

Financial Statements and Independent Auditor's Report
Bin Dowal Islamic Microfinance Bank
(Yemeni Closed Joint Stock Company)
December 31, 2023



Bin Dowal Islamic Microfinance Bank
(Yemeni Closed Joint Stock Company)

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Independent Auditor's Report

To: **The Shareholders' of
Bin Dowal Islamic Microfinance Bank
(Yemeni Closed Joint Stock Company)
Hadhramout - Republic of Yemen**

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Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Bin Dowal Islamic Microfinance Bank (Yemeni Closed Joint Stock Company)** which comprise the statement of financial position as at December 31, 2023, the statement of income, statement of changes in equity, statement of cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information (1- 41).

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the **Bin Dowal Islamic Microfinance Bank** as at December 31, 2023, its results of its operations, its cash flows, and its changes in equity for the year then ended in accordance with the Financial Accounting Standards (FAS) issued by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), the Shari'a rules and principles as determined by the Shari'a Supervisory Board, instructions issued by Central Bank of Yemen, and relevant local laws and regulations.

In our opinion, the Bank also complied with the principles and rules of Islamic Shari'a as determined by the Bank's Shari'a Supervisory Board during the financial year ended on December 31, 2023.

Basis for Opinion

We conducted the audit in accordance with the Auditing Standards for Islamic Financial Institutions (ASIFIs) issued by "AAOIFI". Our responsibilities under these standards are further described in the "Independent Auditor's responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Bank in accordance with the Code of Ethics for Accountants and Auditors of Islamic Financial Institutions issued by "AAOIFI", and in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements

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

Emphasis of Matter

We draw attention to the Note No.(40) of the accompanying notes to the financial statements which describes the impact of the continuing economic crisis and political turmoil in Yemen and their final resolution is unpredictable and may adversely affect the operations of the Bank. Our opinion is not qualified in this matter.

Other Matter

We would like to refer that the Bank's management has postponed the application of Financial Accounting Standard No. (30) Impairment, Credit Losses, and High-Risk Obligations issued by "AAOIFI" on the financial statements as at December 31, 2023 due to the lack of guidance and instructions issued by the Central Bank of Yemen regarding the implementation of the standard as describes in note (4.1.3) to the financial statements.

Independent Auditor's Report (Continued)

**To: The Shareholders' of
Bin Dowal Islamic Microfinance Bank
(Yemeni Closed Joint Stock Company)
Hadhramout - Republic of Yemen**

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the Bank's undertaking to operate in accordance with Islamic Shari'a Rules and Principles as determined by the Bank's Shari'a Supervisory Board. The board of directors is also responsible for the preparation and fair presentation of the financial statements in accordance with FAS issued by "AAOIFI", the Shari'a rules and principles as determined by the Shari'a Supervisory Board, instructions issued by Central Bank of Yemen, and relevant local laws and regulations, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the board of directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as necessary, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ASIFIs issued by "AAOIFI" will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ASIFIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (Continued)

To: The Shareholders' of
Bin Dowal Islamic Microfinance Bank
(Yemeni Closed Joint Stock Company)
Hadhramout - Republic of Yemen

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 accounts, and the accompanying financial statements are in agreement with what is contained in those records. Furthermore, we are not aware of any violations of the laws in force in the Republic of Yemen including the Microfinance Bank law No. (15) of 2009, the Yemen Commercial Companies law No. (22) of 1997 and its amendments, and the Islamic Banks law No. (21) of 1996 and its amendments as well as Banking law No. (38) of 1998 or instructions issued by the Central Bank of Yemen, in a way that may have a material impact on the results of the bank's business or its financial position during the financial year ended December 31, 2023.



Aden - Republic of Yemen
July 10, 2024

Bin Dowal Islamic Microfinance Bank
(Yemeni Closed Joint Stock Company)

Statement of financial position

As at December 31, 2023

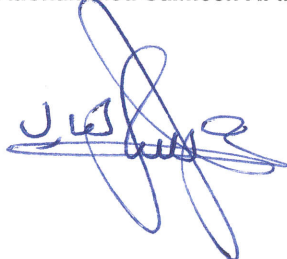
	Notes	Dec. 31, 2023 YR 000s	Dec. 31, 2022 YR 000s
Assets			
Cash on hand and reserve balances with Central Bank of Yemen (CBY)	9	4,764,974	1,084,695
Due from banks and financial institutions	10	9,224,205	8,337,414
Financing Murabaha contracts transactions	11	390,050	46,824
Investment in Islamic Sukuk	12	1,000,000	-
Debit balances and other assets	13	401,066	10,857
Property and equipment	14	996,342	135,144
Intangible assets	15	1,479,881	250,582
Right-of-use assets	16	172,562	-
Total assets		18,429,080	9,865,516
Liabilities and equity			
Liabilities			
Current accounts and other deposits	17	11,660,734	4,754,315
Investments deposits and savings accounts	18	1,212,118	199,767
Credit balances and other liabilities	19	1,268,210	4,081
Other provisions	20	6,235	-
Lease contracts liabilities	21	132,178	-
Total liabilities		14,279,475	4,958,163
Equity			
Share capital	22	5,000,000	5,000,000
Retained losses		(850,395)	(92,647)
Total equity		4,149,605	4,907,353
Total liabilities and equity		18,429,080	9,865,516
Contingent liabilities and commitments	23	311,768	-

Finance Manager

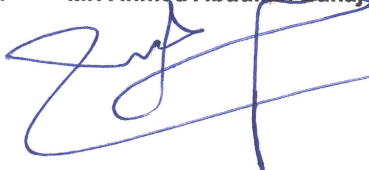
General Manager

Chairman

Mr. Mohammed Salmeen Al-Maari



Mr. Ahmed Abdullah Bahaj



Mr. Saeed Omar Al-Maari




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

Bin Dowal Islamic Microfinance Bank
(Yemeni Closed Joint Stock Company)

Statement of income

For the year ended December 31, 2023

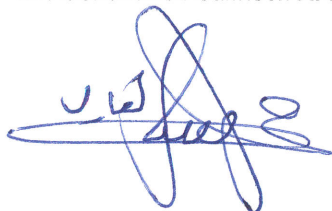
	Notes	For the period from June 27, 2022 to December 31, 2022	
		2023 YR 000s	YR 000s
Income from financing Murabaha contracts transactions	24	51,079	2,797
Income from other joint investments	25	83,405	-
		134,484	2,797
Less:			
Return on investments deposits and saving accounts' holders	18.1	(38,526)	(340)
Bank's share from income on Murabaha and joint investments		95,958	2,457
Fees and commission income	26	95,530	2,415
Less: Fees and commission expenses	28	(58,769)	-
Net fees and commission income		36,761	2,415
(Loss) gain on foreign currency transactions	27	(97,173)	45,039
Other operating income		2,077	198
Total operating income		37,623	50,109
Less:			
Provisions	29	(24,514)	(3,196)
Staff costs	30	(294,115)	(17,357)
Depreciation of property and equipment and right-of-use assets	14,16	(88,767)	(10,516)
Amortization of intangible assets	15	(94,290)	(20,512)
Establishment expenses		-	(74,434)
Other expenses	31	(260,636)	(16,741)
Net loss for the year/period before zakat and taxes		(724,699)	(92,647)
Zakat		(33,049)	-
Income tax		-	-
Net loss for the year/period after zakat and taxes		(757,748)	(92,647)
Earnings (Loss) per share for the year/period (YR)		(1,516)	(185.3)

