

**THE YEMEN KUWAIT BANK
FOR TRADE AND INVESTMENT
(*Yemeni Joint Stock Company*)
SANA'A, REPUBLIC OF YEMEN**

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

**THE YEMEN KUWAIT BANK
FOR TRADE AND INVESTMENT
(*Yemeni Joint Stock Company*)
SANA'A, REPUBLIC OF YEMEN**

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

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1 - 2
Balance sheet	3
Income statement	4
Cash flow statement	5 - 6
Statement of changes in shareholders' equity	7
Proposed appropriation account	8
Notes to the financial statements	9 - 39



KPMG Mejanni, Hazem Hassan & Co.
Public Accountants
150 Zubairy St.
PO Box 3501
Sana'a, Republic of Yemen

Telephone +967 (1) 401 667 / 8 / 9
Fax +967 (1) 206 130
E-mail kpmgyemen@kpmg.com.ye

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT (Yemeni Joint Stock Company) SANA'A, REPUBLIC OF YEMEN

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and prevailing local laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Kuwait Bank for Trade and Investment as at December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and prevailing local laws and regulations.

Report on Other Legal and Regulatory Requirements

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


M. Zohdi Mejanni
Associated Accountant



Sana'a, April 29, 2009

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

BALANCE SHEET
AS AT DECEMBER 31, 2008

ASSETS	<u>Note</u>	<u>2008</u> <u>YR 000's</u>	<u>2007</u> <u>YR 000's</u>
Cash on hand and reserve balances with Central Bank of Yemen (CBY)	6	5,311,064	6,842,543
Due from banks	7	4,912,637	8,807,431
Treasury bills (net)	8	8,625,705	10,913,559
Certificates of deposit with Central Bank of Yemen (CBY)	9	16,150,000	5,050,000
Loans and advances (net)	10	11,384,349	14,439,037
Available for sale investments	12	64,276	62,639
Investment in subsidiaries and associates	13	128,284	120,416
Debit balances and other assets (net)	14	791,390	637,285
Property and equipment (net)	16	<u>762,705</u>	<u>764,188</u>
TOTAL ASSETS		<u>48,130,410</u>	<u>47,637,098</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	17	650,862	3,045,419
Customers' deposits	18	41,875,490	39,533,768
Credit balances and other liabilities	19	893,199	1,265,973
Other provisions	20	139,965	259,590
Dividends payable		-	103,727
Total Liabilities		<u>43,559,516</u>	<u>44,208,477</u>
SHAREHOLDERS' EQUITY			
Paid-up capital	21/a	3,797,723	2,696,052
Legal reserve	21/b	341,051	341,051
Retained earnings		<u>7,338</u>	<u>391,518</u>
Total Shareholders' Equity		4,146,112	3,428,621
Net profit for the year		<u>424,782</u>	-
Total Shareholders' Equity and Net Profit		<u>4,570,894</u>	<u>3,428,621</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>48,130,410</u>	<u>47,637,098</u>
Contingent liabilities and commitments (net)	22	<u>15,750,164</u>	<u>28,401,300</u>

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

Husain M. Al-Maswary
Chairman

Mohamed M. Al-Shami
Acting General Manager

Ezzat S. Al-Tayyar
Financial Controller



Independent auditor's report attached.

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



THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Note</u>	<u>2008</u> <u>YR 000's</u>	<u>2007</u> <u>YR 000's</u>
Interest on loans and due from banks	23	1,800,327	1,973,150
Interest on treasury bills and certificates of deposits	24	<u>3,038,848</u>	<u>2,277,353</u>
		4,839,175	4,250,503
Less: interest expense	25	<u>(3,124,557)</u>	<u>(2,700,728)</u>
Net interest income		1,714,618	1,549,775
Commissions' revenue and bank service charges	26	398,925	371,177
Less: commissions' expense and bank service charges		<u>(29,550)</u>	<u>(19,401)</u>
Gain of foreign currency transactions	27	14,638	42,840
Other income	28	<u>154,069</u>	<u>2,230</u>
Net operating income		2,252,700	1,946,621
<u>Less: operating expenses</u>			
provisions	29	<u>(560,929)</u>	<u>(201,634)</u>
General, administrative expenses and depreciation	30	<u>(1,109,076)</u>	<u>(885,224)</u>
Operating profit		582,695	859,763
Add: revenue of investments in subsidiaries and associates		12,667	11,398
Evaluation profit (losses) of available for sale investments		<u>1,395</u>	<u>(278)</u>
Net profit of the year before income tax		596,757	870,883
Less: Income tax for the year		<u>(171,975)</u>	<u>(198,514)</u>
Less: Income tax for the last years		<u>-</u>	<u>(90,160)</u>
Net profit for the year		<u>424,782</u>	<u>582,209</u>
Earnings per share	31	<u>YR 12.40</u>	<u>YR 22.04</u>

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

Husain M. Al-Maswary
Chairman

Mohamed M. Al-Shami
Acting General Manager

Ezzat S. Al Tayyar
Financial Controller



Independent auditor's report attached.

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



THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Note</u>	<u>2008</u> <u>YR 000's</u>	<u>2007</u> <u>YR 000's</u>
<u>Cash flows from operating activities</u>			
Net profit for the year before income tax		596,757	870,883
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation	16	124,445	107,566
Provisions provided during the year	29	560,929	201,634
Revaluation differences of provision in foreign currencies		1,333	3,735
Provisions reversed		(119,625)	-
Provisions used		(142,743)	(89,667)
Revaluation differences of available for sale investments		(242)	(300)
Revaluation differences of foreign banks (blocked)		(174)	(305)
Evaluation profit (losses) of available for sale investments		(1,395)	278
Income tax paid		(275,291)	(194,939)
Losses (profit) on sale of property and equipment		<u>117</u>	<u>(645)</u>
Operating profit before changes in assets and liabilities used in operating activities		744,111	898,240
<u>Net (increase) decrease in assets</u>			
Reserve balances with CBY		1,405,507	(26,941)
Loans and advances		2,639,644	(3,690,286)
Treasury bills		(1,092,631)	825,990
Debit balances and other assets		(181,362)	(332,550)
<u>Net increase (decrease) in liabilities</u>			
Due to banks		(2,394,557)	3,045,419
Customers' deposits		2,341,722	3,744,830
Credit balances and other liabilities		(270,947)	700,225
Net cash from operating activities		<u>3,191,487</u>	<u>5,164,927</u>
<u>Cash flows from investing activities:</u>			
Payments to purchase property and equipment		(103,433)	(64,674)
Proceeds from sale of property and equipment		3,136	4,773
Investments in subsidiaries and associates		(12,668)	(11,398)
Profits distributed from subsidiaries and associates		4,800	12,000
Available for sale investments		<u>-</u>	<u>(2,064)</u>
Net cash (used in) investing activities		<u>(108,165)</u>	<u>(61,363)</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Note</u>	<u>2008</u> <u>YR 000's</u>	<u>2007</u> <u>YR 000's</u>
<u>Cash flows from financing activities:</u>			
Increase in paid-up capital		717,491	109,916
Dividend paid to shareholders		(102,238)	-
Net cash from financing activities		<u>615,253</u>	<u>109,916</u>
Net change in cash and cash equivalents		3,698,575	5,213,480
Cash and cash equivalents at the beginning of the year		<u>25,923,442</u>	<u>20,709,962</u>
Cash and cash equivalents at the end of the year		<u>29,622,017</u>	<u>25,923,442</u>
<u>Cash and cash equivalent consist of:</u>			
Cash on hand and at ATM		1,087,450	1,213,422
Due from banks		4,912,637	8,807,431
Treasury bills maturing within 3 months		7,533,074	10,913,559
Certificates of deposit with CBY maturing within 3 months		<u>16,150,000</u>	<u>5,050,000</u>
		29,683,161	25,984,412
Less: foreign banks – current accounts (blocked)	7	(61,144)	(60,970)
		<u>29,622,017</u>	<u>25,923,442</u>

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

Husain M. Al-Maswary
Chairman

Mohamed M. Al-Shami
Acting General Manager

Ezzat S. Al Tayyar
Financial Controller



Independent auditor's report attached.

