

Financial Statements and Independent Auditor's Report

Shamil Bank of Yemen and Bahrain

(Yemeni Closed Joint Stock Company)

December 31, 2024

Financial Statements and Independent Auditor's Report

Shamil Bank of Yemen and Bahrain

(Yemeni Closed Joint Stock Company)

December 31, 2024

Contents

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME	5
STATEMENT OF INCOME AND ATTRIBUTIONS RELATED TO QUASI-EQUITY	6
STATEMENT OF CHANGES IN EQUITY	7
STATEMENT OF CASH FLOWS	8-9
NOTES TO THE FINANCIAL STATEMENTS	10 - 53

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Shamil Bank of Yemen and Bahrain (Yemeni closed Joint Stock Company) (the Bank), which comprise the statement of financial position as at 31 December, 2024 the statement of income and other comprehensive income, the statement of income and attributions related to quasi-equity, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion,, except for the possible effects of the matters discussed in the Basis for Qualified Opinion paragraph of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Shamel Bank of Yemen and Bahrain as at 31 December 2024, and results of its operations, changes in owners' equity and its cash flows for the year then ended in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organization for Islamic Financial Institutions“ AAOIFI”, Shari'a rules and principles as determined by the Shari'a Supervisory Board, instructions issued by the Central Bank of Yemen and relevant local laws and instructions.

Basis for Qualified Opinion

the Bank's management has not applied adequately the Financial Accounting Standard No. 32 “Ijarah” issued by the Accounting and Auditing Organization for Islamic Financial Institutions, to present the right-of-use asset and net lease liability in accordance with the requirements of the standard. As a result, we were unable to determine the impact of the failure to apply this standard on the Bank's financial statements.

We conducted the audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by “AAOIFI”. Our responsibilities under these standards are further described in the “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 qualified opinion.

Emphasis of Matters

We draw attention to the following:

1. Note (44) to the financial statements related to the political crisis, economic situation and current security events in the Republic of Yemen, which indicate to the existence of an uncertainty about the improvement of the political situation that may affect the Bank's operations and its financial position in case of the continuation of these circumstances. Our opinion is not modified in respect of this matter.

2. Note (7.2) of paragraph (c) of the notes to the financial statements related to the Bank's exposure to foreign exchange risk and its impact on significant foreign exchange positions. The bank has complied with the instructions issued by the Central Bank of Yemen to record the transactions in foreign currencies during the year, as well as, the valuation of the monetary assets and liabilities in foreign currencies as 31 December, 2024 using the official exchange rates. Our opinion is not modified in respect of this matter.

Management's responsibility for the Financial Statements

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

In preparing the financial statements, the management 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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility 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 include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions issued by "AAOIFI" will always detect a material misstatement when it exists. Misstatement 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 Auditing Standards for Islamic Financial Institutions issued by "AAOIFI" 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 management.
- Conclude on the appropriateness of the management's 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 auditor's report to the related disclosure 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 disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the audit.

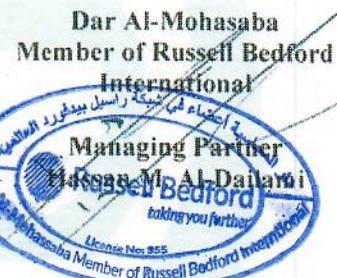
We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, actions taken to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

Report on Other Legal and Regulatory requirements

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

Sana'a – Republic of Yemen

10 March, 2025



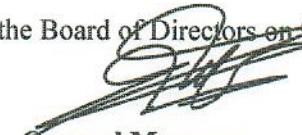
Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Statement of Financial Position as at December 31, 2024

	Notes	2024 YER 000s	2023 YER 000s
Assets			
Cash and reserve balances with Central Bank of Yemen	9	28,359,887	33,274,557
Due from banks and financial institutions	10	25,463,289	36,502,310
Financing assets	11	3,860,869	2,806,191
Investments in Islamic sukuk	12	6,000,000	-
Investments securities	13	405,731	742,366
Investments in subsidiaries and associates	14	5,972,037	5,968,179
Investments in real estate	15	975,975	975,975
Debit balances and other assets	16	4,383,619	4,470,365
Property and equipment	17	6,207,257	5,037,340
Total assets		81,628,664	89,777,283
Liabilities, quasi-equity and owner's equity			
Liabilities			
Due to banks and financial institutions	18	12,417,770	7,187,537
Current accounts and other deposits	19	35,226,071	47,651,475
Credit balances and other liabilities	20	1,092,793	1,597,230
Other provisions	21	44,544	35,048
Total liabilities		48,781,178	56,471,290
Quasi-equity			
Investment deposits		7,230,220	7,550,155
Saving accounts		6,866,585	7,614,378
Total Quasi-equity	22	14,096,805	15,164,533
Equity			
Share Capital	23	15,700,000	12,700,000
Statutory reserve	24	2,241,419	2,150,036
General reserve	25	30,461	157,626
Retained earnings		778,801	3,133,798
Total equity		18,750,681	18,141,460
Total liabilities, quasi-equity and owner's equity		81,628,664	89,777,283
Total contingent liabilities and commitments	26	4,454,402	3,504,766

The financial statements were approved by the Board of Directors on 9 March 2025 and signed on its behalf by:


Finance Manager

Khalid A. Al-Ward


General Manager

Saeed Mohammed Baza


Chairman

Ahmed Abubakr Baza

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



Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
 Statement of income and other comprehensive income for the year ended December 31, 2024

	Notes	2024 YER 000s	2023 YER 000s
Income from financing activities	27	367,552	444,233
Income from other Joint Investments	28	2,515,870	1,575,643
Total income from jointly financed assets		2,883,422	2,019,876
Fee and commission income	29	805,270	976,164
Less: Fee and commission expenses		(324,497)	(504,627)
Net fee and commission income		480,773	471,537
Gains on foreign currencies transactions, net	30	2,798,418	5,587,511
Other operating income	31	407,598	396,856
Total operating income		6,570,211	8,475,780
Less:			
Impairment losses on local investment	13,1	(282,732)	-
Provisions	32	(9,496)	(1,004)
Staff costs	33	(2,466,995)	(2,547,614)
Depreciation of property and equipment	17	(161,603)	(153,455)
Other expenses	34	(2,112,299)	(1,756,667)
Income before tax and attribution to quasi-equity and provisions		1,537,086	4,017,040
Provision for credit loss, net	35	(235,546)	(9,486)
Income before tax and attribution to quasi-equity		1,301,540	4,007,554
Profit attributable to quasi-equity		(692,319)	(587,784)
Net income for the year before tax		609,221	3,419,770
Income tax for the year	20.1.1	-	(267,257)
Net income for the year		609,221	3,152,513
Other comprehensive income		-	-
Total comprehensive income		609,221	3,152,513
Earnings per share	36	101.54	525.42


 Khalid A. Al-Ward
 Finance Manager


 Saeed Mohammed Bazara
 General Manager


 Ahmed Abubakr Bazara
 Chairman



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

Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Statement of income and attributions related to quasi-equity for the year ended 31 December 2024

	<u>Notes</u>	2024 YER 000s	2023 YER 000s
Income before tax and attribution to quasi-equity and provisions		1,537,086	4,017,040
Adjustments:			
Less: Income not attributable to quasi-equity		(3,686,789)	(6,455,904)
Add: expenses not attributable to quasi-equity		5,033,125	4,458,740
Less: bank's share of income from jointly financed assets		(1,603,493)	(987,976)
Total income available for quasi-equity holders		1,279,929	1,031,900
Less: bank share as Mudarib		(587,610)	(444,116)
Profit attributable to quasi-equity		692,319	587,784

Profit attributable to quasi-equity

Finance Manager

Khalid A. Al-Ward

General Manager

Saeed Mohammed Bazara

Chairman

587,784

Chairman

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



Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
 Statement of Changes in Equity for the year ended December 31, 2024

	Share Capital	Statutory Reserve	General Reserve	Retained Earnings	Total
	YER 000s			2024	
Balance at January 1	12,700,000	2,150,036	157,626	3,133,798	18,141,460
Net profit for the year	-	-	-	609,221	609,221
Transferred to reserves	-	91,383	30,461	(121,844)	-
Transferred to capital increase	3,000,000	-	(157,626)	(2,842,374)	-
Cash dividends paid to shareholders	-	-	-	-	-
Balance at December 31	15,700,000	2,241,419	30,461	778,801	18,750,681
	YER 000s			2023	
Balance at January 1	8,800,000	1,677,159	248,744	4,263,044	14,988,947
Net profit for the year	-	-	-	3,152,513	3,152,513
Transferred to reserves	-	472,877	157,626	(630,503)	-
Transferred to capital increase	3,900,000	-	(248,744)	(3,651,256)	-
Cash dividends paid to shareholders	-	-	-	-	-
Balance at December 31	12,700,000	2,150,036	157,626	3,133,798	18,141,460


 Finance Manager

Khalid A. Al-Ward


 General Manager

Saeed Mohammed Bazara


 Chairman



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

Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Statement of Cash Flows for the year ended December 31, 2024

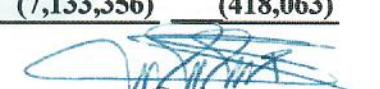
	Notes	2024 YER 000s	2023 YER 000s
<u>Cash flows from operating activities</u>			
Net profit for the year before tax		609,221	3,419,770
<u>Adjustments for:</u>			
Depreciation of property and equipment	17	161,603	153,455
Impairment losses on local investment		282,732	-
Provisions charged to the income statement		9,496	44,850
Provisions used during the year		(16,814)	(1,237)
Provisions reversed during the year	35	235,546	(34,360)
Gain on sale of property and equipment		(794)	(7,924)
Gain on sale of asset transferred to Bank's ownership		-	(298,550)
Operating income before changes in operating assets and liabilities		1,280,990	3,276,004
<u>Changes in operating assets and liabilities:</u>			
Reserve balances with CBY		1,272,870	(540,195)
Financing assets		(1,394,051)	(114,760)
Investments in Islamic sukuk		-	-
Debit balances and other assets		55,277	(451,982)
Current accounts and other deposits		(12,425,404)	5,272,185
Credit balances and other liabilities		(287,180)	(236,316)
Net cash (used in) / from operating transactions		(12,778,488)	3,928,932
Tax paid		(217,257)	(496,549)
Net cash (used in) / from operating activities (1)		(11,714,755)	6,708,387
<u>Cash flows from investing activities</u>			
Change in investments in subsidiaries		(3,858)	(31,052)
Change in Investments securities		53,903	-
Purchase of Sukuk		(6,000,000)	-
Purchase of property and equipment	17	(1,614,363)	(661,241)
Proceeds from sale of asset transferred to Bank's ownership		-	471,739
Proceeds from sale of property and equipment		283,637	9,157
Change on asset transferred to Bank's ownership		147,325	(206,666)
Net cash used in investing activities (2)		(7,133,356)	(418,063)