Finance Manager

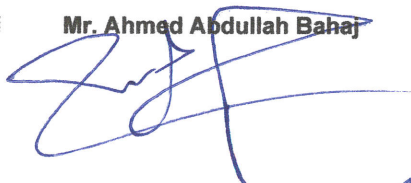
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Bin Dowal Islamic Microfinance Bank
(Yemeni Closed Joint Stock Company)

Statement of changes in equity

For the year ended December 31, 2023

	Share Capital YR 000s	Retained Losses YR 000s	Total YR 000s
Balance as at January 31, 2023	5,000,000	(92,647)	4,907,353
Net loss for the year	-	(757,748)	(757,748)
Balance at December 31, 2023	5,000,000	(850,395)	4,149,605
Balance as at the beginning of period	-	-	-
Paid-up capital	5,000,000	-	5,000,000
Net loss for the period	-	(92,647)	(92,647)
Balance at December 31, 2022	5,000,000	(92,647)	4,907,353

Finance Manager

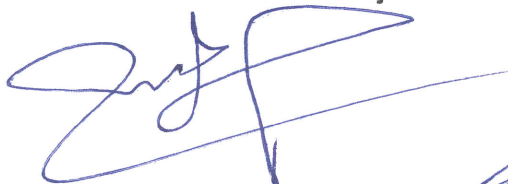
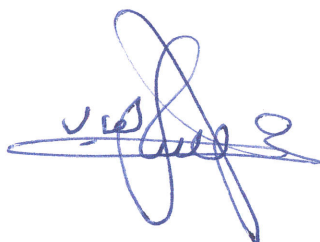
General Manager

Chairman

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Bin Dowal Islamic Microfinance Bank
(Yemeni Closed Joint Stock Company)

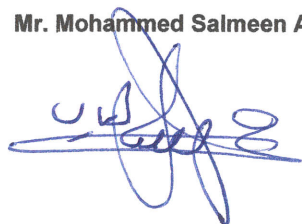
Statement of cash flow

For the year ended December 31, 2023

	Notes	For the period from June 27, 2022 to December 31, 2022	
		2023 YR 000s	2022 YR 000s
Cash flows from operating activities			
Net loss for the year/period before zakat and taxes		(724,699)	(92,647)
Adjustments for:			
Zakat		(33,049)	-
Depreciation of property and equipment and right-of-use assets	14,16	88,767	10,516
Amortization of Intangible assets	15	94,290	20,512
Provisions charged to the income statement	29	24,514	3,196
		(550,177)	(58,423)
Changes in:			
Mandatory reserve balances with Central Bank of Yemen		(997,384)	-
Financing Murabaha contracts transactions		(361,505)	(50,020)
Investment in Islamic Sukuk		(1,000,000)	-
Debit balances and other assets		(390,209)	(10,857)
Current accounts and other deposits		6,906,419	4,754,315
Investments deposits and savings accounts		1,012,351	199,767
Credit balances and other liabilities		1,264,129	4,081
Net cash flows generated from operating activities		5,883,624	4,838,863
Cash flows from investing activities			
Payments for acquisition of property and equipment		(925,492)	(145,660)
Payments for acquisition of intangible assets		(1,323,589)	(271,094)
Net cash flows used in investing activities		(2,249,081)	(416,754)
Cash flows from financing activities:			
Paid-up capital		-	5,000,000
Payments to creditors of the right -of-use assets		(64,857)	-
Net cash flows (used in) available from financing activities		(64,857)	5,000,000
Net change in cash and cash equivalents		3,569,686	9,422,109
Cash and cash equivalents at the beginning of the year/period		9,422,109	-
Cash and cash equivalents at the end of the year/period		12,991,795	9,422,109
Cash and cash equivalents at the end of the year/period consists of:			
Cash on hand and reserve balances with Central Bank of Yemen	9	4,764,974	1,084,695
Due from banks and financial institutions	10	9,224,205	8,337,414
		13,989,179	9,422,109
Less: Mandatory reserve with Central Bank of Yemen		(997,384)	-
		12,991,795	9,422,109

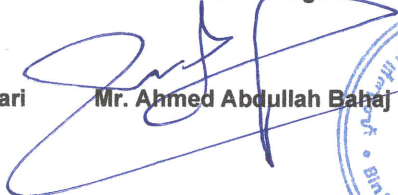
Finance Manager

Mr. Mohammed Salmeen Al-Maari



General Manager

Mr. Ahmed Abdullah Bahaj



Chairman

Mr. Saeed Omar Al-Maari



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

Bin Dowal Islamic Microfinance Bank

(Yemeni Closed Joint Stock Company)

Notes to the financial statements

For the year ended December 31, 2023

1. Background information

Bin Dowal Islamic Microfinance Bank (Yemeni Closed Joint Stock Company), was established in accordance with Commercial Companies Law No. (22) of 1997, and its amendments and Law No. (15) of 2009 regarding microfinance banks on December 25, 2021. It was registered in the Commercial Registration on January 3, 2022, under register No. (34), and the bank obtained the final license to start practicing its activities according to the Central Bank of Yemen letter No. (461/CBY/ 2022) on June 27, 2022.

The bank operates its banking activities in the Republic of Yemen through its head office in Mukalla city in the Hadhramout Governorate and has only one branch (Jul Masha branch) in the same location of head office until December 31, 2023.

2. Nature of activity

The main purposes of the **Bin Dowal Islamic Microfinance Bank (Yemeni Closed Joint Stock Company)** are to engage in financial and banking services, which are to grant Murabaha and other banking services in accordance to the Banking Law, the Islamic Banks Law and the Microfinance Banks Law in accordance with the Islamic Sharia's rules.

3. Preparation basis and presentation of the financial statements

3.1 Basis of preparation

The financial statements have been prepared on historical cost.

3.2 Statement of compliance

The financial statements are prepared in accordance with the Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), the Shari'a rules and principles as determined by the Shari'a Board of the Bank and instructions issued by the Central Bank of Yemen (CBY) and relevant local regulations. The bank has adopted the International Financial Reporting Standards (IFRS) for the matters that are not covered by AAOIFI standards.

The financial statements for the year ended on December 31, 2023 were approved by the Board of Directors on July 3, 2024 (Note No. (41))

3.3 Functional and presentation currency

The financial statements have been prepared and presented in Yemeni Rials ("YR") (the Bank's functional currency), which is the currency in which the majority of transactions are denominated and are rounded to the nearest thousand Yemeni rials (unless otherwise indicated).

3.4 Significant accounting judgments and estimates

The standard requires to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, financial liabilities at the financial statements date, as well as the values of revenues and expenses.

They are developed based on past experience and expectations of future events and on other factors that the bank management considers reasonable under the prevailing circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis, changes in accounting estimates are recognized in the period in which the estimates are changed and in any future period affected. Information about significant judgments and estimates applied in accounting policies that have a significant impact on balances are presented in the financial statements.

Bin Dowal Islamic Microfinance Bank

(Yemeni Closed Joint Stock Company)

Notes to the financial statements

For the year ended December 31, 2023

The following are significant accounting assumptions and estimates applied by the Bank in the presentation of these financial statements:

a. Going concern principle

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

b. Provision for impairment of assets

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

c. Investment in monetary and non-monetary debt instruments

These investments are initially recognized at cost upon acquisition, and at the date of the financial statements, they are measured at fair value. Any differences are recognized in the income statement or as fair value adjustments in equity, in accordance with the business model, cash flow characteristics, and consistent with Islamic financing contracts.

d. Useful lives of property and equipment

The Bank uses estimates of useful lives of property and equipment for depreciating these assets.

4. Summary of accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied by the Bank and are consistent with those used in the previous period.

4.1 New accounting standards and their interpretations

4.1.1 New standards, amendments and interpretations effective from 1 January 2023

- **FAS 39: Financial Reporting for Zakah**

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

This standard shall apply to institutions with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Group, this standard shall be applicable on all consolidated and separate / standalone financial statements of an institution.