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



THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

	<u>Paid-up Capital YR 000's</u>	<u>Legal reserve YR 000's</u>	<u>Retained earnings YR 000's</u>	<u>Net profit for the year YR 000's</u>	<u>Total YR 000's</u>
Balance as at Jan. 1, 2007	2,201,136	253,720	385,367	-	2,840,223
Transfer to capital	385,000	-	(385,000)	-	-
Capital increase	109,916	-	-	-	109,916
Net profit for the year (after tax)	-	-	582,209	-	582,209
Transfer to legal reserve	-	87,331	(87,331)	-	-
Dividends to shareholders	-	-	(103,727)	-	(103,727)
Balance as at Dec. 31, 2007	2,696,052	341,051	391,518	-	3,428,621
Transfer to capital	384,180	-	(384,180)	-	-
Capital increase	717,491	-	-	-	717,491
Net profit for the year (after tax)	-	-	-	424,782	424,782
Balance as at Dec. 31, 2008	<u>3,797,723</u>	<u>341,051</u>	<u>7,338</u>	<u>424,782</u>	<u>4,570,894</u>

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

Husain M. Al-Maswary
Chairman

Mohamed M. Al-Shami
Acting General Manager

Ezzat S. Al Tayyar
Financial Controller



Independent auditor's report attached.

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



THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

PROPOSED APPROPRIATION ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u> <u>YR 000's</u>	<u>2007</u> <u>YR 000's</u>
Retained earnings at the beginning of the year	7,338	367
Add: net profit for the year	<u>424,782</u>	<u>582,209</u>
	<u>432,120</u>	<u>582,576</u>
Proposed to be appropriated as follows:		
15% legal reserve	63,717	87,331
Dividends to shareholders	-	103,727
Transfer to capital	-	384,180
Retained earnings	<u>368,403</u>	<u>7,338</u>
	<u>432,120</u>	<u>582,576</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

1. BACKGROUND INFORMATION

The Yemen Kuwait Bank for Trade and Investment - Yemeni Joint Stock Company was established on January 1, 1977, in accordance with the Leadership Council Decree No. (58) for 1977.

The Bank operates in the Republic of Yemen, through its head office in Sana'a City and 10 branches in Sana'a (Zubeiry St., Taiz St., Hayeel St., Saudi German Hospital, and Sho'ob), Aden, Hodeidah, Taiz, Mukalla and Ibb.

2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

- The financial statements are prepared on the historical cost basis, except available-for-sale investments and financial instruments (financial assets and liabilities) held at fair value, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) in force at December 31, 2008 and the interpretations of the International Financial Reporting interpretations committee (IFRIC) of the IASB in force at December 31, 2008, the requirements of the current local prevailing laws and regulations as well as rules and instructions issued by the Central Bank of Yemen (CBY).
- The financial statements are presented in Yemeni Rials and all values are rounded to the nearest one thousand Yemeni Rial except when otherwise is indicated.

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

- a. The adoption of minimum fixed percentages for loan provisions in accordance with CBY circular No. 6 of 1996 and No. 5 of 1998.
- b. The provision for general risks calculated on performing loans is presented as part of loans and advances provision and not part of shareholders' equity.
- c. The provision for contingent liabilities is presented as part of other provisions and not as part of shareholders' equity.
- d. The valuation differences of the available for sale investments are charged to the income statement in accordance with CBY instructions and not presented as part of shareholders' equity.

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

Significant accounting judgments and estimates

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

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

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

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 and 19.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Translation of foreign currencies

- The Bank maintains its records in Yemeni Rial, which is the Bank functional currency. Transactions in other currencies are recorded during the financial year at the prevailing exchange rates at the date of transaction. Balances of monetary assets and liabilities in other currencies at the end of the financial year are translated at the prevailing exchange rates on that date. Gains or losses resulting from translation are taken to the income statement.
- The Bank does not deal in forward contracts to cover its needs for foreign currencies or foreign exchange contracts to cover the risks of settling its future liabilities in foreign currencies.

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 as suspense interest.
- Revenue of available for sale investments are recognized when its related dividends are distributed.
- Revenue of investments in subsidiaries and associates are recorded based on the Bank's share in the equity of these companies.

3.3 Treasury bills

Treasury bills are recorded at face value and the balance of unearned discount is recorded under credit balances and other liabilities.

Treasury bills are presented on the balance sheet net of balance of unearned discount outstanding at the financial statement date.

3.4 CBY certificates of deposits

CBY certificates of deposit are presented at face value, with the related accrued interest outstanding at balance sheet date included under debit balances and other assets.

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

3.5 Valuation of available for sale investments

Available for sale investments are recorded at acquisition cost. At the financial statements date, they are individually valued at fair value. Valuation differences are charged to the income statement in accordance with CBY instructions.

In case that a reliable estimate of the fair value of these investments can not be obtained, due to lack of either quoted market prices or tangible stability in its prices, they are recorded at cost.

3.6 Investment in subsidiaries and associates

Investments in subsidiaries which are controlled by the Bank and associates which the Bank has significantly influence over are recorded at the acquisition cost. At the balance sheet date, the value of these investments are adjusted by changes in the Bank's share of the equity of the subsidiary or associate based on the approved financial statement of these companies. Such changes are reflected in the Bank income statement. In case these financial statements are not available, the investments are recorded at cost.

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

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

3.8 Provision of loans and contingent liabilities

In order to comply with CBY circular No. 6 of 1996 and No. 5 of 1998 relating to classification of assets and liabilities, provision is provided 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 banks' guarantees issued by foreign worthy banks. The provision is determined based on periodical comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, the provision is provided in accordance with the following rates:

<u>Performing loans and contingent liabilities,</u>	
<u>including watchlist accounts</u>	1%
<u>Non-performing loans, advances and</u>	
<u>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 CBY examiners upon review of the portfolio by debiting the provision. Proceeds from loans previously written off in prior years are credited to the provision.

Loans to customers and banks are presented on the balance sheet net of provision and suspense interest.

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

3.9 Contingent liabilities and commitments

Contingent liabilities and commitments, in which the Bank is a party, are presented off balance sheet under "contingent liabilities and commitments" as they do not represent actual assets or liabilities at balance sheet date.

3.10 Cash and cash equivalent

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

3.11 Impairment of assets

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

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

3.12 Property and equipment

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

	<u>Estimated Useful lives</u>
Buildings	50 years
Computers	5 years
Furniture and fixtures	10 years
Equipment and machinery	8 years
Motor vehicles	5 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.

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

3.14 Taxation

Due corporate tax is calculated in accordance with the prevailing laws and regulations in the Republic of Yemen.

A provision is provided for tax liabilities after appropriate review of tax assessments received. Due to the nature of Yemeni tax accounting, provision is provided for tax liabilities relating to deferred tax. If deferred tax assets exist, their clearance is not usually definite in the foreseeable future. Accordingly, such assets are not recorded.

