



HM King Hamad bin Isa Al Khalifa
The King of the Kingdom of Bahrain



HRH Prince Khalifa bin Salman Al Khalifa
Prime Minister



HRH Prince Salman bin Hamad Al Khalifa
Crown Prince and Deputy Supreme Commander

بنك الأسرة

family bank



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Our Vision

Purpose of Family Banks

- Providing affordable Islamic microfinance services to low-income individuals.
- Providing broad community empowering service reachable to all citizens of the Kingdom of Bahrain with a national coverage.
- Implementing worldwide best practices in microfinance and microenterprise development programs.
- Developing strong and growing micro and small enterprises that would lead to social development of the Kingdom of Bahrain.
- Encourage private sectors, donors to collaborate in supporting smartly the poor in Bahrain by providing proper channels for their contributions

Vision

Is to lead the social development in the Kingdom of Bahrain through highly creative services and to be a regional leader in Islamic Microfinance and non-financial programs.

Mission

Is to serve the low-income families in the Kingdom of Bahrain through innovative Microfinance programs enable them building a proper future.

Guiding Principles

- Provide low cost Islamic microfinance collateral Free finance
- No legal or formal entity required
- Target the Financially Disadvantaged
- Bank will go to the Poor
- Provide Non-financial services
- Partnership with NGO's to deliver
- Partnership with private & Governmental organizations.





Dr. Fatima Al Balooshi

Board Chairperson
Non- Independent, Non Executive
Appointed: 05/10/2009

Dr. Al-Balooshi is currently the Minister of Human Rights & Social Development since 2005

She started her career as a science teacher. In 1992 she obtained her Phd from Columbia University and was appointed as 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

She is an active member in many organizations. She also is member of the Supreme Council for Women and 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 Ministr with partnership of the private sector



Dr. Mustafa Al Sayed

Board Deputy Chairperson/Executive
Committee Chairman
Non- Independent, Non Executive
Appointed: 05/10/2009

Dr. Mustafa Al Sayed is the Secretary General of the Royal Charity Organization and worked until 2007 as the Chief Executive of Bahrain Petroleum Company (BAPCO).

His previous positions include: Chief Engineer with the Ministry of Works, Power & Water, Chief Executive at Middle Cables and General Manager with Gulf Petrochemical Industries Company (GPIC). He was also the Power and Utilities Supervisor with Bahrain Petroleum Company. He is currently Board Member of Nass Corporation, Gulf Air, National Oil & Gas Holding Co, National Oil & Gas Authority, BAPCO and Bahrain Health & Safety Society.

A mechanical engineer by profession, Mr. Al Sayed has a PhD in Industrial Management.





Mrs. Sawsan Abulhassan

Board Member/Executive Committee Member
Non- Independent, Non Executive
Appointed: 05/10/2009

Mrs. Sawsan Abulhassan holds an MBA in Finance and also graduated in BSC in Management with Distinction in MBA, 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 & Chairperson of Audit Committee for Securities & Investment Company (SICO), Kingdom of Bahrain; and Director of National Social Work Fund, Kingdom of Bahrain. She has 21 years experience in Wealth Management and Retail Banking with international & regional banks. The current role involves overlooking the Private Banking & Wealth Management business in Bahrain, Qatar, Kuwait, Oman, Egypt & the UK. 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.



Mr. Ahmed Abdul Rahim

Board Member/ Executive Committee Member
Non- Independent, Non Executive
Appointed: 05/10/2009

Mr. A. 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 holds also an Executive Management Diploma from University of Bahrain and an Advance Banking Diploma from the Bahrain Institute of Banking and Finance.

He is the General Manager, Retail Banking Group, of Ithmaar Bank B.S.C. He has worked 28 years with National Bank of Bahrain in various executive levels, including as Manager of Foreign Exchange and Funding, Chief Internal Auditor and Assistant General Manager of Corporate Services. With Ithmaar banking group, Mr. A.Rahim held a dual role for about 4 years; as Deputy Chief Executive Officer of Shamil Bank and Chief Operating Officer of Ithmaar Bank. He joined National Bank of Bahrain in 1978 after several years with Chase Manhattan Bank, Bahrain and Aluminium Bahrain (ALBA). He serves as board member of Meezan Bank (Pakistan). He is also a member of the Board of Trustees of Islamic Waqf Fund and Board of Directors of Injaz Bahrain.





Mr. Khalid Al Maarafi

Board Member/Audit and Risk Chairman
Non- Independent, Non Executive
Appointed: 05/10/2009

Mr. Khalid Al Maarafi holds a Bachelor's degree in Accounting from the University of Bahrain, and a CPA. He has been involved in the banking, finance industry and business management for over than 32 years.

Mr. Al Maarafi is an Executive Manager and Head of 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 Durrat Al Bahrain and Capinvest Bank. He held several positions at the Ministry of Finance and the Ministry of Industry in Bahrain.



Mr. Rashad Akbari

Board Member/Audit and Risk Member
Non- Independent, Non Executive
Appointed: 05/10/2009

Mr. Rashad Akbari holds an MSc in Marketing from the University of Stirling, UK (1997).

He has 24 years of working experience, of which 10 years is in Banking. Mr. Rashad joined BBK in 2000 and is currently the Assistant General Manager, Transactional Banking of BBK.



Prof H. Latifee

Board Member
Appointed: 05/10/2009

Professor H. Latifee is the Managing Director of Grameen Trust, a sister organization of the Grameen Bank. Grameen Trust has helped the implementation of more than 150 Grameen replication programs in 40 countries including 13 directly by the bank itself.

Professor Latifee is well known for his contribution in the field of microfinance, poverty alleviation, financial inclusion, social business and value building growth. He is recognized as an expert in the area of Microfinance, Poverty Reduction and Value Building Growth due to his long experience with the Grameen Bank, Grameen Trust, Grameen partners and Microfinance Institutions (MFIs) worldwide.

Professor Latifee is the Chairman of many programmes in several countries in Latin America, Africa and Asia.





Sheikh Issam Eshaq

Sheikh Issam Eshaq holds the position of Shari'ah Advisor at Discover Islam, Bahrain, and is a member of the Shari'ah Supervisory Board in a number of Business, Educational and Financial institutions.

A member of the Auditing and Accounting Board of the Auditing and Accounting Organization for Islamic Financial Institutions (AAOIFI) - Bahrain, he is also a member of the Shari'ah Supervisory Boards of ArCapita Investment Bank, Bahrain; Al Baraka Islamic Bank, Bahrain ; Seera Investment Bank, Bahrain; AlHilal Bank, UAE; MunichRe ReTakaful, Malaysia; Dar Takaful Insurance, UAE; Capitas Group, USA; Ritaj Investment Company, Kuwait; EcoIslamic Bank, Kyrgyzstan Republic; AlMeezan Islamic Bank, Pakistan ; and a number of others. He is a prominent speaker on various topics on Islamic finance in major Islamic finance conferences and forums around the world. Sheikh Issam M. Eshaq graduated from McGill University, Montreal, Canada. He studied Shari'ah in different study circles in the traditional manner in various Masjids with a number of Shaikhs and scholars. He currently teaches Fiqh (Islamic Jurisprudence) and Aqeeda (Islamic Doctrines of Faith) in Islamic Study Centres affiliated with the Ministry of Islamic Affairs in the Kingdom of Bahrain.



Sheikh Ossama Bahr

Sheikh Ossama Bahr is a member of the Shari'ah supervisory Board of the National Investor Fund in Abu Dhabi, member of the Shari'ah supervisory Board of Al Aseel Equity Fund a subsidiary of Ithmaar Bank, member of the Shari'ah supervisory Board of Global Banking Corporation and others. Prior to this, Sheikh Ossama was the Head of Shari'ah Compliance at Al Salam Bank, Shari'ah Compliance Officer at ABC Islamic Bank and Manager of the Shari'ah Department. He is an expert in structuring Islamic finance products, preparing Shari'ah contracts as well as conducting research papers on Islamic Banking and finance.



Mr. Mohameden Weld Mohammed Ghulam

Mr. Mohameden Weld Mohammed Ghulam holds an Accounting and Shari'ah Auditing degree from the Organization for Islamic Financial Institutions and has a PhD. in Jurisprudence Transactions from Meknes University in Morocco. He was a Script Editor for Bahrain TV and an auditor for a publishing agency in the UAE. Prior to that, he was an Arabic language and Shari'ah Teacher.





Dr. Atef Elshabrawy

Chief Executive Officer
Appointed: 01/09/2009

Dr. Atef holds a PhD and Master degree from Ecole des Mines de Nancy, France. He has Bachelors degree from the Faculty of Engineering, Cairo University – Egypt. Dr Atef was a member in the pre-establishment committee of the family bank. Before, he worked in several executive positions including: Community Development Advisor for the Ministry of Social Development, Kingdom of Bahrain, General Manager in Bahrain Development Bank, General Manager in the Egyptian Social Fund for Development, SFD, deputy GM in the AFPA-France and Lecturer in TIMES-Egypt.

