

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

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

**31 DECEMBER 2013**

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 2013**

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, 2013. 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, 2013 were on the whole in accordance with the rules and principles of Islamic *Sharia'a* law.

2- We did not detect the presence of any of the unintended benefits, realized from sources or methods prohibited by the provisions and principles of Islamic law until the end of the fiscal year 31 December 2013.

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 0.00155 per share.

We ask Allah almighty his continued guidance & blessings.

Wasslam Alaikum Wa Rahmat Allah Wa Barakatuh

Date: 24/05/1435 - 25/03/2014 - 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 2013**

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 2013.

**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 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, 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 conform to the Islamic Shari’a.

In 2013, 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 Advisory Board.

### Performance during 2013

During the year 2013, Family Bank's performance in sales, collection as well as default control, improved significantly. Disbursement during the year 2013 was BD 826,349 to 408 customers, as compared to BD 595,976 to 344 customers during the year 2012, i.e., an increase of nearly 40% over the previous year. Cumulative number of accounts as on 31 December 2013 stood at 1551 and cumulative amount disbursed was BD2.63 million.

The repayments received from customers also grew from BD 553,263 in 2012 to BD 716,837 in 2013. The quality of portfolio has shown improvement during 2013, with better repayments and lesser number of new defaulters, due to tighter screening of applications and improved credit scoring criteria

The Portfolio-At-Risk (PAR) position, which was 28.4% as on 31 December 2012, was improved and brought down to 18.9% by the end of December 2013. 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 2013, and the results for the year then ended, are set out in the accompanying financial statements.

<b>Financial highlights</b>	<b>2013</b>	<b>2012</b>
Total assets	<b>3,219,907</b>	3,665,895
Total equity	<b>3,098,696</b>	3,562,011
Loss for the year	<b>(463,315)</b>	(513,313)

<b>Movement in accumulated deficit</b>	<b>2013</b>	<b>2012</b>
Balance at 1 January	<b>(1,437,989)</b>	(924,676)
Loss for the period	<b>(463,315)</b>	(513,313)
Balance at 31 December	<b>(1,901,304)</b>	(1,437,989)

## Dividends

The Board of Directors has not made any appropriations for dividends for the year ended 31 December 2013 (2012: Nil).

## Directors and Management

The following served on the Bank's Board of Directors during the year ended 31 December 2013:

<u>Name</u>	<u>Title</u>
H.E. Dr. Fatima Al Balooshi	Chairperson
Dr. Mustafa Al Sayed	Deputy Chairperson
Mr. Ahmed Abdul Rahim	Member
Mr. Khalid Al Maarafi	Member
Mr. Rashad Akbari	Member
Mrs. Sawsan Abualhassan	Member
Dr. Khalid Ateeq	CEO & Board Member
Mr. Khalid Al Khalifa	Member
Prof. Huzzat 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 2014; 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 CBB.

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.

Dr. Fatima Al Balooshi  
Chairperson

Dr. Khalid Ateeq  
CEO & Board Member

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

We have audited the accompanying statement of financial position of Family Bank B.S.C. (c) ["the Bank"] as of 31 December 2013, 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 2013, 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.



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

**Other Matters (continued)**

Except for the matter referred to in note 1 to the financial statements, there were no violations of the Bahrain Commercial Companies Law or the CBB Rule Book (volume 2) during the year ended 31 December 2013 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*

27 March 2014  
Manama, Kingdom of Bahrain



Family Bank B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 BD	2012 BD
<b>ASSETS</b>			
Cash and balances with banks	4	264,403	207,940
Mudaraba	5	1,929,128	2,589,838
Murabaha receivables	6	893,770	697,048
Equipment, furniture and fixtures	8	108,928	156,509
Other assets		23,678	14,560
<b>TOTAL ASSETS</b>		<b>3,219,907</b>	<b>3,665,895</b>
<b>LIABILITY AND OWNERS' EQUITY</b>			
Accounts payable, accruals and other liabilities	9	121,211	103,884
<b>Owners' Equity</b>			
Share capital	10	5,000,000	5,000,000
Accumulated losses		(1,901,304)	(1,437,989)
<b>Total owners' equity</b>		<b>3,098,696</b>	<b>3,562,011</b>
<b>TOTAL LIABILITY AND OWNERS' EQUITY</b>		<b>3,219,907</b>	<b>3,665,895</b>



Dr. Fatima Al Balooshi  
Chairperson



Dr. Khaled Ateeq  
CEO & Board Member

The attached notes 1 to 21 form part of these financial statements.