3.15 Zakat due on shareholders

The Bank remits the zakat due on the shareholders to the relevant governmental authority which decides on the allocation of the zakat.

3.16 End of service benefits

The provisions of Social Insurance Law are applied to all employees of the Bank concerning end of service benefits.

3.17 Applicable new standards and interpretations issued but not yet adopted

For the avoidance of doubt, the following applicable new standards, amendments to standards and interpretations, which were issued by IASB before December 31, 2008 and are not yet in effect, have not been adopted early.

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

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory from 2010.
- IFRS 2 “Share-based payment” (as revised during 2008) which becomes effective from January 1, 2009.
- IFRS 3 Business combination (as revised during 2008) which becomes effective from July 1, 2009.
- IFRS 8 Operating Segments, which becomes effective for annual periods beginning on or after January 2009, introduces the “management approach” to segment reporting, will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Bank’s “chief operating decision maker” in order to assess each segment’s performance and to allocate resources to them. Currently, the Bank presents segment information in respect of its business segments and geographical distribution. This standard will have no effect on the Bank’s reported total profit or loss or equity.
- IFRIC 13 Customer Loyalty Programmes which becomes effective annual periods beginning on or after July 2008 addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.

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

The Bank does not foresee that the application of these standards / interpretations will result in a significant impact on figures and disclosures on the reporting period they will be adopted.

4. FINANCIAL INSTRUMENTS AND THEIR RELATED RISKS MANAGEMENT

4.1 *Financial instruments*

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

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

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

b. Fair value of financial instruments

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 balance sheet date.

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, exchange rate risk and operating risk.

(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 some procedures in order to properly manage its credit risk. The following are the major procedures applied by the Bank:

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

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

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

	<u>2008</u> <u>YR 000s</u>	<u>2007</u> <u>YR 000s</u>
Cash on hand and reserve balances with the Central Bank of Yemen (excluding cash on hand and ATM)	4,223,614	5,629,121
Due from banks	4,912,637	8,807,431
Treasury bill (net)	8,625,705	10,913,559
Certificate of deposits with Central Bank of Yemen	16,150,000	5,050,000
Loans and advances (net)	11,384,349	14,439,037
Available-for-sale investments	64,276	62,639
Investments in subsidiaries and associates	128,284	120,416
Debit balances and other assets (net)	<u>791,390</u>	<u>637,285</u>
	46,280,255	45,659,488
Contingent liabilities and commitments	<u>19,129,021</u>	<u>33,033,643</u>
Total credit risk exposure	<u>65,409,276</u>	<u>78,693,131</u>

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

	<u>2008</u>				
	<u>Less than</u> <u>3 months</u> <u>YR 000s</u>	<u>From 3 to</u> <u>6 months</u> <u>YR 000s</u>	<u>From 6</u> <u>months to</u> <u>1 year</u> <u>YR 000s</u>	<u>Over 1</u> <u>year</u> <u>YR 000s</u>	<u>Total</u> <u>YR 000s</u>
<u>Liabilities</u>					
Due to banks	650,862	-	-	-	650,862
Customers' deposits	34,341,152	5,953,979	1,580,359	-	41,875,490
Income tax for the year	-	171,975	-	-	171,975
Total liabilities	<u>34,992,014</u>	<u>6,125,954</u>	<u>1,580,359</u>	<u>-</u>	<u>42,698,327</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

	2007				Total YR 000s
	Less than 3 months YR 000s	From 3 to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s	
<u>Liabilities</u>					
Due to banks	831,241	-	2,214,178	-	3,045,419
Customers' deposits	39,352,917	51,563	129,288	-	39,533,768
Income tax for the year	-	198,514	-	-	198,514
Total liabilities	<u>40,184,158</u>	<u>250,077</u>	<u>2,343,466</u>	<u>-</u>	<u>42,777,701</u>

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

(c) Interest rate risk

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

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

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

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

	2008							
	<u>Less than 3 months YR 000s</u>	<u>From 3 months to 6 months YR 000s</u>	<u>From 6 months to 1 year YR 000s</u>	<u>Over 1 year YR 000s</u>	<u>Non- interest sensitive YR 000s</u>	<u>Total YR 000s</u>	<u>Average interest rates Local Currency %</u>	<u>Foreign Currency %</u>
Assets								
Cash on hand and reserve balances with the Central Bank of Yemen	-	-	-	-	5,311,064	5,311,064	-	2.0
Due from banks	3,307,085	-	-	-	1,605,552	4,912,637		
Treasury bills (net)	7,533,074	569,545	523,086	-	-	8,625,705	14.75	-
Certificates of deposit with Central Bank of Yemen	16,150,000	-	-	-	-	16,150,000	14.90	-
Loans and advances (net)	7,678,080	2,000,478	1,384,165	-	321,626	11,384,349	17.00	7.5
Available-for-sale investment	-	-	-	-	64,276	64,276		
Investment in subsidiaries and associates	-	-	-	-	128,284	128,284		
Debit balances and other assets (net)	-	-	-	-	791,390	791,390		
Property and equipment (net)	-	-	-	-	762,705	762,705		
Total Assets	<u>34,668,239</u>	<u>2,570,023</u>	<u>1,907,251</u>	<u>-</u>	<u>8,984,897</u>	<u>48,130,410</u>		
Liabilities and Shareholders' Equity								
Due to banks	650,862	-	-	-	-	650,862		
Customers' deposits	21,688,764	5,953,979	1,850,359	-	12,382,388	41,875,490	13.50	2.5
Credit balances and other liabilities	-	-	-	-	893,199	893,199		
Other provisions	-	-	-	-	139,965	139,965		
Shareholders' equity	-	-	-	-	4,570,894	4,570,894		
Total Liabilities and Shareholders' Equity	<u>22,339,626</u>	<u>5,953,979</u>	<u>1,850,359</u>	<u>-</u>	<u>17,986,446</u>	<u>48,130,410</u>		
Interest rate sensitivity gap	<u>12,328,613</u>	<u>(3,383,956)</u>	<u>56,892</u>	<u>-</u>	<u>(9,001,549)</u>	<u>-</u>		
Cumulative interest rate sensitivity gap	<u>12,328,613</u>	<u>8,944,657</u>	<u>9,001,549</u>	<u>9,001,549</u>	<u>-</u>	<u>-</u>		

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

	2007					Average interest rates		
	Less than 3 months YR 000s	From 3 months to 6 months YR 000s	From 6 months to 1 year YR 000s	Over 1 year YR 000s	Non- interest sensitive YR 000s	Total YR 000s	Local Currency %	Foreign Currency %
Assets								
Cash on hand and reserve balances with the Central Bank of Yemen	2,025,771	-	-	-	4,816,772	6,842,543	13.0	-
Due from banks	7,699,375	-	-	-	1,108,056	8,807,431	-	3.0
Treasury bills, (net)	10,913,559	-	-	-	-	10,913,559	15.8	-
Certificates of deposit with Central Bank of Yemen	5,050,000	-	-	-	-	5,050,000	15.8	-
Loans and advances, (net)	8,655,660	5,626,564	-	-	156,813	14,439,037	17.0	8.0
Available-for-sale investment	-	-	-	-	62,639	62,639		
Investment in subsidiaries and associates	-	-	-	-	120,416	120,416		
Debit balances and other assets (net)	-	-	-	-	637,285	637,285		
Property plant and equipments, (net)	-	-	-	-	764,188	764,188		
Total Assets	<u>34,344,365</u>	<u>5,626,564</u>	<u>-</u>	<u>-</u>	<u>7,666,169</u>	<u>47,637,098</u>		
Liabilities and Shareholders' Equity								
Due to banks	89,464	-	2,214,178	-	741,777	3,045,419	-	6.0
Customers' deposits	25,989,031	51,563	129,288	-	13,363,886	39,533,768	13.5	2.5
Credit balances and other liabilities	-	-	-	-	1,265,973	1,265,973		
Other provisions	-	-	-	-	259,590	259,590		
Shareholders' equity	-	-	-	-	3,532,348	3,532,348		
Total Liabilities and Shareholders' Equity	<u>26,078,495</u>	<u>51,563</u>	<u>2,343,466</u>	<u>-</u>	<u>19,163,574</u>	<u>47,637,098</u>		
Interest rate sensitivity gap	<u>8,265,870</u>	<u>5,575,001</u>	<u>(2,343,466)</u>	<u>-</u>	<u>(11,497,405)</u>	<u>-</u>		
Cumulative interest rate sensitivity gap	<u>8,265,870</u>	<u>13,840,871</u>	<u>11,497,405</u>	<u>11,497,405</u>	<u>-</u>	<u>-</u>		

