

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
AND INDEPENDENT AUDITOR'S REPORT

YEMEN COMMERCIAL BANK
(Yemeni Joint Stock Company)
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INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF
YEMEN COMMERCIAL BANK
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN**

Report on the Financial Statements

We have audited the accompanying financial statements of Yemen Commercial Bank (*Yemeni Joint Stock Company*), which comprise the financial position as at December 31, 2009, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yemen Commercial Bank (*Yemeni Joint Stock Company*) as at December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and instructions issued by Central Bank of Yemen.

Report on Other Legal and Regulatory Requirements

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



M. Zohdi Mejanni
Associated Accountant

Sana'a, April 20, 2010



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

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009**

ASSETS	Note	2009 YR 000s	2008 YR 000s
Cash on hand & reserve balances with Central Bank of Yemen (CBY)	6	9,952,998	7,958,626
Due from banks	7	15,234,146	10,301,817
Treasury bills (net)	8	30,995,737	20,778,061
Certificates of deposits with Central Bank of Yemen (CBY)	9	-	12,050,000
Loans and advances (net)	10	15,529,051	14,111,631
Available-for-sale investments	13	109,458	89,181
Investments in subsidiaries	14	70,604	89,663
Debit balances and other assets (net)	15	5,273,340	5,366,971
Property and equipment (net)	17	<u>2,881,325</u>	<u>2,659,630</u>
TOTAL ASSETS		<u>80,046,659</u>	<u>73,405,580</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	18	1,177,704	16,706
Customers' deposits	19	69,591,955	64,337,627
Credit balances and other liabilities	20	947,018	1,411,906
Other provisions	21	<u>510,933</u>	<u>462,316</u>
TOTAL LIABILITIES		<u>72,227,610</u>	<u>66,228,555</u>
SHAREHOLDERS' EQUITY			
Paid-up capital	22a	6,653,890	6,137,390
Statutory reserve	22b	510,630	510,630
General reserve	22c	12,418	12,529
Retained earnings		<u>642,111</u>	<u>516,476</u>
TOTAL SHAREHOLDERS' EQUITY		<u>7,819,049</u>	<u>7,177,025</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>80,046,659</u>	<u>73,405,580</u>
CONTINGENT LIABILITIES AND COMMITMENTS (NET)	23	<u>34,093,237</u>	<u>35,531,566</u>


(The notes on pages 8 to 38 are an integral part of these financial statements)


Sheikh / Mohamed Bin Yehya Al Rowaishan
Chairman


Ayed Almashni
General Manager & Chief Executive Officer



Independent auditor's report attached.


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

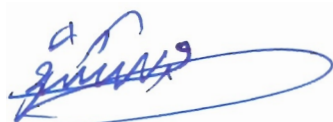


**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Note	2009 YR 000s	2008 YR 000s
Interest income	24	6,589,631	6,315,470
Less: interest expenses	25	(4,080,348)	(4,302,161)
Net interest income		2,509,283	2,013,309
Commissions revenues and banking service charges	26	804,318	810,545
Less: commissions' expenses and banking service charges		(30,790)	(27,350)
Gain on foreign currency transactions	27	176,040	105,235
Other operating income	28	326,222	477,654
Net operating income		3,785,073	3,379,393
Less: provisions	29	(442,679)	(420,212)
Less: general and administrative expenses and depreciation	30	(2,297,507)	(2,040,489)
Operating Profit		1,044,887	918,692
Add: revenues of available-for-sale investments		-	3,089
Less: losses for impairment of investment in subsidiaries		(19,059)	(20,106)
NET PROFIT OF THE YEAR BEFORE INCOME TAX		1,025,828	901,675
Less: income tax for the year		(383,804)	(294,159)
NET PROFIT FOR THE YEAR AFTER TAX		642,024	607,516
Other comprehensive income items		-	-
Total comprehensive income for the year		642,024	607,516
Earnings per share	31	YR 965	YR 991

(The notes on pages 8 to 38 are an integral part of these financial statements)



**Sheikh / Mohamed Bin Yehya Al Rowaishan
Chairman**

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



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

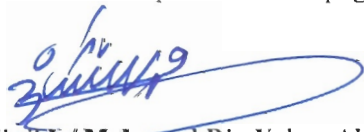


**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Paid-up Capital YR 000s</u>	<u>Statutory Reserve YR 000s</u>	<u>General Reserve YR 000s</u>	<u>Retained Earnings YR 000s</u>	<u>Total YR 000s</u>
Year 2009					
Balance at January 1, 2009	<u>6,137,390</u>	<u>510,630</u>	<u>12,529</u>	<u>516,476</u>	<u>7,177,025</u>
Total comprehensive income for the year					
Net profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,024</u>	<u>642,024</u>
Other comprehensive income					
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,024</u>	<u>642,024</u>
Transaction with owners, recorded directly in shareholders' equity					
Transfer to capital from general reserve	<u>111</u>	<u>-</u>	<u>(111)</u>	<u>-</u>	<u>-</u>
Transfer to increase in paid-up capital	<u>516,389</u>	<u>-</u>	<u>-</u>	<u>(516,389)</u>	<u>-</u>
	<u>516,500</u>	<u>-</u>	<u>(111)</u>	<u>(516,389)</u>	<u>-</u>
Balance at December 31, 2009	<u>6,653,890</u>	<u>510,630</u>	<u>12,418</u>	<u>642,111</u>	<u>7,819,049</u>
Year 2008					
Balance at January 1, 2008	<u>5,100,000</u>	<u>419,503</u>	<u>12,529</u>	<u>1,029,593</u>	<u>6,561,625</u>
Total comprehensive income for the year					
Net profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,516</u>	<u>607,516</u>
Other comprehensive income					
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,516</u>	<u>607,516</u>
Transaction with owners, recorded directly in shareholders' equity					
Cash payment to increase paid-up capital	<u>7,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,884</u>
Transfer to statutory reserve	<u>-</u>	<u>91,127</u>	<u>-</u>	<u>(91,127)</u>	<u>-</u>
Transfer to increase in paid-up capital	<u>1,029,506</u>	<u>-</u>	<u>-</u>	<u>(1,029,506)</u>	<u>-</u>
	<u>1,037,390</u>	<u>91,127</u>	<u>-</u>	<u>(1,120,633)</u>	<u>7,884</u>
Balance at December 31, 2008	<u>6,137,390</u>	<u>510,630</u>	<u>12,529</u>	<u>516,476</u>	<u>7,177,025</u>

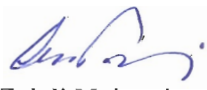
(The notes on pages 8 to 38 are an integral part of these financial statements)


Sheikh / Mohamed Bin Yehya Al Rowaishan
Chairman


Ayed Almashni
General Manager & Chief Executive Officer



Independent auditor's report attached.


