

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

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

**31 DECEMBER 2019**

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

الموضوع: تقرير هيئة الرقابة الشرعية عن السنة المالية المنتهية 2019م

إلى مساهمي بنك الأسرة

والسلام عليكم ورحمة الله وبركاته،،

لقد قمنا بمراجعة المبادئ والعقود المتعلقة بالمعاملات والتطبيقات التي أجراها بنك الأسرة ش. م. ب (البنك) خلال السنة المالية المنتهية بتاريخ 31 ديسمبر 2019. ولقد أجرينا مراجعتنا لإبداء رأينا عما إذا كان البنك التزم بأحكام ومبادئ الشريعة الإسلامية وفق الفتاوى والقرارات والإرشادات المحددة الصادرة عن هيئة الرقابة الشرعية.

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

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

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

وعليه فقد تبين لنا التالي:

- 1- أن العقود والعمليات والمعاملات التي أبرمها البنك خلال السنة المالية المنتهية بتاريخ 31 ديسمبر 2019 كانت في جملتها متوافقة مع أحكام الشريعة الإسلامية.
- 2- أن جميع المكاسب غير المقصودة والتي تحققت خلال السنة من مصادر أو طرق تحرمها أحكام ومبادئ الشريعة الإسلامية (إن وجدت) التزمت الإدارة بتجنيبها وصرافها في وجوه الخير تحت إشراف الهيئة.
- 3- أن البنك قام بحسب مقدار الزكاة وفق أحكام ومبادئ الشريعة الإسلامية وبما يتفق مع معيار الزكاة الصادر من هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية.

نسأل الله العليّ القدير أن يحقق لنا الرشاد والسداد

والسلام عليكم ورحمة الله وبركاته

التاريخ: 16/3/2020

المكان: مملكة البحرين

عبدالرحمن أحمد الموسى  
عضو الهيئة

فضيلة الشيخة د. أسامة محمد بحر  
عضو الهيئة

فضيلة الشيخ / عصام محمد إسحق  
رئيس هيئة الرقابة الشرعية

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

**Sharia'a Supervisory Board ("SSB") Report for the fiscal year ended 31 December 2019**

To the shareholders of Family Bank BSC (C)

Asslam Alaikum Wa Rahmat Allah Wa Barakatuh

We have reviewed the principles and contracts relating to the transactions and applications conducted by Family Bank BSC (C) ("The Bank") during the financial year ended December 31, 2019. Our review was conducted in order to judge whether the Bank followed the principle of the Islamic *Sharia'a*, specific *Fatwas* and guidelines issued by *Sharia'a* Supervisory Board.

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

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

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

**In our opinion:**

- 1- Contracts, operations and transactions executed by the Bank during the financial year ended December 31, 2019 were on the whole in accordance with the rules and principles of Islamic *Sharia'a* law.
- 2-The management has committed itself to segregate all the unintended gains, obtained during the year from sources or means prohibited by the provisions and principles of Islamic *Sharia'a* and disburse of it towards charitable causes under the supervision of the *Sharia'a* Supervisory Board.
- 3-The Bank calculation of *Zakat* is in compliance with the rules and principles of the Islamic *Sharia'a* and according to *Zakat* standard issued by AAOIFI.

We ask Allah almighty his continued guidance & blessings.

Wasslam Alaikum Wa Rahmat Allah Wa Barakatuh

Date: 16/3/2020

SH. ESAM MOHAMMED ISHAQ

Chairman of the Shariah Supervisory Board

SH. DR. OSAMA MOHAMMED BAHAR

Member of the Shariah Supervisory Board

ABDUL-RAHMAN AHMED AL-MOOSA

Member of the Shariah Supervisory Board

## REPORT OF THE BOARD OF DIRECTORS For the year ended 31 December 2019

---

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

**Dear Shareholders,**

The Board of Directors is pleased to submit its report, together with the Financial Statements of Family Bank B.S.C. (c) ("the Bank"), for the year ended 31 December 2019.

### **Principal Activities**

The Bank was established in the Kingdom of Bahrain on 5<sup>th</sup> October 2009, under commercial registration number 72929, as a Bahrain Joint Stock Company (closed). The Bank operates under an Islamic Microfinance Institution License issued by the Central Bank of Bahrain (the "CBB"). The Bank commenced commercial operations on 1<sup>st</sup> January 2010. The principal activities of the Bank include providing microfinance and other services that are in conformity with Islamic Shari'a.

In 2019, the Bank continued to disburse finances under Grameen and Micro Enterprise Finance. The Bank also offered non-financial services to its customers by providing advice and training. These principal activities conformed to the Islamic Shari'a and were performed with guidance from the Bank's Shari'a Advisory Board.

