

Family Bank B.S.C. (c)

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

31 DECEMBER 2016

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

الموضوع: تقرير هيئة الرقابة الشرعية عن السنة المالية المنتهية 2016م

إلى مساهمي بنك الأسرة

السلام عليكم ورحمة الله وبركاته،،

لقد قمنا بمراجعة المبادئ والعقود المتعلقة بالمعاملات والتطبيقات التي أجراها بنك الأسرة ش. م. ب (البنك) خلال السنة المالية المنتهية بتاريخ 31 ديسمبر 2016. ولقد أجرينا مراجعتنا لإبداء رأينا عما إذا كان البنك التزم بأحكام ومبادئ الشريعة الإسلامية وفق الفتاوى والقرارات والإرشادات المحددة الصادرة عن هيئة الرقابة الشرعية.

إن إدارة البنك هي المسؤولة عن ضمان تنفيذ عملياتها وفقاً لأحكام ومبادئ الشريعة الإسلامية. ومن مسؤوليتنا نحن بيان الحكم الشرعي عن عمليات البنك وإبلاغه للمساهمين.

ولقد قمنا بالمراقبة التي اشتملت على فحص الإجراءات المتبعة من البنك على أساس اختبار كل نوع من أنواع العمليات، وذلك مباشرة أو عن طريق إدارة الرقابة الشرعية الداخلية للبنك.

كما قمنا بطلب المعلومات والتفسيرات التي رأيناها ضرورية لإعطاء تأكيد معقول بأن البنك لم يخالف أحكام ومبادئ الشريعة الإسلامية.

وعليه فقد تبين لنا التالي:

- 1- أن العقود والعمليات والمعاملات التي أبرمها البنك خلال السنة المالية المنتهية بتاريخ 31 ديسمبر 2016 كانت في جملتها متوافقة مع أحكام الشريعة الإسلامية.
- 2- أن جميع المكاسب غير المقصودة والتي تحققت خلال السنة من مصادر أو طرق تحرمها أحكام ومبادئ الشريعة الإسلامية التزمت الإدارة بتجنبيها وصرفها في وجوه الخير تحت إشراف الهيئة.
- 3- أن البنك قام بحساب مقدار الزكاة وفق أحكام ومبادئ الشريعة الإسلامية وبما يتفق مع معيار الزكاة الصادر من هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية.

نسأل الله العلي القدير أن يحقق لنا الرشاد والسداد

والسلام عليكم ورحمة الله وبركاته

التاريخ: الاثنين 16 من جمادى الأولى 1438 هـ - الموافق 13-02-2017 م
المكان: مملكة البحرين

عبدالرحمن أحمد موسى
عضو الهيئة

فضيلة الشيخة د. أسامة محمد بحر
عضو الهيئة

فضيلة الشيخة / عصام محمد إسحق
رئيس هيئة الرقابة الشرعية

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 2016

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, 2016. 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, 2016 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.
- 3-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.

We ask Allah almighty his continued guidance & blessings.

Wasslam Alaikum Wa Rahmat Allah Wa Barakatuh

Date: 16/05/1438 - 13/02/2017 - Place: Kingdom of Bahrain

SH. ESAM MOHAMMED ISHAQ

Chairman of the Shariah Supervisory Board

SH. DR. OSAMA MOHAMMED BAHAR

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 2016**

In the name of Allah, the most Beneficent, the most Merciful. Prayers and Peace be upon the Last Apostle 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 2016.

Principal Activities

The Bank was established in the Kingdom of Bahrain on 5th 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 1st January 2010. The principal activities of the Bank include providing microfinance, opening savings accounts for beneficiaries, which are agreed on by the CBB, and other services that are in conformity with Islamic Shari’a.

In 2016, 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 2016

During the year 2016, Family Bank's total income increased substantially to BD 556,182 compared to BD 506,706 for the year 2015 an increase of 9.80%. Also the total expense for the year 2016 were at BD 690,812 compared to BD 721,660 a decrease of 4.27%, due to this performance, the year-end losses have come down by BD 75,636 a decrease of 26.17% over year 2015.

Performance of disbursements was reduced compared to 2015 due to shortage of surplus funds at disposal, the collections were improved significantly and the default control was maintained.