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



**YEMEN COMMERCIAL BANK (YCB)
(YEMENI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Note</u>	<u>2009 YR 000s</u>	<u>2008 YR 000s</u>
<u>Cash flows from operating activities</u>			
Net profit for the year before tax		1,025,828	901,675
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation of property and equipment	17	337,670	305,240
Provisions provided during the year	29	442,679	420,212
Provisions reversed	28	(14,383)	(25,599)
Provisions used		(107,290)	(158,221)
Losses for impairment of investment in subsidiaries		19,059	20,106
Net (gain) on sale of property and equipment		(1,826)	(1,026)
Operating profit before changes in assets and liabilities used in operating activities		1,701,737	1,462,387
<u>Net (increase) decrease in assets</u>			
Reserve balances with Central Bank of Yemen		(1,044,333)	967,336
Loans and advances		(1,675,861)	(2,778,063)
Treasury bills maturing after 3 months		(14,934,423)	2,442,408
Debit balances and other assets		79,683	(239,368)
<u>Net increase (decrease) in liabilities</u>			
Due to banks		1,160,998	(1,493,788)
Customers' deposits		5,254,328	12,579,741
Credit balances and other liabilities		(113,759)	(561,580)
Corporate tax paid		(734,933)	(50,914)
Net cash (used in) provided by operating activities		(10,306,563)	12,328,159
<u>Cash flows from investing activities</u>			
Payment for acquisition of property and equipment		(560,743)	(803,279)
Cash proceeds from sale of property and equipment		3,204	15,740
Decrease (increase) in time deposits - restricted	7	806,136	(62,101)
Available for sale investments		(20,277)	(9,981)
Net cash provided by (used in) investing activities		228,320	(859,621)
<u>Cash flows from financing activities</u>			
Cash increase in paid-up capital		-	7,884
Net cash provided by financing activities		-	7,884
Net change in cash and cash equivalents		(10,078,243)	11,476,422
Cash and cash equivalents at the beginning of the year		42,435,577	30,959,155
Cash and cash equivalents at the end of the year		32,357,334	42,435,577
<u>Cash and cash equivalents consist of:</u>			
Cash on hand & ATM machines and cheques purchased		3,090,948	2,140,909
Due from banks	7	15,234,146	10,301,817
Treasury bills maturing within 3 months		14,032,240	18,748,987
CBY certificates of deposits maturing within 3 months		-	12,050,000
		32,357,334	43,241,713
Less: Time deposits - restricted	7	-	(806,136)
		32,357,334	42,435,577

(The notes on pages 8 to 38 are an integral part of these financial statements)

Sheikh / Mohamed Bin Yehya Al Rowaishan
Chairman

Ayed Almashni
General Manager & Chief Executive Officer



Independent auditor's report attached

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



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

**PROPOSED APPROPRIATION ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>2009</u> <u>YR 000s</u>	<u>2008</u> <u>YR 000s</u>
Retained earnings at the beginning of the year	87	87
Add: net profit for the year	<u>642,024</u>	<u>607,516</u>
	<u>642,111</u>	<u>607,603</u>
Proposed to be appropriated as follows:		
15% statutory reserve	96,304	91,127
Transfer to capital	-	516,389
Retained earnings	<u>545,807</u>	<u>87</u>
	<u>642,111</u>	<u>607,603</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. BACKGROUND INFORMATION

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

2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

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

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

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

The effect of these deviations is immaterial on the financial statements of the Bank as on December 31, 2009.

2.2 Functional and presentation currency

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

2.3 Significant accounting judgments and estimates

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2009**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in notes 4, 10, 20 and 21.

2.4 Presentation of financial statements

The Bank has applied revised IAS 1 Presentation of Financial Statements which becomes effective from 1 January 2009 and introduces the term “total comprehensive income,” which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income effectively combining both the income statement and all non-owner changes in equity in a single statement (this presentation has been applied in this financial statement as at December 31, 2009), or in an income statement and a separate statement of comprehensive income.

The revised presentation has no impact to the comparative information so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspect, there is no impact on earnings per share.

2.5 Change in accounting policies

In accordance with CBY instructions issued on January 9, 2010 related to the rules of preparation and presentation of the financial statements of banks and the evaluation basis used by banks, the Bank as at December 31, 2009 revised its policy of recognizing investments in subsidiaries from the equity method to the cost method as stated in Note no. 3.6. There is no material impact to the income statement figures due to this change that requires changes to the comparative figures.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency transactions

- The Bank maintains its records in Yemeni Rial, which is the Bank’s functional currency. Transactions in other currencies are recorded during the financial year at the prevailing exchange rates at the date of transaction. Balances of monetary assets and liabilities in other currencies at the end of the financial year are translated at the prevailing exchange rates on that date. Gains or losses resulting from translation are taken to the income statement.
- The Bank deals in short-term forward contracts only to the extent necessary to cover its needs for foreign currencies or its customers’ needs to meet their obligations in foreign currencies as a result of their operations through the Bank.

3.2 Revenue recognition

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

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2009**

- Revenue of investments available for sale is recognized when its related dividends are distributed.
- Revenue of investments in subsidiaries is recognized at the separate financial statements when the Bank's right to receive the dividend is established.
- Commissions' revenue and bank service charges are recognized as the related services are performed.

3.3 Treasury bills

Treasury bills are recorded at face value and the balance of unearned discount is recorded under credit balances and other liabilities. Treasury bills are presented on the statement of financial position at face value less balance of unearned discount outstanding at the financial statements date.

3.4 CBY certificates of deposits

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

3.5 Available-for-sale investments

After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, available for sale investments are subsequently measured at fair value. Unrealized gains or losses arising from a change in the fair value are recognized directly in the fair value reserve under equity until the investment is sold, at which time the cumulative gain or loss previously recognized in equity is included in the statement of comprehensive income.

In cases where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognized in the statement of comprehensive income as a provision for impairment of investments. Reversals in respect of equity investments classified as available for sale are treated as increase in fair value through statement of changes in equity. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment. Reversal of impairment losses on debt instruments are reversed through the statement of income, when the increase in fair value can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income.

3.6 Investments in subsidiaries

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2009**

3.8 Provision for loans and contingent liabilities

- In order to comply with CBY circular No. (6) of 1996 and (5) of 1998, provision is made for specific loans, overdrafts and contingent liabilities, in addition to a percentage for general risks calculated on the total of other loans, overdrafts and contingent liabilities, after deducting balances secured by deposits and bank guarantees issued by credit worthy foreign banks, based on periodic comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, provision is made at the following rates:

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

- Loans are written off if procedures taken towards their collection prove useless, or if directed by the CBY upon their review of the portfolio, by debiting the provision. Proceeds from loans previously written off are credited to the provision.
- Loans to customers and banks are presented on the statement of financial position net of provision (specific and general) and uncollected interest.

3.9 Contingent liabilities and commitments

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

3.10 Cash and cash equivalents

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

3.11 Impairment of assets

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2009**

3.12 Property and equipment

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

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

3.13 Other provisions

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

3.14 Taxation

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

Due to the characteristics of the tax accounting in Yemen, application of International Accounting Standard on Income Taxes does not usually result in deferred tax liabilities. In the case that deferred tax assets have resulted from the application of this standard, these assets are not booked unless there is assurance that these assets will be realized in the near future.