Dr. Atef has about 24 years of experience working with entrepreneurship, SME's and development. He has served in several positions like Ministries, Academia, Banks and development organizations in France, Egypt, Bahrain and Oman. He has several awards from France & Bahrain as researcher



Mrs. Sana Salim

Manager Banking Operation
Appointed: 02/12/2009

Mrs. Sana Salim Abdulla holds a Diploma in Commercial; Studies from the University of Bahrain. She has over 15 years of experience with Eskin Bank and Bank of Bahrain and Kuwait. During her professional career, she attended several courses, seminars and conference in banking, management, Islamic banking, economy and banking laws.



Mr. Sameer Deshpande

Financial Controller
Appointed: 29/12/2009

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.





Mr. Abdul Hai Khan

GM Grameen Programme
Appointed: 11/10/2009

Mr. Abdul Hai Khan holds a Master's Degree in Political Science and Government and a BSS in Political Science, Economics, and Sociology from the Daka University, Bangladesh.

He has over 28 years experience in micro financing with Grameen Bank and Grameen Replication in many countries.



Mr. Abdulla Saleh

MEF & NGO's Manager
Appointed: 24/10/2010

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. His experience is in finance function in several organizations including the Fortune Investment House and the Gulf Air Co.



Mrs. Zoya Marhoon

Grameen Programme Manager
Appointed: 15 /11/2009

Mrs. Zoya Marhoon is an American University graduate with a BSc in Mass Communications and has over 12 years experience in communications and human resource. She has worked for various organizations within the private and semi-government sectors such as the Economic Development Board, ESKAN Bank and ARIG prior to her appointment in the Family Bank.



Chairperson's

Report



It is a pleasure to put in your hands the annual report 2011 for Family Bank, the first Islamic to microfinancesocial bank in the Kingdom, that highlights the activities and achievements of the bank in the year 2011.

Dear brothers and sisters the Bahraini experience in the field of social business is very rich. The initiative of the Ministry supported by four big banks and the Royal Charity Organization, has been launched to establish the family Bank as a successful example of the social economy and part of the efforts to achieve Bahrain's Vision 2030, that deals with social development issues and tries to provide durable solutions through the provision of services and non-financial for low-income, women, young people and creative people and the unemployed.

The Family Bank has contributed within two years of incorporation in improving the income level of hundreds of individuals and families with limited income, through funding their ideas & projects to generate more income and contribute to the development of their living conditions. The bank succeeded in providing Sharia compliant finances and serving more than 1000 Bahraini micro entrepreneurs, add to the establishment of numerous partnerships and agreements with Non-Governmental Organizations, development institutes and other stakeholders in order to developing the Bank's work and expand the circle of beneficiaries.

On this occasion, on behalf of the Board of Directors, we are pleased to raise our highest gratitude and loyalty 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, to His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince and Deputy Supreme Commander of the Bahrain Defence Force. Thanks also to the members of the Shariah Supervisory Board and executive management, institutions and agencies contribute to the Family Bank, especially the shareholders, the Ministry of Human Rights and Social Development, Royal Charity Organization, Ahli United Bank, Ithmar Bank, Bank of Bahrain and Kuwait, Kuwait Finance House, the Central Bank of Bahrain, as well as all the staff of the Family bank.



Dr. Fatima Mohammad Al - Balooshi
Board Chairperson





The year 2011 witnessed signs of instability in several countries in the region and the Kingdom of Bahrain was not isolated from the events that shaped several challenges not only for the bank but for the whole national economy. Fortunately, and due to the wisdom of the Leaders of Bahrain and the solidification of Bahrainis behind them, the confronted challenges were treated with an immense understanding and the situation came back slowly to the normal. Family bank faced the impact of the said events, particularly on the development of clients' businesses, and treated it with the greatest flexibility.

During the whole year, the bank management tried to focus on the development of working team in different programs through multiple ways. A productivity enhancement program was contracted to a national institution, collaborating with Tamkeen and BIBF for providing the bank with human development courses and workshops.

The bank continued in 2011 to work on reforming its strategy for the next five years to match the faced challenges and to complete its infrastructure, especially the acquisition of an IT operating system and related equipments. The Bank also gave special attention to improve the work environment by adding more office spaces as expansion of the main branch to increase work efficiency and meet the increased number of employees.

A special care was given to the relationship with customers as numbers of ideas were launched to improve the relationship and enhance the services provided to them. The bank tried also to enlarge the cooperation with various governmental institutions and service providers who are empowering low-income individuals, needy families, disabled, youth and women. Three extra partnership agreements were signed with community-based organizations covering various sectors and geographical distributed to have better coverage in different areas of Bahrain.

In spite of the difficulties faced by the Bank with respect to the event at the beginning of 2011, the bank was able to achieve high growth rate and was able to attract more than 500 new beneficiaries from its services, achieving a growth rate in the volume of customers of 168% compared to the 2010. This increase in numbers of customer produced by several factors including: the signed agreement with Tamkeen to support the rate of return also the intensification of promotional campaign, the bank participated and organized more than 34 events all over the year.

The bank looks optimistically to 2012, with the objectives to expand the Islamic microfinance products to satisfy the market needs for other financed covering personnel development, improvement of living standards, healthcare and education. The bank accomplished the design and approved of three more specialized financing products to be launched during 2012.

After the effort put on over the first two years of our establishment, the Bank successes to gain a critical place in the Kingdom of Bahrain as a leading social business organization providing finance and non-finance services aimed at improving the living conditions of deprived individuals by providing opportunities and promote entrepreneurship.

Finally, I am pleased to express my sincere appreciation to our esteemed Chairperson and all members of Board of Directors for their continuous support and guidance, the Central Bank of Bahrain, the Shari'a Supervisory Board as well as to our partners Grameen Trust. Special thanks to our team who has done a great effort both individually and collectively in 2011.

Corporate


Governance





Introduction:

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.



Board of Directors (The Board)

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

- Foster openness with management on issuers for which the Board will ultimately be accountable
- 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 seven members, comprising seven members from the public sector and the private sector.

The Board meets at least four times a year unless further meetings are required. The Board held 5 meetings in 2011. The dates of meetings were 23rd January 2011, 7th March 2011, 24th July 2011, 9th October 2011, 25th December, 2011, and the numbers of meetings attended by each member were as follow:

Name	Nationality	Position	Meeting attended
HE. Dr. Fatima Al Balooshi	Bahraini	Chairperson	4
Dr. Mustafa Al Sayed	Bahraini	Deputy Chairman	5
Mr. Ahmed Abdul Rahim	Bahraini	Board Member	5
Mr. Rashad Akbari	Bahraini	Board Member	5
Mr. Khalid Maarafi	Bahraini	Board Member	4
Mrs. Sawsan Abulhasan	Bahraini	Board Member	4
Prof. Huzzat Latifee	Bangladeshi	Board Member	2

Ownership Structure: As at 31st December 2011, distribution schedule of shares, setting out the number and percentage of holders were as the following categories:

Name	Number of shares	Percentage
Ministry of Human Rights and Social development	15,200,000	30,40%
Royal Charity Organization	15,000,000	30%
Ithamr 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%

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

Board Remuneration:

Currently none of Director is entitled to receive sitting fees for the Board of Directors meeting attended. For the entire Bank staff there is an annual bonus scheme based on performance. Performance-based bonus is delivered to staff after recommendation from respective department heads. The Board approves the annual bonus scheme for the staff.



Board Election:

As per the current composition, no election was organized as the actual members are appointed by their respective shareholder organization.

However the Board of Directors Charter organizes this process as following: Candidates for the Board shall be considered by the Board's Nomination Committee, which as per the exception letter from the CBB the Executive Committee manages matters pertaining to the Nomination Committee. Candidates who are short-listed by the committee will be proposed to the Board, for onward recommendation to the Bank's shareholders for election at the next Annual General Meeting (AGM), and who will be elected by majority vote. These potential members will be considered in accordance with the qualifications approved by the Board, taking into consideration the overall composition and diversity of the Board and areas of expertise that new Board members might be able to offer.

Directors are elected by the shareholders every three years at the AGM, subject to the approval of CBB. Any term beyond six years for a director shall be subject to a rigouts review undertaken by the Board.

The board composition will be guided by the Bank's Memorandum of Association and shall presently comprise maximum of 9 members.

Independent members, who are non shareholders of the Bank, may also be elected as Directors.

Board Evaluation:

There is an annual assessment and evaluation for Board of Directors in a regular basis, with respect to their effectiveness and contribution.

Board Training:

All the Board of Directors are qualified in order to carry out the Bank activities efficiently and effectively. However one Board member is in charge of elaborating training for the Board of Directors in order to comply with the HC Module.

Related Party Transactions:

All related Party transactions are approved by the Board of Directors.



Types of material transactions that require Board approval

- Based upon the bank authority matrix approved by the Board, the executive management has defined limits for material transactions.
- Acquisition of major assets beyond the agreed limits in the authority matrix.
- Acceptance of donation from individuals or organizations.
- Acquisition of any branches or infrastructure changes.

