

**Family Bank B.S.C. (c)**

**REPORT OF THE BOARD OF DIRECTORS,  
INDEPENDENT AUDITORS' REPORT AND  
FINANCIAL STATEMENTS**

**31 DECEMBER 2014**

الحمد لله رب العالمين، والصلاة والسلام على رسوله الأمين، نبينا محمد وعلى آله وصحبه أجمعين...

**Sharia'a Supervisory Board ("SSB") Report for the fiscal year ended 31 December 2014**

To the shareholders of Family Bank BSC (C)

Asslam Alaikum Wa Rahmat Allah Wa Barakatuh

We have reviewed the principles and contracts relating to the transactions and applications conducted by Family Bank BSC (C) ("The Bank") during the financial year ended December 31, 2014. Our review was conducted in order to judge whether the Bank followed the principle of the Islamic *Sharia'a*, specific *Fatwas* and guidelines issued by *Sharia'a* Supervisory Board.

The Bank's Management is responsible for ensuring that its operations are carried out in compliance with the rules and principles of the Islamic *Sharia'a*. Our responsibility is to present an independent view of the Bank's operations and to communicate it to the shareholders.

We have established controls, which include the examination of documentation and procedures of the Bank by testing all types of transactions, directly or through the *Sharia'a* function of the Bank.

The review was planned and performed so as to obtain the necessary information and explanations to provide sufficient evidence confirming that the Bank has not violated the rules and principles of Islamic *Sharia'a*.

**In our opinion:**

1- Contracts, operations and transactions executed by the Bank during the financial year ended December 31, 2014 were on the whole in accordance with the rules and principles of Islamic *Sharia'a* law.

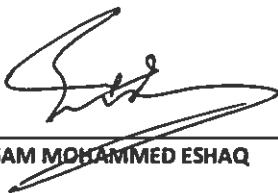
2-The management has committed itself to segregate all the unintended gains, obtained during the year from sources or means prohibited by the provisions and principles of Islamic *Sharia'a* and disburse of it towards charitable causes under the supervision of the *Sharia'a* Supervisory Board.

The Bank calculation of *Zakat* is in compliance with the rules and principles of the Islamic *Sharia'a* and according to *Zakat* standard issued by AAOIFI, and The *Zakat* due is BHD 0.001363 per share.

We ask Allah almighty his continued guidance & blessings.

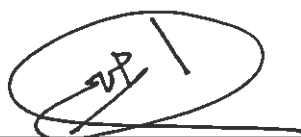
Wasslam Alaikum Wa Rahmat Allah Wa Barakatuh

Date: 18/05/1436 - 09/03/2015 - Place: Kingdom of Bahrain



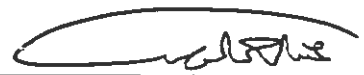
SH. ISSAM MOHAMMED ESHAQ

Chairman of the Shariah Supervisory Board



SH. DR. OSSAMA MOHAMMED BAHR

Member of the Shariah Supervisory Board



ABDUL-RAHMAN AHMED AL-MOOSA

Member of the Shariah Supervisory Board

## REPORT OF THE BOARD OF DIRECTORS

for the year ended 31 December 2014

All amounts expressed in Bahraini Dinars unless otherwise stated

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In the Name of Allah, the Beneficent, the Merciful, Prayers and Peace upon the Last Apostle and Messenger, Our Prophet Mohammed.

**Dear Shareholders,**

The Board of Directors is pleased to submit its report, together with the financial statements of Family Bank B.S.C. (c) (“the Bank”), for the year ended 31 December 2014.

### **Principal Activities**

The Bank was established in the Kingdom of Bahrain on 5<sup>th</sup> October 2009, under commercial registration number 72929, as a Bahrain Joint Stock Company (closed). The Bank operates under an Islamic Microfinance Institution License issued by the Central Bank of Bahrain (the “CBB”). The Bank commenced commercial operations on 1<sup>st</sup> January 2010. The principal activities of the Bank include providing microfinance financing, opening trust accounts for beneficiaries, taking funds from financial institutions and engaging in any other activities, which are agreed on a case-by-case basis with the CBB, and other services that are in conformity with Islamic Shari’a.

In 2014, the Bank continued to disburse finances under Grameen and Micro Enterprise Finance. The Bank also offered non-financial services to its customers by providing advice and training. These principal activities conformed to the Islamic Shari’a and were performed with guidance from the Bank’s Shari’a Supervisory Board.

### Performance during 2014

During the year 2014, Family Bank's overall performance in disbursements, collection as well as default control improved significantly.

Disbursements during the year 2014 were BD1,339,589 to 572 customers, as compared to BD826,349 to 408 customers, i.e. say an increase of 62% value wise and 40% number wise. Cumulative number of accounts as on 31<sup>st</sup> December 2014 stood at 2,130 and cumulative amounts disbursed were at BD3, 981,117.

The repayments received from customers also grew from BD716,837 in 2013 to BD869,373 in 2014.

The quality of portfolio has shown improvement in 2014, with better repayments and lesser numbers of new defaulters, due to tighter screening of applications and improved credit scoring criteria.

The Portfolio at Risk (PAR) position, which was 18.90% as on 31 December 2013 was improved and brought down to 11.19% by the end of December 2014. PAR position has improved mainly due to the support from Al Wasl for collection and a tighter follow up by finance officers.

### Financial Position and Results

The detailed financial position of the Bank at 31 December 2014, and the results for the year then ended, are set out in the accompanying financial statements.

Financial highlights	2014	2013
Total assets	2,805,348	3,219,907
Total equity	2,703,211	3,098,696
Loss for the year	(395,485)	(463,315)

Movement in accumulated deficit	2014	2013
Balance at 1 January	(1,901,304)	(1,437,989)
Loss for the period	(395,485)	(463,315)
Balance at 31 December	(2,296,789)	(1,901,304)

## Dividends

The Board of Directors has not made any appropriations for dividends for the year ended 31 December 2014 (2013: Nil).

## Directors and Management

The following served on the Bank's Board of Directors during the year ended 31 December 2014:

<u>Name</u>	<u>Title</u>
H.E. Dr. Fatima Al Balooshi	Chairperson
Dr. Mustafa Al Sayed	Member
Mr. Ahmed Abdul Rahim	Member
Mr. Khalid Al Maarafi	Member
Mr. Rashad Akbari	Member
Mrs. Sawsan Abualhassan	Member
Dr. Khalid A. Ateeq	CEO & Board Member
Sheikh. Khalid Al Khalifa	Member
Prof. H.I .Latifee	Member

## Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment, as auditors of the Bank for the year ending 31 December 2015; will be submitted to the Annual General Meeting.

## Appreciation

We express our gratitude and appreciation to His Majesty King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain, to His Royal Highness Prince Khalifa Bin Salman Al Khalifa, the Prime Minister, and to His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince and Deputy Supreme Commander of the Bahrain Defence Force, as well as to the Government of the Kingdom of Bahrain, to the Minister of Industry and Commerce and to the Central Bank of Bahrain.