3.15 Zakat due on shareholders accounts

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

3.16 Applicable new standards and interpretations issued but not yet adopted

For the avoidance of doubt, the following applicable new standards, amendments to standards and interpretations, which were issued by the International Accounting Standards Board (IASB) before 31 December 2009 and are not yet in effect, have not been adopted early.

- Revised IFRS 3 Business Combination which were issued by IASB which becomes effective from 2010.
- Amended IAS 27 Consolidated and Separate Financial Statements, which becomes effective from annual periods beginning on or after July 1, 2009 requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognized as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2009**

- IFRS 9, Financial Instruments is first standard issued as part of a wider project or replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard can be adopted early prospectively, and prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 1, 2012.

4. FINANCIAL INSTRUMENTS AND THEIR RELATED RISKS MANAGEMENT

4.1 Financial instruments

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

Note (3) to the financial statements includes significant accounting policies applied for recognition and measurement of significant financial instruments and their related revenues and expenses.

- b. Fair value of financial instruments

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

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

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

	2009		2008	
	Carrying amount YR 000	Fair value YR 000	Carrying amount YR 000	Fair value YR 000
Financial assets				
Cash on hand and reserve balances with the CBY	9,952,998	9,952,998	7,958,626	7,958,626
Due from banks	15,234,146	15,234,146	10,301,817	10,301,817
Treasury bills (net)	30,995,737	30,995,737	20,778,061	20,778,061
CBY certificates of deposit	-	-	12,050,000	12,050,000
Loans and advances (net)	15,529,051	15,529,051	14,111,631	14,111,631
Available for sale investments	109,458	109,458	89,181	89,181
Investments in subsidiaries	70,604	70,604	89,663	89,663
Financial liabilities				
Due to banks	1,177,704	1,177,704	16,706	16,706
Customers' deposits	69,591,955	69,591,955	64,337,627	64,337,627

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(c) Fair value hierarchy

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

Level 1: Fair values are based on quoted prices (unadjusted) in active markets for identical assets.

Level 2: Fair values are based on inputs other than quoted prices included within level 1 that are observable for the assets either directly (i.e. as price) or indirectly (i.e. derived from prices).

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

The fair values for available-for-sale investments comprise of YR 109,458 thousand under the level 3 category. There were no investments qualifying for levels 1 and 2 fair value disclosures.

(d) Financial instruments for which fair value approximates carrying value

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

4.2 Risk management of financial instruments

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

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

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

The Bank is exposed to credit risk, liquidity risk, interest rate risk, currency risk, operating risk and other risks.

(a) Credit risk

Loans and credit facilities to customers and banks, current accounts and deposits with banks and rights and obligations from others are considered as financial assets exposed to credit risk. Credit risk represents the inability of these parties to fully or partially meet their obligations when they fall due. In order to comply with CBY circular No. 10 of 1997 regarding to the credit risk exposure, the bank applies minimum procedures in order to properly manage its credit risk. The following are the major procedures applied by the Bank:

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

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

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
Cash on hand and reserve balances with CBY (excluding cash on hand)	7,036,520	5,875,833
Due from banks	15,234,146	10,301,817
Treasury bills (net)	30,995,737	20,778,061
CBY certificates of deposits	-	12,050,000
Loans and advances (net)	15,529,051	14,111,631
Available-for-sale investments	109,458	89,181
Investments in subsidiaries	70,604	89,663
Debit balances and other assets (net)	<u>5,273,340</u>	<u>5,366,971</u>
	74,248,856	68,663,157
Contingent liabilities and commitments	<u>39,789,404</u>	<u>41,604,808</u>
Total credit risk exposure	<u>114,038,260</u>	<u>110,267,965</u>

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

	2009		2008	
	Gross Maximum Exposure <u>YR 000</u>	Net Maximum Exposure <u>YR 000</u>	Gross Maximum Exposure <u>YR 000</u>	Net Maximum Exposure <u>YR 000</u>
Government	43,394,037	-	42,840,803	-
Industry	670,460	670,460	526,311	526,311
General trade	6,873,117	6,873,117	4,724,417	4,724,417
Contractors	1,274,559	1,274,559	1,314,213	1,314,213
Consumer	101,651	101,651	131,664	131,664
Others	<u>21,935,032</u>	<u>19,015,554</u>	<u>19,125,749</u>	<u>17,042,956</u>
	74,248,856	27,935,341	68,663,157	23,739,561
Contingent liabilities and commitments	<u>39,789,404</u>	<u>34,093,237</u>	<u>41,604,808</u>	<u>35,531,566</u>
	<u>114,038,260</u>	<u>62,028,578</u>	<u>110,267,965</u>	<u>59,271,127</u>

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

(b) Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its obligations when they fall due and other risks related to sufficient liquidity without incurring losses on timely basis. To limit this risk, the bank's management in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis and has arranged diversified funding sources.

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

	2009				
	Less than 3 months YR 000s	From 3 to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s	Total YR 000s
<u>Liabilities</u>					
Due to banks	1,177,704	-	-	-	1,177,704
Customers' deposits	60,622,739	6,858,662	2,110,554	-	69,591,955
Income tax for the year	-	383,804	-	-	383,804
Total liabilities	61,800,443	7,242,466	2,110,554	-	71,153,463
	2008				
	Less than 3 months YR 000s	From 3 to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s	Total YR 000s
<u>Liabilities</u>					
Due to banks	16,706	-	-	-	16,706
Customers' deposits	57,371,064	5,191,796	360,445	1,414,322	64,337,627
Income tax for the year	294,159	-	-	-	294,159
Total liabilities	57,681,929	5,191,796	360,445	1,414,322	64,648,492

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

(c) Interest rate risk

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

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

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

	2009						Average interest rates	
	Less than 3 months YR 000s	From 3 months to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s	Non- interest sensitive YR 000s	Total YR 000s	Local Currency %	Foreign Currency %
Assets								
Cash on hand and reserve balances with CBY	-	-	-	-	9,952,998	9,952,998	-	-
Due from banks	3,036,550	-	-	-	12,197,596	15,234,146	13.00	0.70
Treasury bills (net)	14,032,240	6,164,148	10,799,349	-	-	30,995,737	13.30	-
Loans and advances (net)	3,200,838	3,312,860	9,015,353	-	-	15,529,051	18.50	8.50
Available-for-sale investment	-	-	-	-	109,458	109,458	-	-
Investment in subsidiaries	-	-	-	-	70,604	70,604	-	-
Debit balances and other assets (net)	-	-	-	-	5,273,340	5,273,340	-	-
Property and equipments (net)	-	-	-	-	2,881,325	2,881,325	-	-
Total Assets	<u>20,269,628</u>	<u>9,477,008</u>	<u>19,814,702</u>	<u>-</u>	<u>30,485,321</u>	<u>80,046,659</u>		
Liabilities and Shareholders' Equity								
Due to banks	1,177,704	-	-	-	-	1,177,704	13.00	-
Customers' deposits	60,622,739	6,858,662	2,110,554	-	-	69,591,955	10.00	1.16
Credit balances and other liabilities	-	-	-	-	947,018	947,018	-	-
Other provisions	-	-	-	-	510,933	510,933	-	-
Shareholders' equity	-	-	-	-	7,819,049	7,819,049	-	-
Total Liabilities and Shareholders' Equity	<u>61,800,443</u>	<u>6,858,662</u>	<u>2,110,554</u>	<u>-</u>	<u>9,277,000</u>	<u>80,046,659</u>		
Interest rate sensitivity gap	(41,530,815)	2,618,346	17,704,148	-	21,208,321	-		
Cumulative interest rate sensitivity gap	(41,530,815)	(38,912,469)	(21,208,321)	(21,208,321)	-	-		