### Performance during 2019

During the year 2019, Family Bank's total income increased substantially to BD 986,117 compared to BD 713,542 for the year 2018 an increase of 38.20%. Also the total expense for the year 2019 were at BD 815,252 compared to BD 673,572 for the year 2018 an increase of 21.03%, due to this performance, the year-end profit reaches to BD 98,921 compared to year-end profit of BD 41,578 for the year 2018.

The collections were improved significantly and the default control was maintained.

Disbursements during the year 2019 were at BD 2,181,157 to 649 customers compared to BD 1,425,300 to 528 customers for 2018. Cumulative number of Accounts as on 31<sup>st</sup> December 2019 stood as 4,829 and cumulative amounts disbursed were at BD 11,126,379.

The repayments received from customers are BD 1,497,473 in 2019.

The quality of portfolio has been maintained in 2019, with better repayments and lesser numbers of new defaulters, due to higher screening of applications and improved credit scoring criteria.

The Portfolio at Risk (PAR) position, which was 5.61% as on 31<sup>st</sup> December 2018, was maintained at 6.54% by the end of December 2019. PAR position has maintained mainly by a tighter follow up by finance officers.

#### Financial Position and Results:

The detailed financial position of the Bank as 31<sup>st</sup> December 2019, and the results for the year then ended, are set out in the accompanying financial statements.

Financial highlights	In Bahraini Dinars	
	2019	2018
Total Assets	4,312,421	4,266,317
Total equity	2,187,374	2,153,212
Profit /Loss for the year	98,921	41,578

Movement in accumulated deficit	2019	2018
Balance at 1 <sup>st</sup> January	(2,846,788)	(2,888,366)
Transition adjustment for FAS30	(64,759)	-
Capital reduction from 5m to 2m	2,858,238	-
Profit / Loss for the period	98,921	41,578
Transfer to statutory Reserve	(4,561)	-
Balance at 31 December	41,051	(2,846,788)





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

### **Report on the Audit of the Financial Statements**

We have audited the accompanying statement of financial position of Family Bank B.S.C. (c) (the "Bank") as of 31 December 2019, and the related statements of income, cash flows and changes in owners' equity for the year then ended and a summary of significant accounting policies and other explanatory information. These financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2019, 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.

### **Report on Other Legal and Regulatory Requirements**

As required by the Bahrain Commercial Companies Law and Volume 5 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

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



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

**Report on Other Legal and Regulatory Requirement (continued)**

- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 5 and applicable provisions of Volume 6) and CBB directives, or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2019 that might have had a material adverse effect on the business of the Bank or on its financial position; and
- d) satisfactory explanations and information have been provided to us by Management in response to all our requests. The Bank has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank.

*Ernst & Young*

Auditor's Registration No: 212  
26 March 2020  
Manama, Kingdom of Bahrain

Family Bank B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 BD	2018 BD
<b>ASSETS</b>			
Cash and balances with banks	6	474,684	192,957
Mudaraba	7	1,387,109	354,130
Wakala		-	1,885,000
Murabaha receivables	8	2,352,645	1,766,280
Equipment, furniture and fixtures	10	11,257	7,750
Other assets		86,726	60,200
<b>TOTAL ASSETS</b>		<b>4,312,421</b>	<b>4,266,317</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Wakala financing	12	1,832,653	2,000,000
Deferred government grant	13	167,347	-
Accounts payable, accruals and other liabilities	11	125,047	113,105
		<b>2,125,047</b>	<b>2,113,105</b>
<b>Owners' equity</b>			
Share capital	14	2,000,000	5,000,000
Contributed surplus	14	141,762	-
Statutory reserve		4,561	-
Retained earnings (accumulated losses)		41,051	(2,846,788)
		<b>2,187,374</b>	<b>2,153,212</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>4,312,421</b>	<b>4,266,317</b>



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



Dr. Khalid Ateeq  
CEO & Board Member

The attached notes 1 to 26 form part of these financial statements.