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

Bin Dowal Islamic Microfinance Bank

(Yemeni Closed Joint Stock Company)

Notes to the financial statements

For the year ended December 31, 2023

An institution obliged to pay Zakah by law or by virtue of its constitution documents shall recognize current Zakah due for the period as an expense in its financial statements. Where Zakah is not required to be paid by law or by virtue of its constitution documents, and where the institution is considered as an agent to pay Zakah on behalf of certain stakeholders, any amount paid in respect of Zakah shall be adjusted with the equity of the relevant stakeholders.

The adoption of this standard did not have significant impact on the Bank.

- **FAS 41: Interim Financial Reporting**

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by AAOIFI. This standard is also applicable to the institutions which prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard is effective for financial statements for the period beginning on or after 1 January 2023.

The adoption of this standard did not have impact on the Bank.

- **FAS 44: Determining Control of Assets and Business**

AAOIFI has issued FAS 44 "Determining Control of Assets and Business" on 31 December 2023, applicable with immediate effect. The objective of this standard is to establish clear and consistent principles for assessing whether and when an institution controls an asset or a business, both in the context of participatory structures and for consolidation purposes.

This standard is applicable to all Islamic financial institutions ("IFIs") and entities who are party to the Sharia compliant transactions and structures (as allowed by the respective regulatory and reporting framework). These standard covers both on- financial statements and off-financial statements arrangements, including participatory structures like Mudaraba, Musharaka, and Sukuk. The assessment of control is relevant across various accounting policies of the Group, including but not limited to consolidation of subsidiaries, recognition and de-recognition of various financial assets and participatory investment structures.

The adoption of this standard did not have impact on the Bank.

4.1.2 New standards, amendments and interpretations issued but not yet effective

The bank has not yet implemented the new and amended financial accounting standards that have been issued but are not yet effective:

- **FAS 1: General Presentation and Disclosures in the Financial Statements**

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

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

Bin Dowal Islamic Microfinance Bank

(Yemeni Closed Joint Stock Company)

Notes to the financial statements

For the year ended December 31, 2023

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

- a. Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b. Definition of quasi equity is introduced;
- c. Definitions have been modified and improved;
- d. Concept of comprehensive income has been introduced;
- e. Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f. Disclosure of Zakah and Charity have been relocated to the notes;
- g. True and fair override has been introduced;
- h. Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i. Disclosures of related parties, subsequent events and going concern have been improved;
- j. Improvement in reporting for foreign currency, segment reporting;
- k. Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date an amendment to other AAOIFI FAS's.

The Bank is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its financial statement.

- **FAS 45: Quasi-Equity (Including Investment Accounts)**

AAOIFI has issued Financial Accounting Standard FAS (45) "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Bank does not expect any significant impact on the adoption of this standard.

- **FAS 46: Off-Balance-Sheet Assets Under Management**

AAOIFI has issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

Bin Dowal Islamic Microfinance Bank

(Yemeni Closed Joint Stock Company)

Notes to the financial statements

For the year ended December 31, 2023

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Bank does not expect any significant impact on the adoption of this standard.

- **FAS 47: Transfer of Assets Between Investment Pools**

AAOIFI has issued Financial Accounting Standard No. 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt.

The Bank does not expect any significant impact on the adoption of this standard.

4.1.3 New standards, amendments, and interpretations issued and effective but not applied yet.

- **FAS 30: Impairment, Credit losses and onerous commitments**

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

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

As a result of the lack of guidance and instructions from the Central Bank of Yemen regarding the application of Financial Accounting Standard No. (30) on impairment, credit losses, and onerous commitments issued by "AAOIFI" the standard has not been applied by the bank's management to the financial statements as of December 31, 2023, and the bank's management is currently evaluating the potential impact of applying this standard in the event that any future instructions or guidelines are issued by the Central Bank of Yemen. Note that the bank is committed to implementing the instructions of the Central Bank of Yemen regarding the allowance for credit losses.

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4.2 Foreign currencies transactions

In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Translation gains or losses on non-monetary items carried at fair value are included in owner's equity as part of fair value adjustment. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange rate differences on monetary items are recognized as part of profits or losses in the period in which they arise, with the exception of exchange rate differences on debts in foreign currencies relating to assets under process produced for future use, which are included in the cost of these assets when considered an adjustment to profit margin costs on those debts are in foreign currencies.

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

4.3 Financial contracts

Financial contracts consist of due from banks and financial institutions, Central Bank of Yemen, Murabaha and Sukuk (less deferred profits). Balances relating to these contracts are stated net of provisions for impairments.

4.3.1 Placements with and from financial institutions, non-financial institutions and individuals

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

4.3.2 Equity of investments deposits and savings accounts holders

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

Return due on unrestricted investment accounts is determined on the basis of Mudaraba contract, which determines profit (loss) sharing basis resulting from various Islamic transactions during the period.

4.3.3 Murabaha receivables

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

The Bank considers the purchaser's promise to purchase the asset as obliged for the Murabaha transaction in favour of the Seller. Murabaha receivables are stated at cost, less deferred profits and provision for impairment.

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4.3.4 Sukuk

Sukuk are quoted and unquoted securities which are classified as investment and carried at amortized cost in accordance with FAS 25 issued by AAOIFI.

4.4 Impairment of financial assets

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

Impairment is determined as follows:

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

4.4.1 Valuation of Murabaha financing transactions

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

Description	Percentage
Performing debts of Murabaha financing	
Performing debts (due less than 7 days)	5%
Non - performing debts	
Observable debts (due from 7 days until 30 days)	10%
Substandard debts (due from more than 30 days until 60 days)	25%
Doubtful debts (due from more than 60 days until 90 days)	50%
Bad debts (due for more than 90 days)	100%

Debts relating to Financing Murabaha contracts transactions are written off if procedures taken toward their collection prove useless, or if directed by CBY examiners upon review of the portfolio. Proceeds from debts previously written off in prior years are credited to the provision.

Debts relating to Financing Murabaha contracts transactions whether short or long term, are presented on the statement of financial position net of their related provisions, (non-performing provision and general risk provision for performing debts) and deferred and suspense revenues at the financial statements date.

4.5 Revenue recognition

Income from financing and investment activities is recognized as follows:

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4.5.1 Financing Murabaha contracts operations

Profit on financing Murabaha and contracts are recorded on accrual basis as all profits at the completion of Murabaha contract are recorded as deferred revenues, and taken into the income statement or restricted investment accounts' holders on the basis of the finance percentage using the straight- line method over the term of the contract. Profits from non-performing financing contracts are discontinued in the statement of income, in line with the instructions of the Central Bank of Yemen.

4.5.2 Fees and Commission income

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

4.5.3 Distribution of unrestricted investments profits between unrestricted investment account holders and equity shareholders'

In this regard, the Bank implements the follows:

- Adopting the accounting separation method in the distribution of profits.
- Profit realized from financing contracts transactions and investments return during the period represents the net profit available for distribution among shareholders and holders of unrestricted investment accounts.
- Calculating a net share of holders of unrestricted investment accounts from profit on a daily basis balance for deposits during the financial period after deducting the provision of financing contracts transactions, and the agreed and announced Bank's share of Mudaraba.
- Giving priority in the profit distribution first to holders of unrestricted investment accounts in order not to mix between the funds related to unrestricted investment accounts holders with the Bank's money for the purpose of distribution profits.
- Arranging the investments in the same order of priority the depositors' investments, restricted investment and Bank's investment.

4.5.4 Sukuk income

Income from Sukuk is calculated at their actual profit rate over the time period covered by these instruments.