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

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

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(d) Exchange rate risk

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

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

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

	2009					Total YR 000s
	US Dollars YR 000s	EURO YR 000s	Saudi Rial YR 000s	Sterling Pound YR 000s	Other currencies YR 000s	
Assets	32,341,404	2,321,726	2,053,556	140,157	232,479	37,089,322
Liabilities	(31,414,407)	(2,178,924)	(2,058,080)	(145,922)	(145,919)	(35,943,252)
Net currency position	<u>926,997</u>	<u>142,802</u>	<u>(4,524)</u>	<u>(5,765)</u>	<u>86,560</u>	<u>1,146,070</u>
	2008					Total YR 000s
	US Dollars YR 000s	EURO YR 000s	Saudi Rial YR 000s	Sterling Pound YR 000s	Other currencies YR 000s	
Assets	25,427,722	2,189,263	1,022,077	132,724	217,496	28,989,282
Liabilities	(26,804,217)	(2,163,534)	(1,689,979)	(132,691)	(180,177)	(30,970,598)
Net currency position	<u>(1,376,495)</u>	<u>25,729</u>	<u>(667,902)</u>	<u>33</u>	<u>37,319</u>	<u>(1,981,316)</u>

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

(e) Operational risk

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

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(f) Other risks

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

5. CAPITAL MANAGEMENT

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

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 calculated in accordance with the guidelines of CBY compares between the Bank core and supplementary capital with risk weighted total assets and liabilities at the financial statement date, is as follows:

	<u>2009</u> <u>YR 000s</u>	<u>2008</u> <u>YR 000s</u>
Core capital	7,733,445	7,072,362
Supplementary capital	<u>456,892</u>	<u>467,871</u>
Total capital	<u>8,190,337</u>	<u>7,540,233</u>
<u>Risk-weighted assets and contingent liabilities and commitment:</u>		
Total assets	25,658,189	23,537,018
Contingent liabilities and commitments	<u>18,042,124</u>	<u>18,987,211</u>
Total risk-weighted assets and contingent liabilities and commitment	<u>43,700,313</u>	<u>42,524,229</u>
Capital adequacy ratio	<u>18.74%</u>	<u>17.73%</u>

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

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

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
Cash on hand and ATM machines– local currency	1,038,880	1,035,790
Cash on hand and ATM machines – foreign currency	<u>1,877,598</u>	<u>1,047,003</u>
	<u>2,916,478</u>	<u>2,082,793</u>
Mandatory reserve at CBY – local currency	2,862,418	2,718,878
Mandatory reserve at CBY – foreign currency	<u>3,999,632</u>	<u>3,098,839</u>
	<u>6,862,050</u>	<u>5,817,717</u>
Cheques purchased	<u>174,470</u>	<u>58,116</u>
	<u>9,952,998</u>	<u>7,958,626</u>

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

In accordance with CBY Circular No. (1) of 2008 effective from 1 April 2008, the percentage of reserve balances held at CBY on Yemeni Rial customer accounts was reduced from 10% (interest bearing) to 7% (non-interest bearing). The percentage of reserve balances on foreign currency customer accounts remained unchanged at 20% (non-interest bearing).

7. DUE FROM BANKS

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
<u>Central Bank of Yemen</u>		
Current accounts – local currency	2,852,893	1,702,349
Current accounts – foreign currency	<u>2,683,357</u>	<u>2,492,676</u>
	<u>5,536,250</u>	<u>4,195,025</u>
<u>Local banks</u>		
Current accounts	<u>52,754</u>	<u>-</u>
	<u>52,754</u>	<u>-</u>
<u>Foreign banks</u>		
Current accounts	6,608,592	3,723,500
Time deposits – foreign currency	<u>3,036,550</u>	<u>2,383,292</u>
	<u>9,645,142</u>	<u>6,106,792</u>
	<u>15,234,146</u>	<u>10,301,817</u>

- Time deposits – foreign currency – at December 31, 2008 included YR 806,136 thousand equivalent to US\$ 4,029 thousand which was reserved at the Bank of New York. This deposit was released and added to the Bank's current account on February 9, 2009.

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

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8. TREASURY BILLS (NET)

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
Treasury bills due within 90 days	14,263,279	19,121,947
Treasury bills due within 180 days	6,300,000	496,600
Treasury bills due within 360 days	<u>11,100,000</u>	<u>1,620,640</u>
	31,663,279	21,239,187
Less: Unearned discount balance	(667,542)	(461,126)
	<u>30,995,737</u>	<u>20,778,061</u>

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

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
CBY certificates of deposits due within 90 days	<u>-</u>	<u>12,050,000</u>

10. LOANS AND ADVANCES (NET)

a. Loans and advances by type

	Note	2009	2008
		<u>YR 000s</u>	<u>YR 000s</u>
Overdrafts		3,468,066	3,097,923
Loans to customers		10,510,341	7,248,608
LC facilities		2,540,981	3,129,271
Staff loans		1,406,357	2,843,102
Others		<u>468,313</u>	<u>219,296</u>
		18,394,058	16,538,200
Less: Provision for doubtful loans and advances	11	(2,081,486)	(1,823,045)
Less: Uncollected interest	12	(783,521)	(603,524)
		<u>15,529,051</u>	<u>14,111,631</u>

- Non-performing loans and advances amounted to YR 2,614,158 thousand at December 31, 2009 (after deducting the uncollected interest and balances secured by cash deposits) (YR 2,060,498 thousand at December 31, 2008) and includes the following:

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
Substandard loans and advances	594,534	287,796
Doubtful loans and advances	260,503	191,601
Bad loans and advances	<u>1,759,121</u>	<u>1,581,101</u>
	<u>2,614,158</u>	<u>2,060,498</u>

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b. Loans and advances by sector