We also express our gratitude to the Shari'a Supervisory Board for their support and valuable guidance, to our investors and to our executives and employees for their support in adding value to the Bank.



Miss. Faeqa Bint Saeed AlSaleh  
Chairperson



Dr. Khalid A. Ateeq  
CEO & Board Member

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FAMILY BANK B.S.C. (c)**

### **Report on the Financial Statements**

We have audited the accompanying statement of financial position of Family Bank B.S.C. (c) ["the Bank"] as of 31 December 2014, and the related statements of income, cash flows and changes in owners' equity for the year then ended and a summary of significant accounting policies and other explanatory information. These financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"]. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2014, the results of its operations, its cash flows and changes in owners' equity for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

### **Other Matters**

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 2), we report that:

- a) the Bank has maintained proper accounting records and the financial statements are in agreement therewith; and
- b) the financial information contained in the Report of the Board of Directors is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
FAMILY BANK B.S.C. (c) (continued)**

**Other Matters (continued)**

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (volume 2 and applicable provisions of volume 6) and CBB directives, or the Bank's memorandum and articles of association during the year ended 31 December 2014 that might have had a material adverse effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Bank has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank.

*Ernst + Young*

Partner's registration no:  
26 February 2015  
Manama, Kingdom of Bahrain



Family Bank B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 BD	2013 BD
<b>ASSETS</b>			
Cash and balances with banks	5	151,314	264,403
Mudaraba	6	1,159,115	1,929,128
Murabaha receivables	7	1,394,626	893,770
Equipment, furniture and fixtures	9	62,706	108,928
Other assets		37,587	23,678
<b>TOTAL ASSETS</b>		<b>2,805,348</b>	<b>3,219,907</b>
<b>LIABILITY AND OWNERS' EQUITY</b>			
Accounts payable, accruals and other liabilities	10	102,137	121,211
<b>Owners' equity</b>			
Share capital	11	5,000,000	5,000,000
Accumulated losses		(2,296,789)	(1,901,304)
		<b>2,703,211</b>	<b>3,098,696</b>
<b>TOTAL LIABILITY AND OWNERS' EQUITY</b>		<b>2,805,348</b>	<b>3,219,907</b>

  
 Faeqa Bint Saeed Al Saleh  
 Chairperson

  
 Dr. Khalid Ateeq  
 CEO & Board Member

Family Bank B.S.C. (c)

STATEMENT OF INCOME

For the year ended 31 December 2014

	Note	2014 BD	2013 BD
<b>INCOME</b>			
Income from mudaraba	12	52,725	103,426
Income from murabaha receivables		289,687	171,583
Fee income		34,790	11,834
Other income		17,438	5,386
		<u>394,640</u>	<u>292,229</u>
<b>EXPENSES</b>			
Staff cost	13	551,247	485,125
General and administrative expenses	14	133,888	143,692
Depreciation	9	59,948	61,562
		<u>745,083</u>	<u>690,379</u>
<b>NET LOSS FOR THE YEAR BEFORE IMPAIRMENT PROVISIONS</b>		<b>(350,443)</b>	<b>(398,150)</b>
Impairment provisions for credit losses	8	(45,042)	(65,165)
<b>NET LOSS FOR THE YEAR</b>		<b><u>(395,485)</u></b>	<b><u>(463,315)</u></b>



Faeqa Bint Saeed Al Saleh  
Chairperson



Dr. Khalid Ateeq  
CEO & Board Member

Family Bank B.S.C. (c)

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2014

	<i>Note</i>	<b>2014 BD</b>	<b>2013 BD</b>
<b>OPERATING ACTIVITIES</b>			
Net loss for the year		<b>(395,485)</b>	(463,315)
Adjustments for:			
Depreciation	9	<b>59,948</b>	61,562
Loss on disposal of equipment		<b>652</b>	1,594
Provision for end-of-service benefits		<b>2,006</b>	11,772
Impairment provisions for credit losses	8	<b>45,042</b>	65,165
Operating loss before changes in operating assets and liabilities		<b>(287,837)</b>	(323,222)
Changes in operating assets and liabilities:			
Mudaraba		<b>874,881</b>	354,597
Murabaha receivables		<b>(549,702)</b>	(264,499)
Other assets		<b>(13,909)</b>	(9,118)
Accounts payable, accruals and other liabilities		<b>(21,080)</b>	5,555
Net cash from (used in) operating activities		<b>2,353</b>	(236,687)
<b>INVESTING ACTIVITY</b>			
Purchase of equipment, furniture and fixtures and net cash used in investing activity	9	<b>(14,378)</b>	(15,575)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(12,025)</b>	(252,262)
Cash and cash equivalents at 1 January		<b>465,645</b>	717,907
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>453,620</b>	465,645
<b>CASH AND CASH EQUIVALENTS COMPRISES:</b>			
		<b>2014 BD</b>	<b>2013 BD</b>
Cash in hand	5	<b>2,121</b>	3,979
Balances with banks	5	<b>149,193</b>	260,424
Mudaraba with financial institution with original maturity of 90 days or less		<b>302,306</b>	201,242
		<b>453,620</b>	465,645

The attached notes 1 to 22 form part of these financial statements.

Family Bank B.S.C. (c)

**STATEMENT OF CHANGES IN OWNERS' EQUITY**

For the year ended 31 December 2014

	<i>Share capital BD</i>	<i>Accumulated losses BD</i>	<i>Total owners' equity BD</i>
Balance at 1 January 2013	5,000,000	(1,437,989)	3,562,011
Net loss for the year	-	(463,315)	(463,315)
Balance at 31 December 2013	<u>5,000,000</u>	<u>(1,901,304)</u>	<u>3,098,696</u>
Balance at 1 January 2014	5,000,000	(1,901,304)	3,098,696
Net loss for the year	-	(395,485)	(395,485)
Balance at 31 December 2014	<u>5,000,000</u>	<u>(2,296,789)</u>	<u>2,703,211</u>

The attached notes 1 to 22 form part of these financial statements.

## 1 INCORPORATION AND ACTIVITIES

Family Bank B.S.C (c) (the "Bank") was incorporated on 5th October 2009, under commercial registration number 72929 as a Bahraini Joint Stock Company (closed). The Bank's registered office is Flat/shop 8, Building 16, Road 4101, Block 341, Juffair, Kingdom of Bahrain. The Bank operates under an Islamic Microfinance Institution License issued by the Central Bank of Bahrain (the "CBB"). The Bank formally started its operations from 1 January 2010. The Bank's Shari'a Supervisory Board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities.

The principal activities of the Bank include providing microfinance lending, open trust accounts for the beneficiaries of the microfinance lending, taking funds from financial institutions and engaging in any other activities that are agreed on a case-by-case basis with the CBB and services that are in conformity with Islamic Shari'a.