4.6 Restricted investment accounts

Restricted investment accounts represent assets acquired by funds provided by holders of restricted investment accounts and their equivalent and are managed by the Bank as an investment manager based on either a Mudaraba contract or Wakala contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investment accounts' holders. Assets that are held in such capacity are not included as assets of the Bank in the financial statements.

Murabaha investment transactions and other investments financed by restricted investment accounts are evaluated on the same valuation bases mentioned above and their related profits (losses) and provisions are transferred to restricted investment accounts after deducting the Bank's share for managing these investments.

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4.7 Property and equipment

a. Recognition and measurement

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

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

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

b. Subsequent costs

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

c. Depreciation

Depreciation is calculated based on the cost of an asset less its residual value, if any.

Significant components of individual assets are assessed and if a component has useful life that is different from the remainder of that asset, that component is depreciated separately.

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

The following is statement of the estimated useful lives of these properties and equipment for the purpose of calculating depreciation, which are the same rates used in prior period:

	<u>Estimated Useful Lives</u>
Furniture and fixtures	5 Years
Electronic devices and equipment	5 Years
Electricity generator	5 Years
Vehicles	5 Years

No depreciation is calculated for the projects in progress until they are transferred to "property and equipment" as they are "ready for use".

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4.8 Intangible assets

Intangible assets comprise of the value of automated software. Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follow:

Systems and software	5 Years
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4.9 Impairment of tangible and intangible assets

At each financial position date, the bank reviews the carrying amounts of its tangible and intangible assets if any to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated in order to determine the extent of the impairment loss (if any), where it is not possible to estimate the recoverable value of an individual asset, the bank's management estimates the recoverable value of the cash-generating unit to which the asset belongs. Where reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable value is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using rate of return that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable value of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable value. An impairment loss is charged immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating) is increased to the revised estimate of its recoverable value, but so that the increased carrying amount does not exceed than the carrying amount that would have been determined if the impairment loss had not been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is charged immediately in statement of income.

4.10 Impairment of non-financial assets

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

4.11 Contingent liabilities and commitments

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

4.12 Cash and cash equivalents

For the purposes of preparing the statement of cash flows, cash and cash equivalents consist of cash balances, with less than three months maturity from the date of acquisition including cash on hand and deposits at banks, other than cash balances with CBY, and in reserve balances rate framework.

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4.13 Other provisions

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

4.14 Earnings per share

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

4.15 Comparatives

Except when standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

4.16 Taxes

The Bank operations inside Republic of Yemen are subject to taxes in accordance with the applicable prevailing laws and regulations. Thus, income tax expense represents the tax currently payable as per the prevailing Yemeni Income Tax Law No. (17) for 2010 and the provision for tax liabilities is made after conducting the necessary studies. The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank liability for current tax is calculated using tax rates that are enacted at the statement of financial position date.

4.17 End of service benefits

- With regard to the Bank employees in Yemen, all employees are contributing to the social security scheme in accordance with the Republic of Yemen's Social Insurance Law No. (26) of 1991. Payments are made to the Social Security General Corporation before the 10th day of next month. The Bank's contribution is charged to the statement of income.
- The rules of social security law of the Republic of Yemen are applicable to all Bank employees in Yemen concerning to end of service benefits.

4.18 Zakat

Zakat is computed according to the directions of the Shari'a Board and collected from the shareholders on behalf of the relevant government authority. The amount collected is remitted to this authority (75%), which decides on the allocation of the Zakat and the remaining amount (25%) is paid by the Bank.

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

4.19 Revenue prohibited by Shari'a rules and principles

The Bank records revenue in violation of Sahri'a rules and principles - if any- under "credit balances and other liabilities". Such revenues are disbursed in aspects and activities approved by the Bank Sahri'a Supervisory board.

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4.20 Customers' current accounts

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

4.21 Equity of investments deposits and savings accounts' holders

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

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

4.22 Statutory reserve

According to the requirements of Law No. (15) of 2009 regarding microfinance banks and the requirements of the Board of Directors of the Central Bank of Yemen - Aden Decision No. (9/2/2022), microfinance banks must establish a statutory reserve and retain it from the annual profits at a rate of not less than 25% of the net its profits after retaining the necessary amounts for taxes and other potential liabilities, and retaining the aforementioned percentage before distributing profits or a share thereof or transferring them to their main headquarters abroad in the case of foreign bank branches, the bank's management did not retain a statutory reserve given that the result of the bank's activity is loss.

4.23 Statement of cash flows

The Bank follows the indirect method in the presenting the statement of cash flows, where the net profit or loss is adjusted to reflect the effect of both of the operations of non-monetary and any deferred expenses or accruals related to cash receipts or payments in the past or future, as well as any items revenue and expenses resulting from cash flows related to investing and financing operations.

4.24 Functional and presentation currency

Items included in the financial statements are measured by using main economic currency in the country in which Bank operates ("functional currency") and thus the financial statements are presented in Yemeni Riyals as functional and presentation currency of the Bank.

Transactions in other currencies are translated to the YR "functional currency" based on the prevailing exchange rate at the date of the transaction, and the gain or loss resulting from translation are charged to the statement of income. Balances of monetary assets and liabilities in other currencies at the end of financial year are translated at the closing prices were issued of Central Bank of Yemen at that date.

5. Supervision of Central Bank of Yemen

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

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6. Shari'a Supervisory Board

The Bank is subject to the supervision of a Shari'a Supervisory Board, consisting of three members appointed by the Ordinary General Assembly of the Bank and their responsibility is restricted to the oversight of the Islamic related aspects of the Bank's activities according to the rules of Islamic Shari'a.

7. Financial instruments and related risk management

7.1 Financial instruments

a. The Bank's financial instruments are represented in financial assets and liabilities. The financial assets include cash balances, due from banks and financial institutions, financing Murabaha contracts transactions and Sukuk and other assets. The financial liabilities include customers' current accounts, other deposits, equity of unrestricted investments and saving account holders and other financial liabilities. Also, financial instruments include rights and obligations stated in contingent liabilities and commitments.

Note (4) to the financial statements includes significant accounting policies applied for recording and measuring significant financial instruments and their related revenues and expenses.

b. Fair value hierarchy

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Fair values are based on quoted prices (unadjusted) in active markets for identical assets.
- **Level 2:** Fair values are based on inputs other than quoted prices included within level 1 that are observable for the assets either directly (i.e. as price) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Fair values are based on valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable input have a significant impact on the instrument's valuation.

c. Financial instruments for which fair value approximates carrying value

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

d. Fair value of financial instruments

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

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

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The following table explains the Bank's classification of each category of financial assets and liabilities and their carrying value compared to the fair value of the Bank's financial instruments included in the financial statements.

(The table does not include the fair values of non-financial assets and liabilities):

	2023		
	Amortized Cost / Other YR 000s	Net Carrying Amount YR 000s	Fair Value YR 000s
<u>Financial assets</u>			
Cash on hand and reserve balances with (CBY)	4,764,974	4,764,974	4,764,974
Due from banks and financial institutions	9,224,205	9,224,205	9,224,205
Financing Murabaha contracts transactions	390,050	390,050	390,050
Investment in Islamic Sukuk	1,000,000	1,000,000	1,000,000
<u>Financial liabilities</u>			
Current accounts and other deposits	11,660,734	11,660,734	11,660,734
Investments deposits and savings accounts	1,212,118	199,767	1,212,118

	2022		
	Amortized Cost /Other YR 000s	Net Carrying Amount YR 000s	Fair Value YR 000s
<u>Financial assets</u>			
Cash on hand and reserve balances with (CBY)	1,084,695	1,084,695	1,084,695
Due from banks and financial institutions	8,337,414	8,337,414	8,337,414
Financing Murabaha contracts transactions	46,824	46,824	46,824
Investment in Islamic Sukuk	-	-	-
<u>Financial liabilities</u>			
Current accounts and other deposits	4,754,315	4,754,315	4,754,315
Investments deposits and savings accounts	199,767	199,767	199,767

7.2 Risk management of financial instruments

7.2.1 Risk management framework

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

7.2.2 Risk management structure

The Board of Directors is responsible for identifying and controlling risks, however, since the bank is newly established, it is still in the process of forming committees affiliated with the Board of Directors. Upon completion of the formation of these committees, the Board of Directors will distribute the responsibility for risk management among several responsible parties, including:

- Executive committee: The Executive Committee has the responsibility to monitor the overall risk process within the bank.