	Overdraft YR 000s	Loans to customers YR 000s	L/C facilities YR 000s	Staff loans YR 000s	Others YR 000s	Total YR 000s
<u>As at Dec. 31, 2009</u>						
Individuals	872,500	1,320,265	187,562	1,406,357	468,313	4,254,997
Trade	1,675,187	4,705,830	2,182,899	-	-	8,563,916
Industry	207,526	745,206	170,520	-	-	1,123,252
Contractors	<u>712,853</u>	<u>3,739,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,451,893</u>
Total	<u>3,468,066</u>	<u>10,510,341</u>	<u>2,540,981</u>	<u>1,406,357</u>	<u>468,313</u>	<u>18,394,058</u>
<u>As at Dec. 31, 2008</u>						
Individuals	778,308	835,320	222,453	2,843,102	219,296	4,898,479
Trade	1,294,539	3,313,078	2,795,592	-	-	7,403,209
Industry	186,402	507,111	111,226	-	-	804,739
Contractors	<u>838,674</u>	<u>2,593,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,431,773</u>
Total	<u>3,097,923</u>	<u>7,248,608</u>	<u>3,129,271</u>	<u>2,843,102</u>	<u>219,296</u>	<u>16,538,200</u>

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

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

a. Provision for loans and advances by type

	Note	2009		
		Specific YR 000s	General YR 000s	Total YR 000s
Provision balance at January 1, 2009		1,710,490	112,555	1,823,045
Add: provided during the year	29	259,360	3,404	262,764
Less: provision used		(4,323)	-	(4,323)
Provision balance at December 31, 2009		<u>1,965,527</u>	<u>115,959</u>	<u>2,081,486</u>
				2008
	Note	Specific YR 000s	General YR 000s	Total YR 000s
Provision balance at January 1, 2008		1,452,624	97,961	1,550,585
Add: provided during the year	29	284,663	14,594	299,257
Less: provision used		(26,797)	-	(26,797)
Provision balance at December 31, 2008		<u>1,710,490</u>	<u>112,555</u>	<u>1,823,045</u>

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b. Provision for loans and advances by sector

	2009			
	Corporate lending YR 000s	Consumer lending YR 000s	Mortgage lending YR 000s	Total YR 000s
Provision balance at Jan. 1, 2009	1,094,271	129,619	599,155	1,823,045
Provided during the year	251,619	3,565	7,580	262,764
Used during the year	(4,323)	-	-	(4,323)
Provision balance at Dec. 31, 2009	<u>1,341,567</u>	<u>133,184</u>	<u>606,735</u>	<u>2,081,486</u>

	2008			
	Corporate lending YR 000s	Consumer lending YR 000s	Mortgage lending YR 000s	Total YR 000s
Provision balance at Jan. 1, 2008	925,816	156,416	468,353	1,550,585
Provided during the year	168,455	-	130,802	299,257
Used during the year	-	(26,797)	-	(26,797)
Provision balance at Dec. 31, 2008	<u>1,094,271</u>	<u>129,619</u>	<u>599,155</u>	<u>1,823,045</u>

12. UNCOLLECTED INTEREST

	2009 YR 000s	2008 YR 000s
Balance at January 1	603,524	615,294
Increase during the year	369,670	426,814
Uncollected interest written off or collected during the year	(189,673)	(438,584)
Balance at December 31	<u>783,521</u>	<u>603,524</u>

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

13. AVAILABLE-FOR-SALE INVESTMENTS

	2009 YR 000s	2008 YR 000s
Saba'a Airway Co. (under incorporation)	39,000	39,000
Yemen International Public Transportation Company	55,458	35,181
Al-Amal Bank for lending	<u>15,000</u>	<u>15,000</u>
	<u>109,458</u>	<u>89,181</u>

All available for sale investments are local investments (unquoted). Due to the difficulty of obtaining a reliable estimate of fair value for these investments as there are no quoted market prices, and future cash flows are not determinable, these investments were carried at cost.

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14. INVESTMENTS IN SUBSIDIARIES

	<u>2009 YR 000s</u>	<u>Shareholding Percentage</u>	<u>2008 YR 000s</u>	<u>Shareholding Percentage</u>
Yemeni Company for Financial Services (Yemen Joint Stock Company – unquoted)	<u>70,604</u>	90%	<u>89,663</u>	90%

The value of investments in subsidiaries is presented after deducting losses of impairment of these investments amounting to YR 104,176 thousand until December 31, 2009 (amounted to YR 85,117 thousand until December 31, 2008).

15. DEBIT BALANCES AND OTHER ASSETS (NET)

	<u>Note</u>	<u>2009 YR 000s</u>	<u>2008 YR 000s</u>
Accrued interest		36,993	124,747
Prepaid expenses		292,119	203,604
Assets which have been transferred to the bank's ownership	3.7	4,606,851	4,447,034
Balances related to BCCI with CBY		197,471	197,316
Project in process		66,154	302,108
Stationery stock		9,472	14,399
Sundry debit balances		<u>123,010</u>	<u>122,545</u>
		5,332,070	5,411,753
Less: Provision for doubtful debts	16	(58,730)	(44,782)
		<u>5,273,340</u>	<u>5,366,971</u>

16. PROVISION FOR DOUBTFUL DEBTS

	<u>Note</u>	<u>2009 YR 000s</u>	<u>2008 YR 000s</u>
Provision balance at January 1		44,782	53,251
Add: provided during the year	29	13,948	14,263
Less: used during the year		<u>-</u>	(22,732)
Provision balance at December 31		<u>58,730</u>	<u>44,782</u>

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17. PROPERTY AND EQUIPMENT (NET)

	2009						
	Land YR 000s	Buildings YR 000s	Equipment & Machinery YR 000s	Computers YR 000s	Vehicles YR 000s	Furniture & Decoration YR 000s	Total YR 000s
<u>Cost</u>							
Balance as at January 1, 2009	740,228	636,120	305,484	836,754	319,611	913,185	3,751,382
Additions during the year	11,916	203,131	41,624	110,857	5,751	187,464	560,743
Disposals during the year	<u>-</u>	<u>-</u>	(10,292)	(971)	<u>-</u>	(18,658)	(29,921)
Balance as at December 31, 2009	<u>752,144</u>	<u>839,251</u>	<u>336,816</u>	<u>946,640</u>	<u>325,362</u>	<u>1,081,991</u>	<u>4,282,204</u>
<u>Accumulated depreciation</u>							
Balance as at January 1, 2009	-	161,913	111,834	393,007	150,783	274,215	1,091,752
Depreciation	-	31,828	28,282	143,739	47,754	86,067	337,670
Disposals	<u>-</u>	<u>-</u>	(11,443)	(656)	<u>-</u>	(16,444)	(28,543)
Balance as at December 31, 2009	<u>-</u>	<u>193,741</u>	<u>128,673</u>	<u>536,090</u>	<u>198,537</u>	<u>343,838</u>	<u>1,400,879</u>
<u>Net book value</u>							
December 31, 2009	<u>752,144</u>	<u>645,510</u>	<u>208,143</u>	<u>410,550</u>	<u>126,825</u>	<u>738,153</u>	<u>2,881,325</u>

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

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18. DUE TO BANKS

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
Current accounts - local banks	1,409	-
Current accounts - foreign banks	4,841	16,706
Short term loans - foreign banks	<u>1,171,454</u>	<u>-</u>
	<u>1,177,704</u>	<u>16,706</u>

Short term loans – foreign banks at December 31, 2009 consist of the following:

- Loan from Bank of Beirut – Beirut amounting to US\$ 4,756 thousand equivalent to YR 985,948 thousand, for a period of 120 days due on February 13, 2010, and carry a fixed interest rate.
- Loan from France Lebanon Bank amounting to US\$ 895 thousand equivalent to YR 185,506 thousand for a period of 120 days due on April 22, 2010, and carry a fixed interest rate.