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

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

(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 Central Bank of Yemen circular No. 6 of 1998, the Bank regularly monitors its foreign currency positions and sells the excess funds in foreign currencies at the prevailing rates on the dates of sale.

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

	2008					
	US	EURO	Saudi	Sterling	Other	Total
	Dollars	YR 000s	Rial	Pound	currencies	YR 000s
	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>
Assets	11,155,247	1,895,100	526,829	639,932	27,033	14,244,141
Liabilities	<u>(12,224,891)</u>	<u>(1,891,700)</u>	<u>(636,042)</u>	<u>(500,257)</u>	<u>(24,711)</u>	<u>(15,277,601)</u>
Net currency position	<u>(1,069,644)</u>	<u> 3,400</u>	<u>(109,213)</u>	<u> 139,675</u>	<u> 2,322</u>	<u>(1,033,460)</u>
	2007					
	US	EURO	Saudi	Sterling	Other	Total
	Dollars	YR 000s	Rial	Pound	currencies	YR 000s
	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>
Assets	17,345,622	1,975,157	518,955	1,504,232	32,290	21,376,256
Liabilities	<u>(17,885,639)</u>	<u>(2,049,391)</u>	<u>(464,019)</u>	<u>(1,432,498)</u>	<u>(28,179)</u>	<u>(21,859,726)</u>
Net currency position	<u>(540,017)</u>	<u>(74,234)</u>	<u> 54,936</u>	<u> 71,734</u>	<u> 4,111</u>	<u>(483,470)</u>

Note no. 36 to the financial statements indicates the significant foreign currencies' positions at the financial statements date compared with last year.

(e) Operational risk

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

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

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

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

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

	2008	2007
	<u>YR 000s</u>	<u>YR 000s</u>
Core capital	4,506,618	3,365,982
Supplementary capital	<u>209,723</u>	<u>349,715</u>
	<u>4,716,341</u>	<u>3,715,697</u>
<u>Risk-weighted assets and contingent liabilities and commitments:</u>		
Total assets	13,783,946	17,485,728
Contingent liabilities and commitments	<u>10,719,313</u>	<u>14,353,088</u>
Total risk-weighted assets and contingent liabilities and commitments	<u>24,503,259</u>	<u>31,838,816</u>
Capital adequacy ratio	<u>19.2%</u>	<u>11.7%</u>

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

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

6. CASH AND RESERVE BALANCES WITH CENTRAL BANK OF YEMEN

	2008	2007
	<u>YR 000's</u>	<u>YR 000's</u>
Cash on hand and at ATM – local currency	750,863	536,049
Cash on hand and at ATM – foreign currency	<u>336,587</u>	<u>677,373</u>
	<u>1,087,450</u>	<u>1,213,422</u>
Mandatory reserve at CBY – local currency	1,798,644	2,025,771
Mandatory reserve at CBY – foreign currency	<u>2,424,970</u>	<u>3,603,350</u>
	<u>4,223,614</u>	<u>5,629,121</u>
	<u>5,311,064</u>	<u>6,842,543</u>

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

7. DUE FROM BANKS

	2008	2007
	<u>YR 000's</u>	<u>YR 000's</u>
Central Bank of Yemen		
Current accounts – local currency	516,068	454,965
Current accounts – foreign currency	<u>169,044</u>	<u>126,366</u>
	<u>685,112</u>	<u>581,331</u>
Local banks		
Current accounts – local currency	<u>8</u>	<u>8</u>
Foreign banks		
*Current accounts	919,984	1,557,866
Time deposits	<u>3,307,533</u>	<u>6,668,226</u>
	<u>4,227,517</u>	<u>8,226,092</u>
	<u>4,912,637</u>	<u>8,807,431</u>

* Current account with foreign banks at December 31, 2008 includes YR / 61,144 / thousand (equivalent to US\$ / 305.6 / thousand) restricted at the Bank of New York (YR / 60,970 / thousand at December 31, 2007). These accounts are free at February 9, 2009.

8. TREASURY BILLS (NET)

	2008	2007
	<u>YR 000's</u>	<u>YR 000's</u>
Treasury bills due within 90 days	7,678,318	11,127,286
Treasury bills due within 180 days	600,000	-
Treasury bills due within 360 days	<u>550,000</u>	<u>-</u>
	8,828,318	11,127,286
Unearned discount balance	<u>(202,613)</u>	<u>(213,727)</u>
	<u>8,625,705</u>	<u>10,913,559</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

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

	2008 <u>YR 000's</u>	2007 <u>YR 000's</u>
CBY certificates of deposit due within 90 days	<u>16,150,000</u>	<u>5,050,000</u>

10. LOANS AND ADVANCES (NET)

a. Loans and advances by type

	Note	2008 <u>YR 000's</u>	2007 <u>YR 000's</u>
Overdraft		12,385,183	8,765,936
Short term loans		1,086,346	5,571,852
Loans against L/Cs		-	1,792,533
Staff loans		207,891	150,692
Others		<u>114,470</u>	<u>114,362</u>
		13,793,890	16,395,375
Less:			
Loans and advances provision	11	(2,187,763)	(1,772,719)
Uncollected interest		<u>(221,778)</u>	<u>(183,619)</u>
		<u>11,384,349</u>	<u>14,439,037</u>

Non-performing loans and advances amounted to YR / 5,932,167 / thousand at December 31, 2008 after deducing uncollected interest (YR / 4,533,509 / thousand at December 31, 2007). The break up of the above amount is as follows:

	2008 <u>YR 000's</u>	2007 <u>YR 000's</u>
Substandard loans and advances	1,308,266	118,679
Doubtful loans and advances	387,745	169,928
Bad loans and advances *	<u>4,236,156</u>	<u>4,244,902</u>
	<u>5,932,167</u>	<u>4,533,509</u>

*Bad loans and advances as at December 31, 2008 include balances secured by cash deposits amounting to YR / 2,488,876 / thousand (YR / 2,683,235 / thousand at December 31, 2007).