Executive Committee:**The Executive Committee responsibilities:**

- 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.

The Executive committee shall meet four times a year. The dates of meetings of the Executive Committees were 10th January 2011, 3rd March 2011, 14 April 2011, 1st June 2011, 20 December 2011, 27th December 2011, and the numbers of meetings attended by each member were as follow:

Name	Position	Meeting attended
Dr. Mustafa Alsayed	Chairman	6
Mr.Ahmed A.Rahim	Member	6
Mr. Sawsan Abulhasan	Member	5



The Risk and Audit Committee responsibilities:

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.

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.

The Risk and Audit Committee shall meet four times a year. The dates of meetings of the Risk Management and Audit Committee were 7th February 2011, 6th April 2011, 16th May 2011, 3rd November 2011, and the numbers of meetings attended by each member were as follow:

Name	Position	Meeting attended
Mr.Khalid Al Maarafi	Chairman	4
Mr.Rashad Akbari	Member	4

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.

The Shari'ah Supervisory Board shall meet four times a year. The dates of meetings of the Shari'ah Supervisory Board were 14 June 2011, 29 September 2011, 26 January 2012, and the numbers of meetings attended by each member were as follow:

Name	Position	Meeting attended
Sheikh Issam Eshaq	Chairman	3
Sheikh Ossama Bahr	Member	3
Dr.Mohamden Weld Mohammed Ghulam	Member	3

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

Management Committee:

- **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.
- **Credit Committee Responsibilities :**
 1. To exercise authority in assessing and managing the credit risks 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's Risk Committee.
 2. 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.
- **HR Committee Responsibilities**
 1. 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.
 2. In reviewing, setting and approving remuneration, the Committee shall consider whether such remuneration encourages recipients to undertake under business risks, and endeavour to reasonably minimize setting goals or



Governance

objectives, or approving other compensation, which encourage undue business risks.

3- 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.

4- Form and delegate authority to subcommittees as the HR Committee may deem appropriate.

5- Report regularly to the CEO, not less frequently than annually.

6- 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.

7- Review annually its own performance and report the results of such review to the Board

8- Make Annual training Plan

Code of Conduct:

The Bank has developed a Code of Conduct which applies to members of the Board, as well as Senior Management, officers, employees.

Internal Audit Function:

The internal Audit Function has been outsourced. The internal Audit is carried out based on a Board Approved Risk Based Internal Audit Plan covering the strategic, governance and Operational activities of the Bank. In addition the Bank's internal audit function monitors compliance with the Bank policies and procedures.

Audit Fees:

The Audit fees and re-appointment of the Auditors are subject to the AGM resolutions.

Communication with Stakeholders

The Bank follows properly the Public Disclosure Module of the CBB rulebook, Volume 2.



The Bank conducts all communications with its stakeholders in a professional, honest, transparent, understandable, and accurate and timely manner. The main communication channels include meetings, annual reports, and the publications of financial results, a corporate website and regular announcements in the appropriate local media.

Compliance:

The Bank recognized that compliance with regulatory provisions is very important, and in compliance with the Central Bank of Bahrain requirements, we have established a compliance/AML department with the responsible for implementing the applicable local statutory and regulatory directives guidelines issued by the regulatory authorities such as Central Bank of Bahrain and the Commercial Companies laws.

Complaints:

The bank has elaborated a full customer complain system contains the complaint management and internal procedure to manage complaints and ensure that they are properly addressed and the included issues are solved in a timely manner. There are various channels in place to assist in receiving feedback/complaints from customers including the Bank's website, a phone number and suggestion boxes.

Communication Strategy:

The Bank uses all available methods to communicate with its stakeholders, in line with the principles of transparency and disclose that is integral to good corporate governance.

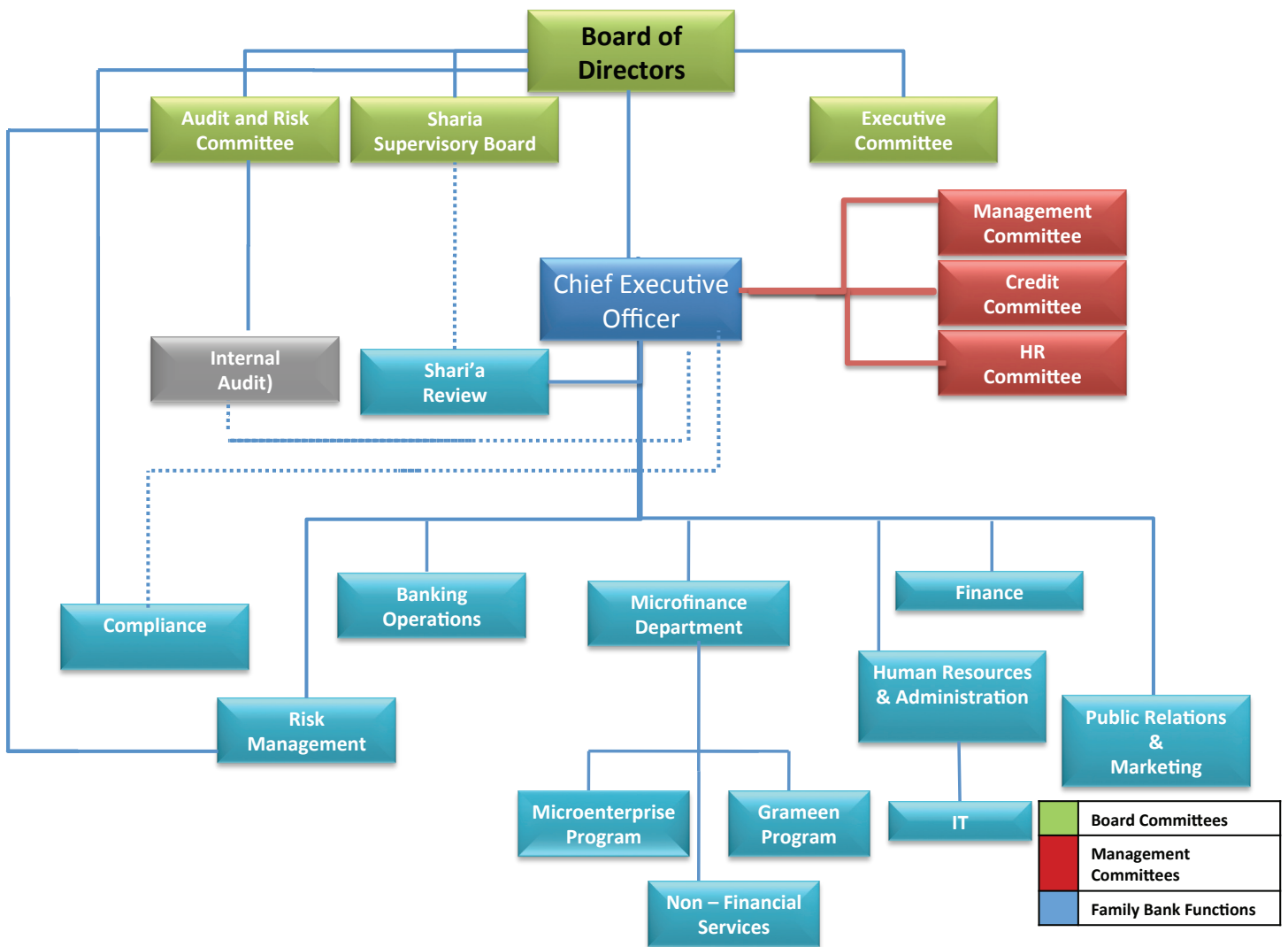
This includes wide use of monthly and quarterly edited performance reports, the media for the purpose of advertising and providing information on the Bank's progress, the Bank's regularly results are published in both Arabic and English newspapers, and are posted on the Bank's website www.FamilyBankbh.com.



Organization

Chart





Success

Stories





Client Name: Adel Abdullah Ali

Activity: Consumer Accessories Cars, motorcycles and air

Amount of funding: two funds as follows

1000 BD --1500 BD

Total: 2500 BD

Adel: Adel: I was introduced to the Family Bank by the employee, “Ammar” finance Officer in Grameen - Family Bank when they visited me in the shop within his tour in the region of Kar-ranah and provides for the owners of small businesses like me a support of their standard of living and expand their business through the services provided by Family Bank. After the meeting with “Ammar” I have decided to extend the funding in order to develop from modest Local Tools sale Car Accessories where I suffered from financial hardship and the shop was empty of cargo , I was delighted to ease and speed of action and lack of restriction, after the success achieved by funding from Family Bank , the first fund allowed me by adding the quality of the work and the shop is opened from morning to night, a full-time Bahraini employee was hired, Adel adds: I have expanded my goods and I add new service which it is sale the bicycles and a small size motorcycles, in addition to the sale of tools and cleaning and polishing, I add these new activities, including sale of spare parts and accessories of bicycles and motorcycles on the record.