19. CUSTOMERS' DEPOSITS

a. Customers' deposits by type

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
Current accounts	27,682,573	22,893,332
Time and call deposits	24,550,246	25,190,490
Saving accounts	8,287,595	7,487,964
LCs and LGs margins and others	5,902,810	6,077,390
Other deposits	<u>3,168,731</u>	<u>2,688,451</u>
	<u>69,591,955</u>	<u>64,337,627</u>

b. Customers' deposits by sector

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
Trade	10,969,118	8,229,474
Industry	1,646,121	4,181,106
Agricultural	299,042	411,302
Service	4,231,130	23,427,620
Individuals and others	<u>52,446,544</u>	<u>28,088,125</u>
	<u>69,591,955</u>	<u>64,337,627</u>

20. CREDIT BALANCES AND OTHER LIABILITIES

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
Income tax for the year	383,804	294,159
Tax Authority – due	-	440,774
Interest payable	203,115	292,875
Accrued expenses	29,093	20,350
Income received in advance	82,067	79,763
Inter-branch balances	10,830	11,682
Sundry credit balances	<u>238,109</u>	<u>272,303</u>
	<u>947,018</u>	<u>1,411,906</u>

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21. OTHER PROVISIONS

<u>Description</u>	<u>Note</u>	<u>2009</u>		
		<u>Provision for contingent liabilities YR 000s</u>	<u>Provision for contingent claims YR 000s</u>	<u>Total YR 000s</u>
Balance at January 1, 2009		355,316	107,000	462,316
Provided during the year from income statement	29	-	165,967	165,967
Used during the year		-	(102,967)	(102,967)
Provision reversed	28	(14,383)	-	(14,383)
Balance at December 31, 2009		<u>340,933</u>	<u>170,000</u>	<u>510,933</u>

<u>Description</u>	<u>Note</u>	<u>2008</u>		
		<u>Provision for contingent liabilities YR 000s</u>	<u>Provision for contingent claims YR 000s</u>	<u>Total YR 000s</u>
Balance at January 1, 2008		380,915	109,000	489,915
Provided during the year from income statement	29	-	106,692	106,692
Used during the year		-	(108,692)	(108,692)
Provision reversed	28	(25,599)	-	(25,599)
Balance at December 31, 2008		<u>355,316</u>	<u>107,000</u>	<u>462,316</u>

Some court cases have been filed against the Bank and rulings by the courts have been issued on some of these cases. The Bank has objected to these rulings and the cases are now at the courts. The Bank management believes that a financial liability of approximately YR 25 million could result from these cases and has established appropriate provisions for such claims presented as provision for contingent claims as of December 31, 2009.

22. SHAREHOLDERS' EQUITY

a. Issued and paid-up capital

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

The following shows the breakdown of paid-up capital:

	<u>2009 YR 000s</u>	<u>2008 YR 000s</u>
Capital according to extraordinary general assembly on May 13, 2006	8,000,000	6,550,000
Less: amounts not paid	(1,346,110)	(412,610)
Paid-up capital at end of year	<u>6,653,890</u>	<u>6,137,390</u>
Paid up capital is as follows:		
Capital at beginning of the year	6,137,390	5,100,000
Transfer from retained earnings	516,389	1,029,506
Add: transfer from general reserve according to extraordinary general assembly decision on April 28, 2009	111	-
Capital paid during the year	<u>-</u>	<u>7,884</u>

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b. Statutory reserve

According to provisions of the Law, 15% of the annual net profit, based on the approved annual financial statements, is transferred to the statutory reserve until it equals twice the paid-up capital.

c. General reserve

	2009 <u>YR 000s</u>	2008 <u>YR 000s</u>
Balance at the beginning of the year	12,529	12,529
Less: transfer to capital according to the extraordinary general assembly decision on April 28, 2009	(111)	-
Balance at the end of the year	<u>12,418</u>	<u>12,529</u>

23. CONTINGENT LIABILITIES AND COMMITMENTS (NET)

	2009 <u>YR 000s</u>	2008 <u>YR 000s</u>
Letters of credit	17,269,999	17,236,218
Less: margins held	(1,530,963)	(1,926,269)
	<u>15,739,036</u>	<u>15,309,949</u>
Letters of guarantee	22,519,405	24,368,590
Less: margins held	(4,165,204)	(4,146,973)
	<u>18,354,201</u>	<u>20,221,617</u>
	<u>34,093,237</u>	<u>35,531,566</u>

24. INTEREST INCOME

	2009 <u>YR 000s</u>	2008 <u>YR 000s</u>
<u>Interest on loans and overdrafts to customers</u>		
Interest on overdrafts	746,258	792,948
Interest on loans	<u>1,518,247</u>	<u>1,429,528</u>
	<u>2,264,505</u>	<u>2,222,476</u>
<u>Interest on due from banks</u>		
Foreign banks	47,386	335,845
Local banks	-	110,219
	<u>47,386</u>	<u>446,064</u>
<u>Interest on treasury bills and certificates of deposits</u>		
Interest on treasury bills	4,101,798	3,027,556
Interest on CBY certificates of deposits	<u>175,942</u>	<u>619,374</u>
	<u>4,277,740</u>	<u>3,646,930</u>
	<u>6,589,631</u>	<u>6,315,470</u>

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b. Statutory reserve

According to provisions of the Law, 15% of the annual net profit, based on the approved annual financial statements, is transferred to the statutory reserve until it equals twice the paid-up capital.

c. General reserve

	2009 <u>YR 000s</u>	2008 <u>YR 000s</u>
Balance at the beginning of the year	12,529	12,529
Less: transfer to capital according to the extraordinary general assembly decision on April 28, 2009	(111)	-
Balance at the end of the year	<u>12,418</u>	<u>12,529</u>

23. CONTINGENT LIABILITIES AND COMMITMENTS (NET)

	2009 <u>YR 000s</u>	2008 <u>YR 000s</u>
Letters of credit	17,269,999	17,236,218
Less: margins held	(1,530,963)	(1,926,269)
	<u>15,739,036</u>	<u>15,309,949</u>
Letters of guarantee	22,519,405	24,368,590
Less: margins held	(4,165,204)	(4,146,973)
	<u>18,354,201</u>	<u>20,221,617</u>
	<u>34,093,237</u>	<u>35,531,566</u>