Family Bank B.S.C. (c)

STATEMENT OF INCOME

For the year ended 31 December 2013

	Notes	2013 BD	2012 BD
Income from mudaraba	11	107,505	148,808
Income from murabaha receivables	12	171,583	106,338
Other income		13,141	2,381
<b>Total income</b>		<b>292,229</b>	<b>257,527</b>
Staff cost		485,125	462,635
General and administrative expenses	13	143,692	156,120
Depreciation	8	61,562	60,536
<b>Total expenses</b>		<b>690,379</b>	<b>679,291</b>
<b>Net loss for the year before provisions</b>		<b>(398,150)</b>	<b>(421,764)</b>
Provisions, net	7	(65,165)	(91,549)
<b>NET LOSS FOR THE YEAR</b>		<b>(463,315)</b>	<b>(513,313)</b>



Dr. Fatima Al Balooshi  
Chairperson



Dr. Khaled Ateeq  
CEO & Board Member

The attached notes 1 to 21 form part of these financial statements.

Family Bank B.S.C. (c)

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2013

	<i>Notes</i>	<b>2013 BD</b>	<b>2012 BD</b>
<b>OPERATING ACTIVITIES</b>			
Net loss for the year		<b>(463,315)</b>	(513,313)
Adjustments for non-cash items:			
Depreciation	8	<b>61,562</b>	60,536
Disposal of equipment	8	<b>1,594</b>	13,714
Provision for indemnity		<b>11,772</b>	11,043
Provisions, net	7	<b>65,165</b>	91,549
Operating loss before changes in operating assets and liabilities		<b>(323,222)</b>	(336,471)
Changes in operating assets and liabilities:			
Mudaraba		<b>963,221</b>	133,878
Murabaha receivables		<b>(264,499)</b>	(251,075)
Other assets		<b>(9,118)</b>	(8,785)
Accounts payable, accruals and other liabilities		<b>5,555</b>	(25,050)
Net cash from (used in) operating activities		<b>371,937</b>	(487,503)
<b>INVESTING ACTIVITY</b>			
Purchase of equipment, furniture and fixtures and net cash used in investing activity	8	<b>(15,575)</b>	(24,847)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		<b>356,362</b>	(512,350)
Cash and cash equivalents at 1 January		<b>717,907</b>	1,230,257
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>1,074,269</b>	717,907
<b>CASH AND CASH EQUIVALENTS COMPRISES:</b>			
		<b>2013 BD</b>	<b>2012 BD</b>
Cash in hand		<b>3,979</b>	485
Balances with banks		<b>260,424</b>	207,455
Mudaraba with financial institution with original maturity of 90 days or less		<b>809,866</b>	509,967
		<b>1,074,269</b>	717,907

The attached notes 1 to 21 form part of these financial statements.

Family Bank B.S.C. (c)

STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2013

	<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)
<b>Balance at 31 December 2013</b>	<b>5,000,000</b>	<b>(1,901,304)</b>	<b>3,098,696</b>
Balance at 1 January 2012	5,000,000	(924,676)	4,075,324
Net loss for the year	-	(513,313)	(513,313)
Balance at 31 December 2012	5,000,000	(1,437,989)	3,562,011

The attached notes 1 to 21 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 micro finance 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 Bank operates under the requirements of the CBB and Bahrain Commercial Companies Law. The Bank is in compliance with the above requirements except that Bank is required to hold at least four Board of Directors' meetings in each financial year. However, only three meetings took place during the year ended 31 December 2013.

The attached supplementary financial statements disclosures provide disclosures as required by 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 27 March 2014.

## 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. In accordance with the requirement of AAOIFI, for matters for which no AAOIFI standards exist, the Bank uses the relevant International Financial Reporting Standards [" the IFRS"] issued by International Accounting Standards Board ["IASB"].