Disbursements during the year 2016 were at BD 981,210 to 488 customers compared to BD 1,331,225 to 529 customers for 2015. Cumulative number of Accounts as on 31st December 2016 stood as 3,147 and cumulative amounts disbursed were at BD 6,293,612.

The repayments received from customers also grew from BD 1,073,595 in 2015 to BD 1,184,766 in 2016.

The quality of portfolio has been maintained in 2016, with better repayments and lesser numbers of new defaulters, due to higher screening of applications and improved credit scoring criteria.

The Portfolio at Risk (PAR) position, which was 12.43 as on 31st December 2015, was maintained at 14.74% by the end of December 2016. PAR position has maintained mainly by a tighter follow up by finance officers.

Financial Position and Results

The detailed financial position of the Bank as 31st December 2016, and the results for the year then ended, are set out in the accompanying financial statements.

In Bahraini Dinars

Financial highlights	2016	2015
Total Assets	2,324,426	2,533,359
Total equity	2,200,903	2,414,239
Loss for the year	(213,336)	(288,972)

Movement in accumulated deficit	2016	2015
Balance at 1 st January	(2,585,761)	(2,296,789)
Loss for the period	(213,336)	(288,972)
Balance at 31 December	(2,799,097)	(2,585,761)

Dividends

The Board of Directors has not made any appropriations for dividends for the year ended 31 December 2016 (2015: Nil).

Directors and Management

The following served on the Bank's Board of Directors during the year ended 31 December 2016:

<u>Name</u>	<u>Title</u>
H.E. Mr. Jameel Humaidan	Chairman
Dr. Mustafa Al Sayed	Deputy Chairman
Mr. Khalid Al Maarafi	Member
Mr. Rashad Akbari	Member
Mr. Redha Ali	Member
Dr. Khalid Ateeq	CEO & Member
Mr. Mohammed Janahi	Member
Mrs. Kubra Merza	Member
Mr. Bader Al Hammadi	Member
Mr. Masood Al Bastiki	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 2017; 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 Ministry of Industry, Commerce and Tourism and to the CBB.

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



H.E. Mr. Jameel Bin Mohammed Ali Humaidan
Chairman



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 2016, 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 2016, 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 5), 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 5 and applicable provisions of volume 6) and CBB directives, or the Bank's memorandum and articles of association during the year ended 31 December 2016 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.



Partner's registration no: 121
23 February 2017
Manama, Kingdom of Bahrain

Family Bank B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 BD	2015 BD
ASSETS			
Cash and balances with banks	6	191,884	238,152
Mudaraba	7	700,234	601,570
Murabaha receivables	8	1,368,177	1,614,959
Equipment, furniture and fixtures	10	17,519	36,486
Other assets		46,612	42,192
TOTAL ASSETS		2,324,426	2,533,359
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Accounts payable, accruals and other liabilities	11	123,523	119,120
Owners' equity			
Share capital	12	5,000,000	5,000,000
Accumulated losses		(2,799,097)	(2,585,761)
		2,200,903	2,414,239
TOTAL LIABILITIES AND OWNERS' EQUITY		2,324,426	2,533,359



H.E. Mr. Jameel Bin Mohammed Ali Humaidan
Chairman



Dr. Khalid Ateeq
CEO & Board Member

The attached notes 1 to 23 form part of these financial statements.

Family Bank B.S.C. (c)

STATEMENT OF INCOME

For the year ended 31 December 2016

	<i>Note</i>	2016 BD	2,015 BD
INCOME			
Income from mudaraba	13	10,463	20,613
Income from murabaha receivables		467,172	431,525
Fee income		34,719	43,638
Other income		43,828	10,930
		556,182	506,706
EXPENSES			
Staff costs	14	567,502	586,035
General and administrative expenses	15	100,130	106,317
Depreciation	10	23,180	29,308
		690,812	721,660
NET LOSS FOR THE YEAR BEFORE IMPAIRMENT PROVISION		(134,630)	(214,954)
Impairment provision for credit losses	9	(78,706)	(74,018)
NET LOSS FOR THE YEAR		(213,336)	(288,972)



H.E. Mr. Jameel Bin Mohammed Ali Humaidan
Chairman



Dr. Khalid Ateeq
CEO & Board Member

The attached notes 1 to 23 form part of these financial statements.