24. INTEREST INCOME

	2009 <u>YR 000s</u>	2008 <u>YR 000s</u>
<u>Interest on loans and overdrafts to customers</u>		
Interest on overdrafts	746,258	792,948
Interest on loans	<u>1,518,247</u>	<u>1,429,528</u>
	<u>2,264,505</u>	<u>2,222,476</u>
<u>Interest on due from banks</u>		
Foreign banks	47,386	335,845
Local banks	-	110,219
	<u>47,386</u>	<u>446,064</u>
<u>Interest on treasury bills and certificates of deposits</u>		
Interest on treasury bills	4,101,798	3,027,556
Interest on CBY certificates of deposits	<u>175,942</u>	<u>619,374</u>
	<u>4,277,740</u>	<u>3,646,930</u>
	<u>6,589,631</u>	<u>6,315,470</u>

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25. INTEREST EXPENSES

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
<u>Interest on customers' deposits</u>		
Interest on time deposits	2,593,442	2,854,250
Interest on call deposits	107,173	78,207
Interest on saving accounts	640,223	706,267
Other and Miscellaneous	<u>730,548</u>	<u>658,168</u>
	<u>4,071,386</u>	<u>4,296,892</u>
<u>Interest on balances due to banks</u>		
Interest paid to foreign banks	8,960	930
Interest paid to local banks	<u>2</u>	<u>4,339</u>
	<u>8,962</u>	<u>5,269</u>
	<u>4,080,348</u>	<u>4,302,161</u>

26. COMMISSION REVENUE AND BANKING SERVICE CHARGES

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
Commissions on documentary credits	297,032	318,988
Commissions on letters of guarantee	347,464	355,430
Commissions on transfer of funds	46,446	48,483
Commissions on cheques collection	1,966	3,250
Commissions on banking services	<u>111,410</u>	<u>84,394</u>
	<u>804,318</u>	<u>810,545</u>

27. GAIN ON FOREIGN CURRENCY TRANSACTIONS

	2009	2008
	<u>YR 000s</u>	<u>YR 000s</u>
Gains from dealing in foreign currencies and translation of foreign currencies balances	<u>176,040</u>	<u>105,235</u>

28. OTHER OPERATING INCOME

	Note	2009	2008
		<u>YR 000s</u>	<u>YR 000s</u>
Provisions reversed	21	14,383	25,599
Profit on sale of property and equipment		3,169	3,991
Rental		63,561	57,625
Collection from previously written off amounts		201,316	381,521
Others		<u>43,793</u>	<u>8,918</u>
		<u>326,222</u>	<u>477,654</u>

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29. PROVISIONS MADE DURING THE YEAR

	<u>Note</u>	<u>2009 YR 000s</u>	<u>2008 YR 000s</u>
Provision for loans and advances	11	262,764	299,257
Provision for debit balances	16	13,948	14,263
Other provisions	21	<u>165,967</u>	<u>106,692</u>
		<u>442,679</u>	<u>420,212</u>

30. GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION

	<u>Note</u>	<u>2009 YR 000s</u>	<u>2008 YR 000s</u>
Wages, salaries and related costs		830,606	737,176
Depreciation of property and equipment	17	337,670	305,240
Subscriptions		223,454	178,252
Advertisement and publication		119,238	130,301
Fuel & maintenance		82,424	58,175
Rent		77,698	77,109
Security		72,835	55,473
Professional fees		70,966	90,046
Transportation		70,926	67,328
Water and electricity		62,911	38,940
Stationery and printing supplies		56,210	58,642
Communications		48,964	51,918
Computer expenses		42,671	35,657
Insurance		40,820	42,591
Training expenses		29,054	17,987
Hospitality expenses		28,297	32,001
Cleaning expenses		27,342	24,810
Donations		8,236	3,865
Governmental dues		4,768	12,159
Board of directors' allowances		3,864	3,768
Bad debts		845	1,312
Other expenses		<u>57,708</u>	<u>17,739</u>
		<u>2,297,507</u>	<u>2,040,489</u>

31. EARNINGS PER SHARE

	<u>2009</u>	<u>2008</u>
Net profit for the year (YR thousand)	<u>642,024</u>	<u>607,516</u>
Weighted average of number of shares (in thousand)	<u>665</u>	<u>613</u>
Earnings per share (in Yemeni Rial)	<u>965</u>	<u>991</u>

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32. MATURITIES OF ASSETS AND LIABILITIES

<u>Description</u>	2009				
	Due within 3 months YR Million	Due from 3 to 6 months YR Million	Due from 6 months to one year YR Million	Due over one year YR Million	Total YR Million
a. Assets					
Cash on hand & reserve balances with CBY	9,953	-	-	-	9,953
Due from banks	15,234	-	-	-	15,234
Treasury bills (net)	14,032	6,164	10,800	-	30,996
Loans and advances (net)	3,201	3,313	9,015	-	15,529
Available-for sale investments	-	-	-	109	109
Investments in subsidiaries	-	-	-	71	71
	<u>42,420</u>	<u>9,477</u>	<u>19,815</u>	<u>180</u>	<u>71,892</u>
b. Liabilities					
Due to banks	1,178	-	-	-	1,178
Customers deposits	60,622	6,859	2,111	-	69,592
	<u>61,800</u>	<u>6,859</u>	<u>2,111</u>	<u>-</u>	<u>70,770</u>
Net gap	(19,380)	2,618	17,704	180	1,122
<u>Description</u>	2008				
	Due within 3 months YR Million	Due from 3 to 6 months YR Million	Due from 6 months to one year YR Million	Due over one year YR Million	Total YR Million
a. Assets					
Cash on hand & reserve balances with CBY	7,658	137	164	-	7,959
Due from banks	10,302	-	-	-	10,302
Treasury bills (net)	18,394	1,472	912	-	20,778
Certificates of deposits	12,050	-	-	-	12,050
Loans and advances (net)	9,741	1,693	1,675	1,003	14,112
Available-for sale investments	-	-	-	89	89
Investments in subsidiaries	-	-	-	90	90
	<u>58,145</u>	<u>3,302</u>	<u>2,751</u>	<u>1,182</u>	<u>65,380</u>
b. Liabilities					
Due to banks	17	-	-	-	17
Customers deposits	57,371	5,192	360	1,415	64,338
	<u>57,388</u>	<u>5,192</u>	<u>360</u>	<u>1,415</u>	<u>64,355</u>
Net gap	757	(1,890)	2,391	(233)	1,025