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- Risk Committee: The Risk Committee's primary role is selection and implementation of risk management systems, portfolio monitoring, risk reporting to the Board, Board Committees, Regulators and Executive management. In addition, Risk Committee is responsible for monitoring of transaction credit approval.
- Asset and Liability Committee: The Asset and Liability Committee establishes policy and objectives for the asset and liability management of the Bank's financial position in terms of structure, distribution, risk and return and their impact on profitability.
- Audit Committee: The Audit Committee is appointed by the Board of Directors who are nonexecutive directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, the soundness of the internal controls of the Bank, the measurement system of risk assessment, and the methods for monitoring compliance with laws, regulations and supervisory and internal policies.
- Shari'a supervisory board: The Shari'a Supervisory Board is entrusted with the responsibility to ensure adherence to Sahri'a rules and principles in its transactions and activities.

7.2.3 Risk measurement

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

a. Credit risk

Financing of Murabaha contracts transactions and their related debts and due from banks and financial institutions are considered as financial assets exposed to credit risk. Credit risk represents the inability of these parties to meet their obligations when they fall due.

Management of credit risk

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

Grade	Classification	Criteria
2	observable debts	Overdue greater than 6 days, and shows some losses due to adverse factors that hinder repayment.
3	Sub-standard debts	Overdue greater than 30 days, and shows some losses due to adverse factors that hinder repayment.
4	Doubtful debts	Overdue greater than 60 days, and based on available information, full recovery seems doubtful, leading to losses on portion of these debts.
5	Bad debts	Overdue greater than 90 days, and probability of no recovery.

The performing debts portfolio based on the internal credit ratings is as follows (excluding cash secured financing):

Grade	Classification	2023 YR 000s	2022 YR 000s
1	Performing	486,719	55,635

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

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

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

	2023 YR 000s	2022 YR 000s
Cash on hand and reserve balances with CBY (excluding cash on hand)	997,384	-
Due from banks and financial institutions	9,224,205	8,337,414
Financing Murabaha contracts transactions	390,050	46,824
Investment in Islamic Sukuk	1,000,000	-
Debit balances and other assets - after deducting the advance payments	206,463	8,311
	11,818,102	8,392,549
Contingent liabilities and commitments	357,462	-
Total credit risk exposure	12,175,564	8,392,549

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

	2023	
	Gross Maximum Exposure YR 000s	Net Maximum Exposure YR 000s
Government	10,405,325	10,405,325
Financial	816,264	816,264
Industry	-	-
Commercial	-	-
Agricultural and fishing	-	-
Individuals and others	596,513	596,513
	11,818,102	11,818,102
Contingent liabilities and commitments	357,462	311,768
	357,462	311,768
	2022	
	Gross Maximum Exposure YR 000s	Net Maximum Exposure YR 000s
Government	8,337,414	8,337,414
Financial	-	-
industry	-	-
Commercial	28,085	28,085
Agricultural and fishing	-	-
Individuals and others	27,050	27,050
	8,392,549	8,392,549
Contingent liabilities and commitments	-	-
	8,392,549	8,392,549

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The bank began its activities in mid-2022, and when expanding in the coming years, the bank seeks to manage concentration of risk by distributing the financing and investment transactions over other geographical locations and the degree of customers concentration. Note No (35) shows the distribution of assets, liabilities, contingent liabilities and commitments based on economic sectors and Note No (36) shows the distribution of assets, liabilities, and contingent liabilities and commitments based on geographical locations as at the financial statements date.

b. Liquidity risk

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

Liquidity risk is the risk that the Bank will be unable to meet its obligations when they fall due and in addition to the risks arising from the inability to liquidate some funds at reasonable prices and on timely basis.

Management of liquidity risk

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

The Central Bank of Yemen Circular No. 3 of 1997 requires that the liquidity ratio be 25% as a minimum. The liquidity rate as at December 31, 2023 was 105% (as at December 31, 2022 was 134%).

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

	2023				Total YR 000s
	Due within 3 Months YR 000s	Due from 3 to 6 Months YR 000s	Due from 6 Months to 1 Year YR 000s	Due More than 1 Year YR 000s	
Liabilities					
Current accounts and other deposits	11,660,734	-	-	-	11,660,734
Investments deposits and savings accounts	29,461	-	-	1,182,657	1,212,118
Credit balances and other liabilities	1,268,210	-	-	-	1,268,210
Total liabilities	12,958,405	-	-	1,182,657	14,141,062
	2022				Total YR 000s
	Due within 3 Months YR 000s	Due from 3 to 6 Months YR 000s	Due from 6 Months to 1 Year YR 000s	Due More than 1 Year YR 000s	
Liabilities					
Current accounts and other deposits	4,754,315	-	-	-	4,754,315
Investments deposits and savings accounts	11,767	-	-	188,000	199,767
Credit balances and other liabilities	4,081	-	-	-	4,081
Total liabilities	4,770,163	-	-	188,000	4,958,163

Note No (34) to the financial statements shows the maturity analysis of financial assets and liabilities and the net gap between them as at the financial statements date compared with the previous period.

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c. Market risk

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

• Management of market risk

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

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

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

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

Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by appropriate approving authorities) and the Financial Control Department is responsible for the day-to-day review of their implementation.

• Return rate risk

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

• Exchange rate risk for foreign currencies

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 instructions and requirements of CBY circular No. 6 of 1998 which specifies that the aggregate long position for all foreign currencies should not exceed 25% of the Bank's capital and Reserves and that the individual foreign currency positions should not exceed 15% of the Bank's capital and Reserves. In order to comply with CBY circular No. 6 of 1998 the Bank regularly monitors its foreign currency positions and sells the excess funds in foreign currencies at the prevailing exchange rates at the date of transaction.

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

	2023				
	US Dollar YR 000s	Saudi Riyal YR 000s	AED YR 000s	Others YR 000s	Total YR 000s
Assets	1,761,441	3,705,394	50,341	42,255	5,559,431
Liabilities	(3,070,787)	(2,440,117)	(50,008)	(7,271)	(5,568,183)
Net foreign currency position	(1,309,346)	1,265,277	333	34,984	(8,752)

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	2022				
	US Dollar YR 000s	Saudi Riyal YR 000s	AED YR 000s	Others YR 000s	Total YR 000s
Assets	9,800	50,993	10,900	-	71,693
Liabilities	(9,800)	(73,352)	(10,900)	-	(94,052)
Net foreign currency position	-	(22,359)	-	-	(22,359)

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

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

Currency	The Closing Exchange Rates According to CBY as at December, 31		The Average Exchange Rate According to the Market Rates as at December, 31 *	
	2023	2022	2023	2022
	Equivalent YR	Equivalent YR	Equivalent YR	Equivalent YR
US Dollar	1,529.40	400	1,529.40	1200
Saudi Riyal	407.84	107	407.84	318
AED	416.73	109	416.73	328

* Based on the latest transactions conducted by the Bank management to determine the average exchange rate in the parallel market.