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management has made estimates and judgements 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.

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Significant accounting judgments and estimates (continued)

##### **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.

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. These provisions are reversed through the statement of income, if the balance exceeds the required level.

#### 3.2 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year, except for the adoption of the new standards and interpretations effective as of 1 January 2013.

The adoption of other standards, changes in IFRS or interpretations as issued by the IASB does not have any impact on the Bank. In addition, standards issued but not yet effective up to the date of issuance of the Bank's financial statements are not expected to have any significant impact on the Bank's financial position or performance.

##### **a Cash and cash equivalents**

For the purpose of the cash flows statement, "cash and cash equivalents" consist of cash on 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.

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NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2013

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 Summary of significant accounting policies (continued)**

**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.

**f Impairment**

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.

**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 and murabaha receivables.

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

- (i) the right to receive cash flows from the asset have expired;
- (ii) the Bank has transferred its rights to receive cash flows from 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 assets, but has transferred control of the asset; or
- (iii) 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2013

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****The Summary of significant accounting policies (continued)****j Offsetting**

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

**k Zakah**

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

**4 CASH AND BALANCES WITH BANKS**

	<b>2013</b>	<b>2012</b>
	<b>BD</b>	<b>BD</b>
Cash in hand	<b>3,979</b>	485
Balances with banks	<b>260,424</b>	207,455
Cash and balances with banks	<b>264,403</b>	207,940

**5 MUDARABA**

	<b>2013</b>	<b>2012</b>
	<b>BD</b>	<b>BD</b>
Mudaraba with financial institutions	<b>1,927,495</b>	2,548,756
Mudaraba with customers	<b>19,704</b>	94,616
Provision	<b>(18,071)</b>	(53,534)
	<b>1,633</b>	41,082
	<b>1,929,128</b>	2,589,838

**5.1** The restructured facilities during the year amounted to BD 1,313 (2012: BD 1,391).

**6 MURABAHA RECEIVABLES**

	<b>2013</b>	<b>2012</b>
	<b>BD</b>	<b>BD</b>
Gross murabaha receivables	<b>1,359,271</b>	1,027,562
Deferred profits	<b>(341,663)</b>	(202,816)
Provision	<b>(123,838)</b>	(127,698)
Net murabaha receivables	<b>893,770</b>	697,048

**6.1** The restructured facilities during the year amounted to BD 20,912 (2012: BD 16,733).



## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2013

## 7 PROVISIONS AGAINST MUDARABA / MURABAHA RECEIVABLES

	2013			2012		
	<i>Mudaraba BD</i>	<i>Murabaha receivables BD</i>	<i>Total BD</i>	<i>Mudaraba BD</i>	<i>Murabaha receivables BD</i>	<i>Total BD</i>
As at 1 January	53,534	127,698	181,232	76,030	107,335	183,365
Recoveries	(56,223)	(127,209)	(183,432)	(14,701)	(12,964)	(27,665)
Charge for the year:						
Specific	54,009	192,999	247,008	33,137	78,621	111,758
General	(398)	1,987	1,589	415	7,041	7,456
Provisions, net	(2,612)	67,777	65,165	18,851	72,698	91,549
Written off during the year	(32,851)	(71,637)	(104,488)	(41,347)	(52,335)	(93,682)
As at 31 December	18,071	123,838	141,909	53,534	127,698	181,232

## 8 EQUIPMENT, FURNITURE AND FIXTURES

	<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
Write off during the year	(5,400)	-	(5,400)
At 31 December 2013	118,689	188,288	306,977
Depreciation:			
At 1 January 2013	53,355	86,938	140,293
Write off during the year	(3,806)	-	(3,806)
Charge for the year	24,390	37,172	61,562
At 31 December 2013	73,939	124,110	198,049
Net carrying values:			
At 31 December 2013	44,750	64,178	108,928
	<i>Equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Total BD</i>
Cost:			
At 1 January 2012	118,452	167,217	285,669
Additions	11,883	12,964	24,847
Write off during the year	(13,714)	-	(13,714)
At 31 December 2012	116,621	180,181	296,802
Depreciation:			
At 1 January 2012	36,160	43,597	79,757
Charge for the year	17,195	43,341	60,536
At 31 December 2012	53,355	86,938	140,293
Net carrying values:			
At 31 December 2012	63,266	93,243	156,509