The attached supplementary financial statements disclosures provide disclosures as required by Volume 5 – Public Disclosures Module PD-1.3 *Disclosures in the Annual Audited Financial Statements*

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 26 February 2015.

## 2 BASIS OF PREPERATION

The financial statements have been prepared on a historical cost basis and presented in Bahraini Dinars ["BD"], being the functional currency of the Bank.

### Statement of Compliance

The financial statements are prepared in accordance with the Financial Accounting Standards ["FAS"] issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"] the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law ["BCCL"], the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives. For matters not covered by FAS, the Bank uses the relevant International Financial Reporting Standards ["IFRS"] issued by International Accounting Standards Board ["IASB"].

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the process of applying the Bank's accounting policies, management has made estimates and judgments in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

### Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### Useful life of equipment, furniture and fixtures

The Bank's management determines the estimated useful lives of its equipment, furniture and fixtures for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimate.

### Impairment provisions against receivables

The Bank reviews its receivables at each statement of financial position date to assess whether an impairment provision should be recorded in the financial statements. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes to the provisions.

**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2014

**3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)**

**Impairment provisions against receivables (continued)**

In addition to specific provisions, the Bank also makes a general provision against receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The general provision reflects estimated losses affecting these exposures attributable to unknown events that may have already occurred at the date of the financial statements, and not estimated losses attributable to future events.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below:

**a Cash and cash equivalents**

For the purpose of the statement of cash flows, "cash and cash equivalents" consist of cash in hand, balances with banks and mudaraba with financial institutions, with original maturities of 90 days or less.

**b Mudaraba**

Mudaraba is a partnership in which the Bank contributes capital. These contracts are stated at the fair value of consideration given less any amounts written off and impairment if any.

Income on mudaraba is recognised when the right to receive payment is established or on distribution by the mudarib, whereas losses are charged to income on declaration by the mudarib.

**c Murabaha receivables**

Murabaha receivables consist mainly of deferred sales transactions (Murabaha) which are stated net of deferred profits and provisions for impairment, if any.

Murabaha receivables are sales on deferred terms. The Bank arranges a murabaha transaction by buying a commodity (which represents the object of the murabaha) and then resells this commodity to the Murabeh (beneficiary) after computing a margin of profit over cost. The sale price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period.

Profit from murabaha receivables is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to accounts that are 90 days overdue is excluded from the statement of income.

**d Equipment, furniture and fixtures**

Equipment, furniture and fixtures are initially recognised at cost and subsequently stated at cost less accumulated depreciation and accumulated impairment. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the statement of income as incurred. Depreciation is provided on the straight line basis at rates intended to write-off the cost of the assets over their estimated useful life.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Equipment	5 years
Furniture and fixtures	3-5 years

**e Employees' end-of-service benefits**

Bahraini employees of the Bank are covered by contributions made to the General Organisation of Social Insurance Scheme (GOSI) as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due.

The Bank also provides for end-of-service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f Impairment of financial assets**

The Bank assesses at each statement of financial position date whether there is objective evidence that a specific asset or a group of assets may be impaired. An asset or a group of assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event(s) have an impact on the estimated future cash flows of the asset or the group of the assets that can be reliably estimated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment amount was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of income.

**g Earnings prohibited by Shari'a**

The Bank is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Bank uses these funds for charitable means.

**h Derecognition of financial instruments**

Financial instruments consist of cash and balances with banks, mudaraba, murabaha receivables and accounts payable.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset has expired; or
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**i Provisions**

Provisions are recognised when the Bank has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**j Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, when there is a legally enforceable or religious right (as determined by Shari'a) to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**k Zakah**

The responsibility of payment of zakah is on individual shareholders of the Bank.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

## 5 CASH AND BALANCES WITH BANKS

	2014 BD	2013 BD
Cash in hand	2,121	3,979
Balances with banks (note 15)	149,193	260,424
	<u>151,314</u>	<u>264,403</u>

## 6 MUDARABA

	2014 BD	2013 BD
Mudaraba with islamic financial institution (note 15)	1,155,777	1,927,495
Mudaraba with customers	5,057	19,704
Impairment provision for credit losses (note 8)	(1,719)	(18,071)
	<u>3,338</u>	<u>1,633</u>
	<u>1,159,115</u>	<u>1,929,128</u>

6.1 The restructured facilities during the year amounted to BD 4,878 (31 December 2013: BD 1,313).

## 7 MURABAHA RECEIVABLES

	2014 BD	2013 BD
Gross murabaha receivables	2,121,273	1,359,271
Deferred profits	(605,599)	(341,663)
Impairment provision for credit losses (note 8)	(121,048)	(123,838)
Net murabaha receivables	<u>1,394,626</u>	<u>893,770</u>

7.1 The restructured facilities during the year amounted to BD 35,663 (31 December 2013: BD 20,912).

## 8 IMPAIRMENT PROVISIONS AGAINST MUDARABA AND MURABAHA RECEIVABLES

	2014			2013		
	<i>Mudaraba</i> BD	<i>Murabaha</i> <i>receivables</i> BD	<i>Total</i> BD	<i>Mudaraba</i> BD	<i>Murabaha</i> <i>receivables</i> BD	<i>Total</i> BD
As at 1 January	18,071	123,838	141,909	53,534	127,698	181,232
Recoveries	(18,449)	(101,070)	(119,519)	(56,223)	(127,209)	(183,432)
Charge for the year:						
Specific	14,628	144,857	159,485	54,009	192,999	247,008
General	17	5,059	5,076	(398)	1,987	1,589
Impairment provisions for credit losses	(3,804)	48,846	45,042	(2,612)	67,777	65,165
Write-off during the year	(12,548)	(51,636)	(64,184)	(32,851)	(71,637)	(104,488)
As at 31 December	<u>1,719</u>	<u>121,048</u>	<u>122,767</u>	<u>18,071</u>	<u>123,838</u>	<u>141,909</u>



## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

## 9 EQUIPMENT, FURNITURE AND FIXTURES

	<i>Equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Total BD</i>
Cost:			
At 1 January 2014	118,689	188,288	306,977
Additions	13,154	1,224	14,378
Disposal	-	(920)	(920)
<b>At 31 December 2014</b>	<b>131,843</b>	<b>188,592</b>	<b>320,435</b>
Depreciation:			
At 1 January 2014	73,939	124,110	198,049
Disposal	-	(268)	(268)
Charge for the year	23,439	36,509	59,948
<b>At 31 December 2014</b>	<b>97,378</b>	<b>160,351</b>	<b>257,729</b>
<b>Net carrying values: At 31 December 2014</b>	<b>34,465</b>	<b>28,241</b>	<b>62,706</b>
	<i>Equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Total BD</i>
Cost:			
At 1 January 2013	116,621	180,181	296,802
Additions	7,468	8,107	15,575
Written-off	(5,400)	-	(5,400)
<b>At 31 December 2013</b>	<b>118,689</b>	<b>188,288</b>	<b>306,977</b>
Depreciation:			
At 1 January 2013	53,355	86,938	140,293
Written-off	(3,806)	-	(3,806)
Charge for the year	24,390	37,172	61,562
<b>At 31 December 2013</b>	<b>73,939</b>	<b>124,110</b>	<b>198,049</b>
<b>Net carrying value: At 31 December 2013</b>	<b>44,750</b>	<b>64,178</b>	<b>108,928</b>