b. Loans and advances by sector

	2008					
	Overdraft <u>YR 000s</u>	Short-term loans <u>YR 000s</u>	Loans against L/Cs <u>YR 000s</u>	Staff loans <u>YR 000s</u>	Others <u>YR 000s</u>	Total <u>YR 000s</u>
Trade	6,068,740	532,310	-	-	114,470	6,715,520
Industry	4,210,962	369,358	-	-	-	4,580,320
Agricultural	866,963	76,044	-	-	-	943,007
Contractors and services	990,815	86,908	-	-	-	1,077,723
Individuals and others	<u>247,703</u>	<u>21,726</u>	<u>-</u>	<u>207,891</u>	<u>-</u>	<u>477,320</u>
	<u>12,385,183</u>	<u>1,086,346</u>	<u>-</u>	<u>207,891</u>	<u>114,470</u>	<u>13,793,890</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

	2007					
	Overdraft	Short-term	Loans	Staff loans	Others	Total
	YR 000s	loans	against L/Cs	YR 000s	YR 000s	YR 000s
	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>	<u>YR 000s</u>
Trade	4,382,968	2,785,926	896,266	-	114,362	8,179,522
Industry	2,717,440	1,727,274	555,685	-	-	5,000,399
Agricultural	525,956	334,311	107,552	-	-	967,819
Contractors and services	701,275	445,748	143,402	-	-	1,290,425
Individuals and others	<u>438,297</u>	<u>278,593</u>	<u>89,628</u>	<u>150,692</u>	<u>-</u>	<u>957,210</u>
	<u>8,765,936</u>	<u>5,571,852</u>	<u>1,792,533</u>	<u>150,692</u>	<u>114,362</u>	<u>16,395,375</u>

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

		2008		
	Note	Specific	General	Total
		YR 000's	YR 000's	YR 000's
		<u>YR 000's</u>	<u>YR 000's</u>	<u>YR 000's</u>
Balance at first of Jan. 2008		1,655,937	116,782	1,772,719
Add: provided during the year	29	556,454	-	556,454
Add: translation differences of provision in foreign currencies		1,333	-	1,333
Transferred from general to specific provision		47,024	(47,024)	-
Less: provision used during the year		<u>(142,743)</u>	<u>-</u>	<u>(142,743)</u>
Balance at the end of Dec. 2008		<u>2,118,005</u>	<u>69,758</u>	<u>2,187,763</u>
		2007		
	Note	Specific	General	Total
		YR 000's	YR 000's	YR 000's
		<u>YR 000's</u>	<u>YR 000's</u>	<u>YR 000's</u>
Balance at first of Jan. 2007		1,667,500	80,875	1,748,375
Add: provided during the year	29	74,369	35,907	110,276
Add: translation differences of provision in foreign currencies		3,735	-	3,735
Less: provision used		<u>(89,667)</u>	<u>-</u>	<u>(89,667)</u>
Balance at the end of Dec. 2007		<u>1,655,937</u>	<u>116,782</u>	<u>1,772,719</u>

12. AVAILABLE FOR SALE INVESTMENTS

	2008	2007
	YR 000's	YR 000's
	<u>YR 000's</u>	<u>YR 000's</u>
Yemeni Co. for Financial Services	61,276	59,639
Al Amal Bank for Micro Borrowing	<u>3,000</u>	<u>3,000</u>
	<u>64,276</u>	<u>62,639</u>

All available for sale investments are local investments.

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	<u>2008</u> <u>YR 000's</u>	<u>Shareholding</u> <u>Percentage</u> <u>%</u>	<u>2007</u> <u>YR 000's</u>	<u>Shareholding</u> <u>Percentage</u> <u>%</u>
Aman Insurance Company	<u>128,284</u>	30%	<u>120,416</u>	30%

14. DEBIT BALANCES AND OTHER ASSETS (NET)

	<u>Note</u>	<u>2008</u> <u>YR 000's</u>	<u>2007</u> <u>YR 000's</u>
Tax deposits	38	6,391	6,391
Accrued interest		286,447	110,010
Prepaid expenses		24,655	15,872
Advances to employees		17,173	21,742
Assets which have been transferred to the bank' ownership	3.7	327,827	327,335
Work in progress		14,151	58,171
Stationery inventory		12,195	9,429
Other debit balances		<u>125,485</u>	<u>106,794</u>
		814,324	655,744
Less: provision for doubtful debts	15	(<u>22,934</u>)	(<u>18,459</u>)
		<u>791,390</u>	<u>637,285</u>

15. PROVISION FOR DOUBTFUL DEBTS

	<u>Note</u>	<u>2008</u> <u>YR 000's</u>	<u>2007</u> <u>YR 000's</u>
Balance at beginning of the year		18,459	18,459
Provided during the year	29	<u>4,475</u>	<u>-</u>
Balance at the end of the year		<u>22,934</u>	<u>18,459</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

16. PROPERTY AND EQUIPMENT (NET)

	2008						
	Land YR 000's	Buildings YR 000's	Computers YR 000's	Furniture and Fixtures YR 000's	Equipment & Machinery YR 000's	Motor Vehicles YR 000's	Total YR 000's
<u>Cost</u>							
Balance at beginning of the year	194,541	175,108	383,145	103,951	152,810	84,846	1,094,401
Additions	37,342	20,480	34,793	18,040	9,370	6,190	126,215
Disposals	-	(543)	(311)	(1,385)	(4,024)	(3,550)	(9,813)
Balance at the end of the year	<u>231,883</u>	<u>195,045</u>	<u>417,627</u>	<u>120,606</u>	<u>158,156</u>	<u>87,486</u>	<u>1,210,803</u>
<u>Accumulated depreciation</u>							
Balance at beginning of the year	-	24,962	147,823	35,363	67,532	54,533	330,213
Depreciation	-	12,718	73,043	9,891	17,230	11,563	124,445
Disposals	-	(48)	(260)	(1,013)	(1,689)	(3,550)	(6,560)
Balance at the end of the year	<u>-</u>	<u>37,632</u>	<u>220,606</u>	<u>44,241</u>	<u>83,073</u>	<u>62,546</u>	<u>448,098</u>
<u>Net book value</u>							
December 31, 2008	<u>231,883</u>	<u>157,413</u>	<u>197,021</u>	<u>76,365</u>	<u>75,083</u>	<u>24,940</u>	<u>762,705</u>

Additions during the year include YR / 22,782 / thousand transferred from work in progress (YR 44,472 thousand as at December 31, 2007).

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

	2007						
	<u>Land</u>	<u>Buildings</u>	<u>Computers</u>	<u>Furniture</u>	<u>Equipment & Machinery</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost</u>	<u>YR 000's</u>	<u>YR 000's</u>	<u>YR 000's</u>	<u>YR 000's</u>	<u>YR 000's</u>	<u>YR 000's</u>	<u>YR 000's</u>
Balance at beginning of the year	157,005	175,108	368,435	78,964	134,524	78,881	992,917
Additions	37,536	-	15,708	26,983	18,876	10,043	109,146
Disposals	-	-	(998)	(1,996)	(590)	(4,078)	(7,662)
Balance at the end of the year	<u>194,541</u>	<u>175,108</u>	<u>383,145</u>	<u>103,951</u>	<u>152,810</u>	<u>84,846</u>	<u>1,094,401</u>
<u>Accumulated depreciation</u>							
Balance at beginning of the year	-	21,460	79,894	28,371	52,399	44,057	226,181
Depreciation	-	3,502	68,738	8,137	15,218	11,971	107,566
Disposals	-	-	(809)	(1,145)	(85)	(1,495)	(3,534)
Balance at the end of the year	<u>-</u>	<u>24,962</u>	<u>147,823</u>	<u>35,363</u>	<u>67,532</u>	<u>54,533</u>	<u>330,213</u>
<u>Net book value</u>							
December 31, 2007	<u>194,541</u>	<u>150,146</u>	<u>235,322</u>	<u>68,588</u>	<u>85,278</u>	<u>30,313</u>	<u>764,188</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