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2013

**9 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES**

	2013 BD	2012 BD
Accrued expenses	45,107	39,734
Customer saving accounts	23,373	26,008
Provision for employees end of service benefits	34,286	25,105
Legal and professional fees payable	18,445	11,103
Others	-	1,934
	<u>121,211</u>	<u>103,884</u>

**10 SHARE CAPITAL**

	2013 BD	2012 BD
<i>Authorised :</i>		
150,000,000 ordinary shares of BD 0.1 each	<u>15,000,000</u>	<u>15,000,000</u>
<i>Issued and fully paid up :</i>		
As at beginning and end of the year		
50,000,000 ordinary shares 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 other applicable statutory regulations. No transfers are required when the Bank makes a loss.

**11 INCOME FROM MUDARABA**

	2013 BD	2012 BD
Income from financial institutions	93,136	130,230
Income from customers	14,369	18,578
	<u>107,505</u>	<u>148,808</u>

**12 INCOME FROM MURABAHA RECEIVABLES**

	2013 BD	2012 BD
Income from customers	<u>171,583</u>	<u>106,338</u>

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2013

**13 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>BD</b>	<b>BD</b>
Lease rentals	25,152	25,152
Security charges	18,133	20,679
Marketing and promotional expenses	9,771	20,636
Professional fee	25,350	18,357
Shari'a Supervisory Board advisory and attendance allowances	9,060	16,610
Membership fee	13,358	13,282
Utilities	12,361	12,116
Communication	6,709	6,867
Grameen trust institutional charges	-	3,780
Training expenses	1,840	2,445
Others	21,958	16,196
	<b>143,692</b>	<b>156,120</b>

**14 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 2013, the Bank has not made any provision related to amounts owed by related parties (2012: Nil).

The significant balances with related parties were as follows:

	<b>2013</b>	<b>2012</b>
	<b>BD</b>	<b>BD</b>
<b>ASSETS</b>		
Balances with banks	260,424	207,455
Mudaraba	1,927,495	2,548,756
Other assets	5,080	6,619
	<b>2,192,999</b>	<b>2,762,830</b>
<b>LIABILITY</b>		
Accounts payable, accruals and other liabilities	18,173	17,163

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

	<b>2013</b>	<b>2012</b>
	<b>BD</b>	<b>BD</b>
<b>Income</b>		
Income from mudaraba	93,136	130,230
<b>Expense</b>		
Shari'a Supervisory Board advisory and attendance allowances	9,060	16,610

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>2013</b>	<b>2012</b>
	<b>BD</b>	<b>BD</b>
Salaries	188,120	146,361
Other benefits	38,905	36,099
	<b>227,025</b>	<b>182,460</b>

**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 December 2013

**15 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.

**16 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.

**17 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.

**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. The Bank's maximum exposure to credit risk at 31 December was as follows:

	<b>2013</b>	<b>2012</b>
	<b>BD</b>	<b>BD</b>
Balances with banks	<b>260,424</b>	207,455
Mudaraba	<b>1,947,199</b>	2,643,372
Murabaha receivables	<b>1,359,271</b>	1,027,562
Other assets	<b>15,153</b>	10,731
<b>Maximum exposure to credit risk</b>	<b><u>3,582,047</u></b>	<b><u>3,889,120</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2013

## 17 RISK MANAGEMENT (continued)

## Credit risk (continued)

The credit quality by class of financial asset is as follows:

	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
<b>Total exposure to credit risk</b>	<b>260,424</b>	<b>1,929,128</b>	<b>893,770</b>	<b>15,153</b>	<b>3,098,475</b>

The credit quality by class of financial asset is as follows:

	2012				Total BD
	Balances with banks BD	Mudaraba BD	Murabaha receivables BD	Other Assets BD	
Neither past due nor impaired	207,455	2,565,326	583,921	10,731	3,367,433
Past due but not impaired	-	6,452	53,127	-	59,579
Individually impaired					
Gross amount	-	71,594	187,698	-	259,292
Provision	-	(53,534)	(127,698)	-	(181,232)
Net	-	18,060	60,000	-	78,060
<b>Total exposure to credit risk</b>	<b>207,455</b>	<b>2,589,838</b>	<b>697,048</b>	<b>10,731</b>	<b>3,505,072</b>

Aging analysis of past due but not impaired receivables per class of financial asset is as follows:

	2013			
	Less than 30 days 2013 BD	31 to 60 days 2013 BD	61 to 90 days 2013 BD	Total 2013 BD
Mudaraba	-	126	-	126
Murabaha receivables	-	213,062	14,469	227,531
	-	213,188	14,469	227,657
	2012			
	Less than 30 days 2012 BD	31 to 60 days 2012 BD	61 to 90 days 2012 BD	Total 2012 BD
Mudaraba	-	2,694	3,758	6,452
Murabaha receivables	-	23,881	29,246	53,127
	-	26,575	33,004	59,579

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2013

**17 RISK MANAGEMENT (continued)****Credit risk (continued)****Concentration of maximum exposure to credit risk**

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

	<b>2013</b>		
	<i>Banks and financial institutions BD</i>	<i>Others BD</i>	<i>Total BD</i>
<b>Assets</b>			
Balances with banks	260,424	-	260,424
Mudaraba	1,927,495	1,633	1,929,128
Murabaha receivables	-	1,359,271	1,359,271
Other assets	-	15,153	15,153
	<b>2,187,919</b>	<b>1,376,057</b>	<b>3,563,976</b>

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

	<b>2012</b>		
	<i>Banks and financial institutions BD</i>	<i>Others BD</i>	<i>Total BD</i>
<b>Assets</b>			
Balances with banks	207,455	-	207,455
Mudaraba	2,548,756	41,082	2,589,838
Murabaha receivables	-	697,048	697,048
Other assets	-	10,731	10,731
	<b>2,756,211</b>	<b>748,861</b>	<b>3,505,072</b>

**Geographical concentration**

Assets and liability of the Bank as at 31 December 2013 are primarily concentrated in Kingdom of Bahrain.

**Family Bank B.S.C. (c)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2013

**17 RISK MANAGEMENT (continued)**

**Maturity Profile**

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

	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>							
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, accruals 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>	

Family Bank B.S.C. (c)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2013

17 RISK MANAGEMENT (continued)

	2012						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	207,940	-	-	207,940	-	-	207,940
Mudaraba	100,000	409,967	2,038,789	2,548,756	41,082	-	2,589,838
Murabaha receivables	-	-	-	-	697,048	-	697,048
Other assets	3,583	-	6,619	10,202	-	400	10,602
<b>Total assets</b>	<b>311,523</b>	<b>409,967</b>	<b>2,045,408</b>	<b>2,766,898</b>	<b>738,130</b>	<b>400</b>	<b>3,505,428</b>
<b>Liability</b>							
Accounts payable, accruals and other liabilities	17,657	6,950	27,867	52,474	-	25,105	77,579
<b>Total liability</b>	<b>17,657</b>	<b>6,950</b>	<b>27,867</b>	<b>52,474</b>	<b>-</b>	<b>25,105</b>	<b>77,579</b>
<b>Net Liquidity Gap</b>	<b>293,866</b>	<b>403,017</b>	<b>2,017,541</b>	<b>2,714,424</b>	<b>738,130</b>	<b>(24,705)</b>	
<b>Cumulative net liquidity gap</b>	<b>293,866</b>	<b>696,883</b>	<b>2,714,424</b>		<b>3,452,554</b>	<b>3,427,849</b>	



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**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 December 2013

**17 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.

**18 SEGMENTAL INFORMATION**

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

**19 SOCIAL RESPONSIBILITY**

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

**20 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.

**21 EARNINGS PROHIBITED BY SHARI'A**

The Bank has not received any income which was non-shari'a compliant during the year ended 31 December 2013 (2012: 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 PhD from Columbia University and was later appointed Chairman of the Department of Educational Technology and later in 2004 she became the Dean of the College of Education at the University of Bahrain. Dr. Fatima Al-Balooshi is an active member in many organizations. She also is 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 as a pioneering project of her Ministry with partnership of the private sector.