Family Bank B.S.C. (c)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	<i>Note</i>	2016 BD	2015 BD
OPERATING ACTIVITIES			
Net loss for the year		(213,336)	(288,972)
Adjustments for:			
Depreciation	10	23,180	29,308
Provision for end-of-service benefits		4,138	8,762
Impairment provision for credit losses	9	78,706	74,018
Operating loss before changes in operating assets and liabilities		(107,312)	(176,884)
Changes in operating assets and liabilities:			
Mudaraba		501,036	355,213
Murabaha receivables		168,190	(294,139)
Other assets		(4,420)	(4,605)
Accounts payable, accruals and other liabilities		265	8,221
Net cash from (used in) operating activities		557,759	(112,194)
INVESTING ACTIVITY			
Purchase of equipment, furniture and fixtures and net cash used in investing activity	10	(4,213)	(3,088)
NET DECREASE IN CASH AND CASH EQUIVALENTS		553,546	(115,282)
Cash and cash equivalents at 1 January		338,338	453,620
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		891,884	338,338
CASH AND CASH EQUIVALENTS COMPRISES:			
		2016 BD	2015 BD
Cash in hand	5	3,012	1,961
Balances with banks	5	188,872	236,191
Mudaraba with financial institution with original maturity of 90 days or less		700,000	100,186
		891,884	338,338

The attached notes 1 to 23 form part of these financial statements.

Family Bank B.S.C. (c)

STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2016

	<i>Share capital BD</i>	<i>Accumulated losses BD</i>	<i>Total owners' equity BD</i>
Balance at 1 January 2015	5,000,000	(2,296,789)	2,703,211
Net loss for the year	-	(288,972)	(288,972)
Balance at 31 December 2015	<u>5,000,000</u>	<u>(2,585,761)</u>	<u>2,414,239</u>
Balance at 1 January 2016	5,000,000	(2,585,761)	2,414,239
Net loss for the year	-	(213,336)	(213,336)
Balance at 31 December 2016	<u>5,000,000</u>	<u>(2,799,097)</u>	<u>2,200,903</u>

The attached notes 1 to 23 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 23 February 2017.

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 5 and applicable provisions of Volume 6) and CBB directives. For matters not covered by FAS, the Bank uses the relevant guidance from 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 Board of Directors 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 Bank's Board of Directors 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 values 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.

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 cash flows statement, "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 a 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 Social Insurance Organisation (SIO) 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 value 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 have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank 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. The Zakat due for the financial year ended December 31, 2016 according to Zakat standard issued by AAOIFI is BHD 0.001128 per share.

5 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

These financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015, except for amendments to FAS 27 which have been issued by AAOIFI and are effective 1 January 2016.

Amendments to FAS 27 – Equity method in separate financial statements

These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Bank's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

6 CASH AND BALANCES WITH BANKS

	2016 BD	2015 BD
Cash in hand	3,012	1,961
Balances with banks (note 16)	188,872	236,191
	<u>191,884</u>	<u>238,152</u>

7 MUDARABA

	2016 BD	2015 BD
Mudaraba with Islamic financial institutions (note 16)	700,000	600,186
Mudaraba with customers	878	3,280
Impairment provision for credit losses (note 9)	(644)	(1,896)
	<u>234</u>	<u>1,384</u>
	<u>700,234</u>	<u>601,570</u>

8 MURABAHA RECEIVABLES

	2016 BD	2015 BD
Gross murabaha receivables	2,176,056	2,510,808
Deferred profits	(643,425)	(745,219)
Impairment charge for credit losses (note 9)	(164,454)	(150,630)
	<u>1,368,177</u>	<u>1,614,959</u>

The restructured facilities during the year amounted to BD 13,530 (31 December 2015: BD 8,694).