In compliance with the instructions of CBY, the closing exchange rate for the US dollar on December 31, 2023 is 1529.40 Yemeni riyals/US dollar (400 Yemeni riyals/US dollar on December 31, 2022). Accordingly, their financial positions at the end of December 2023 are translated according to this exchange rate. The Bank's management used the prices according to the monthly closing exchange rate bulletin for December issued by the Central Bank of Yemen to evaluate the foreign exchange positions on December 31.

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

Currency	Effect on Statement of Income and Shareholders' Equity	
	2023 YR 000s	2022 YR 000s
US Dollar	-	-
Saudi Riyal	-	(44,092)
AED	-	-
	-	(44,092)

Note No (37) to the financial statements indicates the significant foreign currencies' positions at the financial statements date.

d. Operational risk

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

e. Other risks

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

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8. Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with capital requirements which are issued by the Central Bank of Yemen (CBY), and that the Bank maintains strong credit ratings and good capital adequacy ratio that is higher than the minimum limits that must be maintained. The capital adequacy is monitored by the management of the Bank in accordance with the instructions issued by the Central Bank of Yemen in this regard, using methods according to the standards applied by Central Bank of Yemen for monitoring purposes. The Bank prepares a quarterly report for capital adequacy ratio in accordance with Central Bank of Yemen (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 12%.

The capital adequacy ratio is calculated by comparing the Bank's core and supplementary capital with risk weighted total assets and liabilities at the financial statements for the year/period ended on December 31:

	2023 YR 000s	2022 YR 000s
Core capital	4,148,852	4,907,352
Supplementary capital	23,921	3,196
Total capital	4,172,773	4,910,548
Total risk-weighted assets and liabilities	3,880,637	443,407
Capital adequacy ratio	107.5%	1107.5%

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

9. Cash on hand and reserve balances with Central Bank of Yemen (CBY)

This item consists of the following as of December 31:

	2023 YR 000s	2022 YR 000s
Cash on hand - local currency	651,148	1,033,651
Cash on hand - foreign currencies	3,116,442	51,044
	3,767,590	1,084,695
Mandatory reserve with CBY - local currency	633,387	-
Mandatory reserve with CBY - foreign currency	363,997	-
	997,384	-
	4,764,974	1,084,695

According to the Banks law No. (38) of 1998 and CBY instructions, the bank must maintain the mandatory reserve balances with the CBY represent the minimum reserve requirements against customers' accounts in Yemeni Rials and foreign currencies (without return), and this balance is not available for the bank's daily business.

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10. Due from banks and financial institutions

This item consists of the following as of December 31:

	2023 YR 000s	2022 YR 000s
Central Bank of Yemen		
Current accounts - local currency	8,096,304	8,337,414
Current accounts - foreign currency	311,637	-
	8,407,941	8,337,414
Balance due from local Banks		
Current accounts - local currency	-	-
Current accounts - foreign currency	30,258	-
	30,258	-
Balance due from foreign Banks and financial institutions		
Current accounts - foreign currency	786,006	-
	9,224,205	8,337,414

11. Financing Murabaha contracts transactions

This item consists of the following as of December 31:

	Notes	2023 YR 000s	2022 YR 000s
Financing Murabaha contracts transactions		487,754	59,780
Less: Deferred revenues		(73,265)	(9,760)
Less: Provision for financing Murabaha contracts transactions	11.1	(24,439)	(3,196)
		390,050	46,824

The value of non-performing financing contracts amounting to YR 1,035 thousand for the financial year ended on December 31, 2023 (YR 4,145 thousand for the financial period ended on December 31, 2022), distributed as follows:

	2023 YR 000s	2022 YR 000s
Observable financing debts	1,035	4,145
Substandard financing debts	-	-
Doubtful financing debts	-	-
Bad financing debts	-	-
	1,035	4,145

11.1 Provision for financing Murabaha contracts transactions

According to the instructions of Central Bank of Yemen, financing provisions are classified into specific provisions and non-specified provisions (general provision for debts and regular financing). In accordance with the instructions of the Central Bank of Yemen, the provision is calculated at not less than (5%) of all regular and indirect financing, after deducting the cash insurance, if any.

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This item consists of the following as of December 31:

	2023		
	Specific YR 000s	General YR 000s	Total YR 000s
Balance at the beginning of the year	414	2,782	3,196
Provided during the year	104	18,175	18,279
Differences of re- translating the foreign currencies provisions	-	2,964	2,964
Balance at the end of the year	518	23,921	24,439

	2022		
	Specific YR 000s	General YR 000s	Total YR 000s
Balance at the beginning of the period	-	-	-
Provided during the period	414	2,782	3,196
Balance at the end of the period	414	2,782	3,196

12. Investment in Islamic Sukuk

This item consists of the following as of December 31:

	2023	2022
	YR 000s	YR 000s
Islamic Sukuk - Local	1,000,000	-
	1,000,000	-

Investments in Islamic Sukuk are issued by the unit of the Islamic Sukuk at CBY through a capital-restricted Mudaraba contract with an amount of YR 1,000,000 thousand as at December 31, 2023 (YR zero as at December 31, 2022).

13. Debit balances and other assets

This item consists of the following as of December 31:

	2023	2022
	YR 000s	YR 000s
Prepaid expenses	194,603	2,546
Fixed assets inventory	178,446	-
Stationeries inventory	18,413	8,311
Staff advance	2,816	-
Other debt balances	6,788	-
	401,066	10,857

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14. Property and equipment

This item consists of the following as of December 31:

	Furniture and Fixtures YR 000s	Electronic Devices and Equipment YR 000s	Electricity Generator YR 000s	Vehicles YR 000s	Projects Under Implementation YR 000s	Total YR 000s
Cost at January 1, 2023	66,208	73,584	5,868	-	-	145,660
Additions during the year	83,065	385,790	20,062	98,065	338,510	925,492
Disposals during the year	-	-	-	-	-	-
Balance at December 31, 2023	149,273	459,374	25,930	98,065	338,510	1,071,152
Accumulated depreciation at January 1, 2023	4,082	5,945	489	-	-	10,516
Depreciation of the year	23,930	28,577	3,749	8,038	-	64,294
Accumulated depreciation of disposals	-	-	-	-	-	-
Balance at December 31, 2023	28,012	34,522	4,238	8,038	-	74,810
The carrying amount at December 31, 2023	121,261	424,852	21,692	90,027	338,510	996,342
Cost at January 1, 2022	-	-	-	-	-	-
Additions during the period	66,208	73,584	5,868	-	-	145,660
Disposals during the period	-	-	-	-	-	-
Balance at December 31, 2022	66,208	73,584	5,868	-	-	145,660
Accumulated depreciation at January 1, 2022	-	-	-	-	-	-
Depreciation of the period	4,082	5,945	489	-	-	10,516
Accumulated depreciation of disposals	-	-	-	-	-	-
Balance at December 31, 2022	4,082	5,945	489	-	-	10,516
The carrying amount at December 31, 2022	62,126	67,639	5,379	-	-	135,144

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15. Intangible assets

This item represents in the amounts were paid for the purchase of systems and software which the bank uses in its business. This item consists of the following as of December 31:

	2023 YR 000s	2022 YR 000s
Cost		
Balance at the beginning of the year/period	271,094	-
Additions	1,323,589	271,094
Disposals	-	-
	1,594,683	271,094
Amortization		
Balance at the beginning of the year/period	(20,512)	-
Amortization for the year/period	(94,290)	(20,512)
Disposals	-	-
	(114,802)	(20,512)
The carrying amount as at the end of the year/period	1,479,881	250,582

