments	109	-	-	-	-	-	109
Investments in subsidiaries	71	-	-	-	-	-	71
Liabilities							
Due to banks	1	-	-	1,177	-	-	1,178
Customers deposits	69,592	-	-	-	-	-	69,592
Contingent liabilities and commitments, net							
Letters of credits	-	787	3,935	10,230	787	-	15,739
Letters of guarantees	17,349	-	270	735	-	-	18,354

36. Significant Foreign Currencies Positions

To comply with CBY circular No. (6) of 1998, the Bank establishes limits for positions in individual foreign currencies positions 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 financial statements date:

	Dec. 31, 2010		Dec. 31, 2009	
	Surplus (deficit) YR 000s	% of capital & reserves YR 000s	Surplus (deficit) YR 000s	% of capital & Reserves
US Dollar	(184,826)	(2.45)%	926,997	12.9%
Euro	(99,841)	(1.32)%	142,802	2%
Saudi Arabia Rial	(895,063)	(11.86)%	(4,524)	(0.1)%
Sterling Pound	(7,690)	(0.10)%	(5,765)	(0.1)%
Others	1,184,612	15.69%	86,560	1.2%
Net (Deficit) surplus	(2,808)	(0.04)%	1,146,070	15.9%

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 financial statements date:

	Dec. 31, 2010 YR Million	Dec. 31, 2009 YR Million
Loans and advances, (net)	1,678	4,467
Current accounts & time deposits	5,184	3,451
Indirect facilities, (net)	14,253	9,215
Investments in subsidiaries	112	71
Executive management salaries	70	65
Board of Directors' allowances	4	4

38. Tax Status

The profit tax and salary tax has been cleared up to the end of the year 2006. The Bank has submitted tax declarations for the years 2007, 2008 and 2009 and paid the amounts due according to the declarations within the legal deadline. The tax review is currently in process and the Bank has not been notified by assessment up to now.

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 the end of the year 2009 according to the Zakat declaration. No assessment notification was issued by the Zakat Department.

40. Date of Authorization

The financial statements for the year ended December 31, 2010 were approved by the Board of Directors in its meeting held on April 30, 2011 and a board resolution proposing the approval of the financial statements by the General Assembly of the shareholders was issued.