9 PROVISIONS AGAINST MUDARABA AND MURABAHA RECEIVABLES

	2016			2015		
	Mudaraba BD	Murabaha receivables BD	Total BD	Mudaraba BD	Murabaha receivables BD	Total BD
As at 1 January	1,896	150,630	152,526	1,719	121,048	122,767
Recoveries	(348)	(71,804)	(72,152)	(861)	(72,393)	(73,254)
Charge for the year:						
Specific	474	152,889	153,363	1,093	143,973	145,066
General	(12)	(2,493)	(2,505)	(20)	2,226	2,206
Impairment provision for credit losses	114	78,592	78,706	212	73,806	74,018
Write-off during the year	(1,366)	(64,768)	(66,134)	(35)	(44,224)	(44,259)
As at 31 December	<u>644</u>	<u>164,454</u>	<u>165,098</u>	<u>1,896</u>	<u>150,630</u>	<u>152,526</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

10 EQUIPMENT, FURNITURE AND FIXTURES

	<i>Equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Total BD</i>
Cost:			
At 1 January 2016	132,004	191,519	323,523
Additions	2,713	1,500	4,213
At 31 December 2016	134,717	193,019	327,736
Depreciation:			
At 1 January 2016	112,124	174,913	287,037
Charge for the year	12,465	10,715	23,180
At 31 December 2016	124,589	185,628	310,217
Net carrying values:			
At 31 December 2016	10,128	7,391	17,519
	<i>Equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Total BD</i>
Cost:			
At 1 January 2015	131,443	188,992	320,435
Additions	561	2,527	3,088
At 31 December 2015	132,004	191,519	323,523
Depreciation:			
At 1 January 2015	97,378	160,351	257,729
Charge for the year	14,746	14,562	29,308
At 31 December 2015	112,124	174,913	287,037
Net carrying values:			
At 31 December 2015	19,880	16,606	36,486

11 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2016 BD	2015 BD
Accrued expenses	68,285	69,189
Provision for end-of-service benefits	25,787	21,649
Customer saving accounts	21,872	22,252
Legal and professional fees payable	7,579	6,030
	123,523	119,120

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

12 SHARE CAPITAL

	2016	2015
	BD	BD
<i>Authorised :</i>		
150,000,000 ordinary shares (31 December 2015: 150,000,000) of BD 0.1 each	15,000,000	15,000,000
<i>Issued and fully paid up:</i>		
As at beginning and end of the year		
50,000,000 ordinary shares (31 December 2015: 50,000,000) of BD 0.1 each	5,000,000	5,000,000

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 Bahrain Commercial Companies Law and other applicable statutory regulations. No transfer has been made during the year as the Bank incurred a loss (31 December 2015: nil).

13 INCOME FROM MUDARABA

	2016	2015
	BD	BD
Income from financial institutions (note 16)	10,248	20,330
Income from customers	215	283
	10,463	20,613

14 STAFF COSTS

	2016	2015
	BD	BD
Salaries and benefits	409,548	410,898
Social security contribution	63,122	63,900
Medical expenses	32,080	38,229
Others	62,752	73,008
	567,502	586,035

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
	BD	BD
Lease rentals	25,600	25,152
Utilities	14,443	13,051
Professional fees	13,934	13,724
Membership fees	13,373	13,358
Security charges	7,321	6,600
Shari'a Supervisory Board advisory and attendance allowances (note 16)	6,040	6,040
Communications	5,465	5,805
Marketing and promotional expenses	1,919	3,520
Training expenses	400	910
Others	11,635	18,157
	100,130	106,317

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

16 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 2016, the Bank has not made any provision related to amounts owed by related parties (31 December 2015: nil).

The significant balances with related parties were as follows:

	2016	2015
	BD	BD
ASSETS		
Balances with banks (note 6)	188,872	236,191
Mudaraba (note 7)	700,000	600,186
Other assets	7,600	7,600
	896,472	843,977
LIABILITIES		
Accounts payable, accruals and other liabilities	36,651	37,118

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

	2016	2015
	BD	BD
Income		
Income from mudaraba (note 13)	10,248	20,330
Expense		
Shari'a Supervisory Board advisory and attendance allowances (note 15)	6,040	6,040

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:

	2016	2015
	BD	BD
Salaries	252,446	258,468
Other benefits	41,239	41,918
	293,685	300,386

17 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.

18 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 2016

19 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, Remuneration & Nomination Committee, which is responsible for developing and monitoring Bank's operations and policies across various functions including the risk management policies. The 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.