After the success of the fair this become the idea of opening another branch to his shop by the Family Bank and expanding in the labour market.



Client Name: Abdel Moneim Said

Activity: Sale of Power Tools and Construction

Amount of funding: 1500 BD

Abdel-Moneim says: Leafing through the local newspapers I read about the Family Bank and the services which offers to a small business owners, I called the bank to ask about how to utilize the funding for the development of commercial activity, which it’s the sale of electrical appliances and construction and provide the tools necessary to build, I was able to finance through the Family Bank that a broader focus on the provision of technical services, as well as expand my business and private purchase of equipment and enough variety and in quantities that allow to lift profit margins and meet the desire of customers from electrical appliances. Moneim one of the most bank customers a commitment to pay the premiums and commitment to training and follow-up, and his very high level growth, he is currently working on an expansion which has submitted a request to the bank to get new funding to increase the size and quality of his work so that expands his business, which is currently planning to import spare parts from abroad and raise the margin which has already begun hiring additional store and perform the steps necessary for this expansion.



Stories



Client Name: Huda Mohammed Al-Malki

Activity: Manufacturer of the popular sweets

Amount of funding: two funds as follows

4725 -2275 BD

Total 7000 BD

Hamdan says: Kingdom of Bahrain is famous in industry of the dessert, popular handed down through generations from father to son, the industry linked people with the name of the Kingdom of Bahrain, and since the beginning I had loved this industry and I am excellent in this, then I have decided to open a factory for all popular Bahraini sweets as the Bahraini Halwa “Red & Green” and sweet Sambousaa and sweet Nashab.

After years of success of my business, I decided to go to a traditional banks for a fund to expand my work , but the procedures were complex, as well as having conditions and safeguards which hindered getting the funding , in the meantime through one of the sisters I met the Family Bank and looked at all of the services provided by the Bank, which was different, more convenience and appropriate for my circumstances and conditions, which have been affected by crisis, especially with the lack of the number of tourists in Kingdom of Bahrain, immediately I submitted to obtain financing, especially as this bank was established for the owners of small business.

I’m considered as one of the first who have come forward to seek support by the Bank and now I’m enjoying the expansion of my business and I have customers from all over the Persian Gulf. Huda al-Maliki is one of the success stories of Bahraini women’s fight other activity, she has opened a cafeteria in Juffair which the bank helped her to buy a bicycle to add a delivery service for homes to increase the sales.



Client Name: Moza Abdullah Al Qassimi

Activity: Female Salon

Amount of funding: 4000 BD

Moza Says: I own a small salon in Riffa, at the beginning of steps on my commercial, I was suffering from low-income and lower level of equipment and after a period is blessed with good I have customers from all over Kingdom of Bahrain and decided to open another branch of the salon near the current, and I heard about Family Bank and his services and I read a story about success stories from the bank in a local newspapers applied for funding because I need to expand my work and the work of decorations, shop and buy new additional equipment which permit to meet the wishes of the customers, the salon developed and has modern equipment, and the salon succeeded and the volume of customers was significantly, allowing to have a chance to open another branch in the region which contributes to the development of living my life. Moza is one of the success stories of the bank, she is committed, and the Bank provided to her more than funds .



Client Name: Kamille Mirza Eid

Activity: Stationery and materials for printing and imaging

Amount of funding: 1500 BD

Kamille says: Is a self-made young man moved from the stage of unemployment to become entrepreneurs when he decided to start his career to possess a special project and the way to begin the first steps of professional success in self-employment by opening a shop selling stationery and printing materials and photography. kameel says: I could not get a job and the solution was to turn to a self-employment, I started from scratch in my business and I was working in stationeries so I decided to own one stationary at the same time no stationary in the region, then I met Family Bank to help me in financing my development of my work to buy some equipment for printing and photography and began to buy tools and supplies for the local located in Karzakan, and now I rely on myself in the management of my monthly income, my store now is the only store in the region, then I began in the expansion and opening of a small branch in the Cooperative Society Access Statistics and I employed a young full time Bahraini and now I want to elaborate also in trade and institutions to provide stationery and this is my next project.

Client Name: Rhifah Hassan

Activity: Manufacturing Dates

Amount of funding: two Funds as follows

1500 BD - : 4000 BD

Total : 5500 BD

Rhifah says: Dates are blessing of God Almighty, manifested in his wisdom and his miracle and innovations created, and which has long puzzled researchers and scientists to the many and varied benefits of dates, this is my story with the Family Bank and the secrets of “Yathrib” dates shop. The secret of my success with the Family Bank opened doors for me and happiness from friends and family is the way to obtain financing from the bank for the sale of the dates. The beginning of my story with success , I reached to the Family Bank for funding to fulfil my dream of creating a shop selling first class dates - the finest types of dates, starting in the first steps to achieve the draft of the house, and I have purchased a total of the best dates and I wrapped as a gift to parents and friends of occasions, what the y found as much appetite on my work from all areas of Kingdom of Bahrain, encouraged my husband to open a shop selling dates and gifts and I have determined to issue a commercial register and open a shop selling dates and gifts, I came to the Family Bank with the encouragement of friends and family and the first funding from the Bank was 1500 BD of Grameen program, and succeeded in a short period in realizing my dream and now I have customers from all of the countries of Kingdom of Bahrain, the Arab Gulf and has become my work required in China and some European countries.

Rhifah says: I decided to expand on my business and applied for a corner in all branches of the complex, I requested another funding from Family Bank to achieve greater success from MEF 4000 BD, my business is expanding day by day the grace of God Almighty and encouragement from my husband and friends and family and the Family Bank is now part of my family in achieving my ambitions, so I thank the Family Bank that they have achieved my dreams and my ambitions.



High level

Controls



High level Controls:

In October 2010, CBB introduced new requirements to Module HC that have to be met by all licensees with respect to corporate Governance principles to be in line with the principles relating to the corporate Governance Code issued by the ministry of Industry and Commerce.

Family Bank made assessments on Module HC to ensure compliance with new requirements. The bank is currently in compliance with most of the relevant HC Module, except for the following:

<i>HC-1.8.2</i>	<i>The board shall establish a corporate governance committee of at least three independent members which shall be responsible for developing and recommending changes from time to time in the Islamic bank licensee's corporate governance policy framework.</i>
<i>The bank comment</i>	Due to the size, nature of Family Bank operations as well as current limited number of Board members, the Corporate Governance Committee was not formed but the matter is under consideration by the Board.

<i>HC-1.8.6</i>	<i>Every committee must have a formal written charter similar in form to the model charters which are set forth in Appendices <u>A</u>, <u>B</u> and <u>C</u> of this Module for the Audit, Nominating and Remuneration Committees.</i>
<i>The bank comment</i>	Family Bank has informed the CBB, that all Committees charters will be finalized by end 31 July, 2012.

<i>HC-3.3.3</i>	<i>The board should adopt a "whistleblower" program under which employees can confidentially raise concerns about possible improprieties in financial or legal matters. Under the program, concerns may be communicated directly to any audit committee member or, alternatively, to an identified officer or employee who will report directly to the Audit Committee on this point.</i>
<i>The bank comment</i>	A draft "whistleblower" program was elaborated and will be implemented by 31 May, 2012.



Controls

HC-	<i>The board must establish an audit committee of at least three</i>
3.2.1	<i>directors of which the majority must be independent including the Chairman. The committee must:</i> <i>a) Review the Islamic bank licensee's^G accounting and financial policies and practices; b) Review the integrity of the Islamic bank licensee's^G financial and internal controls and financial statements (particularly with reference to information passed to the Board - see HC-1.2.8). The information needs of the Board to perform its monitoring responsibilities must be defined in writing, and regularly monitored by the Audit Committee; cc) Review the Islamic bank licensee's^G compliance with legal requirements; dd) Recommend the appointment, compensation and oversight of the Islamic bank licensee's^G external auditor; and e e) Recommend the appointment of the internal auditor.</i>
HC-3.2.3	<i>The Islamic bank licensee^G must set up an internal audit function, which reports directly to the Audit Committee and administratively to the CEO^G.</i>
<i>The bank comment</i>	Regarding the (HC – 3.2.1), Board of Directors of Family Bank is considering this point and the will take action before July, 2012. Regarding the (HC – 3.2.3), Board of Directors of Family Bank has been outsourced internal auditor function, as the Bank informed the CBB.



Some Family Bank

Activities in year 2011



Activities in year 2011

Family Bank and customers in the events and social activities

Participated Family Bank and its clients in the events and social activities throughout the year 2011, in order to communicate and interact with all segments of society has provided the bank to its customers all marketing support Through their participation in local fairs, which the Bank provides care or participate in the following summary of the most prominent of these events and activities.