Finance Manager

Khalid A. Al-Ward


General Manager

Saeed Mohammed Bazara


Chairman

Ahmed Abubakr Bazara

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



Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
 Statement of Cash Flows for the year ended December 31, 2024

	Notes	2024 YER 000s	2023 YER 000s
<u>Cash flows from financing activities</u>			
Change in quasi-equity		(1,067,728)	836,346
Change in due to banks and financial institutions		5,230,233	3,037,270
Net cash from financing activities (3)		4,162,505	3,873,616
Net change in cash and cash equivalents (1+2+3)		(14,685,606)	10,163,940
Cash and cash equivalents at the beginning of the year		64,596,943	54,433,003
Cash and cash equivalents at the end of the year		49,911,337	64,596,943
<u>Cash and cash equivalents at the end of the year consist of:</u>			
Cash and reserve balances with Central Bank of Yemen	9	28,359,887	33,274,557
Due from banks and financial institutions	10	25,492,688	36,536,494
		53,852,575	69,811,051
Less:			
Reserve balances with CBY		(3,941,238)	(5,214,108)
		49,911,337	64,596,943
Finance Manager			
			
General Manager			
			
Chairman			
Khalid A. Al-Ward			
			
Ahmed Abubakr Bazara			
Saeed Mohammed Bazara			

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



1. Legal Status and Principal Activities

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

The Bank is involved in the following business activities:

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

2. Basis of preparation

2.1. Statement of compliance

The financial statements are prepared in accordance with the Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI "), the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and instructions issued by the Central Bank of Yemen (CBY) and related Yemeni law and regulation.

The unconsolidated financial statements for the year ended December 31, 2024 were approved by the board of directors on March 9, 2025 and are subject to approval by the general assembly and the Central Bank of Yemen (note no. 45).

2.2. Basis of measurement

The financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

2.3. Functional and presentation currency

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

2.4. Significant accounting judgments and estimates

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

The Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. The most significant use of judgments and estimates are as follows:

2.4.1. Going concern principle

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

2.4.2. Classification of investments

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

2.4.3. Provision for impairment of financial assets

The Bank exercises its judgment in the estimation of provision for impairment of financial assets. The methodology for the estimation of the provision is provided in the impairment of financial assets and non-financial assets, which is shown in the significant accounting policies below. Determining the provision for impairment of financial assets requires the Bank's management to issue important judgments to estimate the amounts of future cash flows and their timing, in addition to estimating any material increase in the credit risk of financial assets after their initial recognition, in addition to taking into account future measurement information for expected credit losses.

2.4.4. Impairment of financial investments

Investments in equity instruments

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

Investments in monetary and non-monetary debt instruments

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

2.4.5. Valuation of unquoted private equity and real estate investments

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

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

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

2.4.6. Useful lives of property and equipment

Management estimates the useful lives of property and equipment upon initial recognition. Moreover, management periodically re-assesses the useful lives of property and equipment to calculate annual depreciation and amortization based on the general status of such assets and the estimates of the productive activities expected in the future. The factors that affect the estimation of the useful lives of property and equipment include management's estimates for the period expected to use these assets by the Bank, technological development and obsolescence. In the event that the useful lives of property and equipment differ from management's estimates, due to an event that resulted in a change in the useful life, the effect of that event will affect the income statement materially.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied by the Bank and are consistent with those used in the previous year, except for those changes arising from revised/ new standards issued by AAOIFI.

3.1. New standards, amendments, and interpretations

3.1.1. New standards, amendments and interpretations effective from or after January 1, 2024

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

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

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

Some of significant changes of the standard:

- a. The revised conceptual framework is now integral part of the FASs issued by AAOIFI. The conceptual framework shall assist in better interpretation and understanding of the FASs issued by AAOIFI. However, the conceptual framework is not a standard itself and cannot override any requirements included in FASs issued by AAOIFI.
- b. Definition of Quasi-equity is introduced as a broader concept that will include the unrestricted investment accounts and other transactions under similar structure;
- c. Definitions have been modified and improved to align them with the recently FASs issued by AAOIFI and the conceptual framework;
- d. Concept of comprehensive income has been introduced, with the option to prepare one statement that combines between statement of income and statement of other comprehensive income, or to prepare two statements separately;
- e. Disclosure of Zakat, Charity fund and Al Qard Al Hasan have been relocated to the notes of the financial statements.;
- f. A true and fair override has been introduced to facilitate the institutions in presenting information fairly to the users of their financial statements;
- g. The sections for accounting policies and estimates have been improved. Treatments for changes in accounting policies and errors correction have been introduced;
- h. Disclosures of related parties, subsequent events and going concern have been improved;
- i. Certain sections have been included on general financial reporting requirements such as information related to currency, segment reporting and replaces relevant FASs;
- j. The statement of income and attribution to quasi-equity and the statement of changes in off-balance sheet assets under management have been added to the fundamental financial statements.

As a result of adoption of FAS 1 certain figures have been regrouped or represented to be consistent with the current year presentation. Such regrouping did not affect previously reported net profits, total assets, total liabilities and total equity of the Bank. Further the Bank has elected to present statement of income and statement of comprehensive income as a single statement.

- **Financial accounting standard (40) Financial Reporting for Islamic Finance Windows**
AAOIFI issued FAS 40 in 2021. The objective of this revised standard is to set out financial reporting requirements for Islamic finance windows and is applicable to all conventional financial institutions that provide Islamic financial services provided by financial institutions through an Islamic finance window. This standard improves and replaces FAS 18 “Islamic Financial Services Provided by Conventional Financial Institutions”. This standard is effective for the financial periods beginning on or after January 1, 2024 with early adoption permitted.

3.1.2. **New standards, amendments and interpretations issued but not yet effective**

- **Financial accounting standard (45) Quasi – Equity (Including Investment Accounts)**
AAOIFI has issued FAS 45 “Quasi-Equity (including investment accounts” in 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. The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an Islamic financial institution controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner’s equity. This standard provides the overall criteria 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 periods beginning on or after January 1, 2026 with early adoption permitted. The Bank does not expect a significant impact from the adoption of this standard.
- **Financial accounting standard (46) Off – Balance-Assets under Management**
AAOIFI has issued FAS 46 “Off-Balance-Sheet Assets under Management” in 2023. The objective of this standard is to establish the principles of financial reporting related to off-balance-sheet assets under management in line with the “AAOIFI Conceptual Framework for Financial Reporting”. This standard applies to Islamic financial institutions preparing financial statements in line with the requirements of AAOIFI Financial Accounting Standards with regard to the assets managed in a fiduciary capacity without establishing control except for the participants ‘Takaful fund/ participants’ investment fund of Takaful institution; and an investment fund managed by an institution, being a separate legal entity. This standard shall be effective for the financial periods beginning on or after January 1, 2026 with early adoption permitted. The Bank does not expect a significant impact from the adoption of this standard.
- **Financial accounting standard (47) Transfer of Assets between Investment Pools**
AAOIFI has issued FAS 47 “Transfer of Assets between Investment Pools” in 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfer 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 transfer of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount.

This standard shall be effective for the financial periods beginning on or after January 1, 2026 with early adoption permitted.

The Bank does not expect a significant impact from the adoption of this standard.

▪ **Financial accounting standard (48) Promotional Gifts and Prizes**

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into: (a) Promotional gifts where entitlement to gifts is declared instantly; (b) Promotional prizes that are announced in advance to be awarded at a future date (c) Loyalty program, where the obligation is accumulated over the period.

The standard is effective for the financial periods beginning on or after January 1, 2026 with an option of early adopt.

The Bank does not expect a significant impact from the adoption of this standard.

▪ **Financial accounting standard (49) Financial Reporting of Entities Operating in Hyperinflationary Economies**

AAOIFI has issued FAS 49 “Financial Reporting of Entities Operating in Hyperinflationary Economies” in 2023. This standard sets out the financial reporting principles for entities applying FAS and operating in hyperinflationary economies, taking into account Shari’ah principles and rulings and their unique business model.

This standard shall be effective for the financial periods beginning on or after January 1, 2026.

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

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

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

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

On July 12, 2023, the Central Bank of Yemen issued Circular No. (26) regarding FAS No.(30) which states to postpone the application of FAS No.(30) until further notice, with completing the procedures according to the instructions issued on June 29, 2022 regarding the Business Steering Committee to apply the standard.

▪ **Financial accounting standard (32) Ijarah**

AAOIFI has issued FAS 32 “Ijarah” in 2020. This standard is effective for the financial periods beginning on or after January 1, 2021. The standard supersedes the existing FAS 8 “Ijarah and Ijarah Muntahia Bittamleek”.

FAS 30 sets out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah (Ijarah asset, including different forms of Ijarah Muntahia Biittamleek) transactions entered into by the Islamic financial institutions as a lessor and lessee. The bank has not applied FAS 32 “Ijarah”.

3.2. Subsidiaries and Associates

3.2.1. Subsidiaries

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

Investments in subsidiaries are presented in the attached unconsolidated financial statements at cost, less impairment losses.

3.2.2. Associates

Are the companies over which the Bank has direct or indirect significant influence but do not reach the extent of control. Generally, the bank has a shareholding between 20% and 50% of the voting rights.

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

The acquisition cost is measured by the fair value of assets, or the equivalent assets presented by the Bank in return adding any costs directly related the acquisition process.