19.1 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

	2016	2015
	BD	BD
Balances with banks	188,872	236,191
Mudaraba	700,878	603,466
Murabaha receivables	2,176,056	2,510,808
Other assets	29,328	27,308
	3,095,134	3,377,773

(b) Credit quality by class of financial asset

	2016				Total
	Balances	Mudaraba	Murabaha	Other	
	with banks	BD	receivables	Assets	BD
	BD	BD	BD	BD	BD
Neither past due nor impaired	188,872	700,000	1,431,379	29,328	2,349,579
Past due but not impaired	-	-	40,029	-	40,029
Individually impaired					
Gross amount	-	878	238,493	-	239,371
Provision	-	(644)	(164,454)	-	(165,098)
Net	-	234	74,039	-	74,273
Total exposure to credit risk	188,872	700,234	1,545,447	29,328	2,463,881

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

19 RISK MANAGEMENT (continued)

19.1 Credit risk (continued)

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

	2015				Total BD
	Balances with banks BD	Mudaraba BD	Murabaha receivables BD	Other Assets BD	
Neither past due nor impaired	236,191	601,570	1,531,599	27,308	2,396,668
Past due but not impaired	-	-	43,728	-	43,728
Individually impaired					
Gross amount	-	1,896	190,262	-	192,158
Provision	-	(1,896)	(150,630)	-	(152,526)
Net	-	-	39,632	-	39,632
Total exposure to credit risk	236,191	601,570	1,614,959	27,308	2,480,028

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

	2016		Total BD
	Neither past due nor impaired Upto 60 days BD	Past due but not impaired 61 to 90 days BD	
Murabaha receivables	1,431,379	40,029	1,471,408
	2015		Total BD
	Neither past due nor impaired Upto 60 days BD	Past due but not impaired 61 to 90 days BD	
Murabaha receivables	1,531,599	43,728	1,575,327

(d) Concentration of maximum exposure to credit risk

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

	2016		Total BD
	Banks and financial institutions BD	Others BD	
Assets			
Balances with banks	188,872	-	188,872
Mudaraba	700,000	878	700,878
Murabaha receivables	-	2,176,056	2,176,056
Other assets	-	29,328	29,328
	888,872	2,206,262	3,095,134

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

19 RISK MANAGEMENT (continued)

19.1 Credit risk (continued)

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

	2015		
	<i>Banks and financial institutions BD</i>	<i>Others BD</i>	<i>Total BD</i>
Assets			
Balances with banks	236,191	-	236,191
Mudaraba	600,186	3,280	603,466
Murabaha receivables	-	2,510,808	2,510,808
Other assets	-	27,308	27,308
	<u>836,377</u>	<u>2,541,396</u>	<u>3,377,773</u>

Geographical concentration

Assets and liability of the Bank as at 31 December 2016 and 31 December 2015 are primarily concentrated in Kingdom of Bahrain.

Family Bank B.S.C. (c)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

19 RISK MANAGEMENT (continued)

19.2 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 summarises the maturity profile of the Bank's assets and liabilities as of 31 December 2016 based on expected periods to cash conversion from the statement of financial position date:

	2016						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	
Assets							
Cash and balances with banks	191,884	-	-	191,884	-	-	191,884
Mudaraba	500,000	200,000	-	700,000	234	-	700,234
Murabaha receivables	-	-	-	-	1,368,177	-	1,368,177
Equipment, furniture and fixtures	-	-	-	-	-	17,519	17,519
Other assets	25,530	10,877	7,589	43,996	2,316	-	46,612
Total assets	717,414	210,877	7,589	935,880	1,370,727	17,519	2,324,426
Liabilities							
Accounts payable, accruals and other liabilities	11,923	61,565	2,376	75,864	21,872	25,787	123,523
Total liabilities	11,923	61,565	2,376	75,864	21,872	25,787	123,523
Net gap	705,491	149,312	5,213	860,016	1,348,855	(25,487)	17,519
Cumulative net gap	705,491	854,803	860,016	2,208,871	2,183,384	2,200,903	

Family Bank B.S.C. (c)
NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2016

19 RISK MANAGEMENT (continued)

19.2 Liquidity risk (continued)

Maturity Profile (continued)

The table below summarises the maturity profile of the Bank's assets and liabilities as of 31 December 2015 based on expected periods to cash conversion from the statement of financial position date:

	2015							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	No fixed maturity BD	
Assets								
Cash and balances with banks	238,152	-	-	238,152	-	-	-	238,152
Mudaraba	600,186	-	-	600,186	1,384	-	-	601,570
Murabaha receivables	-	-	-	-	1,614,959	-	-	1,614,959
Equipment, furniture and fixtures	-	-	-	-	-	-	36,486	36,486
Other assets	23,317	10,942	6,917	41,176	716	300	-	42,192
Total assets	861,655	10,942	6,917	879,514	1,617,059	300	36,486	2,533,359
Liabilities								
Accounts payable and other liabilities	65,275	6,386	3,558	75,219	22,252	21,649	-	119,120
Total liabilities	65,275	6,386	3,558	75,219	22,252	21,649	-	119,120
Net gap	796,380	4,556	3,359	804,295	1,594,807	(21,349)	36,486	
Cumulative net gap	796,380	800,936	804,295	2,399,102	2,377,753	2,414,239		

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

19 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.

20 SEGMENTAL INFORMATION

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

21 SOCIAL RESPONSIBILITY

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

22 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.

23 EARNINGS PROHIBITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to BD nil (2015: BD 1,358). This amount has been taken to charity.

**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. H.E. Mr. Jameel bin Mohammed Ali Humaidan

Board Chairman

Non- Independent, Non- Executive Director

HE Mr. Jameel Bin Mohammed Humaidan is the Minister of Labour and Social Development (MLSD). He holds Bachelor in Law from Beirut Arab University. He is currently the Chairman of the Labour Market Regulatory Authority (LMRA), the Supreme Council for Vocational Training, the Supreme Committee for Occupational Safety and Health (SCOSH). He is a Board Member at Bahrain Economic Development Board (EDB), the Civil Service Council (CSC), Board of Trustees of University of Bahrain (UOB), the Development Committee of Education and Training, and the Civil Defence Council. He is also a Board Member at International Labour Organization (ILO).

2. Dr. Mustafa Ali Al Sayed

Board Deputy Chairman

Non- Independent, Non - Executive Director

Dr. Mustafa Al Sayed is the Secretary General of the Royal Charity Organization. He has over 35 years of industrial experience, his previous positions include: Chief Executive, Bahrain Petroleum Co. (BAPCO) Chief Engineer with the Ministry of Works, Power & Water, Chief Executive at Middle Cables Ltd, and General Manager with Gulf Petrochemical Industries Company (GPIC).

He is currently Board Member of Nass Corporation, Bahrain Health & Safety Society. Dr. Al Sayed has a Ph.D. in Projects Management, M.Sc. in Industrial Management and B.Sc. in Mechanical Engineer.

3. Dr. Khalid Abdulla Ateeq

CEO & Board Member

Non- Independent, Executive Director

Dr. Khalid is currently the Chief Executive Officer of Family Bank. Dr. Khalid has over 37 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 Med Gulf Company, Al Barakh Bank and Itqan Company.

4. Mr. Khalid Mohamed Al Maarafi

Non- Independent, Executive Director

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 38 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.

5. Mr. Rashad Ahmed Akbari
Non- Independent, Executive Director

Mr. Rashad Akbari holds an MSc in Marketing from the University of Sterling, (UK) in 1997. He has 26 years of working experience of which 16 years in Banking. Mr. Rashad joined BBK in 2000 and is currently the Assistant General Manager, Operations of BBK.

6. Mr. Mohammed Hasan Janahi
Non- Independent, Executive Director

Mr. Mohammed is currently the Head of Retail Banking at Ithmaar Bank. He has over 30 years' experience in banking and finance. Prior to his current appointment in Ithmaar bank, he was the Assistant General Manager, Retail Banking, at Shamil Bank, prior to its reorganization with Ithmaar Bank. He has held many senior positions at Shamil Bank and, before that, BBK. Mr. Mohammed holds an Advanced Diploma in Banking and Finance, from the Bahrain Institute of Banking and Finance. As he hold and many professional qualifications. Mr. Janahi is a member of the Liquidation Committee of Sakana Holistic Housing Solutions.

7. Mr. Redha Ali Mohamed
Non-Independent, Executive Director

Mr. Redha is currently Head of Corporate Banking in Ahli United Bank. He has over 26 years' experience in banking with wide knowledge in corporate finance, trade Finance Syndication and project finance. Prior to join AUB, he was working with BNP Paribas - Bahrain. Mr. Ali holds Mini MBA in Meirc Training & Consulting, Advanced Diploma in Banking and Finance, from the Bahrain Institute of Banking and Finance (BIBF), and a Diploma in Computer Science from University of Bahrain (UOB).