Number	Event	Venue	Number of clients
1	Autumn Fair 2011	Bahrain International Exhibition Centre	14
2	Food and Hospitality Expo	Bahrain International Exhibition Centre	8
3	Health and Wellness Fair	Bahrain International Exhibition Centre	8
4	Made in my home	Bahrain International Exhibition Centre	3
5	Bahrain brings us together	Bahrain International Circuit	9
6	Bahrain Animal Production show	Endurance race site	4
7	Amwaj Triathlon	All governorates of the Kingdom	5
8	Ashraquat Alkheer	Sofitel Zallaq	5
9	Abayat 2	Allit Hotel	5

Family bank sponsors social activities and competitions

Family bank has supported and sponsored social activities and competitions, and the belief in social responsibility and in order to lead the development and economic and social empowerment of young people and women and the disabilities.

Number	Event	Venue
1	Youth competition for cooking	Bahrain Exhibition
2	family bank Ramadan competition	albilad
3	Alsahla team football	Southern Cultural Center
4	Tarteeb competition	City Center
5	Bahrain T.V competition (weekend)	City Center
6	Opening of Danat project economic for people with disabilities	Alwafa Garden

Amwaj Triathlon



Autun Fair 2011



Ashraquat Alkheer



Some Family Bank

Activities in year 2011

Lectures and training courses

Family Bank has established a number of seminars and services tariff acts of the Bank and the number of training courses for its clients and some NGOs in how to manage micro-projects.

Number	Event	Venue	target
1	Youth and small enterprises	NGO'S Support Centre	Youth NGO'S
2	Micro Finance Project	NGO'S Support Centre	NGO'S
3	Arab Experiences to support for productive families	Bahrain International Exhibition Centre	Open
4	Family Bank first summer activity	Bahrain Institute of Technology	Clients
5	Gadgets bag	Discrimination Center	Clients
6	Project management	Discrimination Center	Clients
7	Jewelry Design	Alrwaq Center	Clients
8	Fashion Design	Alrwaq Center	Clients

Youth and small enterprises



Arab Experiences families



Arab and international conferences

Family Bank presence in the Arab and international forums for the transfer of the experience of the family bank in an economic model to support individuals and families with limited income by setting up micro enterprises, and also benefit from the experiences of countries participating in these conferences.

Number	Event	Venue
1	World Summit for Social Economy	Vienna
2	Young Businessmen Association Conference	Qatar
3	Sanabel Group Conference	Jordan

Sanabel Group Conference



World Summit for Social Economy



Some Family Bank

Activities in year 2011

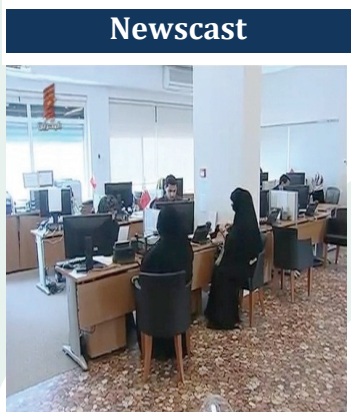
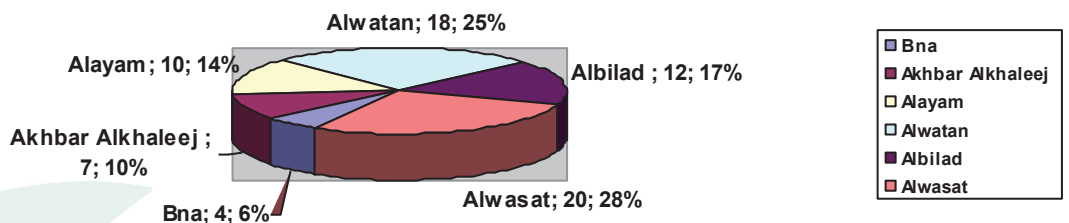
Media

Family Bank participate in many meetings television and radio to promote his work and the concepts of self-employment and entrepreneurship, have been the work of several private meetings the idea of establishment of a bank the family, services and works submitted either via Radio Bahrain or Bahrain TV is seeking teams working in the bank to communicate and presence in the media that reach all citizens and interested in their problems.

Number	Program	Presence
1	radio program - keys	Radio Bahrain
2	Hala Bahrain	Radio Bahrain
3	CEO interview	Radio Bahrain
4	Newscast	Bahrain TV

Local newspapers					
Alwasat	Albilad	Alwatan	Alayam	Akhbar Alkhaleej	Bna
20	12	18	10	7	4

Total: 74 News



Some Family Bank Activities in year 2011

Visit to the institutions of government and councils Bahrain

Family Bank has established a number of visits to government institutions and councils Bahrain to extend a bridge of cooperation in order to serve individuals and families from low-income families by providing the necessary support through the establishment of micro-projects.

Number	Event	Venue
1	Visit the Capital Governorate	Capital Governorate
2	Visit the International Monetary Fund headquarters for the Family Bank	Family Bank Main Branch
3	Visit Chamber of Industry and Commerce of Bahrain	Chamber of Commerce and Industry of Bahrain
4	Visit to Chairman of Bahrain Councils society	Chairman of Bahrain Councils society

Visit the Capital Governorate



Bahrain Councils society



Signing of a cooperation agreement with women's associations of civil

Activation to achieve the objectives of the program funding community-based organizations, which is a major financing programs offered by Family Bank has entered into a cooperation agreement with Bank of several women's associations and cultural service to individuals and families with limited income.

Number	Society Name	Venue
1	Bahrain Young Ladies Society	Family Bank Main Branch
2	Awal Women's Society	Family Bank Main Branch

Awal Women's Society



Bahrain Young Ladies Society



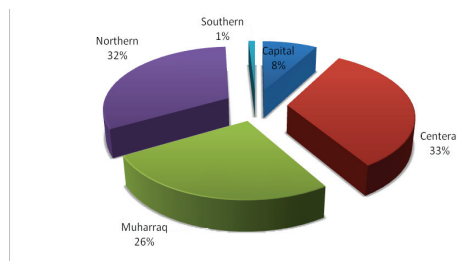
Activities in year 2011

Projects funded and the number of beneficiaries from the services of Family Bank

Number	Type of project	Development projects which the Family Bank has financed in 2011	
		MEF	Grameen
1	Trade	57	345
2	Entertainment & Ads		10
3	Handcraft		9
4	Fishing		31
5	Food processing	4	66
6	Agriculture	3	15
7	Maintenance & Construction		16
8	Manufacture	14	23
9	Tailor		15
10	Stationery		14
11	Salon		18
12	Others	47	52
Total		125	614

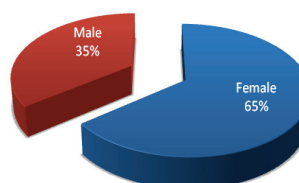
Grameen Program

Total of beneficiaries by Geographic



The statistical central governorate constitutes 33% of the number of beneficiaries of the Grameen program and maintain the capital, 32% and 26% Al Muharraq and the capital of 8% and 1% of South.

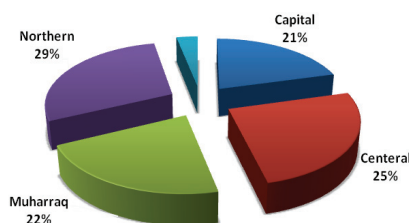
Total of beneficiaries by Gender in 2011



The statistical number of beneficiaries from the services of the bank of a class of females by 65% more than the male category by 35%.

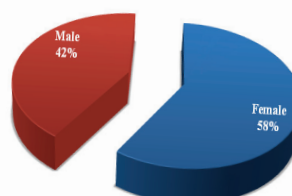
MEF

Total of beneficiaries by Geographic



The statistical form the Northern Province 29% of the number of beneficiaries of the program and maintain the capital of 25% and 22% Al Muharraq and the capital, 21% and 3% of South

Total of beneficiaries by Gender in 2011



The statistical number of beneficiaries from the services of the bank of a class of females by 58% more than the male category by 42%.

Risk

Management



Risk Management:

The Risk Management framework defines the risk culture of Family Bank and sets the tone throughout the Bank to practice the right risk behavior consistently to ensure that there is always a technique in managing a realistic risk.

Family Bank has adopted an integrated risk management framework to proactively identify, evaluate, control and scrutinize risks in its decision and operations.

Credit Risk:

Credit Risk is defined as the potential that the Bank's borrower or counterparty will fail to meet its obligations in accordance with the agreed terms. The goal of credit risk management is to maximize the Bank's risk adjusted rate of return by maintaining credit exposures within acceptable parameters of both quantity and quality. Credit risk includes both transaction risk and portfolio risk.

Transaction Risk:

Transaction risk refers to the risk within individual finance. Family Bank mitigates transaction risks through borrower screening techniques, underwriting criteria, and quality procedures for finance disbursement, monitoring, and collection.

Portfolio Risk:

Portfolio risk refers to the risk inherent in the composition of the overall finance portfolio. Policies on diversification (avoiding concentration in a particular sector or area), maximum finance size, types of finance, and finance structures lessen the Family Bank's portfolio risk.



Market Risk:

Market risk arises from the fluctuations in interest rates, foreign exchange rate and commodity and equity prices. Due to the nature of the Family Bank activities, market risk is only limited to profit rate risk. Profit rate arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. Family Bank has a limited exposure to profit rate risks as its financing to customers is under fixed profit rate contract.