**2. Dr. Khalid Abdulla Ateeq**

**CEO & Board Member**

**Independent, Non Executive**

Dr. Khalid is currently the Chief Executive Officer of Family Bank. Dr. Khalid has over 30 years experience in banking, finance, auditing and accounting. prior to join VC 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, insuring that all banks and financial institutions, either operating or incorporated in Bahrain, complied with promulgated laws and regulations. Before joining the CBB, he was Assistant Professor at Bahrain University. In addition, through his diversified experience, Dr. Ateeq served in senior posts with a number of reputable banks and firms. He holds a Ph.D. in Philosophy of Accounting from UK. Dr. Khalid is a Board Member in Al Khair Bank and Med Gulf Company.

**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 as the 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, Mr. Al Sayed has a PhD 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 in BSC 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. 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 22 years' experience in Wealth Management and Retail Banking with international & regional banks. The current role involves overlooking the Private Banking & Wealth Management business in Group Countries of Ahli United Bank. She was previously with Citibank N.A. Bahrain as Resident Vice President – Wealth Management & Distribution and Head of Wealth Management with Standard Chartered Bank, Bahrain.

**5. Mr. Khalid 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 than 33 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 Directors of various companies. Mr. Al Maarafi held several positions at the Ministry of Finance and the Ministry of Industry in Bahrain.

**6. Mr. Ahmed Abdul Rahim**

**Board Member**

**Non- Independent, Non Executive**

Ahmed Abdul Rahim 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 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. Abdul Rahim held the dual roles of Deputy Chief Executive Officer at Shamil Bank and Chief Operating Officer at Ithmaar Bank for approximately four years. Following the reorganization 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), Family Bank, The Benefit Company B.S.C. and Injaz Bahrain.

**7. Sh. 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 & president of UCB 2002. He has approximately 28 years of working experience. Dr. Khalid also worked in AGU 2002 and the ministry on 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 MSc 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 BBK in 2000 and is currently the Assistant General Manager, Operations of BBK.

## **9. Prof 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 at home and abroad including Grameen America Inc. in U.S.A, Family Bank in Bahrain, 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
- Create a strategically adaptable organization that is able to respond quickly to changing market opportunities.

##### **Corporate Culture**

- Support managements organizational code of conduct
- 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
- 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, comprising nine members from the public sector and the private sector.

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

**Ownership Structure:** As at 31st December 2013, distribution schedule of shares, setting out the number and percentage of holders were as the following categories:

Name	Number of shares	Percentage
Ministry of Social development	15,200,000	30,40%
Royal Charity Organization	15,000,000	30%
Ithmaar Bank	5,000,000	10%
Bank of Bahrain and Kuwait	5,000,000	10%
Ahli United Bank	6,000,000	12%
Kuwait Finance House	3,800,000	7,60 %
	50,000,000	100%

**1. Executive, Remuneration & Nomination Committee:**

- Formalist 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.
- 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. The Risk, Audit and Corporate Governance Committee:**

**A. Audit**

- 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**

- 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

**C. Corporate Governance:**

- Corporate Governance refers to 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. Corporate Governance assumes greater significance for any corporations as a result of the separation of management from shareholders.

### **3. Shari'ah Supervisory Board**

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

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

- **Management Committee:**

- 1. Management Committee Responsibilities:**

To review the 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:**

- 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.
- To monitor implementation of credit decisions in a manner so as to conform to credit policy as well laws and regulations stipulated by the statutory authorities.

- 3. HR Committee Responsibilities:**

- 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.
- The HR Committee, in consultation with the Chief Executive Officer, shall review succession planning relating to the Bank's Chief Executive Officer and other key members of the Bank's senior management.
- Form and delegate authority to subcommittees as the HR Committee may deem appropriate.
- Report regularly to the CEO, not less frequently than annually.
- 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 BY- Laws and all applicable laws and as such documents may be amended from time to time.
- Review annually its own performance and report the results of such review to the Board
- Make Annual training Plan

- **Heads of Functions:**

- 1. Mrs .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 Bank of Bahrain and Kuwait and Eskan Bank .