3.3. Foreign currency transactions

- a. In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the official exchange rates issued by the CBY at that date.
- b. The Bank does not engage in forward contracts to meet its obligations in foreign currencies, nor does it engage in foreign exchange contracts to cover the risk of settlement of future liabilities in foreign currencies, or its customers' need to meet their obligations in foreign currencies resulting from their transactions through the Bank.

3.4. Financial contracts

Financial contracts consist of due from banks and financial institutions, Central Bank of Yemen, Sukuk, financing assets (net of deferred profit) and Ijarah Muntahia Bittamleek. Balances relating to these contracts are stated net of provisions for impairments.

3.4.1. Placements with and from financial institutions, non-financial institutions and individuals

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

3.4.2. Quasi-equity

Quasy-equity are funds held by the bank in unrestricted investments accounts, which it can invest at its own discretion. The unrestricted investments and saving 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. The Bank charges management fees (Mudarib fees) on the quasi-equity accounts. Of the total income from quasi-equity accounts, the income attributable to customers is allocated to quasi-equity accounts after setting aside provisions, reserves (profit equalization reserve and investment risk reserve) and deducting the Bank's share of income as a Mudarib. The allocation of income is determined by the management of the Bank within the allowed profit-sharing limits as per the terms and conditions of the quasi-equity accounts. Administrative expenses incurred in connection with the management of the funds are borne directly by the Bank and are not charged to quasi-equity accounts.

Only profits earned from the group of assets funded by the quasi-equity are allocated between the owners' equity and quasi-equity.

The quasi-equity accounts are carried at their book values and include amounts retained towards profit equalization and investment risk reserves, if any. Profit equalization reserve is the amount appropriated by the Bank out of Mudarba income, before allocating the Mudarib share, in order to maintain a certain level of return to the quasi-equity. Investment risk reserve is the amount appropriated by the Bank out of the income of quasi-equity, after allocating the Mudarib share, in order to cater against future losses for quasi-equity. Creation of any of these reserves results in an increase in the liabilities of quasi-equity accounts.

3.4.3. Wakala

An agreement whereby the Bank provides a certain sum of money to finance agent (Wakkil) who invests it in Sharia's compliant transactions according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested).

3.4.4. Sukuk

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

3.4.5. Murabaha and Musawama

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

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

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

Musawama is a sale transaction where the seller does not disclose the acquisition cost or intended profit margin to the buyer. The asset is sold for a negotiated lump sum price agreed upon by both parties, without specifying the underlying cost or profit components.

3.4.6. Istisna'a

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

3.4.7. Mudaraba

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

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

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

3.4.8. **Musharaka**

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

3.4.9. **Ijarah Muntahia Bittamleek**

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

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

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

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

3.5. **Investments securities**

Investments securities comprise investments in debt-type and equity-type instruments.

3.5.1. **Classification**

Under FAS (33) "Investments in Sukuks, shares and similar instruments", each instrument should be categorized as investments in:

- a) Equity-type instruments.
- b) Debt-type instruments (including monetary and non-monetary)
- c) Other investment instruments.

The Bank classifies its investments on initial recognition as measured at (1) amortized cost, (2) fair value through other comprehensive income or (3) fair value through income statement, on the basis of both:

- a) The Bank's business model for managing the investments; and
- b) The expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

▪ **Amortized cost**

An investment shall be measured at amortized cost if both of the following conditions are met:

- a) The investment is held a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument; and
- b) The investment represents either a debt-type instrument or other investment instrument having reasonable determinable effective yield.

■ Fair value through other comprehensive income

An investment shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- 1) The investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment; and
- 2) The investment represents either a debt-type instrument or other investment instruments having reasonable determinable effective yield.

■ Fair value through income statement

An investment shall be measured at fair value through income statement unless it is measured at amortized cost or at fair value through other comprehensive income or if irrevocable classification at initial recognition is applied.

■ Irrevocable classification at initial recognition

The Bank may make an irrevocable election to designate a particular investment, at initial recognition, being:

- a) An equity-type instrument that would otherwise be measured at fair value through income statement to present subsequent changes in fair value through equity; and
- b) A non-monetary debt-type instrument or other investment instrument, as measured at fair value through income statement if doing so eliminates or significantly reduces a mismeasurement or recognition inconsistency that would otherwise arise from measuring assets or correlated liabilities or recognizing the gains and losses on them on different basis.

3.5.2. Recognition and de-recognition

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

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

3.5.3. Measurement

■ Initial recognition

Investment securities are initially recognized at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to income statement.

■ Subsequent measurement

Investment at fair value through income statement

Investments at fair value through income statement are re-measured at fair value at the end of each reporting period and the resultant measurement gains and losses is recognized in the income statement in the period in which they arise. Subsequent to initial recognition, investments classified at amortized cost are measured at amortized cost using the effective profit method less any impairment provision. All gains or losses arising from the amortization process and those arising on de-recognition or impairment of the investments, are recognized in the statement of income.

Investment at fair value through other comprehensive income

Investments at fair value through other comprehensive income are re-measured at their fair values at the end of each reporting period and the resultant gains or losses, arising from a change in the fair value of investments are recognized in the statement of changes in equity and presented in a separate fair value reserve within equity.

The bank may elect to present in statement of changes in equity changes in the fair value of certain investments in equity-type instruments that are held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity-type instrument are never subsequently reclassified to statement of income. However, cumulative gains and losses recognized in fair value reserve are transferred to retained earnings on disposal of an investment. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in statement of income, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in statement of changes in equity. Whereas for debt-type investments classified as fair value through equity, the cumulative gains or losses previously recognized in the statement of changes in equity is transferred to the statement of income.

3.5.4. Measurement principles

- **Amortized cost measurement**

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortization using the actual profit rate of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. The calculation of the actual profit rate includes all fees paid or received that are an integral part of the actual profit rate.

- **Fair value measurement**

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Bank measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the statement of financial position date. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Bank by discounting future cash at current profit rates for contracts with similar term and risk characteristics.

3.6. 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, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers. If such evidence exists, any impairment loss is recognized in the income statement. Impairment is determined as follows:

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

3.6.1. Valuation of Murabaha, Musawama and Istisna'a financing transactions

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

Performing debts including watch list (due within 90 days)	2%
Non-performing debts	
Substandard debts (due from 90 days and less than 180 days)	15%
Doubtful debts (due from 180 days and less than 360 days)	45%
Bad debts (due for more than 360 days)	100%

b. Debts relating to financing Murabaha, Musawama and Istisna'a transactions are written off if procedures taken toward their collection prove useless, or if directed by CBY examiners upon review of the portfolio. Proceeds from debts previously written off in prior years are credited to the statement of income.

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

3.6.2. Valuation of investments in Mudaraba and Musharaka contracts

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

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

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

Performing debts including watch list (due within 90 days)	2%
Non-performing debts	
Substandard debts (due from 90 days and less than 180 days)	15%
Doubtful debts (due from 180 days and less than 360 days)	45%
Bad debts (due for more than 360 days)	100%

b. At the end of each year, the Mudaraba and Musharaka capitals are reduced by losses incurred which are charged to the income statement.

c. Investments in Mudaraba and Musharaka contracts are presented on the statement of financial position at carrying value which represents cost less realized losses and related provisions (provision for non-performing debts and general risk provision on performing debts).

3.6.3. **Ijarah Muntahia Bittamleek**

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

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

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

3.7. **Revenue recognition**

3.7.1. **Financing Murabaha, Musawama and Istisna'a transactions**

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

3.7.2. **Investments in Mudaraba and Musharaka contracts**

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

3.7.3. **Divided income**

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

3.7.4. **Ijarah Muntahia Bittamleek**

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

3.7.5. **Fees and commission income**

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

3.7.6. **Wakala income**

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

3.7.7. **Income from sukuk and deposits**

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

3.7.8. **Reversed provisions**

The reversed provisions (no longer required provisions) are recorded in the income statement under "provision for credit loss, net".

3.8. Investments in real estate

Properties held for rental or for capital appreciation purposes, or both, are classified as investment in real estate. Investment in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to the initial recognition, investments in real estate are re-measured to fair value and changes in fair value (only gains) are recognized in a property fair value reserve in the statement of changes in owner's equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognized in the statement on income. If there are unrealized losses that have been recognized in the statement of income in previous financial periods, the current period unrealized gain shall be recognized in the statement of income to the extent of crediting back such previous losses in the statement of income.

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

3.9. Property, equipment and their depreciation

3.9.1. Recognition and measurement

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

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

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

3.9.2. Subsequent costs

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

3.9.3. Depreciation

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

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

The estimated useful lives are as follows:

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

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

3.10. Impairment of non-financial assets

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

3.11. Contingent liabilities and commitments

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

3.12. Cash and cash equivalents

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

3.13. Other provisions

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

3.14. End of service benefits

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

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

3.15. Offsetting

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

3.16. Lease contracts

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

3.17. Earnings per share

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

3.18. Dividends

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

3.19. Taxes

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

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

3.20. Revenue prohibited by Shari'a rules and principles

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

3.21. Customers' current accounts

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

4. Supervision of Central Bank of Yemen

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

5. Fatwa and Shari'a Supervisory Board

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

6. Zakat

Zakat is computed in accordance with Law No. (2) for 1999. A provision is provided for Zakat payable and the Bank pays Zakat to the relevant government authority.

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

7. Financial instruments and related risk management

7.1. Financial instruments

a. The Bank's financial instruments are represented in financial assets and liabilities. The financial assets include cash balances, due from banks, financing assets, investment in Sukuk, investment in securities, and other assets. The financial liabilities include due to Banks and financial institutions, customers' current accounts and other deposits, equity of unrestricted investments and saving account holders and other financial liabilities. Also, financial instruments include rights and obligations stated in contingent liabilities and commitments. Note (3) to the financial statements includes significant accounting policies applied for recording and measuring significant financial instruments and their related revenues and expenses.

b. Fair value hierarchy

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

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

During the year ended December 31, 2024 as well as the year ended December 31, 2023 there were no transfers between levels of the fair value measurement.

c. Financial instruments for which fair value approximates carrying value

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

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.

Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
 Notes to the Financial Statements For the year ended December 31, 2024

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

	Fair value through statement of income	Fair value through equity	Amortized cost/ other	Total Carrying Amount	Fair Value
YER 000s					2024
Financial assets					
Cash on hand and reserve balances with CBY	-	-	28,359,887	28,359,887	28,359,887
Due from banks and financial institutions	-	-	25,463,289	25,463,289	25,463,289
Financing assets	-	-	3,860,869	3,860,869	3,860,869
Investments in Islamic sukuk			6,000,000	6,000,000	6,000,000
Investments in associates	-	-	405,731	405,731	405,731
	-	-	64,089,776	64,089,776	64,089,776
YER 000s					2023
Financial liabilities					
Due to banks and financial institutions	-	-	12,417,770	12,417,770	12,417,770
Current accounts and other deposits	-	-	35,226,071	35,226,071	35,226,071
Quasi-equity	-	-	14,096,805	14,096,805	14,096,805
	-	-	61,740,646	61,740,646	61,740,646
YER 000s					2023
Financial assets					
Cash on hand and reserve balances with CBY	-	-	33,274,557	33,274,557	33,274,557
Due from banks and financial institutions	-	-	36,502,310	36,502,310	36,502,310
Financing assets	-	-	2,806,191	2,806,191	2,806,191
Investments in associates	-	-	742,366	742,366	742,366
	-	-	73,325,424	73,325,424	73,325,424
YER 000s					2023
Financial liabilities					
Due to banks and financial institutions	-	-	7,187,537	7,187,537	7,187,537
Current accounts and other deposits	-	-	47,651,475	47,651,475	47,651,475
Quasi-equity	-	-	15,164,533	15,164,533	15,164,533
	-	-	70,003,545	70,003,545	70,003,545

7.2. Risk management of financial instruments

7.2.1. Risk management framework

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

7.2.2. Risk management structure

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

- **Executive Committee:** The Executive Committee has the responsibility to monitor the overall risk process within the Bank.
- **Risk Committee:** Risk Committee's primary role is selection and implementation of risk management systems, portfolio monitoring, risk reporting to the Board and Executive management. In addition, Risk Committee is responsible for monitoring credit transaction approval.

- **Asset and Liability Committee:** The Asset and Liability Committee establishes policy and objectives for the asset and liability management of the Bank's financial position in terms of structure, distribution, risk and return and its impact on profitability.
- **Internal audit:** Risk management process is audited by the internal audit department by examining the adequacy of performed procedures, in addition to a specific audit of the risk management function in accordance with the approved audit plan.

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 collected from all businesses is examined and processed in order to analyze, control and identify early risks. The Bank is exposed to credit risk, liquidity risk, market risk (which include return rate risk and currency risk), operating risk and other risks.

a. Credit risk

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

Management of credit risk

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

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

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

Grade	Classification	2024	2023
		YER 000s	YER 000s
1-2	Performing and watch list	4,315,385	3,051,227

In addition, in order to comply with CBY requirements in circular No. 10 of 1997 regarding 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.

Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Notes to the Financial Statements For the year ended December 31, 2024

- Following up and periodical reviews of customers and banks in order to evaluate their financial positions, credit rating and the required provision for non-performing debts.
- Distributing credit portfolio and investments over diversified sectors to minimize concentration of credit risk.

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

	2024 YER 000s	2023 YER 000s
Cash on hand and reserve balances CBY (excluding cash on hand and ATMs)	3,941,238	5,214,108
Due from banks and financial institutions	25,463,289	36,502,310
Financing assets	3,860,869	2,806,191
Investments in Islamic sukuk	6,000,000	-
Investments securities	405,731	742,366
Investments in associates and subsidiaries	5,972,037	5,968,179
Investments in real estate	975,975	975,975
Debit balances and other assets after deducting the advance payments	3,345,763	3,638,220
	<hr/> 49,964,902	<hr/> 55,847,349
Contingent liabilities and commitments	7,663,111	4,768,368
Total credit risk exposure	57,628,013	60,615,717

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

	Gross Maximum Exposure	Net Maximum Exposure	Gross Maximum Exposure	Net Maximum Exposure
	YER 000s	YER 000s	YER 000s	YER 000s
	2024		2023	
Governmental	18,274,297	-	29,009,444	-
Financial	17,548,720	17,548,720	13,246,145	13,246,145
Industrial	544,859	544,859	1,243,310	1,243,310
Trading	7,052,738	7,052,738	5,773,873	5,773,873
Constructions	4,575,507	4,575,507	4,540,935	4,540,935
Agricultural and fishing	172,797	172,797	147,295	147,295
Other	1,795,984	1,795,984	1,886,347	1,684,515
	<hr/> 49,964,902	<hr/> 31,690,605	<hr/> 55,847,349	<hr/> 26,636,073
Contingent liabilities and commitments	7,663,111	4,454,402	4,768,368	3,504,766
	<hr/> 57,628,013	<hr/> 36,145,007	<hr/> 60,615,717	<hr/> 30,140,839

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

b. Liquidity risk

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

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

Management liquidity risk

The bank's approach to managing liquidity is to ensure, as much as possible, that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the Bank's reputation.

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

The Central Bank of Yemen Circular No. 3 of 1997 requires that the liquidity ratio be 25% as a minimum. The liquidity rate as at December 31, 2024 was 78% (as at December 31, 2023 was 89 %).

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

	Within 3 Months	From 3 to 6 Months	From 6 Months to 1 Year	Over 1 Year	Total
	YER 000s		2024		
Liabilities					
Due to banks and financial institutions	12,417,770	-	-	-	12,417,770
Current accounts and other deposits	35,226,071	-	-	-	35,226,071
Quasi-equity	6,866,585	316,987	219,084	6,694,149	14,096,805
Credit balances and other liabilities	839,381	-	-	253,412	1,092,793
Total liabilities	55,349,807	316,987	219,084	6,947,561	62,833,439
Liabilities					
Due to banks and financial institutions	7,187,538	-	-	-	7,187,538
Current accounts and other deposits	47,154,540	-	-	496,935	47,651,475
Quasi-equity	7,614,378	332,864	431,577	6,785,714	15,164,533
Credit balances and other liabilities	1,382,112	-	-	215,118	1,597,230
Total liabilities	63,338,568	332,864	431,577	7,497,767	71,600,776

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

c. Market risk

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit margin that will affect the Bank's income, future cash flows or the value of its holdings of financial instruments. 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 portfolios and non-trading portfolios.

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

Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Notes to the Financial Statements For the year ended December 31, 2024

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

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

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

Return rate risk

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

Note (22) to the financial statements shows the average return (rate) allocated to quasi-equity during the year compared with last year.

The following table shows the return rate gap position:

2024	Up to 3 Months	3 to 6 Months	6 to 12 Months	Over one year	Non- profit sensitive	Total
Assets						
Cash on hand and reserve balances with CBY	-	-	-	-	28,359,887	28,359,887
Due from banks and financial institutions	11,582,573	-	-	-	13,880,716	25,463,289
Financing assets	277,215	1,576,079	1,088,498	919,077	-	3,860,869
Investments in Islamic sukuk	6,000,000	-	-	-	-	6,000,000
Investments in securities	-	-	-	-	405,731	405,731
Investments in subsidiaries and associates	-	-	-	-	5,972,037	5,972,037
Investments in real estate	-	-	-	-	975,975	975,975
Debit balances and other assets	880	-	-	384,840	3,997,899	4,383,619
Property and equipment	-	-	-	-	6,207,257	6,207,257
	17,860,668	1,576,079	1,088,498	1,303,917	59,799,502	81,628,664
Liabilities, quasi-equity and equity						
Due to banks and financial institutions	12,417,770	-	-	-	-	12,417,770
Current accounts and other deposits	1,514,503	-	-	-	33,711,568	35,226,071
Credit balances and other liabilities	-	-	-	-	1,092,793	1,092,793
Other provisions	-	-	-	-	44,544	44,544
Quasi-equity	6,866,585	536,071	-	6,694,149	-	14,096,805
Share holders' equity	-	-	-	-	18,750,681	18,750,681
	20,798,858	536,071	-	6,694,149	53,599,586	81,628,664
Return rate gap	(2,938,190)	1,040,008	1,088,498	(5,390,232)	6,199,916	-
cumulative gap	(2,938,190)	(1,898,182)	(809,684)	(6,199,916)	-	-

Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Notes to the Financial Statements For the year ended December 31, 2024

2023	YER 000s				2023	
	Up to 3 Months	3 to 6 Months	6 to 12 Months	Over one year	Non-profit sensitive	Total
Assets						
Cash on hand and reserve balances with CBY	-	-	-	-	33,274,557	33,274,557
Due from banks and financial institutions	12,706,974	-	-	-	23,795,336	36,502,310
Financing assets	-	184,619	1,343,781	1,277,791	-	2,806,191
Investments in securities	-	-	-	-	742,366	742,366
Investments in subsidiaries and associates	-	-	-	-	5,968,179	5,968,179
Investments in real estate	-	-	-	-	975,975	975,975
Debit balances and other assets	852	-	-	575,341	3,894,172	4,470,365
Property and equipment	-	-	-	-	5,037,340	5,037,340
	12,707,826	184,619	1,343,781	1,853,132	73,687,925	89,777,283
Liabilities, quasi-equity and equity						
Due to banks and financial institutions	7,187,537	-	-	-	-	7,187,537
Current accounts and other deposits	1,822,284	-	-	-	45,829,191	47,651,475
Credit balances and other liabilities	-	-	-	-	1,597,230	1,597,230
Other provisions	-	-	-	-	35,048	35,048
Quasi-equity	7,614,378	764,441	-	6,785,714	-	15,164,533
Share holders' equity	-	-	-	-	18,141,460	18,141,460
	16,624,199	764,441	-	6,785,714	65,602,929	89,777,283
Return rate gap	(3,916,373)	(579,822)	1,343,781	(4,932,582)	8,084,996	-
cumulative gap	(3,916,373)	(4,496,195)	(3,152,414)	(8,084,996)	-	-

Exchange rate risk for foreign currencies

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

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

In order to comply with CBY circular No. (6) of 1998 and Circular No. (4975), 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.

Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Notes to the Financial Statements For the year ended December 31, 2024

The table below shows the Bank's net exposures to foreign currencies compared with last year according to the closing rates set in the Central Bank of Yemen's bulletin for December:

	US Dollar	Euro	Saudi Rial	Sterling Pound	Others	Total
	YER 000s			2024		
Assets	24,022,894	872,487	9,193,504	2,721	641,324	34,732,930
Liabilities	(21,224,667)	(866,965)	(12,535,827)	(3,368)	(51,234)	(34,682,061)
Net currency position	2,798,227	5,522	(3,342,323)	(647)	590,090	50,869
	YER 000s			2023		
Assets	23,091,570	1,346,790	15,418,860	138,417	1,497,906	41,493,543
Liabilities	(22,127,221)	(1,338,146)	(17,557,518)	(138,836)	(96,581)	(41,258,302)
Net currency position	964,349	8,644	(2,138,658)	(419)	1,401,325	235,241

The table below shows net exposure to foreign currencies during the year compared with last year according to the average market exchange rates:

	US Dollar	Euro	Saudi Rial	Sterling Pound	Others	Total
	YER 000s			2024		
Assets	124,410,272	4,518,454	47,611,513	14,092	3,321,302	179,875,633
Liabilities	(109,918,755)	(4,489,857)	(64,920,806)	(17,442)	(265,332)	(179,612,192)
Net currency position	14,491,517	28,597	(17,309,293)	(3,350)	3,055,970	263,441
	YER 000s			2023		
Assets	95,226,774	5,553,995	63,585,468	570,814	6,177,179	171,114,230
Liabilities	(91,249,918)	(5,518,348)	(72,405,029)	(572,542)	(398,288)	(170,144,125)
Net currency position	3,976,856	35,647	(8,819,561)	(1,728)	5,778,891	970,105

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

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

Currency	The closing exchange rates		The average exchange rate	
	According to CBY		According to the Market Rates*	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
	Equivalent	Equivalent	Equivalent	Equivalent
	YER	YER	YER	YER
USD	250	250	1,296	1,032
Euro	260	276	1,358	1,144
Saudi Riyal	67	67	340	272
Sterling Pound	314	317	1,635	1,319

* The latest transactions were used by the Bank's management to determine the average exchange rates in the parallel market.

In compliance with the instructions of CBY, the Bank applied the closing exchange rates of CBY for the translation of foreign exchange balances as at December 31 2024 and 2023.

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

Currency	Effect on Income	
	Statement Increase (Decrease)	
	2024 YER 000s	2023 YER 000s
USD	11,693,290	4,994,128
Euro	23,265	27,164
Saudi Riyal	(13,700,463)	(6,573,978)
Sterling Pound	(2,720)	(1,316)
Others	2,319,503	4,440,441

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

d. Operational risk

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

e. Other risks

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

8. Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with capital requirements which are issued by the CBY, and that the Bank maintains strong credit ratings and excellent capital ratios. The capital adequacy are monitored on a quarterly basis by the management of the Bank employing techniques based on the guidelines as implemented by the CBY for supervisory purposes. The Bank prepares a quarterly reports for capital adequacy ratio in accordance with CBY circular No. (2) of 1997.

The CBY requires each bank in Yemen to maintain a minimum ratio of total capital to the risk-weighted assets at or above the internationally agreed minimum of 8%. In addition, the Bank is required to maintain a minimum ratio of total capital to the customer deposits at or above 5%.

The capital adequacy ratio is calculated in accordance with the guidelines of CBY by comparing the components of core and supplementary capital as shown in the financial statements against the total of the risk-weighted assets and liabilities as follows:

	2024 YER Millions	2023 YER Millions
Core capital	18,558	17,945
Supplementary capital	-	61
Total capital	18,558	18,006
Risk-weighted assets and liabilities:		
Total assets	33,997	31,032
Contingent liabilities and commitments	2,264	1,433
Total risk-weighted assets and liabilities	36,260	32,465
Capital adequacy ratio	51.18%	55.46%

The core capital consists of paid-up capital, reserves (statutory and general) and retained earnings (after deducting investment in any local bank or financial company) and the deficit in provisions, while supplementary capital consists of general provisions on performing debts which should not exceed 2% of risk weighted assets. The supplementary capital must not exceed 100% of the core capital.

9 Cash and reserve balances with Central Bank of Yemen

	2024 YER 000s	2023 YER 000s
Cash on hand and at ATM machines - local currency	13,850,791	12,825,646
Cash on hand and at ATM machines - foreign currency	10,567,858	15,234,803
	24,418,649	28,060,449
Mandatory reserve with CBY - local currency	1,136,436	1,781,178
Mandatory reserve with CBY - foreign currency	2,804,802	3,432,930
	3,941,238	5,214,108
	28,359,887	33,274,557

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

10 Due from banks and financial institutions

	2024 YER 000s	2023 YER 000s
Central Bank of Yemen:		
Current account - local currency	8,226,693	18,710,223
Current account - foreign currency	5,654,023	5,085,113
	13,880,716	23,795,336
Local Banks:		
Current account - local currency	2,774,469	425,109
Current account - foreign currency	1,297,170	2,328,672
	4,071,639	2,753,781

10 Due from banks and financial institutions

	2024 YER 000s	2023 YER 000s
Foreign Banks:		
Current account - local currency	33,080	37,744
Current account - foreign currency	7,507,253	9,949,633
	7,540,333	9,987,377
	25,492,688	36,536,494
Less:		
Impairment provision on balances with banks	10.1	(29,399)
		(34,184)
	25,463,289	36,502,310

Provision for impairment was recognised to cover expected credit losses on balances due from Lebanese banks impacted by the significant degree of uncertainty surrounding the Lebanese banking system.

10.1 Impairment provision on balances with banks

	2024 YER 000s	2023 YER 000s
Balance at 1 January	34,184	29,694
Provided during the year	-	4,490
Reversed during the year	(4,785)	-
Balance at 31 December	29,399	34,184

11 Financing assets

	Notes	2024 YER 000s	2023 YER 000s
Murabaha		3,672,795	3,108,575
Musawama		1,081,346	568,387
Istisna'a		15,056	3,192
Ijarah Muntahia Bittamleek		713,742	805,173
Qard Hasan		841,254	698,442
Musharka		344,094	-
		6,668,287	5,183,769
Less:			
Allowance for expected credit losses	11.1	(2,429,189)	(2,089,816)
Deferred revenues		(293,784)	(156,208)
Suspended revenues		(84,445)	(131,554)
		(2,807,418)	(2,377,578)
		3,860,869	2,806,191

- Financing assets include real estate financing amounting to 300.781 USD (2023: 525,235 USD)
- According to the Banks Law No. (38) of 1998, Article No. 85, and Income Tax Law No. (17) of 2010, Article No. 14, all provisions made in compliance with the Central Bank of Yemen instructions are exempt from income tax
- Non-performing financing amounted to YER 2,352,902 thousand as at December 31, 2024 after deducting balances secured by cash deposits (YER 2,127,461 thousand as at December 31, 2023 after deducting balances secured by cash deposits). The break-up of the above amount is as follows:

	2024		2023	
	YER 000s	YER 000s	YER 000s	YER 000s
Bad debts	1,916,892	1,972,997		
Doubtful debts	50,930	106,192		
Substandard debts	385,080	48,272		
	2,352,002	2,127,461		

- The following table illustrates the financing assets, based on credit risk rating, and the corresponding cash guarantees, deferred and suspended revenues and impairment provision by currency

	Gross financing		Guarantees		Suspended revenues		Deferred revenues		Impairment Provision	
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency
Performing	920,302	3,370,842	4,291,144	1,540,484	1,362,484	2,902,968	-	-	102,252	191,532
Watch list	18,435	5,806	24,241	29,333	1,362	30,695	-	-	-	369
Sub-standard	32,019	353,061	385,080	7,103	740,740	747,843	-	-	-	8,195
Doubtful	31,667	19,263	50,930	-	-	-	-	-	-	22,687
Bad	223,107	1,693,785	1,916,892	-	-	-	29,248	55,197	84,445	223,107
Total	1,225,530	5,442,757	6,668,287	1,576,920	2,104,586	3,681,506	29,248	55,197	84,445	102,252

	2023		2024		2023		2024		2023	
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency
Performing	1,008,474	1,939,582	2,948,056	1,036,177	1,180,291	2,216,468	-	-	100,902	55,306
Watch list	22,281	80,890	103,171	19,441	151,375	170,816	-	-	-	446
Sub-standard	18,569	34,784	53,353	5,081	-	5,081	-	-	-	2,786
Doubtful	3,891	102,301	106,192	-	-	-	-	-	-	1,751
Bad	232,962	1,740,035	1,912,997	-	-	-	27,810	103,744	131,554	-
Total	1,286,177	3,897,592	5,183,769	1,060,699	1,331,666	2,392,365	27,810	103,744	131,554	100,902

	2023		2024		2023		2024		2023	
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency
Performing	1,008,474	1,939,582	2,948,056	1,036,177	1,180,291	2,216,468	-	-	100,902	55,306
Watch list	22,281	80,890	103,171	19,441	151,375	170,816	-	-	-	446
Sub-standard	18,569	34,784	53,353	5,081	-	5,081	-	-	-	2,786
Doubtful	3,891	102,301	106,192	-	-	-	-	-	-	1,751
Bad	232,962	1,740,035	1,912,997	-	-	-	27,810	103,744	131,554	-
Total	1,286,177	3,897,592	5,183,769	1,060,699	1,331,666	2,392,365	27,810	103,744	131,554	100,902