## 10 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	<i>2014 BD</i>	<i>2013 BD</i>
Accrued expenses	57,969	45,107
Customer saving accounts	18,055	23,373
Provision for end-of-service benefits	12,888	34,286
Legal and professional fees payable	13,225	18,445
	<b>102,137</b>	<b>121,211</b>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**11 SHARE CAPITAL**

	2014 BD	2013 BD
<i>Authorised :</i>		
150,000,000 ordinary shares (31 December 2013: 150,000,000) of BD 0.1 each	<u>15,000,000</u>	<u>15,000,000</u>

*Issued and fully paid up:*

As at beginning and end of the year

50,000,000 ordinary shares (31 December 2013: 50,000,000) of BD 0.1 each	<u>5,000,000</u>	<u>5,000,000</u>
--	------------------	------------------

*Statutory reserve*

In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the net profit for the year is transferred to the statutory reserve until the reserve reaches 50% of the Bank's paid-up share capital. This reserve is not distributable, but can be utilised as security for the purpose of distribution in such circumstances as stipulated in the BCCL and following the approval of the CBB. No transfer has been made during the year as the Bank incurred a loss (31 December 2013: nil).

**12 INCOME FROM MUDARABA**

	2014 BD	2013 BD
Income from financial institutions (note 15)	48,283	93,136
Income from customers	4,442	10,290
	<u>52,725</u>	<u>103,426</u>

**13 STAFF COST**

	2014 BD	2013 BD
Salaries and benefits	394,254	341,057
Social security contribution	60,430	48,758
Medical expenses	34,740	29,689
Others	61,823	65,621
	<u>551,247</u>	<u>485,125</u>

**14 GENERAL AND ADMINISTRATIVE EXPENSES**

	2014 BD	2013 BD
Professional fee	29,178	25,350
Lease rentals	25,152	25,152
Membership fee	13,314	13,358
Utilities	12,733	12,361
Security charges	11,765	18,133
Marketing and promotional expenses	8,946	9,771
Communication	6,464	6,709
Shari'a Supervisory Board advisory and attendance allowances (note 15)	6,040	9,060
Training expenses	2,880	1,840
Others	17,416	21,958
	<u>133,888</u>	<u>143,692</u>

**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2014

**15 RELATED PARTY TRANSACTIONS**

Related parties comprise major Shareholders, Directors of the Bank, Shari'a Supervisory Board members, entities owned or controlled, jointly controlled or significantly influenced by such parties.

The transactions with related parties arise from the ordinary course of business. Outstanding balances at year end are unsecured. For the year ended 31 December 2014, the Bank has not made any provision related to amounts owed by related parties (31 December 2013: nil).

The significant balances with related parties were as follows:

	<b>2014</b>	<b>2013</b>
	<b>BD</b>	<b>BD</b>
<b>ASSETS</b>		
Balances with banks (note 5)	149,193	260,424
Mudaraba (note 6)	1,155,777	1,927,495
Other assets	5,200	5,080
	<u>1,310,170</u>	<u>2,192,999</u>
<b>LIABILITY</b>		
Accounts payable, accruals and other liabilities	<u>33,115</u>	<u>18,173</u>

The transactions with the related parties included in the statement of income are as follows:

	<b>2014</b>	<b>2013</b>
	<b>BD</b>	<b>BD</b>
<b>Income</b>		
Income from mudaraba (note 12)	<u>48,283</u>	<u>130,230</u>
<b>Expense</b>		
Shari'a Supervisory Board advisory and attendance allowances (note 14)	<u>6,040</u>	<u>9,060</u>

Key management personnel are those that possess significant decision-making and direction-setting responsibilities in each team, at different grades with the Bank. Compensation of these key management personnel is as follows:

	<b>2014</b>	<b>2013</b>
	<b>BD</b>	<b>BD</b>
Salaries	233,064	188,120
Other benefits	43,915	38,905
	<u>276,979</u>	<u>227,025</u>

**16 CAPITAL MANAGEMENT**

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

**17 SHARI'A SUPERVISORY BOARD**

The Bank's Shari'a Supervisory Board consists of three scholars who review the Bank's compliance with general Shari'a principles and specific fatwa's, rulings and guidelines issued. Their review includes examination of the documentation and procedures adopted by the Bank to ensure that its activities are conducted in accordance with Shari'a principles.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**18 RISK MANAGEMENT**

The Bank is exposed to the credit risk and liquidity risk during the course of its business along with other operational risks.

The Bank's Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established an Executive Committee, which is responsible for developing and monitoring Bank's operations and policies across various functions including the risk management policies. The Executive Committee consists of three non-executive directors of the Bank along with the Chief Executive Officer ["CEO"] as an attendee. The Executive Committee reviews and approves the CEO's recommendations for investment strategies, investment proposals, various products and services and where deemed necessary, also refers decisions to the Board of Directors.

The Bank's Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by outsourced Internal Audit function.

**18.1 Credit risk**

Credit risk is the risk that a counterparty to a financial transaction does not discharge its obligations on due dates and causes the other party to incur a financial loss.

The Bank's credit risk arises mainly from balances with banks, mudaraba and murabaha receivables. The Bank manages its credit risk by placing funds with reputable banks having good credit ratings.

**(a) Gross maximum exposure to credit risk**

	<b>2014</b>	<b>2013</b>
	<b>BD</b>	<b>BD</b>
Balances with banks	<b>149,193</b>	260,424
Mudaraba	<b>1,160,834</b>	1,947,199
Murabaha receivables	<b>2,121,273</b>	1,359,271
Other assets	<b>20,833</b>	15,153
	<b><u>3,452,133</u></b>	<b><u>3,582,047</u></b>

**(b) Credit quality by class of financial asset**

	<b>2014</b>				<b>Total</b>
	<b>Balances</b>	<b>Mudaraba</b>	<b>Murabaha</b>	<b>Other</b>	
	<b>with banks</b>	<b>BD</b>	<b>receivables</b>	<b>Assets</b>	<b>BD</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
Neither past due nor impaired	149,193	1,157,225	1,332,068	20,833	<b>2,659,319</b>
Past due but not impaired	-	-	28,812	-	<b>28,812</b>
Individually impaired					
Gross amount	-	3,609	154,794	-	<b>158,403</b>
Provision	-	(1,719)	(121,048)	-	<b>(122,767)</b>
Net	-	1,890	33,746	-	<b>35,636</b>
Total exposure to credit risk	<b>149,193</b>	<b>1,159,115</b>	<b>1,394,626</b>	<b>20,833</b>	<b>2,723,767</b>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