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

**2. Mrs. AlkaKumra**  
**Senior Manager - Microfinance Division**

Mrs. Alka Priyadarshini Kumra holds a Masters in Business Administration (Banking & Finance), M. Phil and Masters in Arts from Panjab University, Chandigarh. She has nearly 25 years of experience in Banking and Business Advisory Services with NABARD in India, Ernst & Young and PricewaterhouseCoopers in Bahrain.

During her professional career, she has attended several courses, seminars and conferences on various aspects of project appraisal, project management, financial modeling, banking, management and Islamic finance. She has been engaged in developing Bank- Self Help Group linkages in India, has been a trainer for banks' staff and a leader on many assignments in India and Bahrain.

**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 the 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 2013, the CBB imposed financial penalty on the Bank for its failure to clean up the erroneously open account in the BCRB system, and the Bank paid to the CBB the imposed financial penalty of the amount of BD 50 Bahraini Dinar.

• **Leverage Ratio:**

As of 31.12.2013

<u>Total Equity</u>	=	<u>3,098,696</u>	=	<b>96.24%</b>
Total Assets		3,219,907		

• **Islamic financing is available at Family Bank at annual profit rate of 16% for MEF and 17% for Grameen (in cooperation with Tamkeen).**

• <b>Fees &amp; Services Charges</b>	<b>BD</b>
<b>Application Fees ( Non - Refundable)</b>	<b>10</b>
<b>Admin Fees for funding</b>	
· BD 500 – 1000	<b>25</b>
· BD 1001 – 3000	<b>40</b>
· BD 3001 – 5000	<b>50</b>
· BD 5001 – 7000	<b>100</b>
<b>Outstanding Letter (stating of outstanding liabilities with the Bank)</b>	<b>5</b>
<b>No liability/Release letter</b>	<b>5</b>
<b>Tawarruq Fees for the Islamic Financial Consultants (Eltezam)</b>	<b>20</b>
<b>Early Settlement (Mudaraba)</b>	<b>11</b>



- **Communication strategy of the Bank**

- 1. Organizational Structure**

CEO ———▶ Public Relation Department

- 2. Responsibilities of PR Department**

- 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;
- Any other responsibilities assigned by the CEO of the Bank.

**Policies**

- 1. Annual Corporate Marketing Plan**

1.1 The Annual Corporate Marketing Plan shall at a minimum contain:

- Details of recurring Departmental responsibilities e.g publications of Annual Reports, 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.

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

- 2. Annual Audited Financial Statement**

2.1 The Bank must submit the Annual Audited financial statements to the CBB within 3 months of the end of Bank financial year (as per PD-1.2.1). The Annual Audited financial statements must be edited by their external auditor.

- 3. Year End Financial Statement**

3.1 Public Relation Department has the responsibility to obtain deadlines for the publications of the year end financials from the Financial Controller and the compliance Department.

3.2 The Bank required to publish the Annual Audited Financial statements on their website within seven days of submission to the CBB.

3.3 Public Relation Department should notify all relevant members of staff about the details of advertisement one day before publishing the Financials so that they are aware of the contents of the Financials 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 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.
- 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
  - Conferences sponsored by
  - Conferences attended by
- 5.2 The PRD should act as the main point of contact between the Bank and Conference organizers.
- 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;
  - 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 the Heads of Departments 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 budget.
- 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 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 if there's 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 agency.
- 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 Heads of Department, 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 shall not be 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's.

**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 and the publishing company.
- 9.3 PRD is responsible to collect all new updated information for advertising from the relevant Heads of Departments, 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**

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

**12. Standard Stationery Items**

- 12.1 All requests for publication of corporate stationery, including business cards, must be approved by the Head of PR/CEO/Senior Management.
- 12.2 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**

- 13.1 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.
- 13.2 All invoices relating to PRD expenses must be reviewed and initialed by the PRD and should be approved by the authorized signatories of the Bank as per the Delegated Approval Authority Limits.