11.1 Movement in allowance for expected credit losses of financing assets (performing and non-performing)

	Specific		General		Total					
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency
Balance at 1 January	2,042,756	47,060	2,089,816	-	-	339,373	-	-	-	-
Provided during the year	339,373	-	-	-	-	-	-	-	-	-
Used during the year	-	-	-	-	-	-	-	-	-	-
Reversed during the year	-	-	-	-	-	-	-	-	-	-
Balance at 31 December	2,382,129	47,060	2,429,189	YER 000s	YER 000s	YER 000s	YER 000s	YER 000s	YER 000s	YER 000s
Balance at 1 January	2,003,400	61,155	2,064,555	-	-	39,356	-	-	-	-
Provided during the year	39,356	-	-	-	-	-	-	-	-	-
Used during the year	-	-	-	-	-	-	-	-	-	-
Reversed during the year	-	-	-	-	-	-	-	-	-	-
Balance at 31 December	2,042,756	47,060	2,089,816	YER 000s	YER 000s	YER 000s	YER 000s	YER 000s	YER 000s	YER 000s

11.2 Concentration of financing assets

11.2.1 By industry sector

Commercial				Industrial				Agricultural				Construction			
Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	
2024															
Gross financing	269,126	4,034,508	4,303,634	41,617	172,969	214,586	76,159	4,530	80,689	38,500	1,623	40,123			
	Other														
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total									
Gross financing	800,127	1,229,128	2,029,255	1,225,529	5,442,758	6,668,287									
Commercial				Industrial				Agricultural				Construction			
Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	
2023															
Gross financing	357,250	2,401,916	2,759,166	45,189	181,211	226,400	54,459	1,918	56,377	-	-	131,440	131,440	131,440	
	Other														
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total									
Gross financing	829,279	1,181,107	2,010,386	1,286,177	3,897,592	5,183,769									

11.2.2 By geographical location

				2024	2023
				YER 000s	YER 000s
Republic of Yemen				6,668,287	5,183,769
Asia				-	-
Europe				-	-
America				-	-
Africa				-	-

12 Investments in Islamic sukuk

	2024 YER 000s	2023 YER 000s
Debt-type instruments at amortized cost (unquoted)		
Islamic sukuks – local	6,000,000	-
	<u>6,000,000</u>	<u>-</u>

The return on Islamic Sukuk in Yemeni Rial is 18.70% with a maturity of three months.

- Investments in local Islamic Sukuks are issued by the unit of the Islamic Sukuk at CBY (unquoted), and maturing on or before 31 December 2024 and 2023.
- The Yemeni Government represented by the Ministry of Finance guarantees the Sukuk at the maturity dates and authorized the Central Bank of Yemen to deduct such dues from the Ministry of Finance account with the Central Bank of Yemen at the maturity dates.

13 Investments securities

	Notes	2024 YER 000s	2023 YER 000s
Equity-type investments at amortized cost	13,1	472,159	808,794
Less:			
Allowance for impairment	13,2	(66,428)	(66,428)
		<u>405,731</u>	<u>742,366</u>

13.1 The movement in the carrying amounts during the year was as follows:

	2024 YER 000s	2023 YER 000s
Balance at 1 January	808,794	808,794
Reclassification	(53,903)	-
Impairment losses	(282,732)	-
Balance at 31 December	472,159	808,794

- Investment securities are unquoted equity-type investments and stakes in local companies.
- During the year, financing provided to Arab Iron and Steel Company amounted to USD 215,395 was reclassified to Murabaha financing.
- During the year, the Bank has recognized impairment loss for Arab Iron and steel Co. investment by the Bank's share of net assets.

13.2 The movement in the allowance for impairment during the year was as follows:

	2024 YER 000s	2023 YER 000s
Balance at 1 January	66,428	66,428
Charge during the Year	-	-
Used during the year	-	-
Balance at 31 December	66,428	66,428

14 Investments in subsidiaries and associates

	Notes	2024 YER 000s	2023 YER 000s
Investments in subsidiaries	14,1	5,323,837	5,319,979
Investments in associates	14,2	648,200	648,200
		<u>5,972,037</u>	<u>5,968,179</u>

14.1 Investments in subsidiaries

Name of the Company	Company's Activities	Country of Incorporation	2024 Ownership %	2024 YER 000s	2023 YER 000s
Venesia Hotel (Project under development)	Hospitality	Yemen	100%	100%	500,000
Al-Shamil for Tiles Factory	Building material	Yemen	100%	100%	4,678,337
AL-Shamel Yemen Industrial and Trading Co. Ltd	Multi-sector	Yemen	97%	97%	145,500
					5,323,837
					5,319,979

- Investment in Venesia hotel represents buildings and plots of land that have been acquired by the bank in 2021 as settlement of financing assets. The bank's board of directors decided to rehabilitate and operate the hotel as an independent wholly owned subsidiary. Work is still in progress.
- Investment in Al Shamel for Tiles Factory is stated at cost due to the lack of reliable estimate of fair value in addition to the suspension of the factory operations due to security reasons.
- The Bank's Board of Directors approved the establishment of Al-Shamel Yemen Industrial and Trading Company with a paid-up capital of YER 150 million. The incorporation procedures have not been completed

14.2 Investments in associates

	Company's Activities	Country of Incorporation	2024 Ownership %	2024 YER 000s	2023 YER 000s
Al-Raida Construction Company	Real Estate	Yemen	35%	35%	648,200

15 Investments in real estate

	2024 YER 000s	2023 YER 000s
Balance at 1 January	975,975	975,975
Additions	-	-
Disposals	-	-
Balance at 31 December	975,975	975,975
Less: Impairment provision on value of real estate investments	-	-
	975,975	975,975

- Investment in real estate represents the value of property located in Sana'a that was acquired in settlement of financing assets.

16 Debit balances and other assets

	Notes	2024 YER 000s	2023 YER 000s
Asset transferred to Bank's ownership *		2,899,631	3,046,956
Current accounts overdrawn		385,720	576,193
Employees advances		199,888	248,917
Prepaid expenses		259,677	230,005
Stationery inventory		125,214	94,127
Projects in process		778,179	602,140
Other debit balances		384,009	436,582
		5,032,318	5,234,920
Less:			
Provision for doubtful debit balances and other assets	16.1	(648,699)	(764,555)
		4,383,619	4,470,365

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

	2024 YER 000s	2023 YER 000s
Balance at 1 January	3,046,956	3,013,480
Additions	649,657	206,666
Disposals	(796,982)	(173,190)
	2,899,631	3,046,956

16.1 Provision for doubtful debit balances and other assets

	2024 YER 000s	2023 YER 000s
Balance at 1 January	764,555	786,057
Provided during the year	-	-
Used during the year	(16,814)	(1,237)
Reversed during the year	(99,042)	(20,265)
Balance at 31 December	648,699	764,555

17 Property and equipment

	Lands	Building	Machinery & Equipment	Motor & Vehicles	Furniture & Fixtures	Computer & Equipment	Leasehold Improvements on building	Total								
	YER 000s						2024									
Cost																
Balance at 1 January	3,480,513	1,090,495	778,419	193,537	424,687	987,544	60,453	7,015,648								
Additions	1,486,519	-	37,962	25	42,080	47,777	-	1,614,363								
Disposals	(280,630)	-	(10,885)	-	(4,116)	(28,809)	-	(324,440)								
Balance at 31 December	4,686,402	1,090,495	805,496	193,562	462,651	1,006,512	60,453	8,305,571								
Accumulated depreciation																
Balance at 1 January	-	84,084	562,929	139,346	300,602	843,895	47,452	1,978,308								
Depreciation for the year	-	26,109	56,665	19,919	13,733	42,321	2,856	161,603								
Disposals	-	(43)	(10,338)	-	(4,136)	(27,080)	-	(41,597)								
Balance at 31 December	-	110,150	609,256	159,265	310,199	859,136	50,308	2,098,314								
Carrying amount at 31 Dec	4,686,402	980,345	196,240	34,297	152,452	147,376	10,145	6,207,257								
	YER 000s						2023									
Cost																
Balance at 1 January	2,967,870	1,090,495	753,069	187,182	399,574	934,398	54,277	6,386,865								
Additions	512,643	-	46,827	10,265	25,699	59,631	6,176	661,241								
Disposals	-	-	(21,477)	(3,910)	(586)	(6,485)	-	(32,458)								
Balance at 31 December	3,480,513	1,090,495	778,419	193,537	424,687	987,544	60,453	7,015,648								
Accumulated depreciation																
Balance at 1 January	-	58,019	523,075	122,952	291,568	815,248	45,216	1,856,078								
Depreciation for the year	-	26,065	60,387	20,304	9,620	34,843	2,236	153,455								
Disposals	-	-	(20,533)	(3,910)	(586)	(6,196)	-	(31,225)								
Balance at 31 December	-	84,084	562,929	139,346	300,602	843,895	47,452	1,978,308								
Carrying amount at 31 Dec	3,480,513	1,006,411	215,490	54,191	124,085	143,649	13,001	5,037,340								

18 Due to banks and financial institutions

	2024 YER 000s	2023 YER 000s
Local Banks		
Current accounts - local currency	12,279,907	7,076,086
Current accounts -foreign currency	137,863	111,451
	12,417,770	7,187,537
Foreign banks and financial institutions		
Current accounts - foreign currency	-	-
	-	-
	12,417,770	7,187,537

19 Current accounts and other deposits

19.1 Current accounts and other deposits by type

	2024 YER 000s	2023 YER 000s
Current accounts - local currency	11,775,202	18,448,264
Current accounts -foreign currency	18,412,414	25,796,932
	30,187,616	44,245,196
Cash margins - local currency	290,844	486,193
Cash margins - foreign currency	3,233,108	1,097,802
	3,523,952	1,583,995
Other deposits - local currency	964,501	1,004,882
Other deposits - foreign currency	550,002	817,402
	1,514,503	1,822,284
	35,226,071	47,651,475

19.2 Current accounts and other deposits by sector

	2024 YER 000s	2023 YER 000s
Commercial	9,156,936	12,148,629
Industrial	2,656,972	3,292,352
Agricultural and fishing	114,116	720,339
Individuals and others	23,298,047	31,490,155
	35,226,071	47,651,475

20 Credit balances and other liabilities

	Notes	2024 YER 000s	2023 YER 000s
Murabahat in progress		398,207	596,784
Other credit balances		462,830	439,067
Accrued expenses		231,756	344,122
Income tax for the year	20.1	0	217,257
		1,092,793	1,597,230

20 .1 Income tax for the year

	Notes	2024 YER 000s	2023 YER 000s
Balance at the beginning of the year		217,257	446,549
Charged during the year	20 .1 .1	-	267,257
Paid during the year		(217,257)	(446,549)
Advance payment		-	(50,000)
Balance at the end of the year		0	217,257

20 .1 .1 Charged during the year

Profit as per financial statements	609,221	3,419,770
Non- deductible Expenses	854,108	205,329
Tax-exempt income	(2,000,601)	(2,273,355)
	(537,272)	1,351,744
Tax expense at statutory rate	-	270,349
Reduction in tax rate	-	(3,092)
Net tax for the year	-	267,257

21 Other provisions

	Balance at 1 January	Provided during the year	Used during the year	Reversed during the year	Balance at 31 December
					YER 000s
					2024
Provision for contingent liabilities	35,048	9,496	-	-	44,544
	35,048	9,496	-	-	44,544
					YER 000s
					2023
Provision for contingent liabilities	34,044	1,004	-	-	35,048
	34,044	1,004	-	-	35,048

22 Quasi-equity

22 .1 By type

	2024 YER 000s	2023 YER 000s
Investments deposits - local currency	2,486,842	4,162,521
Investments deposits - foreign currency	4,743,378	3,387,634
	7,230,220	7,550,155
Saving deposits - local currency	2,418,130	2,461,701
Saving deposits - foreign currency	4,448,455	5,152,677
	6,866,585	7,614,378
	14,096,805	15,164,533

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

Funds from quasi-equity are invested in assets on a priority basis.