Operational Risk:

Operational risk is the risk of loss arising from causes associated with the Bank's processes, personnel, information systems and external factors such those arising from legal and regulatory requirements. The Objective of the Bank is to manage this risk by striking a commercial balance between the risks of financial loss and avoiding excessively bureaucratic internal procedures which limit the ability to provide as effective service to customers. Family Bank achieves this through a control based environment where processes are documented, authorization is independent and transactions are monitored and reconciled.

Operational risk management process is guided by high level policies supported by procedures embedded within the policies. The policies and the procedures captures how the bank manages its operational risk by identifying, controlling and mitigating the operational risk and implementing any additional procedures which may be required as dictated by the risk loss incurred.

Risks identified are subjected

- To periodic reviews to ensure that the circumstances under which they were identified have not significantly changed.
- Collection of operational risk loss data and reporting individual cases and trends to senior management.

The Bank has developed and implemented a comprehensive Business Continuity Plan (BCP) to respond to events that disrupt its operations at any location within its network. The plan seeks to quickly recover and resume its most critical operations with minimal disruption to its operations, the plan addresses several areas including data backup and recovery...etc.



Management

Statement of Provisioning:

The bank had followed the below structure for provisions against its affected portfolios as of 31 December 2011:

Past Due -	Nil
Sub-standard -	20%
Doubtful -	50%
Loss -	100%

(2010: The Bank being Islamic Microfinance Bank having no collateral securities from its customers, had provided 50% of its affected portfolio as of 31 December 2010.)

Capital Structure - Qualitative Disclosures

	Amount BD
Core Capital – Tier 1	
Issued and fully paid Capital	5 Million
Share premium	Nil
Retained earnings	(924,676)
Total Tier 1 Capital	4,075,324

Credit Risk – Qualitative Disclosures (PD1.3.22, PD1.3.23.1.3.24)

1.3.22

(a)

Past Due -	60 to 90 Days
Sub-standard -	91 to 180 Days
Doubtful -	181 to 365 Days
Loss -	Above 365 Days

(b)

Past Due -	Nil
Sub-standard -	20%
Doubtful -	50%
Loss -	100%

1.3.23*(a)**(000s)*

	Q1	Q2	Q3	Q4	Total	Average
Murabaha and Istisna'a receivable	1,678	1,773	482	519	4,452	1,113
Mudaraba Financing	2,605	2,382	3,415	3,297	11,699	2,925
	4,283	4,155	3,897	3,816	16,151	4,038

Basis of Average: Simple Average for 4 quarters for year 2011.

(c) All Credit Exposures are in Bahrain in Consumer Finance Industry.



Management

1.3.23(h)

Note No. 15 to Audited FS:

	2011			
	<i>Balances with banks BD</i>	<i>Mudaraba BD</i>	<i>Murabaha receivables BD</i>	<i>Total BD</i>
Neither past due nor impaired	165,834	3,197,871	141,516	3,505,221
Past due but not impaired	-	61,693	206,092	267,785
Individually impaired				
Gross amount	-	113,172	278,398	391,570
Provision	-	(76,030)	(107,335)	(183,365)
Net	-	37,142	171,063	208,205
Total exposure to credit risk	<u>165,834</u>	<u>3,296,706</u>	<u>518,671</u>	<u>3,713,426</u>

PROVISION AGAINST MUDARABA / MURABAHA RECEIVABLES

	2011			2010		
	<i>Mudaraba</i>	<i>Murabaha receivables</i>	<i>Total</i>	<i>Mudaraba</i>	<i>Murabaha receivables</i>	<i>Total</i>
As at 1 January	42,861	27,180	70,041	-	-	-
Charge for the year	33,169	80,155	113,324	42,861	27,180	70,041
As at 31 December	<u>76,030</u>	<u>107,335</u>	<u>183,365</u>	<u>42,861</u>	<u>27,180</u>	<u>70,041</u>

Largest Bank Exposures : 1.3.23 (f)

Name	Related Party N/Y	Country	Type of contract	currency	Maturity	Total Outstanding	% of Capital Base
Ithmaar bank- Investment A/C	Y	Bahrain	Mudaraba	BHD	5-July- 2012	2,071,414	41%
KFH- investment	Y	Bahrain	Mudaraba	BHD	21-FEB- 2012	861,386	17%

1.3.23 (g)

Mudaraba

<i>Up to 1 month BD</i>	<i>1 to 3 months BD</i>	<i>3 months to 1 year BD</i>	<i>Within 1 year BD</i>	<i>1 to 3 years BD</i>
202,720	861,386	2,232,600	3,296,706	

Murabaha receivables

518,671



1.3.24:

Maturity Profile

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

	2011							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	166,151	-	-	166,151	-	-	-	166,151
Mudaraba	202,720	861,386	2,232,600	3,296,706	-	-	-	3,296,706
Murabaha receivables	-	-	-	-	518,671	-	-	518,671
Equipments, furniture & fixtures	-	-	-	-	-	-	205,912	205,912
Other assets	3,669	2,106	-	5,775	-	-	-	5,775
Total assets	372,540	863,492	2,232,600	3,468,632	518,671	-	205,912	4,193,215

Penalties imposed on Customers:

Family Bank has not imposed any penalties on Customers during the year.

Financial Penalty:

During the year 2011, the CBB imposed financial penalties on the bank for its failure to clean up the erroneously open account in the BCRB system, and the Bank paid to the CBB all the imposed Financial penalties of the amount of eight hundred Bahraini Dinars.

Financial

Highlights



Financial Highlights:

2011: Top 5 items in order of Finance amount

Item	Total Finance Amount in BD		
	Grameen	MEF	Total
1. Trade	235,977	129,305	365,282
2. Fishing	15,060	10,500	25,560
3. Manufacturing	11,870	45,412	57,282
4. Agriculture	18,000	-	18,000
5. Services	152,563	97,022	249,585
Total:	433,470	282,239	715,709

Governate wise comparative statement for the year 2011

Governate	Grameen			MEF		
	Total Finance Disbursed (BD)	Male	Female	Total Finance Disbursed (BD)	Male	Female
1. Southern	4,500	-	5	15,100	1	3
2. Northern	148,542	62	82	93,305	9	15
3. Central	120,546	31	90	58,100	6	8
4. Capital	31,290	13	22	52,512	9	4
5. Muharraq	128,592	21	105	63,222	5	12
Total:	433,470	127	304	282,239	30	42

Highlights

Family Bank year end update

Performance for the year 2011

Item	Programs	
	Grameen	MEF
Number of Clients	431	72
Finance Disbursed (BD)	433,470.00	282,239
Finance Repaid (BD)	217,882	63,224
Repayment Rate	56%	52%
Percentage of Women Customers	71%	58%

Islamic transactions for the year 2011

Islamic Product	Number of Clients		Finance Disbursed in BD	
	Grameen	MEF	Grameen	MEF
Murabaha	13	16	19,870	72,039
Mudaraba	204	0	155,000	-
Murabaha by Tawarrouq	214	56	258,600	210,200
Total:	431	72	433,470	282,239

Sector wise disbursement for the year 2011

Main Sectors in Grameen	Number of Clients		Finance Disbursed (BD)	
	Male	Female	Male	Female
Agriculture	15	1	17,500	500
Fishing	10	0	15,060	-
Manufacturing	4	8	3,700	8,170
Trade	63	195	68,050	167,927
Other Services	35	100	48,470	104,093
Total:	127	304	152,780	280,690



Main Sectors in MEF	Number of Clients		Finance Disbursed (BD)	
	Male	Female	Male	Female
Agriculture	0	0	-	-
Fishing	2	0	10,500	-
Manufacturing	5	6	25,000	20,412
Trade	14	19	56,380	72,925
Other Services	9	17	35,700	61,322
Total:	30	42	127,580	154,659

2011

Return on Shareholders' Equity: (10.39) %

Return on Networth : (12.75)%

2010

Return on Shareholders' Equity: (8.10) %

Return on Networth : (8.82)%



Shari'ah Supervisory Report



Report

Shari'ah Supervisory Report

In the Name of Allah, the Beneficent, the Merciful

Praise to be to Allah, and peace and blessings be upon our Prophet, Mohammed, and upon his Family and Companions.

Subject: Shari'ah Report of Family Bank BSC(C) for the fiscal year ended 31 December 2011.

To the shareholders of Family Bank BSC (C)

Salaam Alaikum Wa Rahmat Allah Wa Barakatuh

We have reviewed the principles and contracts relating to the transactions concluded by Family Bank BSC (C) ("The Bank") during the course of the fiscal year ending 31 December 2011.

The review was conducted in order to judge whether the Bank abided by the principles of Islamic Shari'ah, specific fatwas and guidelines issued by us.

The Bank's Management is responsible for ensuring that its operations are carried out in compliance with principles of the Islamic Shari'ah, specific fatwas and guidelines issued by us.