## 18 RISK MANAGEMENT (continued)

## 18.1 Credit risk (continued)

## (b) Credit quality by class of financial asset (continued)

	2013				Total BD
	Balances with banks BD	Mudaraba BD	Murabaha receivables BD	Other Assets BD	
Neither past due nor impaired	260,424	1,927,578	623,333	15,153	2,826,488
Past due but not impaired	-	126	227,531	-	227,657
Individually impaired					
Gross amount	-	19,495	166,744	-	186,239
Provision	-	(18,071)	(123,838)	-	(141,909)
Net	-	1,424	42,906	-	44,330
Total exposure to credit risk	260,424	1,929,128	893,770	15,153	3,098,475

## (c) Ageing analysis of past due but not impaired receivables per class of financial assets

	2014		
	31 to 60 days BD	61 to 90 days BD	Total BD
Mudaraba	-	-	-
Murabaha receivables	-	28,812	28,812
	-	28,812	28,812
	2013		
	31 to 60 days BD	61 to 90 days BD	Total BD
Mudaraba	126	-	126
Murabaha receivables	213,062	14,469	227,531
	213,188	14,469	227,657

## (d) Concentration of maximum exposure to credit risk

The Bank's assets and liabilities are distributed over the following industry sectors and geographical areas:

	2014		
	Banks and financial institutions BD	Others BD	Total BD
<b>Assets</b>			
Balances with banks	149,193	-	149,193
Mudaraba	1,155,777	5,057	1,160,834
Murabaha receivables	-	2,121,273	2,121,273
Other assets	-	20,833	20,833
	1,304,970	2,147,163	3,452,133

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**18 RISK MANAGEMENT (continued)****18.1 Credit risk (continued)****(d) Concentration of maximum exposure to credit risk (continued)**

	<u>2013</u>		
	<i>Banks and financial institutions BD</i>	<i>Others BD</i>	<i>Total BD</i>
Assets			
Balances with banks	260,424	-	260,424
Mudaraba	1,927,495	19,704	1,947,199
Murabaha receivables	-	1,359,271	1,359,271
Other assets	-	15,153	15,153
	<u>2,187,919</u>	<u>1,394,128</u>	<u>3,582,047</u>

***Geographical concentration***

Assets and liability of the Bank as at 31 December 2014 are primarily concentrated in Kingdom of Bahrain.

Family Bank B.S.C. (c)  
**NOTES TO THE FINANCIAL STATEMENTS**  
 At 31 December 2014

**18 RISK MANAGEMENT (continued)**

**18.2 Liquidity risk**

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

**Maturity Profile**

The table below summarizes the maturity profile of the Bank's financial assets and liabilities based on contractual cash flows.

	2014						Total BD
	Up to 1 month BD	1 to 3 months BD	3 months to 1 year BD	Within 1 year BD	1 to 3 years BD	Over 3 years BD	
<b>Assets</b>							
Balances with banks	149,193	-	-	149,193	-	-	149,193
Mudaraba	955,234	200,543	-	1,155,777	3,338	-	1,159,115
Murabaha receivables	-	-	-	-	1,394,626	-	1,394,626
Other assets	15,203	130	5,200	20,533	-	300	20,833
<b>Total assets</b>	<b>1,119,630</b>	<b>200,673</b>	<b>5,200</b>	<b>1,325,503</b>	<b>1,397,964</b>	<b>300</b>	<b>2,723,767</b>
<b>Liability</b>							
Accounts payable, accruals and other liabilities	53,579	13,792	1,859	69,230	20,020	12,887	102,137
<b>Total liability</b>	<b>53,579</b>	<b>13,792</b>	<b>1,859</b>	<b>69,230</b>	<b>20,020</b>	<b>12,887</b>	<b>102,137</b>
<b>Net liquidity gap</b>	1,066,051	186,881	3,341	1,256,273	1,377,944	(12,587)	
<b>Cumulative net liquidity gap</b>	<b>1,066,051</b>	<b>1,252,932</b>	<b>1,256,273</b>	<b>2,634,217</b>	<b>2,621,630</b>		

**Family Bank B.S.C. (c)**  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2014

**18 RISK MANAGEMENT (continued)**

**18.2 Liquidity risk (continued)**

**Maturity Profile (continued)**

	2013						Total BD
	Up to 1 month BD	1 to 3 months BD	3 months to 1 year BD	Within 1 year BD	1 to 3 years BD	Over 3 years BD	
<b>Assets</b>							
Cash and balances with banks	260,424	-	-	260,424	-	-	260,424
Mudaraba	-	201,242	1,726,253	1,927,495	1,633	-	1,929,128
Murabaha receivables	-	-	-	-	893,770	-	893,770
Other assets	9,489	-	5,134	14,623	-	400	15,023
<b>Total assets</b>	<b>269,913</b>	<b>201,242</b>	<b>1,731,387</b>	<b>2,202,542</b>	<b>895,403</b>	<b>400</b>	<b>3,098,345</b>
<b>Liability</b>							
Accounts payable and other liabilities	31,525	-	-	31,525	25,378	34,286	91,189
<b>Total liability</b>	<b>31,525</b>	<b>-</b>	<b>-</b>	<b>31,525</b>	<b>25,378</b>	<b>34,286</b>	<b>91,189</b>
<b>Net liquidity gap</b>	<b>238,388</b>	<b>201,242</b>	<b>1,731,387</b>	<b>2,171,017</b>	<b>870,025</b>	<b>(33,886)</b>	
<b>Cumulative net liquidity gap</b>	<b>238,388</b>	<b>439,630</b>	<b>2,171,017</b>	<b>3,041,042</b>	<b>3,007,156</b>		



At 31 December 2014

**18 RISK MANAGEMENT (continued)**

**Operational Risk**

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

**19 SEGMENTAL INFORMATION**

The Bank operates solely in the Kingdom of Bahrain and hence no geographic segment information has been presented.

**20 SOCIAL RESPONSIBILITY**

The Bank discharges its social responsibilities through donations to charitable causes and organisations.

**21 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair value of the Bank's financial instruments are not significantly different from their book values as at the statement of financial position date.

**22 EARNINGS PROHIBITED BY SHARI'A**

The Bank has not received any income which was non-shari'a compliant during the year ended 31 December 2014 (31 December 2013: nil).

**Supplement of disclosures as required by Volume 5 – Public  
Disclosures Module PD-1.3 *Disclosures in the Annual Audited  
Financial Statements***

● **Board Profile and experience**

**1. Dr. Fatima Al Balooshi**

**Board Chairperson**

**Non- Independent, Non-Executive**

Dr. Fatima Al-Balooshi is currently the Minister of Social Development. She started her career as a science teacher in 1992 she obtained her Ph.D. from Columbia University and was later appointed as chairman of the Department of Educational and Technology. In 2004 she became the dean of the College of Education at the University of Bahrain she is also a member of the Supreme Council for Women and a member of the Economic Development Board, seeking economic empowerment for poor families, she worked hard for several years to establish Family Bank B.S.C. (c) as a pioneering project of her Ministry with partnership of the private sector.