22.2 By sector

	2024 YER 000s	2023 YER 000s
Commercial	1,629,451	1,853,954
Industrial	146,288	157,668
Agricultural and fishing	27,044	51,262
Individuals and others	12,294,022	13,101,649
	<u>14,096,805</u>	<u>15,164,533</u>

22.3 Return on quasi-equity

	2024 YER 000s	2023 YER 000s
Gross return to quasi-equity	1,279,929	1,031,900
Bank's share as a Mudarib	(587,610)	(444,116)
Net return on quasi-equity	<u>692,319</u>	<u>587,784</u>

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

	YER %	USD %	YER %	USD %
	2024 YER 000s		2023 YER 000s	
Investments deposits for one year	10.00	4.50	10.00	3.00
Investments deposits for 6 months	7.06	2.70	7.06	1.80
Investments deposits for 3 months	4.70	2.25	4.70	1.50
Investments saving accounts	4.12	1.80	4.12	1.50

22.4 Distribution of income

	Y.E.			Y.E.		
	Self-financed YER 000s	Quasi equity YER 000s	Total YER 000s	Self-financed YER 000s	Quasi equity YER 000s	Total YER 000s
Income from financing activities	204,398	163,154	367,552	217,286	226,947	444,233
Income from other Joint Investments	1,399,095	1,116,775	2,515,870	770,690	804,953	1,575,643
Total income from jointly financed assets	1,603,493	1,279,929	2,883,422	987,976	1,031,900	2,019,876
Net fee and commission income	480,773	—	480,773	471,537	—	471,537
Gains on foreign currencies transactions, net	2,798,418	—	2,798,418	5,587,511	—	5,587,511
Other operating income	407,598	—	407,598	396,856	—	396,856
Total operating income	5,290,282	1,279,929	6,570,211	7,443,880	1,031,900	8,475,780
Impairment losses on local investment	(282,732)		(282,732)			
Provisions	(348,869)	—	(9,496)	(1,004)	—	(1,004)
Staff costs	(2,466,995)	—	(2,466,995)	(2,547,614)	—	(2,547,614)
Depreciation of property and equipment	(161,603)	—	(161,603)	(153,455)	—	(153,455)
Other expenses	(2,112,299)	—	(2,112,299)	(1,756,667)	—	(1,756,667)
Income before tax and attributions to quasi-equity and provisions	(82,216)	1,279,929	1,537,086	2,985,140	1,031,900	4,017,040
Bank's share as a Mudarib	587,610	(587,610)	—	444,116	(444,116)	—
Provision for credit loss, net	(235,546)	—	(235,546)	(9,486)	—	(9,486)
269,848	692,319	1,301,540	3,419,770	587,784	4,007,554	

23 Share Capital

The issued and paid-up capital amounted to YER 15,7 billion as at December 31, 2024, distributed to 6 million shares with a nominal value amounting to YER 2,616.67 per share (2023: YER 12,7 billion with a nominal value amounting to YER 2,116.67 per share) in accordance with the shareholders'

Extraordinary General Assembly decree dated May 24, 2005 which also complies with the CBY Board of Directors decree No. (12) of 2004 related to the increase of capital to YER 6 billion.

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

On 30 August 2023, the Bank's extraordinary general assembly of shareholders approved a capital increase of YER 3.9 billion, funded from retained earnings and general reserve.

On 25 July 2024, the Bank's extraordinary general assembly of shareholders approved a capital increase of YER 3 billion, funded from retained earnings and general reserve.

24 Statutory reserve

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

The Bank cannot use this reserve without the prior approval of the CBY. As at December 31, 2024, the statutory reserve amounted to YER 2,241,419 thousand (YER 2,150,036 thousand as at December 31, 2023).

During the year ended 31 December 2023, the Central Bank of Yemen has issued Circular No. (1) which refers to adjusting the statutory reserve percentage to 15% of the annual net profit.

25 General reserve

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

26 Contingent liabilities and commitments

	Gross Commitments	Margin Held	Net Commitments
			YER 000s
Letters of guarantee	4,654,277	(2,477,036)	2,177,241
Letters of credit	3,008,834	(731,673)	2,277,161
	7,663,111	(3,208,709)	4,454,402
	YER 000s	2023	
			YER 000s
Letters of guarantee	1,741,785	(144,566)	1,597,219
Letters of credit	3,026,583	(1,119,036)	1,907,547
	4,768,368	(1,263,602)	3,504,766

27 Income from financing activities

	2024	2023
	YER 000s	YER 000s
Income from financing Murabaha transactions	156,315	425,374
Income from financing Musawama transactions	160,811	18,733
Income from Istisna'a transactions	2,062	126
Income from Ijarah Muntahia Bittamleek	48,364	-
	367,552	444,233

28 Income from other Joint Investments

	2024	2023
	YER 000s	YER 000s
Income from investments in Sukuk	1,119,439	944,144
Dividend income	1,306,594	572,368
Income from Investments deposits	34,487	-
Income from other investments	55,350	59,131
	2,515,870	1,575,643

29 Fee and commission income

	2024 YER 000s	2023 YER 000s
Commission on cash transfers	414,059	541,942
Other fees and commissions	148,354	288,322
Commissions on letters of credit	216,674	115,821
Commissions on letters of guarantee	26,183	30,079
	805,270	976,164

30 Gains on foreign currencies transactions, net

Gains on foreign currency transactions arise mainly from dealing in foreign currencies in areas with high exchange rate.

31 Other operating income

	2024 YER 000s	2023 YER 000s
Rents	13,976	15,301
Gain on sale of property and equipment and assets transferred to Bank's ownership	41,560	306,474
Others	352,062	75,081
	407,598	396,856

32 Provisions charged to income statement

	2024 YER 000s	2023 YER 000s
Provision for contingent liabilities	9,496	1,004
	9,496	1,004

33 Staff costs

	2024 YER 000s	2023 YER 000s
Basic salaries, allowances and incentive	2,331,962	2,415,941
Bank's contributions in social security	135,033	131,673
	2,466,995	2,547,614

34 Other expenses

	2024 YER 000s	2023 YER 000s
Security	113,526	112,983
Zakat	73,658	212,000
Zakat for prior years	319,343	-
Rent	155,751	130,522
Fuel and lubricants	152,347	193,409
Maintenance	91,283	117,433
Communication	131,582	104,097
Hospitality	51,891	45,767
Sundry expenses	147,135	113,726
Insurance expenses	89,785	86,074
Water and electricity	85,260	70,535
Transportation	143,807	54,424
Cleaning expenses	60,013	57,165
Stationery	37,562	34,837
Professional and consultancy fees	42,155	44,309
Training	34,780	33,760
Advertising and publicity	40,641	52,619
Government fees and subscription	14,754	13,589
Premiums for the guarantee of deposits	63,000	52,155
Travel expenses	81,767	72,957
Others	182,259	154,306
	2,112,299	1,756,667

35 Provision for credit loss

	2024 Notes	2023 YER 000s	2023 YER 000s
(Charge for) / reversal of expected credit losses relating to:			
Bank balances	10.1	4,785	(4,490)
Financing assets	11.1	(339,373)	(25,261)
Debit balances and other assets	16.1	99,042	20,265
Provision for credit loss,net		(235,546)	(9,486)

36 Earnings per share

	2024 YER 000s	2023 YER 000s
Net profit for the year (YER 000s)	609,221	3,152,513
Number of shares (thousand shares)	6,000	6,000
Earnings per share (YER)	102	525

37 Maturities of financial assets and liabilities

	Due within 3 Months	Due from 3 to 6 Months	Due from 6 Months to one year		Due over one Year	Total
			YER Million	2024		
Assets:						
Cash on hand and reserve balances with CBY	28,360	-	-	-	-	28,360
Due from banks and financial institutions	25,463	-	-	-	-	25,463
Financing assets	277	1,576	1,089	919	3,861	
Investments in Islamic sukuk	6,000	-	-	-	-	6,000
Investments securities	-	-	-	406	406	
Investments in subsidiaries and associates	-	-	-	5,972	5,972	
Investments in real estate	-	-	-	976	976	
Overdraft accounts	-	-	-	386	386	
	60,100	1,576	1,089	8,659	71,424	

	YER Million	2024	YER Million		2023
			2024	2023	
Liabilities:					
Due to banks and financial institutions	12,418	-	-	-	12,418
Current accounts and other deposits	35,226	-	-	-	35,226
Quasi-equity	6,867	317	219	6,694	14,097
	54,511	317	219	6,694	61,741
Net	5,589	1,259	870	1,965	9,683