8. Ms. Kubra Ali Mirza
Independent Director

Ms. Kubra Mirza has over 19 years of experience in investment banking, financial regulations, corporate governance, compliance, financial crimes and anti-money laundering. She is currently holding the position of Chief Compliance Officer, MLRO and Board Secretary of Bank Alkhair. Prior to joining Bank Alkhair, she was the Head of Compliance, MLRO and Board Secretary at Venture Capital Bank, Bahrain. Prior to that, she worked for the Central Bank of Bahrain as the Head of Policies and Central Risk Unit. She was also a member of several local and international regulatory working groups and task forces. Ms. Mirza holds an Executive MBA and a Bachelor's degree in Accounting from the University of Bahrain and she is a certified Compliance Officer and Certified Money Laundering Reporting Officer (CCO and CAMS).

9. Mr. Bader Ahmed Al-Hammadi
Independent Director

Mr. Bader is currently the Director of Finance at the Royal Charity Organization (RCO). He has over 14 years' experience in accounting. Prior to his current appointment in Royal Charity Organization, he has held many senior positions at al Salam Bank and, before that, in the Court of HRH The Crown Prince. Mr. Bader holds a Bachelor Degree in Accounting from University of Bahrain (UOB).

10. Mr. Masood Ahmed Al Bastiki
Independent Director

Mr. Masood Al Bastiki is currently the Chief Executive Officer of Aerolease – an aircraft & equipment leasing company. He is an executive banker with more than 30 years of experience in banking industry. His experience varies from local commercial, to wholesale to investment banking. Mr. Al Bastiki holds a post graduate diploma in business and finance and BSC in Business Administration. He undertook various banking activities across various regions including the Middle East, North Africa, USA and Latin America as well as Europe and Asia.

- **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; and
- 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 has ten members, comprising ten members from the public sector and the private sector.

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

The Board Members have attended at least 75% of all board meetings during the financial year ended 31st December 2016, unless one member:

- 1- Mr. Mohammed Janahi: where he did not achieve the required percentage due to his commitment outside Bahrain.

Ownership Structure: As at 31st December 2016, distribution schedule of shares, setting out the number and percentage of holders were as the following categories:

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

1. 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. 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 reporting to the Board.

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 16 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. Mr. Abdulla Saleh

Manager of Micro-finance department

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

3. Mr. Sameer Deshpande

Chief Financial Officer

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 23 years of experience in various financial positions, including as Financial Controller of the Bahrain Development Bank BSC.

Islamic financing is available at Family Bank at annual profit rate of 16% for Grameen and 18% for MEF (in cooperation with Tamkeen).

FEES & SERVICES CHARGES

Application Fees (Non-Refundable)	10
Deposit in Saving Account (Grameen)	10
Admin Fees (to be added with the profits)	
• BD 500 – 1000	35
• BD 1001 – 2500	55
• BD 2501 – 4000	90
• BD 4001 – 10000	115
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 Islamic Financial Consultants (Eltezam)	20
Early Settlement (Mudaraba)	11
Takaful Insurance Rate	0.148

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

Policies

- 1. Annual Corporate Marketing Plan**

- 1.1 The Annual Corporate Marketing Plan shall contain the following

- 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 Central Bank of Bahrain Rulebook section 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 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 Bank 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 PRD/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.

14. Non compliance

The bank has the following regulatory non-compliances with respect to the CBB Volume 5:

CBB Guidance HC – 1.4.6: The chairman of the board should be an independent director, so that there will be an appropriate balance of power and greater capacity of the board for independent decision making.

Bank Explanation: The Chairman of the Board is H. E. Jameel Bin Mohameed Ali Humidan, Minister of the Labour and Social Development “Government sector” and he represents 30.4% ownership interest in the Bank.

CBB Guidance HC – 5.3.2: The committee should include only independent directors or, alternatively, only non-executive directors of whom a majority are independent directors and the chairman is an independent director. This is consistent with international best practice and it recognises that the remuneration committee must exercise judgment free from personal career conflicts of interest.

Bank Explanation: The Chairman of the Nomination and Remuneration Committee is Dr. Mustafa AlSayed, the Secretary General of the Royal Charity Organization “Government sector” and he represents 30% ownership interest in the Bank.