**2. Dr. Khalid Abdulla Ateeq**

**CEO & Board Member**

**Non-Executive**

Dr. Khalid is currently the Chief Executive Officer of Family Bank. He has over 35 years of experience in banking, finance, auditing and accounting, before he joined Venture Capital Bank as deputy CEO, he was executive director of Banking Supervision at the Central Bank of Bahrain where he was responsible for the licensing, inspection and supervision of financial institutions. he also served as assistant professor at Bahrain University. In addition, through his diversified experience, he also served in senior posts with a number of reputable banks and firms and currently he is also a board member in Al Khair Bank, Bank Al Baraka, Itqan Company and Med Gulf Company. He holds a Ph.D. in Philosophy of Accounting.

**3. Dr. Mustafa Al Sayed**

**Board Deputy Chairperson**

**Non- Independent, Non-Executive**

Dr. Mustafa Al Sayed is the Secretary General of the Royal Charity Organization and chief executive of Bahrain Petroleum Company (BAPCO). He has 40 years of experience, his previous positions include: chief engineer with the Ministry of Works, Power & Water, chief executive at Middle Cables for five years and general manager with Gulf Petrochemical Industries Company (GPIC) for 17 years. He was also the Power and Utilities Supervisor with Bahrain Petroleum Company. He is currently board member of Nass Corporation, National Oil & Gas Holding Co, National Oil & Gas Authority and Bahrain Health & Safety Society. A mechanical engineer by profession, Dr. Mustafa has a Ph.D. in Industrial Management, BS in Mechanical Engineer and MS in Industrial Management.

**4. Mrs. Sawsan Abulhassan**

**Board Member**

**Non-Independent, Non-Executive**

Mrs. Sawsan Abulhassan holds an MBA in Finance (with distinction) and also graduated as B.Sc. in Management from the University of Bahrain. She is the Deputy Group CEO – Private Banking and Wealth Management at Ahli United Bank B.S.C. (AUB). She holds the following directorships: Director of Ahli United Bank (UK) PLC; Director & Member of the Investment Committee for Securities & Investment Company (SICO), Kingdom of Bahrain. She has 23 years of experience in wealth management and retail banking with international and regional banks. The current role involves overlooking the private banking & wealth management business in group countries of AUB. She was previously associated with Citibank N.A. Bahrain as resident vice president and Standard Chartered Bank, Bahrain as head of wealth management.

**5. Mr. Khalid Mohammad Al Maarafi**  
**Non- Independent, Non-Executive**

Mr. Khalid Mohamed Al Maarafi holds a Bachelor's degree in Accounting from the University of Bahrain, and is a Certified Public Accountant (CPA). He has been involved in the banking and finance industry and business management for over 35 years. Mr. Al Maarafi is an executive manager and head of retail banking group at Kuwait Finance House - Bahrain and the chairman of Al Enma'a House for Real Estate. He is also non-executive director at the boards of various companies. He held several positions at the Ministry of Finance and the Ministry of Industry and Commerce in Bahrain.

**6. Mr. Ahmed Abdul Rahim**  
**Board Member**  
**Non- Independent, Non-Executive**

Mr. Ahmed holds an MBA from the University of Glamorgan, Wales (UK), and is an Associate Financial Accountant from the Institute of Financial Accountants, London (UK). He also holds an Executive Management Diploma from the University of Bahrain and an Advance Banking Diploma from the Bahrain Institute of Banking and Finance. Mr. Abdul Rahim is the chief executive officer of Ithmaar Bank B.S.C. He started his career with Aluminium Bahrain and, after five years of service ending with senior supervisor, cash and banking, as well as one year with Chase Manhattan Bank where he was head of financial control, he then joined the National Bank of Bahrain BSC where he served 28 years within various executive levels and in different capacities, including manager of foreign exchange and funding, chief internal auditor and assistant general manager of corporate services group.

Mr. Ahmed held the dual roles of deputy chief executive officer at Shamil Bank and chief operating officer at Ithmaar Bank B.S.C. for approximately four years. Following the reorganisation of Shamil Bank and Ithmaar Bank, he took charge of the retail banking group as general manager. He currently serves as board member of Faysal Bank Limited (Pakistan), The Benefit Company B.S.C. and Injaz Bahrain.

**7. Dr. Khalid Al-Khalifa**  
**Board Member**  
**Independent, Non-Executive**

Dr. Khalid Alkhalifa holds a Ph.D. in Philosophy from the University of North Umbria (UK), in 2003. He is the founder and president of UCB 2002. He has approximately 28 years of working experience. He also worked in AGU 2002 and the Ministry of Foreign Affairs. He has wide knowledge in information technology and community development. He is a chairman of Cambridge Consultancy.

**8. Mr. Rashad Akbari**  
**Board Member**  
**Non-Independent, Non-Executive**

Mr. Rashad Akbari holds an M.Sc. in Marketing from the University of Stirling, (UK) in 1997. He has 26 years of working experience of which 13 years in Banking. Mr. Rashad joined Bank of Bahrain and Kuwait B.S.C. (BBK) in 2000 and is currently the assistant general manager, operations of BBK.

**9. Professor H. Latifee**  
**Board Member**  
**Independent, Non-Executive**

Professor Latifee is the Managing Director of Grameen Trust, which has implemented more than 150 Grameen Bank Replication Programs in 40 countries. He has 40 years of experience. He is well known for his contribution in the field of microfinance, poverty alleviation, financial inclusion, social business and value building growth. He has been associated with Professor Muhammad Yunus since the inception of Grameen Bank. He serves as member of a number of board of directors including Grameen America Inc. in U.S.A, Grameen Carso in Mexico, Grameen Aval Colombia in Colombia, Kosovo Grameen Missione Arcobaleno Micro credit Fund in Kosovo, Grameen Credit Agricole Micro finance Foundation in Luxembourg, Nirthan Utthan Bank Limited in Nepal, Microcredit Initiative of Grameen in India and Grameen Microcredit Companies (Aba Songpan Grameen MCC and Grameen Shangdu MCC) in China.

● **Board of Directors Responsibilities**

**Strategy**

- Participate actively in strategy development;
- Review and challenge the strategy; and
- Create a strategically adaptable organization that is able to respond quickly to changing market opportunities.

**Corporate Culture**

- Support managements organizational code of conduct; and
- Promote the use of appropriate incentives that make such codes meaningful.

**Monitoring and Evaluation**

- Ensure that the organization complies with all relevant laws and regulations as well as with accounting, human resource, and other internal policies
- Understand organizational risks and be informed routinely about how they are managed
- Apply a rigorous process for evaluating the performance of the CEO

**Stewardship**

- Uphold rigorous standards for individual member's preparedness, participation, and candor;
- Protect the organization and its stakeholders from the potential damage of conflicts of interest; and
- Safeguard stakeholder's interests, in part by ensuring that communication with various stakeholders is thorough timely, and transparent.