	YER Million	2023	YER Million		2022
			2023	2022	
Assets:					
Cash on hand and reserve balances with CBY	33,275	-	-	-	33,275
Due from banks and financial institutions	36,502	-	-	-	36,502
Financing assets	-	185	1,344	1,277	2,806
Investments securities	-	-	-	742	742
Investments in subsidiaries and associates	-	-	-	5,968	5,968
Investments in real estate	-	-	-	976	976
Overdraft accounts	-	-	-	576	576
	69,777	185	1,344	9,539	80,845
Liabilities:					
Due to banks and financial institutions	7,188	-	-	-	7,188
Current accounts and other deposits	47,651	-	-	-	47,651
Equity of unrestricted Investments and saving accounts' holders	7,614	333	432	6,786	15,165
	62,453	333	432	6,786	70,004
Net	7,324	(148)	912	2,753	10,841

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

	Manufacturing	Trading	Agricultural and Fishing	Financial	Individual & Others	Total
	YER Million			2024		
Assets:						
Cash on hand and reserve balances with CBY	-	-	-	28,360	-	28,360
Due from banks and financial institutions	-	-	-	25,463	-	25,463
Financing assets	125	2,512	47	-	1,177	3,861
Investments in Islamic sukuk	-	-	-	6,000	-	
Investments securities	123	-	91	192	-	406
Investments in subsidiaries and associates	500	5,324	-	-	648	6,472
Investments in real estate	-	-	-	-	976	976
Overdraft accounts	44	34	5	-	303	386

Liabilities:

Due to banks and financial institutions	-	-	-	12,418	-	12,418
Current accounts and other deposits	2,657	9,157	114	-	23,298	35,226
Quasi-equity	146	1,629	27	-	12,294	14,096

Contingent liabilities and commitments

Letters of guarantee	-	2,177	-	-	-	2,177
Letters of credit	-	2,277	-	-	-	2,277

		YER Million	2023			
Assets:						
Cash on hand and reserve balances with CBY	-	-	-	33,275	-	33,275
Due from banks and financial institutions	-	-	-	36,502	-	36,502
Financing assets	-	1,841	5	-	960	2,806
Investments in Islamic sukuk	-	-	-	-	-	-
Investments securities	459	-	91	192	-	742
Investments in subsidiaries and associates	500	4,820	-	-	648	5,968
Investments in real estate	-	-	-	-	976	976
Overdraft accounts	44	184	5	-	343	576

Liabilities:

Due to banks and financial institutions	-	-	-	7,188	-	7,188
Current accounts and other deposits	3,292	12,148	720	-	31,491	47,651
Quasi-equity	157	1,853	51	-	13,104	15,165

Contingent liabilities and commitments

Letters of guarantee	-	1,597	-	-	-	1,597
Letters of credit	-	1,908	-	-	-	1,908

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

	Republic of Yemen	America	Europe	Asia	Africa	Total
						YER Million
Assets:						
Cash on hand and reserve balances with CBY	28,360	-	-	-	-	28,360
Due from banks and financial institutions	17,923	-	390	7,082	68	25,463
Financing assets	3,861	-	-	-	-	3,861
Investments in Islamic sukuk	6,000	-	-	-	-	6,000
Investments securities	406	-	-	-	-	406
Investments in subsidiaries and associates	5,972	-	-	-	-	5,972
Investments in real estate	976	-	-	-	-	976
Overdraft accounts	386	-	-	-	-	386
Liabilities:						
Due to banks and financial institutions	12,418	-	-	-	-	12,418
Current accounts and other deposits	34,707	51	4	462	2	35,226
Quasi-equity	14,009	5	-	81	1	14,096
Contingent liabilities and commitments:						
Letters of guarantee	2,177	-	-	-	-	2,177
Letters of credit	2,277	-	-	-	-	2,277
Assets:						
Cash on hand and reserve balances with CBY	33,275	-	-	-	-	33,275
Due from banks and financial institutions	26,549	-	1,965	7,914	74	36,502
Financing assets	2,806	-	-	-	-	2,806
Investments in Islamic sukuk	-	-	-	-	-	-
Investments securities	742	-	-	-	-	742
Investments in subsidiaries and associates	5,968	-	-	-	-	5,968
Investments in real estate	976	-	-	-	-	976
Overdraft accounts	576	-	-	-	-	576
Liabilities:						
Due to banks and financial institutions	7,188	-	-	-	-	7,188
Current accounts and other deposits	44,636	14	1,011	1,987	3	47,651
Quasi-equity	15,025	58	-	81	1	15,165
Contingent liabilities and commitments:						
Letters of guarantee	1,597	-	-	-	-	1,597
Letters of credit	1,908	-	-	-	-	1,908

	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Over 1 year	Non-sensitive	Total
	YER 000				2024		
Assets:							
Cash on hand and reserve balances with CBY	-	-	-	-	-	28,359,887	28,359,887
Due from banks and financial institutions	11,582,573	-	-	-	-	13,880,716	25,463,289
Financing assets	277,215	1,576,079	361,921	726,577	919,077	-	3,860,869
Investments in Islamic sukuk	6,000,000	-	-	-	-	-	6,000,000
Investments securities	-	-	-	-	-	405,731	405,731
Investments in subsidiaries at	-	-	-	-	-	5,972,037	5,972,037
Investments in real estate	-	-	-	-	-	975,975	975,975
Debit balances and other asse	880	-	-	-	384,840	3,997,899	4,383,619
Property and equipment	-	-	-	-	-	6,207,257	6,207,257
	17,860,668	1,576,079	361,921	726,577	1,303,917	59,799,502	81,628,664
Liabilities:							
Due to banks and financial institutions	12,417,770	-	-	-	-	-	12,417,770
Current accounts and other d	1,514,503	-	-	-	-	33,711,568	35,226,071
Credit balances and other lia	-	-	-	-	-	1,092,793	1,092,793
Other provisions	-	-	-	-	-	44,544	44,544
Quasi-equity	6,866,585	536,071	-	-	6,694,149	-	14,096,805
Equity	-	-	-	-	-	18,750,681	18,750,681
	20,798,858	536,071	-	-	6,694,149	53,599,586	81,628,664
Net liquidity gap	(2,938,190)	1,040,008	361,921	726,577	(5,390,232)	6,199,916	-
Cumulative liquidity gap	(2,938,190)	(1,898,182)	(1,536,261)	(809,684)	(6,199,916)	-	-
	YER 000				2023		
Assets:							
Cash on hand and reserve balances with CBY	-	-	-	-	-	33,274,557	33,274,557
Due from banks and financial institutions	12,706,974	-	-	-	-	23,795,336	36,502,310
Financing assets	-	184,619	1,343,781	-	1,277,791	-	2,806,191
Investments in Islamic sukuk	-	-	-	-	-	-	-
Investments securities	-	-	-	-	-	742,366	742,366
Investments in subsidiaries at	-	-	-	-	-	5,968,179	5,968,179
Investments in real estate	-	-	-	-	-	975,975	975,975
Debit balances and other asse	852	-	-	-	575,341	3,894,172	4,470,365
Property and equipment	-	-	-	-	-	5,037,340	5,037,340
	12,707,826	184,619	1,343,781	-	1,853,132	73,687,925	89,777,283
Liabilities:							
Due to banks and financial institutions	7,187,537	-	-	-	-	-	7,187,537
Current accounts and other d	1,822,284	-	-	-	-	45,829,191	47,651,475
Credit balances and other lia	-	-	-	-	-	1,597,230	1,597,230
Other provisions	-	-	-	-	-	35,048	35,048
Quasi-equity	7,614,378	764,441	-	-	6,785,714	-	15,164,533
Equity	-	-	-	-	-	18,141,460	18,141,460
	16,624,199	764,441	-	-	6,785,714	65,602,929	89,777,283
Net liquidity gap	(3,916,373)	(579,822)	1,343,781	-	(4,932,582)	8,084,996	-
Cumulative liquidity gap	(3,916,373)	(4,496,195)	(3,152,414)	(3,152,414)	(8,084,996)	-	-

40. Significant foreign currencies' positions

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

	December 31, 2024		December 31, 2023	
	Surplus (Deficit)	% Of Capital & reserves	Surplus (Deficit)	% Of Capital & reserves
	YER 000s	YER 000s	YER 000s	YER 000s
USD	2,798,227	15%	964,349	5.37%
EURO	5,522	0.00%	8,644	0.05%
Saudi Rial	(3,342,323)	-17%	(2,138,658)	-11.92%
Sterling Pound	(647)	0.00%	(419)	0.00%
Others	590,090	3%	1,401,325	7.81%
Net surplus	50,869	0.00%	235,241	1.31%

The USD exchange rate at December 31, 2024 was 250.25 YER (at December 31, 2023: USD exchange rate was 250.25 YER) according to CBY instructions.

41. Transactions with related parties

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

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

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

	2024	2023
	YER Millions	YER Millions
Current accounts and other deposits	1,771	2,581
Murabaha financing transactions	551	574
Letters of guarantee	192	192
Letters of credit	155	0
Debit balances and other assets	13	21
Executive management salaries and benefits	556	566
Board of directors' bonuses and allowances	42	42

Shamil Bank of Yemen and Bahrain (Yemeni Closed Joint Stock Company)
Notes to the Financial Statements For the year ended December 31, 2024

42. Tax status

- The Bank is subject to income tax starting from February 17, 2009 due to the expiry of the exemption period granted by the Investment Law.
- The Bank has submitted the tax return for the year 2023 within the legal deadline, and paid due amounts according to the tax return.

43. Zakat status

- The Bank submits its Zakat declarations annually and remits the amount due based on the declaration.
- Final settlement has been made with the General Authority of Zakat, and accrued zakat was paid until the end of the year 2017 according to the Zakat declaration.
- The Bank received additional assessment notifications for the years 2018 to 2022. However, the Bank objected to the additional assessment, and the case is still pending with court up to the date of issuing these financial statements.
- The Bank has paid Zakat for the year 2023 according to the Zakat declaration. No notification for any additional assessment was received up to the date of issuing these financial statements.

44. Events in Republic of Yemen

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

45. Authorization of financial statements

The financial statements for the year ended December 31, 2024 were approved by the board of directors on March 9, 2025, and decision was issued to present the financial statements to the General Assembly for approval.

46. Comparative Numbers

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