17. DUE TO BANKS

	2008 YR 000's	2007 YR 000's
Foreign banks – current account	650,862	741,778
Foreign banks – LC's finance	-	2,303,641
	<u>650,862</u>	<u>3,045,419</u>

18. CUSTOMERS' DEPOSITS

a. Customers' deposits by type

	2008 YR 000's	2007 YR 000's
Current accounts	8,598,267	8,521,618
Time deposits	26,345,245	23,187,697
Saving accounts	3,147,857	2,982,185
Margins of LC's, LG's and other	3,436,820	4,687,124
Other deposits	347,301	155,144
	<u>41,875,490</u>	<u>39,533,768</u>

b. Customers' deposits by sector

	2008 YR 000's	2007 YR 000's
Public and mixed sectors	1,180,500	790,675
Individual	15,348,621	13,836,820
Corporation	22,585,846	22,300,122
Others	2,760,523	2,606,151
	<u>41,875,490</u>	<u>39,533,768</u>

19. CREDIT BALANCES AND OTHER LIABILITIES

	2008 YR 000's	2007 YR 000's
Corporate tax for the year	171,975	198,514
Tax Authority - due	-	76,777
Interest payable	588,029	606,194
Accrued expenses	8,496	5,057
Credit LC's received in advance	23,713	256,555
Unappropriated profits	23,223	21,734
Sundry credit balances	77,763	101,142
	<u>893,199</u>	<u>1,265,973</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

20. OTHER PROVISIONS

<u>Description</u>	2008			
	Balance at 1/1/2008 YR 000s	Provided during the year YR 000s	Reversed during the year YR 000s	Balance at 31/12/2008 YR 000s
Provision for contingent liabilities	<u>259,590</u>	<u>-</u>	<u>(119,625)</u>	<u>139,965</u>

<u>Description</u>	2007			
	Balance at 1/1/2007 YR 000s	Provided during the year YR 000s	Reversed during the year YR 000s	Balance at 31/12/2007 YR 000s
Provision for contingent liabilities	<u>168,232</u>	<u>91,358</u>	<u>-</u>	<u>259,590</u>

21. SHAREHOLDERS' EQUITY

a. Authorized and paid capital

- The issued and subscribed capital is YR 1.25 Billion divided over 12.5 Million shares with nominal value of YR 100 each.
- The Bank extraordinary general assembly on May 14, 2006 approved the increase of the paid-up capital to YR 3.15 Billion by the end of the year 2006 according to CBY Board of Directors decision No. 12 of 2004 which oblige the banks to increase their capitals to YR 6 Billion by the end of the year 2009 (starting from the year 2005) and also the Bank Ordinary General Assembly on April 30, 2007 approved the increase of the paid-up capital for the year 2006 and 2007 according to CBY Board of Directors decision and also the Bank Ordinary General Assembly decision on May 26, 2008.

The paid-up capital at December 31, 2008 is as follows:

	<u>YR 000's</u>
Capital	1,250,000
Add:	
- Stock dividends at 25% according to the extraordinary general assembly decision on April 22, 2005	312,500
- Paid cash during 2005 under the first installment of the capital increase	250,378
- Paid cash during 2006 to complete the capital increase	388,258
- Stock dividends at 17.5% according to the ordinary general assembly decision on April 30, 2007	385,000
- Paid cash during 2007	109,916
- Stock dividends at 18% according to the ordinary general assembly decision on May 26, 2008	384,180
- Paid cash during 2008	<u>717,491</u>
Paid-up capital at December 31, 2008	<u>3,797,723</u>

The Bank is taking the necessary procedures to record the increase in the commercial register and Articles of Association.

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

b. Statutory reserves

According to provisions of the Law, 15% of the net profit for the year should be transferred to statutory reserve till it equals two times paid-up capital.

22. CONTINGENT LIABILITIES AND COMMITMENTS (NET)

	2008		
	Gross commitment YR 000s	Margin held YR 000s	Net commitments YR 000s
Letters of credit	4,379,882	(1,715,655)	2,664,227
Letters of guarantee	11,455,167	(1,663,202)	9,791,965
Others	<u>3,293,972</u>	<u>-</u>	<u>3,293,972</u>
	<u>19,129,021</u>	<u>(3,378,857)</u>	<u>15,750,164</u>
	2007		
	Gross commitment YR 000s	Margin held YR 000s	Net commitments YR 000s
Letters of credit	16,716,351	(2,890,657)	13,825,694
Letters of guarantee	13,874,941	(1,741,686)	12,133,255
Others	<u>2,442,351</u>	<u>-</u>	<u>2,442,351</u>
	<u>33,033,643</u>	<u>(4,632,343)</u>	<u>28,401,300</u>

23. INTEREST ON LOANS AND DUE FROM BANKS

	2008 YR 000's	2007 YR 000's
<u>Interest on loans and advances to customers</u>		
Interest earned on overdrafts	1,356,709	810,303
Interest earned on loans	<u>187,269</u>	<u>589,013</u>
	<u>1,543,978</u>	<u>1,399,316</u>
<u>Interest on due from banks</u>		
Interest from foreign banks	189,126	328,817
Interest from local banks	<u>67,223</u>	<u>245,017</u>
	<u>256,349</u>	<u>573,834</u>
	<u>1,800,327</u>	<u>1,973,150</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

24. INTEREST ON TREASURY BILLS AND CERTIFICATES OF DEPOSITS

	2008	2007
	<u>YR 000's</u>	<u>YR 000's</u>
Interest on treasury bills	1,442,650	1,413,569
Interest on CBY certificates of deposits	<u>1,596,198</u>	<u>863,784</u>
	<u>3,038,848</u>	<u>2,277,353</u>

25. INTEREST EXPENSE

	2008	2007
	<u>YR 000's</u>	<u>YR 000's</u>
<u>Interest on customers' deposits</u>		
Interest on time deposits	2,600,456	2,203,969
Interest on saving accounts	332,328	314,270
Interest on demand deposits	<u>120,665</u>	<u>111,641</u>
	<u>3,053,449</u>	<u>2,629,880</u>
<u>Interest on balances due to banks</u>		
Interest paid to local banks	1,196	1,609
Interest paid to foreign banks	<u>69,912</u>	<u>69,239</u>
	<u>71,108</u>	<u>70,848</u>
	<u>3,124,557</u>	<u>2,700,728</u>

26. COMMISSIONS, REVENUE AND BANK SERVICE CHARGES

	2008	2007
	<u>YR 000's</u>	<u>YR 000's</u>
Commissions on documentary credits	175,889	182,486
Commissions on letters of guarantee	147,109	129,045
Commissions on transfer of funds	49,619	38,233
Commissions on collection of cheques	847	836
Others	<u>25,461</u>	<u>20,577</u>
	<u>398,925</u>	<u>371,177</u>

27. GAIN FROM FOREIGN CURRENCY TRANSACTIONS

	2008	2007
	<u>YR 000's</u>	<u>YR 000's</u>
Gain from translation of foreign currencies	12,920	41,746
Gain from dealing in foreign currencies	<u>1,718</u>	<u>1,094</u>
	<u>14,638</u>	<u>42,840</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

28. OTHER INCOME

	<u>Note</u>	<u>2008</u> <u>YR 000's</u>	<u>2007</u> <u>YR 000's</u>
Reversed provisions	20	119,625	-
Rental		23,820	1,380
Profit on sale of property and equipment		-	645
Others		<u>10,624</u>	<u>205</u>
		<u>154,069</u>	<u>2,230</u>