The Chairman of the Board of Directors is distinct from the CEO, that there will be an appropriate balance of power and greater capacity of the board for independent decision making, the Chairman is responsible for ensuring Board's effectiveness.

● **The Board Composition**

The Board currently has nine members, from both public and private sectors.

All the shareholders are Bahraini, and two of them are from governmental sector.

## Ownership Structure

As at 31st December 2014, following is the distribution of shares:

Name	Number of shares	Percentage
Ministry of Social development	15,200,000	30.40%
Royal Charity Organization	15,000,000	30.00%
Ithmaar Bank	5,000,000	10.00%
Bank of Bahrain and Kuwait	5,000,000	10.00%
Ahli United Bank	6,000,000	12.00%
Kuwait Finance House	3,800,000	7.60%
	<u>50,000,000</u>	<u>100.00%</u>

### 1 Responsibilities of Executive, Remuneration & Nomination Committee:

- Formalise and recommend to the Board of Directors medium and long term strategic directors for the Bank with the objective of continuously enhancing value to shareholders;
- Establish appropriate policies and procedures to ensure effective implementation of the above and to achieve maximum protection for the Bank's assets and future growth;
- Ensures effective implementation of the Bank's short, medium and long term strategies and business objectives; and
- Represents the Board of Directors in the management team of the Bank and ensures clear understanding and effective compliance with the Board of Directors and other shareholders directions and interest.

### 2 responsibilities of Risk, Audit and Corporate Governance Committee:

#### A. Audit

In this area the Committee is responsible for reviewing the integrity of the Bank's financial reporting, overseeing the selection and compensation of the external auditor for appointment and approval at the shareholders meeting, monitoring the external auditors qualification and independence, reviewing the activities and performance of the Bank's internal audit function, and reviewing the compliance by the Bank with legal and regulatory requirements including all relevant laws, regulations, codes and business practices.

#### B. Risk

The Committee make recommendations to the Board in relation to the Bank's overall risk appetite and tolerance and the policies within which to manage the aforementioned, these policies are defined as credit risk, market risk, operational risk and liquidity risk in addition to any other risk categories the Bank faces in carrying out its activities. The Committee also recommends and monitors the Bank's overall risk management framework which involves developing across all business activities and operations policies, internal controls, methods of risk management, compliance procedures and methods of reporting to the Board.

#### C. Corporate Governance:

The Committee oversees the implementation of an appropriate system of directing and controlling the organization.

- A good system of corporate governance will facilitate the willing support (and therefore understanding) of all stakeholders whilst facilitating the spirit of entrepreneurship and protecting the interest of stakeholder.

### **3 Shari'a Supervisory Board**

The Bank has formed a Shari'a Supervisory Board consisting of three members who ensure that the operations of the Bank are in compliance with Shari'a principles. The Shari'a Supervisory Board is assisted by a Shari'a Reviewer.

All the above Committees are reported to the Board of Directors.

#### **Operational Management Committees**

Following are the main operational management committees and their responsibilities:

##### **1 Management Committee Responsibilities**

Management Committee is responsible for overall performance of the functions of the Bank in line with the business plan and operating environment in order to achieve the Bank's objectives as set out by the Board and to permit actions required to achieve the business plan.

##### **2 Credit Committee Responsibilities**

Credit Committee is responsible to exercise authority in assessing and managing the credit risk of the business and ensuring the maintenance of a good quality risk asset portfolio in line with the risk appetite as agreed and monitored by the Board Audit, Risk & Corporate Governance Committee.

The Committee is also oversees the implementation of credit decisions in a manner so as to conform to credit policy as well as laws and regulations stipulated by the statutory authorities.

##### **3 HR Committee Responsibilities:**

- iii. Interpret, implement, administer, review and deliberates on matters concerning remuneration, succession planning of key personnel, performance evaluations, training and other staff related matters review and approve for the CEO and all employment agreements, consulting agreements, severance arrangements and changes in control agreements or provisions;
- iv. The HR Committee, in consultation with the CEO, shall review succession planning relating to the Bank's CEO and other key members of the Bank's senior management;
- v. Form and delegate authority to subcommittees as the HR Committee may deem appropriate;
- vi. Report regularly to the CEO, not less frequently than annually;
- vii. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for its approval. This Charter is in all respects subject and subordinate to the Bank's certificates of incorporation and applicable laws and regulations;
- viii. Review annually its own performance and report the results of such review to the Board; and
- ix. Make annual training plans.

##### **• Head of Functions:**

##### **1 Ms. Sana Salim Manager Banking Operation**

Mrs. Sana Salim Abdulla holds a diploma in Commercial Studies from the University of Bahrain. She has over 15 years of experience with BBK and ESKAN Bank B.S.C.

During her professional career, she attended several courses, seminars and conference in banking, management, Islamic banking, economy and banking laws.

**2 Mr. Abdullah Saleh**  
**Senior Manager - Microfinance Division**

Abdulla Saleh holds a B.Sc. degree from Beirut University in Lebanon majoring in business administration and is a member of the Association of Accounting Technicians , United Kingdom. He has 28 years of experience in finance function in several organizations including the Fortune Investment House and the Gulf Air Co.

**3 Mr. Sameer Deshpande**  
**Financial Controller**

Mr. Sameer Deshpande is a member of the Institute of Chartered Accounts of India (ICAI) and holds a B.Com degree in Commerce /Financial Accounting from Bombay University, India.

He has over 21 years of experience in various financial positions, including as financial controller of the Bahrain Development Bank BSC.

• **Financial Penalty**

During the year 2014, the Central Bank of Bahrain imposed financial penalties on the Bank for its failure to clean up the erroneously open account in the BCRB system and also due to delay in submitting the Board and Committee meetings annual report, the Bank paid BD 400 in this respect.

**Profit rate for financing provided by the Bank**

Islamic financing is available at Family Bank at annual profit rate of 18% for both MEF and Grameen (in cooperation with Tamkeen).

<b>Fees &amp; Services Charges</b>	<b>BD</b>
Application Fees ( Non - Refundable)	10
Ta'azeez Fees (Non-Refundable) - Taken once	10
Administrative fees for funding	
· BD 500 – 1000	25
· BD 1001 – 2500	45
· BD 2501 – 4000	75
· BD 4001 – 5000	100
Outstanding Letter (stating of outstanding liabilities with the Bank)	5
Outstanding Letter (stating of outstanding liabilities with the Bank) - Urgent basis	10
No liability/Release letter	5
No liability/Release letter - urgent basis	10
Tawarruq Fees for the Islamic Financial Consultants (Eltezam)	20
Early Settlement (Mudaraba)	11

**Communication strategy of the Bank**

**Organizational Structure**

CEO —————> Public Relation Department (PRD)

**Responsibilities of PRD**

- Preparation and issuance of financial reports;
- Organizing events and conferences for marketing purposes;
- Managing the Press releases by the Bank including Press releases by all members of the Management;
- Updating the official website of the Bank; and
- Any other responsibilities assigned by the CEO of the Bank.