16. Right-of-use assets

This item consists of the following as of December 31:

	2023 YR 000s	2022 YR 000s
Cost		
Balance at the beginning of the year/period	-	-
Additions	197,035	-
Disposals	-	-
	197,035	-
Depreciation		
Balance at the beginning of the year/period	-	-
Depreciation for the year/period	(24,473)	-
Disposals	-	-
	(24,473)	-
The carrying amount as at the end of the year/period	172,562	-

17. Current accounts and other deposits

This item consists of the following as of December 31:

	2023 YR 000s	2022 YR 000s
Current accounts - Local currency	7,293,731	4,693,819
Current accounts - Foreign currency	4,321,309	60,496
	11,615,040	4,754,315
Cash margin - Letters of guarantee	45,694	-
	11,660,734	4,754,315

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18. Investments deposits and savings accounts

This item consists of the following as of December 31:

		2023	2022
		YR 000s	YR 000s
Investments deposits - Local currency		863,648	164,720
Investments deposits - Foreign currency		303,792	22,940
		1,167,440	187,660
Savings accounts - Local currency		5,500	5,500
Savings accounts - Foreign currency		23,961	6,267
		29,461	11,767
Return on investment deposit holders	18.1	15,217	340
		1,212,118	199,767

18.1 Return on investment deposit holders

All investment deposits at bank are investment deposits for a period of one year or less. Returns for those accounts' holders have been approved by the Board of Directors based on the suggestion of the committee that calculates investments returns in local and foreign, the investments return percentage is as follows:

	2023		2022	
	Local Currency	Foreign Currencies	Local Currency	Foreign Currencies
	%	%	%	%
One year investment deposits	13	3.60	6	2
Six months investment deposits	4.87	1.26	-	-

19. Credit balances and other liabilities

This item consists of the following as of December 31:

	Notes	2023	2022
		YR 000s	YR 000s
Due to agents	1.19	952,974	-
Postdated checks		189,646	-
Remittance creditors		70,400	-
Accrued zakat		33,049	-
Accrued expenses		15,507	2,400
Accrued salary and wages taxes		3,850	1,645
Others		2,784	36
		1,268,210	4,081

19.1 Due to agents

This item consists of the following as of December 31:

	2023	2022
	YR 000s	YR 000s
Due to agents - Local currency	515,742	-
Due to agents - Foreign currency	437,232	-
	952,974	-

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20. Other provisions

This item consists of the following as of December 31:

	2023			Balance at the End of the Year YR 000s
	Balance at the Beginning of the Year YR 000s	Provided During the Year YR 000s	Used During the Year YR 000s	
Provision for contingent liabilities - letter of guarantee	-	6,235	-	6,235
	-	6,235	-	6,235

	2022			Balance at the End of the Period YR 000s
	Balance at the Beginning of the Period YR 000s	Provided During the Period YR 000s	Used During the Period YR 000s	
Provision for contingent liabilities - letter of guarantee	-	-	-	-
	-	-	-	-

The general risk provision for contingent liabilities represents 2% of net contingent liabilities after deducting cash margin.

21. Lease contracts liabilities

This item consists of the following as of December 31:

	2023 YR 000s	2022 YR 000s
Balance at the beginning of the year/period	-	-
Additions	197,035	-
Disposals	-	-
Paid during the year/period	(64,857)	-
	132,178	-

22. Share capital

The bank's authorized and paid-up capital is an amount of YR 5 billion as at December 31, 2023 (YR 5 billion as at December 31, 2022) distributed over 500,000 shares of nominal value of YR 10,000 per share, distributed among the shareholders as follows:

	Number of Shares Share	Share Value YR 000s	Total Shares Value YR 000s	Total Paid up Capital YR 000s
Abdullah Omar Saeed Al-Maari	110,000	10	1,100,000	1,100,000
Saeed Omar Saeed Al-Maari	100,000	10	1,000,000	1,000,000
Ali Omar Saeed Bin Dowal	95,000	10	950,000	950,000
Khaled Abdullah Omar Al-Maari	75,000	10	750,000	750,000
Mohammed Abdullah Omar Al-Maari	50,000	10	500,000	500,000
Ebrahim Abdullah Omar Al-Maari	20,000	10	200,000	200,000
Abdulrahman Saeed Omar Al-Maari	20,000	10	200,000	200,000
Omar Abdullah Omar Al-Maari	20,000	10	200,000	200,000
Abood Mohammed Salmeen	10,000	10	100,000	100,000
	500,000	10,000	5,000,000	5,000,000

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23. Contingent liabilities and commitments

This item consists of the following as of December 31:

	2023 YR 000s	2022 YR 000s
Letters of guarantee commitments	357,462	-
Cash margin held	(45,694)	-
	311,768	-

24. Income from financing Murabaha contracts

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

	2023 YR 000s	For the Period from June 27, 2022 to December 31, 2022 YR 000s
Income from financing Murabaha contracts - Local currency	9,909	755
Income from financing Murabaha contracts - Foreign currency	41,170	2,042
	51,079	2,797

25. Income from other joint investments

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

	2023 YR 000s	For the Period from June 27, 2022 to December 31, 2022 YR 000s
Income from Islamic Sukuk	83,405	-
	83,405	-

26. Fees and commission income

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

	2023 YR 000s	For the Period from June 27, 2022 to December 31, 2022 YR 000s
Commissions from cash transfers	64,898	1,151
Commissions on letter of guarantee	3,763	-
Other banking services fees and commissions	26,869	1,264
	95,530	2,415

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27. (Loss) gain on foreign currencies transactions

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

	2023	For the Period
	YR 000s	from June 27,
		2022 to
		December 31,
		2022
		YR 000s
(Losses) gains re-translation of foreign currencies balances	(204,511)	44,922
Gains on dealing in foreign currencies	107,338	117
	(97,173)	45,039

28. Fees and commission Expenses

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

	2023	For the Period
	YR 000s	from June 27,
		2022 to
		December 31,
		2022
		YR 000s
Cash transfers expenses	58,769	-
	58,769	-

29. Provisions charged to the income statement

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

	Nots	2023	For the Period
		YR 000s	from June 27,
			2022 to
			December 31,
			2022
			YR 000s
Provision for financing Murabaha contracts transactions	11.1	18,279	3,196
Provision for contingent liabilities - letter of guarantee	20	6,235	-
		24,514	3,196

30. Staff costs

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

	2023	For the period
	YR 000s	from June 27,
		2022 to
		December 31,
		2022
		YR 000s
Basic salaries	165,261	10,253
Allowances and incentives	122,523	6,975
Social security	6,331	129
	294,115	17,357

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31. Other expenses

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

	2023 YR 000s	For the period from June 27, 2022 to December 31, 2022 YR 000s
License fees	100,410	3,355
Rent	23,989	-
Food and hospitality	20,873	275
Advertising expenses	20,480	428
Professional and consulting fees	15,801	7,193
Traveling and accommodation expenses	15,043	-
Water and electricity	14,244	586
Phone and internet	11,415	119
Maintenance expenses	8,460	446
Fuel and lubricants	7,813	391
Stationery	6,489	1,944
Training expenses	5,709	-
Tools and consumables	2,234	1,166
Insurance expenses	1,035	296
Others	6,641	542
	260,636	16,741

32. Earnings (Loss) per share for the year/period

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

	2023	For the period from June 27, 2022 to December 31, 2022
Net loss for the year/period (YR '000)	(757,748)	(92,647)
Number of shares (thousand shares)	500	500
Earnings (Loss) per share for the year/ period (YR)	(1,516)	(185.3)

33. Transactions with related parties

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

Related parties are presented by the Board of Directors, executive management, and companies owned by shareholders and board members.