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 Shari'ah function of the Bank.

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



Shari'ah Supervisory Report

In our opinion:

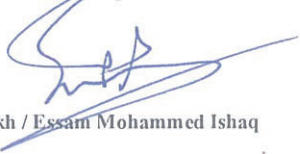
- 1- Contracts, operations and transactions executed by the Bank during and until the end of the fiscal year 31 December 2011 were in accordance with the provisions and principles of Shari'ah Islamic law.
- 2- We did not detect the presence of any of the unintended benefits, realized from sources or methods prohibited by the provisions and principles of Islamic law until the end of the fiscal year 31 December 2011
- 3- The Bank is not empowered to deduct the Zakat on Shareholders, and the responsibility for deducting the Zakat is that of the Shareholders.
- 4- The Zakat due is BHD 0.0020 per share.

We ask Allah Almighty His continued guidance & blessings.

May peace and Allah's mercy and blessings be upon you.

Date: 08/08/1433 01/03/2012

Place: Kingdom of Bahrain



Sheikh / Essam Mohammed Ishaq

Chairman of the Shariah Supervisory Board



Sheikh/ Dr. Ossama Mohammed Bahr

Member of the Shariah Supervisory Board



Dr. Mohameden Weld Mohammed Ghulm

Member of the Shariah Supervisory Board



Audit financial statement

REPORT OF THE BOARD OF DIRECTORS

for the year ended 31 December 2011

All amounts expressed in Bahraini Dinars unless otherwise stated

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 2011.

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 Retail Banking 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 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 2011, the Bank continued to disburse finances under Grameen and Microenterprise Finance. The Bank also offered non-financial services to its customers by providing advice, marketing support and training. These principal activities conformed to the Islamic Shari'a and were performed with guidance from the Bank's Shari'a Advisory Board.

Financial Position and Results

The detailed financial position of the Bank at 31 December 2011, and the results for the year then ended, are set out in the accompanying financial



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Financial highlights	2011	2010
Total assets	4,193,215	4,738,399
Total equity	4,075,324	4,594,900
Loss for the year	(519,576)	(405,100)

Movement in accumulated deficit	2011	2010
Balance at 1 January	(405,100)	Nil
Loss for the period	(519,576)	(405,100)
Balance at 31 December	(924,676)	(405,100)

Dividends

The Board of Directors has not made any appropriations for dividends for the year ended 31 December 2011 (2010: Nil).

Directors and Management

The following served on the Bank's Board of Directors during the year ended 31 December 2011:

<u>Name</u>	<u>Title</u>
H.E. Dr. Fatima Al Balooshi	Chairperson
Dr. Mustafa Ali Al Sayed	Member
Mr. Ahmed Abdul Rahim	Member
Mr. Rashad Akbari	Member
Mrs. Sawsan Abualhasan	Member
Mr. Khalid Al Maarafi	Member
Prof. H Latifee	Member



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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 2012; 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 shareholders and to our executives and employees for their support in adding value to the Bank.



H.E. Dr. Fatima Al Balooshi
Chairperson



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C.R. No. 6700

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 2011, and the related statements of income, cash flows and changes in owners' equity for the year then ended. 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 2011, 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.



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

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.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2011 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.

A stylized, handwritten signature of 'Ernst & Young' in a dark green color.

22 March 2012
Manama, Kingdom of Bahrain



Auditor's report and

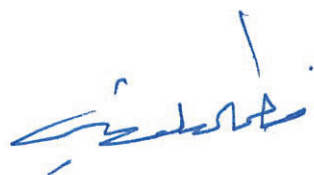
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Family Bank B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 BD	2010 BD
ASSETS			
Cash and balances with banks	4	166,151	54,430
Mudaraba	5	3,296,706	2,941,065
Murabaha receivables	6	518,671	1,602,920
Equipments, furniture and fixtures	8	205,912	136,011
Other assets		5,775	3,973
TOTAL ASSETS		4,193,215	4,738,399
LIABILITY AND OWNERS' EQUITY			
Accounts payable		117,891	143,499
Owners' Equity			
Share capital	9	5,000,000	5,000,000
Accumulated losses		(924,676)	(405,100)
Total owners' equity		4,075,324	4,594,900
TOTAL LIABILITY AND OWNERS' EQUITY		4,193,215	4,738,399



Dr. Fatima Bint
Mohamed Al Balooshi
Chairperson



Khalid Al Maarafi
Director



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Family Bank B.S.C. (c)

STATEMENT OF INCOME

For the year ended 31 December 2011

	<i>Notes</i>	2011 BD	2010 BD
Income from mudaraba		147,904	231,589
Income from murabaha receivables		78,093	29,650
Total income		225,997	261,239
Staff cost		423,430	347,348
General and administrative expenses	11	161,398	152,566
Depreciation	8	47,421	32,336
Pre-incorporation expenses	10	-	64,048
Total expenses		632,249	596,298
Net loss before provisions		(406,252)	(335,059)
Provisions	7	(113,324)	(70,041)
NET LOSS FOR THE YEAR		(519,576)	(405,100)

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	<i>Notes</i>	2011 BD	2010 BD
OPERATING ACTIVITIES			
Net loss for the year		(519,576)	(405,100)
Adjustment for non-cash items:			
Depreciation	8	47,421	32,336
Provision for indemnity		11,662	9,800
Provisions	7	113,324	70,041
Operating loss before changes in operating assets and liabilities		(347,169)	(292,923)
Working capital adjustments:			
Mudaraba		675,296	(2,983,926)
Murabaha receivables		1,004,094	(1,630,100)
Other assets		(1,802)	(3,973)
Accounts payable		(37,270)	133,699
Net cash from (used in) operating activities		1,293,149	(4,777,223)
INVESTING ACTIVITY			
Purchase of equipments, furniture and fixtures and net cash used in investing activity	8	(117,322)	(168,347)
FINANCING ACTIVITY			
Proceeds from the issue of share capital and net cash from financing activity	9	-	5,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,175,827	54,430
Cash and cash equivalents at 1 January		54,430	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		1,230,257	54,430

CASH AND CASH EQUIVALENTS COMPRISES

	2011 BD	2010 BD
Cash in hand	317	551
Balances with banks	165,834	53,879
Mudaraba with financial institution with original maturity of less than 90 days	1,064,106	-
	1,230,257	54,430



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	<i>Share capital BD</i>	<i>Accumulated losses BD</i>	<i>Total owners' equity BD</i>
Balance at 1 January 2011	5,000,000	(405,100)	4,594,900
Net loss for the year	-	(519,576)	(519,576)
Balance at 31 December 2011	5,000,000	(924,676)	4,075,324
Issue of share capital	5,000,000	-	5,000,000
Net loss for the year	-	(405,100)	(405,100)
Balance at 31 December 2010	5,000,000	(405,100)	4,594,900



Auditor's report and

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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, Jufair, Kingdom of Bahrain. The Bank operates under an Islamic Retail Banking Licence 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 loans, open trust accounts for the beneficiaries of the micro finance loans, 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 financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 22 March 2012.

2 BASIS OF PREPERATION

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

Statement of Compliance

These 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 ["IFRS"] issued by the International Accounting Standards Board ["IASB"].

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Adoption of new and amended standards and interpretations

The accounting policies are consistent with those of the previous year except that during 2010, AAOIFI amended its conceptual framework and issued new Financial Accounting Standard (FAS 25) "Investment in sukuk, shares and similar instruments", which were effective as of 1 January 2011.

Conceptual Framework for the financial reporting by Islamic Financial Institutions

The amended conceptual frame work provides the basis for the financial accounting standards issued by AAOFI. The amended framework introduces the concept of substance and form compared to the concept of form over substance. The framework state that it is necessary that information, transaction and other events are accounted for and presented in accordance with its substance and economic reality as well as the legal form. The adoption of the framework did not have any significant impact on policies, financial position or performance of the Bank

The adoption of the new conceptual framework did not have any impact on the accounting policies, financial position or performance of the Bank.

Financial accounting standard (FAS 25) "Investment in sukuk, shares and similar instruments"

The Bank has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by Islamic financial institutions. The adoption of this standard did not have any significant impact on the accounting policies, financial position or performance of the Bank.

Audit financial statement

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting judgments and estimates

The application of the accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The most significant judgments and estimates are discussed below:

Going concern

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

Useful life of equipment, furniture and fixtures

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

Impairment provisions against receivables

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

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.

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks and mudaraba with financial institutions with original maturities of less than ninety days.

3.5 Mudaraba

Mudaraba is a partnership in which the Bank contributes capital. These contracts are stated at the fair value of consideration given less impairment.

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.

3.6 Murabaha receivables

Murabaha receivables consist of deferred sales transactions and 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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting judgments and estimates (continued)

3.7 Equipments, furniture and fixtures

Equipments, 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:

Equipments	5 years
Furniture and fixtures	3-5 years

3.8 Employees' end of service benefits

The Bank makes contributions to the Social Insurance Organisation scheme for its national employees calculated 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, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

3.9 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.