## **Policies**

### **1 Annual Corporate Marketing Plan**

The Annual Corporate Marketing Plan shall at a minimum contain:

- Details of recurring departmental responsibilities, for e.g. publications of annual report, conferences, other events etc.;
- Budgets for major events planned for the following financial year;
- Details of events such as the date and month; and
- Plans and Preparation of ideas for the following financial year.

PRD reviews the actual spending of its department against its budgeted spending on a quarterly basis.

### **2 Annual Audited Financial Statement**

The Bank must submit the annual audited financial statements to the CBB within 3 months of the end of Bank's financial year (as per PD-1.2.1). The annual audited financial statements must be audited by their external auditor.

### **3 Year End Financial Statement**

Public Relation Department has the responsibility to obtain deadlines for the publications of the annual financial statement from the Financial Controller and the compliance department.

The Bank is required to publish the annual audited financial statements on their website within seven days of submission to the CBB.

PRD should notify all relevant members of staff about the details of advertisement one day before publishing the financial statements so that they are aware of the contents of the financial statements when approached by any third parties.

### **4 Events**

- 4.1 To facilitate the activities of an event, the PRD will coordinate with the Head of the relevant department;
- 4.2 The PRD should act as the main point of contact between the Bank and event invitees;
- 4.3 The PRD should identify the purpose of the event, the target audience and other relevant targets which need to be achieved;
- 4.4 PRD is responsible that special invitation cards are made and sent to all relevant guests and VIP guests;
- 4.5 The PRD shall identify the performance measurement criteria for events and agents as per the relevant guidelines of the CBB on monitoring performance;
- 4.6 If the bank hosting a luncheon, PRD should organize a reception line Consisting of the Functional Departments and CEO/Senior Management;
- 4.7 The offices of the CEO/Senior Management should draft any speeches or Presentations to be given by the CEO/Senior Management at an event. The PRD should ensure that copies are circulated to the media immediately following the presentation or speech;
- 4.8 PRD should arrange for a private photographer and video operator to cover activities at the event; and
- 4.9 All press releases and photographs that are subsequently used for media publicity should be approved by the CEO/Senior Management.

## **5 Conferences**

- 5.1 Conferences may be held at any geographical location and are classified into the following types:
- Conferences sponsored by
  - Conferences attended by
- 5.2 The PRD should act as the main point of contact between the Bank and Conference organisers.
- 5.3 PRD should ensure that they are aware of all the dates and formalities of the conference, including the theme and nature of the conference.
- 5.4 The offices of the CEO/Senior Management should draft any speeches or presentations to be given by the CEO/Senior Management at an event.
- 5.5 The staff members should be allowed to attend the conference based on the following criteria by the Heads of each Department:
- Topic of the conference;
  - Relevance of the conference to the staff member's job and department activities; and
  - What value the staff will bring to the Bank by attending the conference.
- 5.6 Any information for sponsorship should be sent to the PRD by relevant head of department along with the reasons why to sponsor the conference.
- 5.7 PRD will make sure that all the expenditure related to a conference is as per the approved
- 5.8 PRD should collect all the photographs and interviews taken regarding during the conference and should be filed.
- ## **6 Press Release**
- 6.1 PRD is responsible to coordinate all press releases.
- 6.2 Separate Procedures will be devised for compulsory and own initiated press releases,
- 6.3 Press releases should be drafted either for specific projects or when there is a need for public information about the activities.
- 6.4 Press releases should be made for positive publicity of and to curtail the effects of any negative publicity as well.
- 6.5 The CEO/Senior Management has the authority to issue press releases.
- 6.6 No staff member is allowed to make any public statement under any circumstances except the CEO's approval.
- 6.7 PRD should ensure that separate versions of the same Press releases are drafted, one in English and one in Arabic, if necessary.
- 6.8 PRD is responsible to distribute the press release one day before the Press release date to all relevant members of staff through the email. This is to ensure that all relevant members of staff are aware of the press release in case they are approached by a third party and questioned about the topic.
- 6.9 PRD must send the press release to the compliance department to obtain CBB approval, in case there is any advertising for the Bank products or services.

## **7 Eid and Seasons Greeting Cards**

- 7.1 PRD is responsible to ensure that Eid and seasons greeting cards are available when requested.
- 7.2 PRD is responsible to place all orders for both types of cards from the advertising agency.
- 7.3 While designing any cards, the PRD should obtain rates and samples from the advertising
- 7.4 PRD orders Eid cards prior to the specified number of days.
- 7.5 PRD should distribute Eid and seasons greetings cards to the relevant Head of Departments, CEO/Senior Management's office that require them for business usage.
- 7.6 The mode of distribution e.g. courier, regular mail should be decided and communicated to the PRD by the relevant department heads.

## **8 Website Update**

- 8.1 PRD is responsible to ensure that the website content and design is constantly updated and maintained on a regular basis.
- 8.2 PRD is not responsible for the technical maintenance of the website.
- 8.3 PRD should collect all changes required to the website and submit them to the website developer at the end of every month or as and when required.
- 8.3 Any change in the business activity or product offerings must be updated immediately on the website.
- 8.4 All press releases submitted by PRD to the website developers, and should be updated immediately after the press release.
- 8.5 PRD is responsible to submit the annual audited financial statements to the website developers for updating within seven days of submission to the CBB.

## **9 Directory Advertising**

- 9.1 The PRD is responsible to contact the CEO/Senior Management and obtain approval when renewing any advertising listings.
- 9.2 The PRD has the responsibility to act as the liaison between the Bank and the publishing company.
- 9.3 PRD is responsible to collect all new updated information for advertising from the relevant head of department, at the time of renewal of the advertisement.

## **10 Selection of Advertising Agency**

- 10.1 PRD should request for quotations and sample for the tendering of advertising activities from at least three advertising agencies.
- 10.2 Selection of the advertising agency should be driven by the quality of the samples and by cost.
- 10.3 When selecting the advertising agency, PRD should also take into consideration the level of exposure the advertising agency can offer.

## **11 Selection of Quotations**

PRD should request for at least two quotations of suppliers/service providers for any type of service required.

## **12 Standard Stationery Items**

All requests for publication of corporate stationery, including business cards, must be approved by the Head of PRD/CEO/Senior Management.

The following are the bank's standard stationery items that are routinely printed with the Bank's logo:

- Letterhead
- Continuation paper
- Compliment slips
- Corporate gift bags
- Corporate wrapping paper
- Brown mailing envelopes (A5, A4 and larger)
- White mailing envelopes (DL, A4 and larger)
- Window envelopes (DL, A4 and Arabic and English Package size)

## **13 Payments**

PRD Staff must ensure that all invoices received are in line with the payment terms agreed with the service vendor prior to provision of such services.

All invoices relating to PRD expenses must be reviewed and initialed by the PRD and should be approved by the authorised signatories of the Bank as per the delegated approval authority limits.