29. PROVISIONS PROVIDED DURING THE YEAR

	<u>Note</u>	<u>2008</u> <u>YR 000's</u>	<u>2007</u> <u>YR 000's</u>
Provision for loans and advances (performing and non-performing)	11	556,454	110,276
Provision for doubtful debit balances	15	4,475	-
Provision for contingent liabilities	20	<u>-</u>	<u>91,358</u>
		<u>560,929</u>	<u>201,634</u>

30. GENERAL, ADMINISTRATIVE EXPENSES AND DEPRECIATION

	<u>Note</u>	<u>2008</u> <u>YR 000's</u>	<u>2007</u> <u>YR 000's</u>
Wages and salaries		526,528	417,129
Depreciation	16	124,445	107,566
Zakat expenses		88,008	64,188
Advertisement and publication		56,669	48,640
Professional fees		54,626	26,829
Transportation		51,660	41,224
Maintenance		36,962	26,997
Insurance		25,893	26,102
Telephone, telex and postage		24,828	21,312
Rent		24,756	24,785
Water and electricity		18,897	15,113
Stationary and printing supplies		16,603	16,774
Subscriptions		16,128	6,264
Board of Directors' allowances		13,500	8,000
Cleaning expenses		5,927	5,125
Donations		4,746	2,831
Training expenses		4,400	4,667
Hospitality expenses		4,372	3,583
Duties and taxes		2,532	11,091
Other expenses		<u>7,596</u>	<u>7,004</u>
		<u>1,109,076</u>	<u>885,224</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

31. EARNINGS PER SHARE

	<u>2008</u>	<u>2007</u>
Net profit for the year (YR thousand)	424,782	582,209
Weighted average of number of shares by thousand	34,390	26,411
Earnings per share (YR)	<u>12.40</u>	<u>22.04</u>

32. MATURITIES OF ASSETS AND LIABILITIES

<u>Description</u>	<u>2008</u>				
	<u>Due within 3 months</u> <u>YR Million</u>	<u>Due from 3 to 6 months</u> <u>YR Million</u>	<u>Due from 6 months to one year</u> <u>YR Million</u>	<u>Due over one year</u> <u>YR Million</u>	<u>Total</u> <u>YR Million</u>
a. Assets					
Cash on hand and reserve balances					
with CBY	5,311	-	-	-	5,311
Due from banks	4,913	-	-	-	4,913
Treasury bills (net)	7,533	570	523	-	8,626
CBY certificates of deposit	16,150	-	-	-	16,150
Loans and advances (net)	7,999	2,001	1,384	-	11,384
Available-for sale investments	-	-	-	64	64
Investments in subsidiaries and associates	-	-	-	128	128
	<u>41,906</u>	<u>2,571</u>	<u>1,907</u>	<u>192</u>	<u>46,576</u>
b. Liabilities					
Due to banks	651	-	-	-	651
Customers' deposits	34,341	5,954	1,580	-	41,875
	<u>34,992</u>	<u>5,954</u>	<u>1,580</u>	<u>-</u>	<u>42,526</u>
Net gap	<u>6,914</u>	<u>(3,383)</u>	<u>327</u>	<u>192</u>	<u>4,050</u>
	<u>2007</u>				
<u>Description</u>	<u>Due within 3 months</u> <u>YR Million</u>	<u>Due from 3 to 6 months</u> <u>YR Million</u>	<u>Due from 6 months to one year</u> <u>YR Million</u>	<u>Due over one year</u> <u>YR Million</u>	<u>Total</u> <u>YR Million</u>
a. Assets					
Cash on hand & reserve balances					
with CBY	6,843	-	-	-	6,843
Due from banks	8,807	-	-	-	8,807
Treasury bills (net)	10,914	-	-	-	10,914
CBY certificates of deposit	5,050	-	-	-	5,050
Loans and advances (net)	8,813	5,626	-	-	14,439
Available-for sale investments	-	-	-	63	63
Investments in subsidiaries and associates	-	-	-	120	120
	<u>40,427</u>	<u>5,626</u>	<u>-</u>	<u>183</u>	<u>46,236</u>
b. Liabilities					
Due to banks	831	-	2,214	-	3,045
Customers' deposits	39,353	52	129	-	39,534
	<u>40,184</u>	<u>52</u>	<u>2,343</u>	<u>-</u>	<u>42,579</u>
Net gap	<u>243</u>	<u>5,574</u>	<u>(2,343)</u>	<u>183</u>	<u>3,657</u>

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

33. AVERAGE INTEREST RATES APPLIED DURING THE YEAR

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

<u>Description</u>	2008				
	Yemeni Rial %	Saudi Rial %	US Dollar %	Sterling Pound %	EURO %
<u>Assets</u>					
Mandatory reserve at CBY	13.00	-	-	-	-
Due to banks – time deposits	-	1.5	1.5	3.0	2.0
Loans to customers	17.00	-	6.5	-	-
Overdrafts	17.00	7.0	7.0	8.0	8.0
Treasury bills	14.75	-	-	-	-
CBY certificates of deposit	14.90	-	-	-	-
<u>Liabilities</u>					
Time deposits	14.00	2.0	2.5	3.5	2.5
Saving accounts	13.00	1.0	1.5	-	-
Due to banks	-	-	4.5	-	-
<u>Description</u>	2007				
	Yemeni Rial %	Saudi Rial %	US Dollar %	Sterling Pound %	EURO %
<u>Assets</u>					
Mandatory reserve at CBY	13.0	-	-	-	-
Due to banks – time deposits	-	2.5	3.0	5.0	2.5
Loans to customers	17.0	-	8.0	-	-
Overdrafts	17.0	8.0	8.0	8.0	8.0
Treasury bills	15.8	-	-	-	-
CBY certificates of deposit	15.8	-	-	-	-
<u>Liabilities</u>					
Time deposits	14.0	2.0	3.0	4.5	2.5
Saving accounts	13.0	2.0	2.5	-	-
Due to banks	-	-	6.5	-	5.0

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

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

	2008						Total YR Million
	Financial YR Million	Trade YR Million	Manufac- -turing YR Million	Agricul- -tural YR Million	Contractors and Services YR Million	Individuals & Others YR Million	
ASSETS							
Cash on hand and reserve balances with CBY	5,311	-	-	-	-	-	5,311
Due from banks	4,913	-	-	-	-	-	4,913
Treasury bills (net)	8,626	-	-	-	-	-	8,626
CBY certificates of deposit	16,150	-	-	-	-	-	16,150
Loans and advances (net)	-	5,440	3,946	879	985	134	11,384
Available-for-sale investments	-	-	-	-	64	-	64
Investments in subsidiaries and associates	-	-	-	-	128	-	128
LIABILITIES							
Due to banks	651	-	-	-	-	-	641
Customers' deposits	-	17,765	7,582	301	2,873	13,354	41,875
CONTINGENT LIABILITIES AND COMMITMENTS (NET)							
Letters of credit	-	1,685	137	201	-	641	2,664
Letters of guarantee	-	3,194	168	53	4,466	1,911	9,792
Other	-	3,294	-	-	-	-	3,294