The Bank deals with related parties on the same basis applied to third parties in accordance with Banks Law and Central Bank of Yemen instructions, included in Circular No. (4) of 1999, which limits credit transactions with related parties.

These transactions consist of indirect financing transactions (letter of guarantee) and other various transactions conducted through opening current accounts for related parties as part of the Bank's normal activities.

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

	2023 YR 000s	2022 YR 000s
Current accounts and other deposits	9,397,110	4,610,300
Indirect facilitations – letters of guarantee	357,462	-
Executive management salaries and allowances	17,578	1,500
Board of directors' bonuses and allowances	-	-

34. Maturities of financial assets and liabilities

	2023				Total YR 000s
	Due Within 3 Months YR 000s	Due from 3 to 6 Months YR 000s	Due from 6 Months to One Year YR 000s	Due More than One Year YR 000s	
Assets					
Cash on hand and reserve balances with CBY	4,764,974	-	-	-	4,764,974
Due from banks and financial institutions	9,224,205	-	-	-	9,224,205
Financing Murabaha contracts transactions	-	62,408	93,612	234,030	390,050
Investment in Islamic Sukuk	-	1,000,000	-	-	1,000,000
Debit balances and other assets	401,066	-	-	-	401,066
	14,390,245	1,062,408	93,612	234,030	15,780,295
Liabilities					
Current accounts and other deposits	11,660,734	-	-	-	11,660,734
Investments deposits and savings accounts	29,461	-	-	1,182,657	1,212,118
Credit balances and other liabilities	1,268,210	-	-	-	1,268,210
	12,958,405	-	-	1,182,657	14,141,062
Net	1,431,840	1,062,408	93,612	(948,627)	1,639,233

	2022				Total YR 000s
	Due Within 3 Months YR 000s	Due from 3 to 6 Months YR 000s	Due from 6 Months to One Year YR 000s	Due More than One Year YR 000s	
Assets					
Cash on hand and reserve balances with CBY	1,084,695	-	-	-	1,084,695
Due from banks and financial institutions	8,337,414	-	-	-	8,337,414
Financing Murabaha contracts transactions	-	1,613	16,112	29,099	46,824
Investment in Islamic Sukuk	-	-	-	-	-
Debit balances and other assets	10,857	-	-	-	10,857
	9,432,966	1,613	16,112	29,099	9,479,790
Liabilities					
Current accounts and other deposits	4,754,315	-	-	-	4,754,315
Investments deposits and savings accounts	11,767	-	-	188,000	199,767
Credit balances and other liabilities	4,081	-	-	-	4,081
	4,770,163	-	-	188,000	4,958,163
Net	4,662,803	1,613	16,112	(158,901)	4,521,627

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

Descriptions	2023				Total YR 000s
	Commercial YR 000s	Agriculture and Fishing YR 000s	Financial YR 000s	Individuals & Others YR 000s	
Assets					
Cash on hand and reserve balances with CBY	-	-	4,764,974	-	4,764,974
Due from banks and financial institutions	-	-	9,224,205	-	9,224,205
Financing Murabaha contracts transactions	-	-	-	390,050	390,050
Investment in Islamic Sukuk	-	-	1,000,000	-	1,000,000
Debit balances and other assets	-	-	-	401,066	401,066
Liabilities					
Current accounts and other deposits	90,443	-	9,786,913	1,783,378	11,660,734
Investments deposits and savings accounts	-	-	-	1,212,118	1,212,118
Credit balances and other liabilities	-	-	-	1,268,210	1,268,210
Contingent liabilities and commitments (net)					
Letters of guarantee	-	-	-	311,768	311,768

Descriptions	2022				Total YR 000s
	Commercial YR 000s	Agriculture and Fishing YR 000s	Financial YR 000s	Individuals & Others YR 000s	
Assets					
Cash on hand and reserve balances with CBY	-	-	1,084,695	-	1,084,695
Due from banks and financial institutions	-	-	8,337,414	-	8,337,414
Financing Murabaha contracts transactions	28,085	-	-	18,739	46,824
Investment in Islamic Sukuk	-	-	-	-	-
Debit balances and other assets	-	-	-	10,857	10,857
Liabilities					
Current accounts and other deposits	-	-	4,754,315	-	4,754,315
Investments deposits and savings accounts	-	-	-	199,767	199,767
Credit balances and other liabilities	-	-	-	4,081	4,081
Contingent liabilities and commitments (net)					
Letters of guarantee	-	-	-	-	-

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

Descriptions	2023				Total YR 000s
	Republic of Yemen YR 000s	Asia YR 000s	Africa YR 000s	Europe YR 000s	
Assets					
Cash on hand and reserve balances with CBY	4,764,974	-	-	-	4,764,974
Due from banks and financial institutions	8,438,199	520,586	46,395	219,025	9,224,205
Financing Murabaha contracts transactions	390,050	-	-	-	390,050
Investment in Islamic Sukuk	1,000,000	-	-	-	1,000,000
Debit balances and other assets	401,066	-	-	-	401,066
Liabilities					
Current accounts and other deposits	11,660,734	-	-	-	11,660,734
Investments deposits and savings accounts	1,212,118	-	-	-	1,212,118
Credit balances and other liabilities	1,268,210	-	-	-	1,268,210
Contingent liabilities and commitments (net)					
Letters of guarantee	311,768	-	-	-	311,768

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Descriptions	2022				Total YR 000s
	Republic of Yemen YR 000s	Asia YR 000s	Africa YR 000s	Europe YR 000s	
Assets					
Cash on hand and reserve balances with CBY	1,084,695	-	-	-	1,084,695
Due from banks and financial institutions	8,337,414	-	-	-	8,337,414
Financing Murabaha contracts transactions	46,824	-	-	-	46,824
Investment in Islamic Sukuk	-	-	-	-	-
Debit balances and other assets	10,857	-	-	-	10,857
Liabilities					
Current accounts and other deposits	4,754,315	-	-	-	4,754,315
Investments deposits and savings accounts	199,767	-	-	-	199,767
Credit balances and other liabilities	4,081	-	-	-	4,081
Contingent liabilities and commitments (net)					
Letters of guarantee	-	-	-	-	-

37. Significant foreign currency positions

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

	2023	
	Surplus (Deficit) YR	Percentage to Capital and Reserves %
US Dollar	(1,309,346)	(26.19)
Saudi Riyals	1,265,277	25.31
Emirates Dirham - AED	333	0.01
Others	34,984	0.70
Total	(8,752)	(0.18)

	2022	
	Surplus (Deficit) YR	Percentage to Capital and Reserves %
USD	-	-
SR	(22,359)	(0.447)
AED	-	-
Others	-	-
Total	(22,359)	(0.447)

The US Dollar exchange rate at December 31, 2023 was 1529.40 YR (At December 31, 2022: US Dollar exchange rate was 400 YR) according to CBY instructions.

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38. Tax position

- The Bank has paid the salary and wages taxes for the period on a monthly basis based on declarations, and no notification of any additional assessment was received up to the date of issuing these financial statements.
- The Bank has submitted the tax declaration for the financial period ended December 31, 2022 within the legal deadline. No notification of any additional assessment was received from tax authority up to the date of issuing these financial statements.
- The bank is still in the process of submitting the income tax declarations for the year 2023.

39. Zakat position

The bank is still in the process of submitting the zakat declaration for the year 2023.

40. Current events in Republic of Yemen

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

41. Authorization of financial statements

The financial statements for the year ended December 31, 2023 were approved by the Bank's board of Directors on July 3, 2024.