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

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

<u>Description</u>	2009				
	Yemeni			Sterling	
	Rial	SR	US Dollar	Pound	Euro
	%	%	%	%	%
<u>Assets</u>					
Banks – time deposits	13.50	-	-	-	-
Loans to customers	18.00	-	8.00	-	8.00
Overdrafts	19.00	-	9.00	-	9.00
Treasury bills	13.30	-	-	-	-
CBY certificates of deposit	13.30	-	-	-	-
<u>Liabilities</u>					
Time deposits – customers	10.20	1.00	1.50	-	1.00
Saving accounts	10.00	-	-	-	-
Time deposits-banks	13.50	-	-	-	-
<u>Description</u>	2008				
	Yemeni			Sterling	
	Rial	SR	US Dollar	Pound	Euro
	%	%	%	%	%
<u>Assets</u>					
Reserve balances at CBY	-	-	-	-	-
Banks – time deposits	15.00	0.25	0.75	-	-
Loans to customers	18.00	-	8.00	-	-
Overdrafts	19.00	-	-	-	-
Treasury bills	14.87	-	-	-	-
CBY certificates of deposit	14.87	-	-	-	-
<u>Liabilities</u>					
Time deposits – customers	13.00	0.80	1.50	0.9	1
Saving accounts	13.00	-	-	-	-
Time deposits-banks	15.00	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

	2009						Total YR Million
	Financial YR Million	Trade YR Million	Manufac- -turing YR Million	Agricul- -tural YR Million	Services YR Million	Individuals & Others YR Million	
ASSETS							
Cash on hand and reserve balances with CBY	9,953	-	-	-	-	-	9,953
Due from banks	15,234	-	-	-	-	-	15,234
Treasury bills (net)	30,996	-	-	-	-	-	30,996
Loans and advances (net)	-	6,873	670	1,023	2,720	4,243	15,529
Available-for-sale Investments	15	-	-	-	94	-	109
Investments in subsidiaries	-	-	-	-	71	-	71
LIABILITIES							
Due to banks	1,178	-	-	-	-	-	1,178
Customers deposits	1,070	10,969	1,646	299	3,161	52,447	69,592
CONTINGENT LIABILITIES AND COMMITMENTS (NET)							
Letters of credit	-	9,443	3,935	2,361	-	-	15,739
Letters of guarantee	734	6,424	184	4,221	4,772	2,019	18,354
	2008						
	Financial YR Million	Trade YR Million	Manufac- -turing YR Million	Agricul- -tural YR Million	Services YR Million	Individuals & Others YR Million	Total YR Million
ASSETS							
Cash on hand and reserve balances with CBY	7,959	-	-	-	-	-	7,959
Due from banks	10,302	-	-	-	-	-	10,302
Treasury bills (net)	20,778	-	-	-	-	-	20,778
Certificates of deposits	12,050	-	-	-	-	-	12,050
Loans and advances (net)	-	4,724	526	89	4,386	4,387	14,112
Available-for-sale Investments	-	-	-	-	89	-	89
Investments in subsidiaries	-	-	-	-	90	-	90
LIABILITIES							
Due to banks	17	-	-	-	-	-	17
Customers deposits	1,972	10,048	2,100	123	1,763	48,332	64,338
CONTINGENT LIABILITIES AND COMMITMENTS (NET)							
Letters of credit	-	9,772	453	3,684	-	1,401	15,310
Letters of guarantee	-	9,126	598	205	8,244	2,049	20,222

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

	2009					
	Republic of Yemen	United States of America	Europe	Asia	Africa	Total
	YR Million	YR Million	YR Million	YR Million	YR Million	YR Million
ASSETS						
Cash on hand and reserve balances with CBY	9,953	-	-	-	-	9,953
Due from banks	5,590	2,236	3,096	4,303	9	15,234
Treasury bills (net)	30,996	-	-	-	-	30,996
Loans and advances (net)	15,529	-	-	-	-	15,529
Available-for-sale Investments	109	-	-	-	-	109
Investments in subsidiaries	71	-	-	-	-	71
LIABILITIES						
Due to banks	1	-	-	1,177	-	1,178
Customers deposits	69,592	-	-	-	-	69,592
CONTINGENT LIABILITIES AND COMMITMENTS (NET)						
Letters of credit	-	787	3,935	10,230	787	15,739
Letters of guarantee	17,349	-	270	735	-	18,354

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

36. SIGNIFICANT FOREIGN CURRENCIES POSITIONS

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

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	<u>2009</u>		<u>2008</u>	
	<u>Surplus (deficit) YR 000s</u>	<u>% of capital & reserves</u>	<u>Surplus (deficit) YR 000s</u>	<u>% of capital & reserves</u>
US Dollar	926,997	12.9%	(1,376,495)	(21.0%)
Euro	142,802	2.0%	25,729	0.4%
Saudi Arabia Rial	(4,524)	(0.1%)	(667,902)	(10.1%)
Sterling Pound	(5,765)	(0.1%)	33	-
Others	<u>86,560</u>	<u>1.2%</u>	<u>37,319</u>	<u>0.6%</u>
Net surplus (deficit)	<u>1,146,070</u>	<u>15.9%</u>	<u>(1,981,316)</u>	<u>(30.1%)</u>

37. TRANSACTIONS WITH RELATED PARTIES

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

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

The Banks Law as implemented by CBY circular no. 4 of 1999, limits credit transactions with related parties and requires that the Bank should apply the same terms and conditions that are applied with unrelated parties.

The nature of the bank's activity requires dealing with some of its shareholders, members of the board of directors and companies owned by them. These transactions represent granting loans and facilities, issuing letters of guarantee, letters of credit, and other services among the bank's ordinary activities. The following are the balances of these transactions at the financial statements date:

	<u>2009 YR Million</u>	<u>2008 YR Million</u>
Loans and advances	4,464	4,065
Current accounts & time deposits	3,451	1,101
Indirect facilities (net)	9,215	8,675
Investments in subsidiaries and associates	71	90
Executive management salaries	65	59
Board of Directors' allowances	4	4

38. TAXATION

- The difference between accounting and tax profit for the year ended December 31, 2009 represents the addition of YR 70,755 thousand resulting from the adjustment of accounting profit with the provisions provided during the year and charged to the statement of comprehensive income statement and used provisions during the year on the basis of tax rate of 35%.
- Corporate and salary tax has been cleared up to 2006.
- The Bank has submitted tax declarations for the years 2007 and 2008 and paid the amount due according to the declarations within the legal deadline. The tax review is currently in process and the Bank has not been notified by assessment up to now.

**YEMEN COMMERCIAL BANK (YCB)
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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39. ZAKAT

- The Bank submits its Zakat declaration annually and remits the amount due based on the declaration.
- The Bank has paid the Zakat up to the end of 2008 according to the Zakat declaration. No assessment notification was issued by the Zakat Department.

40. COMPARATIVE FIGURES

Some comparative figures were reclassified to conform with this year financial statement classification for more appropriate presentation. The reclassifications, which do not impact the previously reported net profit or head office equity, are as follows:

- Reclassification of interest on loans and advances and due from banks of YR 2,668,540 thousand and also interest on treasury bills and certificates of deposit of YR 3,646,930 thousand to interest income of YR 6,315,470 thousand.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by Board of Directors on April 20, 2010 and a Board resolution proposing the approval of the financial statements by the General Assembly of the shareholders was issued.