	2007						Total YR Million
	Financial YR Million	Trade YR Million	Manufac- -turing YR Million	Agricul- -tural YR Million	Contractors and Services YR Million	Individuals & Others YR Million	
ASSETS							
Cash on hand and reserve balances with CBY	6,843	-	-	-	-	-	6,843
Due from banks	8,807	-	-	-	-	-	8,807
Treasury bills (net)	10,914	-	-	-	-	-	10,914
CBY certificates of deposit	5,050	-	-	-	-	-	5,050
Loans and advances (net)	-	7,184	4,552	901	1,208	594	14,439
Available-for-sale investments	-	-	-	-	63	-	63
Investments in subsidiaries and associates	-	-	-	-	120	-	120
LIABILITIES							
Due to banks	3,045	-	-	-	-	-	3,045
Customers' deposits	-	17,637	7,041	666	2,081	12,109	39,534
CONTINGENT LIABILITIES AND COMMITMENTS (NET)							
Letters of credit	-	11,366	922	1,355	183	-	13,826
Letters of guarantee	-	3,957	208	66	5,534	2,368	12,133
Other	-	2,442	-	-	-	-	2,442

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

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

	2008					Total YR Million
	Republic of Yemen YR Million	America YR Million	Europe YR Million	Asia YR Million	Africa YR Million	
ASSETS						
Cash on hand and reserve balances with CBY	5,311	-	-	-	-	5,311
Due from banks	685	615	2,976	637	-	4,913
Treasury bills (net)	8,626	-	-	-	-	8,626
CBY certificates of deposits	16,150	-	-	-	-	16,150
Loans and advances (net)	11,384	-	-	-	-	11,384
Available-for-sale Investments	64	-	-	-	-	64
Investments in subsidiaries and associates	128	-	-	-	-	128
LIABILITIES						
Due to banks	-	651	-	-	-	651
Customers' deposits	41,875	-	-	-	-	41,875
CONTINGENT LIABILITIES AND COMMITMENTS (NET)						
Letters of credit	-	908	1,368	358	30	2,664
Letters of guarantee	9,792	-	-	-	-	9,792
Other	3,294	-	-	-	-	3,294

	2007					Total YR Million
	Republic of Yemen YR Million	America YR Million	Europe YR Million	Asia YR Million	Africa YR Million	
ASSETS						
Cash on hand and reserve balances with CBY	6,843	-	-	-	-	6,843
Due from banks	581	103	7,696	427	-	8,807
Treasury bills (net)	10,914	-	-	-	-	10,914
CBY certificates of deposits	5,050	-	-	-	-	5,050
Loans and advances (net)	14,439	-	-	-	-	14,439
Available-for-sale Investments	63	-	-	-	-	63
Investments in subsidiaries and associates	120	-	-	-	-	120
LIABILITIES						
Due to banks	-	100	2,292	653	-	3,045
Customers' deposits	39,534	-	-	-	-	39,534
CONTINGENT LIABILITIES AND COMMITMENTS (NET)						
Letters of credit	-	6,125	2,479	5,027	195	13,826
Letters of guarantee	12,133	-	-	-	-	12,133
Other	2,442	-	-	-	-	2,442

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

36. SIGNIFICANT FOREIGN CURRENCIES' POSITIONS

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

	<u>2008</u>		<u>2007</u>	
	<u>Surplus (deficit) YR 000's</u>	<u>% of capital & reserves</u>	<u>Surplus (deficit) YR 000's</u>	<u>% of capital & reserves</u>
US Dollar	(1,069,644)	(25.8%)	(540,017)	(17.8%)
Euro	3,400	0.1%	(74,234)	(2.4%)
Saudi Rial	(109,213)	(2.6%)	54,936	1.8%
Sterling Pound	139,675	3.4%	71,734	2.4%
Other	<u>2,322</u>	<u>-</u>	<u>4,111</u>	<u>0.1%</u>
Net (deficit)	<u>(1,033,460)</u>	<u>(25.0%)</u>	<u>(483,470)</u>	<u>(15.9%)</u>

37. TRANSACTIONS WITH RELATED PARTIES

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

The Bank's related parties include the Board of Directors members, executive management and companies owned by some of the shareholders and Board of Directors members.

The Bank deals with related parties on the same basis applied to third parties in accordance with the Banks Law as implemented by CBY circular No. 4 of 1999, which limits credit transactions with related parties and requires that the Bank should apply the same terms and conditions that are applied with unrelated parties.

These transactions consist of obtaining loans and advances, issuing letters of credit, letter of guarantee and other various transactions conducted as part of the normal Bank activities.

The following are the nature and balances of these transactions at the balance sheet date:

	<u>2008</u> <u>YR Million</u>	<u>2007</u> <u>YR Million</u>
Loans and advances (net)	3,582	3,498
Current accounts and time deposits	6,607	5,528
Indirect facilities (net)	2,279	3,726
Executive management salaries	54	44
Board of Directors' allowances	14	8
Investment in subsidiaries and associates	128	120
Interest and commissions received	250	198
Interest paid	190	142

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

38. TAX STATUS

- a. Difference between accounting and tax profit for 2008 represents a deduction of YR 105,400 thousand as a result of adjusting accounting profit with provided provisions during the year, the excess of more than 2 month salary as a bonus, 90% of the profit of subsidiaries and associates and 50% of revenues from loans and advances to companies established according to Law No. 22 to 2002, on the basis of tax rate of 35%.
- b. Corporate tax
- Corporate tax has been cleared until the year 1996 and the tax was paid in accordance with the Tax Authority assessment.

For the year 1997:

Corporate tax has been paid together with all differences except for the amount related to the appeal filed with the General Funds Court against tax due on uncollected interest amounting to YR 12,782 thousand. Out of which 50% was paid and shown under debit balances. The General Funds Court has not issued its final decision in this respect yet.

For the year 1998:

Corporate tax has been paid with all the differences according to the court decision on April 30, 2008.

For the years 1999 – 2003:

Corporate tax was paid in accordance with the Tax Authority assessments.

For the year 2004:

The tax return was filed on time, and corporate tax has been settled in accordance with the Ministry of Finance Decree No. (7) of 2004 concerning self assessment on major tax payers.

For the years 2005 and 2006:

- The Bank has submitted the tax declaration for the year 2005 and 2006.
- The Bank management received form no. (3) from the Tax Authority as tax amendment for 2005 and 2006 tax declaration submitted by the Bank with an increase in 2005 tax (after deduction of the tax paid) of YR 25,019 thousand and YR 22,848 thousand for 2006. The Bank has appealed this assessed amount on time. The Bank has also objected to the amendments made by the Tax Authority regarding the application of the exemption on interest earned on loans granted to projects under the Investment Law. The Appeal Committee issued decision no. 30 of 2007 on December 31, 2007 upheld tax assessment by Tax Department. The Bank has appealed on this decision on time at preliminary tax court. On December 21, 2008 the court upheld the Bank appealed which submitted by the Bank for year 2005.

THE YEMEN KUWAIT BANK FOR TRADE AND INVESTMENT
(Yemeni Joint Stock Company)
SANA'A, REPUBLIC OF YEMEN

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

- The Bank has submitted the tax declaration for the year 2007 and the Bank has paid the tax based on the declaration. The Tax Authority has not performed a review or issued a final assessment yet.
- c. Salary tax
 - Salary tax is calculated and remitted on a monthly basis up to the end of 2008.
 - Salary tax has been cleared until the year 2006 and the difference was paid in accordance with the Tax Authority assessment.

39. ZAKAT

- a. The Bank submits its Zakat declaration annually and remits the amount due based on the declaration.
- b. The Bank has paid the Zakat up to the end of 2007 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. Such reclassifications do not impact the previously reported net profit or shareholders' equity.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by Board of Directors on April 29, 2009 and a Board resolution proposing the approval of the financial statements by the General Assembly of the shareholders was issued.