3.10 Derecognition of financial instruments

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

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

3.11 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.

3.12 Offsetting financial instruments

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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Zakah

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

4 CASH AND BALANCES WITH BANKS

	2011 BD	2010 BD
Cash in hand	317	551
Balances with banks	165,834	53,879
Cash and balances with banks	166,151	54,430

5 MUDARABA

	2011 BD	2010 BD
Mudaraba with financial institutions	3,135,520	2,777,631
Mudaraba with customers	237,216	206,295
Provision	(76,030)	(42,861)
	161,186	163,434
	3,296,706	2,941,065

5.1 The restructured facilities during the year amounted to BD 30,846 (2010: 5,013)

6 MURABAHA RECEIVABLES

	2011 BD	2010 BD
Murabaha with financial institution	-	1,423,100
Murabaha with customers	798,670	269,814
Less deferred profits	(172,664)	(62,814)
Provision	(107,335)	(27,180)
	518,671	179,820
	518,671	1,602,920

6.1 The restructured facilities during the year amounted to BD 12,452 (2010: Nil)

7 PROVISION AGAINST MUDARABA / MURABAHA RECEIVABLES

	2011			2010		
	<i>Murabaha</i> <i>Mudaraba</i>	<i>receivables</i>	<i>Total</i>	<i>Mudaraba</i>	<i>receivables</i>	<i>Total</i>
As at 1 January	42,861	27,180	70,041	-	-	-
Charge for the year	33,169	80,155	113,324	42,861	27,180	70,041
As at 31 December	76,030	107,335	183,365	42,861	27,180	70,041

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8 EQUIPMENTS, FURNITURE and FIXTURES

	<i>Equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Total BD</i>
Cost:			
At 1 January 2011	62,469	105,878	168,347
Additions	75,913	41,409	117,322
At 31 December 2011	<u>138,382</u>	<u>147,287</u>	<u>285,669</u>
Depreciation:			
At 1 January 2011	12,993	19,343	32,336
Charge for the year	23,167	24,254	47,421
At 31 December 2011	<u>36,160</u>	<u>43,597</u>	<u>79,757</u>
Net carrying values:			
At 31 December 2011	<u>102,222</u>	<u>103,690</u>	<u>205,912</u>
At 31 December 2010	<u>49,476</u>	<u>86,535</u>	<u>136,011</u>

9 SHARE CAPITAL

	<i>2011 BD</i>	<i>2010 BD</i>
<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 the 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 such time as 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.

10 PRE-INCORPORATION EXPENSES

	<i>2011 BD</i>	<i>2010 BD</i>
Staff cost	-	42,041
Rental expenses	-	17,225
Others	-	4,782
	<u>-</u>	<u>64,048</u>

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11 GENERAL AND ADMINISTRATIVE EXPENSES

	2011 <i>BD</i>	2010 <i>BD</i>
Lease Rentals	25,152	22,047
Professional Fee	28,794	21,854
Security Charges	20,620	20,085
Marketing & Promotional	23,181	18,365
Shariah Advisory fee	15,720	16,368
Inauguration Expenses	-	9,119
Membership Fee	13,479	9,074
Utilities	8,906	8,201
Communication	5,912	7,046
Training	2,950	6,149
Grameen Trust Institutional Charges	3,783	3,775
Others	12,901	10,483
	<u>161,398</u>	<u>152,566</u>

12 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.

Transactions with related parties arise from the ordinary course of business. Outstanding balances at year end are unsecured. For the year ended 31 December, the Bank has not made any provision related to amounts owed by related parties.

The significant balances with related parties were as follows:

	2011 <i>BD</i>	2010 <i>BD</i>
ASSETS		
Balances with banks	165,834	53,879
Mudaraba	3,135,520	2,777,631
Murabaha receivables	-	1,423,100
	<u>3,301,354</u>	<u>4,254,610</u>
LIABILITY		
Accounts payable	13,879	74,326

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

	2011 <i>BD</i>	2010 <i>BD</i>
Income		
Income from mudaraba	128,647	218,715
Income from murabaha receivables	28,466	23,100
	<u>157,113</u>	<u>241,815</u>

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

	2011 <i>BD</i>	2010 <i>BD</i>
Salaries	160,600	146,529
Other benefits	30,326	18,209
	<u>190,926</u>	<u>164,738</u>

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13 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.

14 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.

15 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:

	2011	2010
	BD	BD
Balances with banks	165,834	53,879
Mudaraba	3,296,706	2,941,065
Murabaha receivables	518,671	1,602,920
Maximum exposure to credit risk	3,981,211	4,597,864

Audit financial statement

15 RISK MANAGEMENT (continued)

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

	2011			Total BD
	Balances with banks BD	Mudaraba BD	Murabaha receivables BD	
Neither past due nor impaired	165,834	3,197,871	141,516	3,505,221
Past due but not impaired	-	61,693	206,092	267,785
Individually impaired				
Gross amount	-	113,172	278,398	391,570
Provision	-	(76,030)	(107,335)	(183,365)
Net	-	37,142	171,063	208,205
Total exposure to credit risk	165,834	3,296,706	518,671	3,713,426

	2010			Total BD
	Balances with banks BD	Mudaraba BD	Murabaha receivables BD	
Neither past due nor impaired	53,879	2,898,205	1,575,740	4,527,824
Individually impaired				
Gross amount	-	85,721	54,360	140,081
Provision	-	(42,861)	(27,180)	(70,041)
Net	-	42,860	27,180	70,040
Total exposure to credit risk	53,879	2,941,065	1,602,920	4,597,864

Concentration risk

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

	2011		Total BD
	Banks and financial institutions BD	Others BD	
Assets			
Balances with banks	165,834	-	165,834
Mudaraba	3,135,520	161,186	3,296,706
Murabaha receivables	-	518,671	518,671
Total assets	3,301,354	679,857	3,981,211
Liability			
Accounts payable	-	117,891	117,891
Total liability	-	117,891	117,891

Family Bank B.S.C. (c)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2011

15 RISK MANAGEMENT (continued)

	2010		
	<i>Banks and financial institutions BD</i>	<i>Others BD</i>	<i>Total BD</i>
Assets			
Balances with banks	53,879	-	53,879
Mudaraba	2,777,631	163,434	2,941,065
Murabaha receivables	1,423,100	242,634	1,665,734
Total assets	4,254,610	406,068	4,660,678
Liability			
Accounts payable	-	143,499	143,499
Total liability	-	143,499	143,499

Geographical concentration

Assets and liability of the Bank as at 31 December 2011 are primarily concentrated in Bahrain.



Audit financial statement

15 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.

	2011							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	166,151	-	-	166,151	-	-	-	166,151
Mudaraba	202,720	861,386	2,232,600	3,296,706	-	-	-	3,296,706
Murabaha receivables	-	-	-	-	518,671	-	-	518,671
Equipments, furniture & fixtures	-	-	-	-	-	-	205,912	205,912
Other assets	3,669	2,106	-	5,775	-	-	-	5,775
Total assets	372,540	863,492	2,232,600	3,468,632	518,671	-	205,912	4,193,215
Liability								
Accounts payable	95,897	20,334	1,660	117,891	-	-	-	117,891
Total liability	95,897	20,334	1,660	117,891	-	-	-	117,891
Net Liquidity Gap	276,643	843,158	2,230,940	3,350,741	518,671	-	205,912	
Cumulative Liquidity Gap	276,643	1,119,801	3,350,741	3,350,741	3,869,412	3,869,412	4,075,324	

15 RISK MANAGEMENT (continued)

	2010							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	54,430	-	-	54,430	-	-	-	54,430
Mudaraba	-	-	2,941,065	2,941,065	-	-	-	2,941,065
Murabaha receivables	1,423,100	-	-	1,423,100	179,820	-	-	1,602,920
Equipments, furniture & fixtures	-	-	-	-	-	-	136,011	136,011
Other assets	-	-	3,973	3,973	-	-	-	3,973
Total assets	1,477,530	-	2,945,038	4,422,568	179,820	-	136,011	4,738,399
Liability								
Accounts payable	75,522	67,977	-	143,499	-	-	-	143,499
Total liability	75,522	67,977	-	143,499	-	-	-	143,499
Net Liquidity Gap.	1,402,008	(67,977)	2,945,038	179,820	-	-	136,011	-
Cumulative Liquidity Gap	1,402,008	1,334,031	4,279,069	4,279,069	4,458,889	4,458,889	4,594,900	4,594,900

Audit financial statement

15 RISK MANAGEMENT (continued)

Operational Risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events which includes but is not limited to legal risk and Shari'a compliance risk. This definition excludes strategic and reputational risk.

16 SEGMENTAL INFORMATION

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

17 SOCIAL RESPONSIBILITY

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

18 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.

19 EARNINGS PROHIBITED BY SHARIA

The Bank has not received any income which was non-sharia compliant during the year ended 31 December 2011 (2010 nil).