Family Bank B.S.C. (c)

STATEMENT OF INCOME

For the year ended 31 December 2019

	Note	2019 BD	2018 BD
<b>INCOME</b>			
Income from financing assets	15	785,053	508,542
Fee income		78,030	56,800
Other income	16	123,034	148,200
		<u>986,117</u>	<u>713,542</u>
<b>EXPENSES</b>			
Staff costs	17	590,201	561,010
General and administration expenses	18	133,462	106,286
Finance cost		87,825	-
Depreciation	10	3,764	6,276
		<u>815,252</u>	<u>673,572</u>
<b>NET PROFIT (LOSS) FOR THE YEAR BEFORE PROVISION FOR CREDIT LOSSES</b>			
		170,865	39,970
(Provision for) / reversal of credit losses - net	9	(71,944)	1,608
<b>NET PROFIT FOR THE YEAR</b>			
		<u>98,921</u>	<u>41,578</u>



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



Dr. Khalid Ateeq  
CEO & Board Member

Family Bank B.S.C. (c)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 BD	2018 BD
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		98,921	41,578
Adjustments for:			
Depreciation	10	3,764	6,276
Provision for end-of-service benefits		6,449	14,017
Provision for / (reversal of) credit losses - net	9	71,944	(1,608)
Finance cost		87,825	
Government grant amortised during the year		(76,158)	-
Operating profit before changes in operating assets and liabilities		<u>192,745</u>	60,263
Changes in operating assets and liabilities:			
Mudaraba		(735,611)	500,124
Murabaha receivables		(708,321)	(285,837)
Other assets		(26,526)	(17,247)
Accounts payable, accruals and other liabilities		(6,174)	(43,946)
Net cash (used in) from operating activities		<u>(1,283,887)</u>	213,357
<b>INVESTING ACTIVITIES</b>			
Wakala placements with original maturities of 90 days or more		1,585,000	(1,585,000)
Purchase of equipment, furniture and fixtures	10	(7,271)	(4,359)
Net cash from (used in) investing activities		<u>1,577,729</u>	(1,589,359)
<b>FINANCING ACTIVITY</b>			
Wakala financing	12	-	2,000,000
Net cash from financing activity		<u>-</u>	2,000,000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>293,842</b>	<b>623,998</b>
Cash and cash equivalents at 1 January		<u>847,087</u>	223,089
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b><u>1,140,929</u></b>	<b><u>847,087</u></b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
		2019 BD	2018 BD
Cash in hand	6	3,322	1,759
Balances with banks	6	472,403	191,198
Mudaraba with financial institutions with original maturity of 90 days or less		665,204	354,130
Wakala with financial institutions with original maturity of 90 days or less		-	300,000
		<u>1,140,929</u>	<u>847,087</u>

The attached notes 1 to 26 form part of these financial statements.

Family Bank B.S.C. (c)

STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2019

	<i>Share capital BD</i>	<i>Contributed surplus BD</i>	<i>Statutory reserve BD</i>	<i>Accumulated losses BD</i>	<i>Total owners' equity BD</i>
Balance at 1 January 2019	5,000,000	-	-	(2,846,788)	2,153,212
Transition adjustment on adoption of FAS 30 (note 4)	-	-	-	(64,759)	(64,759)
At 1 January 2019 - restated	5,000,000	-	-	(2,911,547)	2,088,453
Capital reduction (note 13)	(3,000,000)	141,762	-	2,858,238	-
Net profit for the year	-	-	-	98,921	98,921
Transfer to statutory reserve	-	-	4,561	(4,561)	-
<b>Balance at 31 December 2019</b>	<b>2,000,000</b>	<b>141,762</b>	<b>4,561</b>	<b>41,051</b>	<b>2,187,374</b>
Balance at 1 January 2018	5,000,000	-	-	(2,888,366)	2,111,634
Net profit for the year	-	-	-	41,578	41,578
Balance at 31 December 2018	5,000,000	-	-	(2,846,788)	2,153,212

The attached notes 1 to 26 form part of these financial statements.

## 1 INCORPORATION AND ACTIVITIES

### Introduction

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

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

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 26 March 2020.

## 2 BASIS OF PREPERATION

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

### Statement of compliance

The financial statements are prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law ("BCCL"), the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 5 and applicable provisions of Volume 6) and CBB directives. For matters not covered by FAS, the Bank uses the relevant guidance from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

### Going concern

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

### Impairment provisions against receivables

In determining impairment on receivables, judgment is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether credit risk on the financial contract has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses ("ECL").

### Useful life of equipment, furniture and fixtures

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for the early adoption of FAS 30.

**Early adoption of FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30")**

The Bank has early adopted FAS 30, effective from 1 January 2019 which has a mandatory date of initial application of 1 January 2020. The requirements of FAS 30 represent a significant change from FAS 11 "Provisions and Reserves".

As permitted by FAS 30, the standard has been applied prospectively and the comparative amounts have not been restated. The impact of the early adoption of FAS 30 has been recognised in retained earnings in the statement of changes in owners' equity. The standard eliminates the use of the existing FAS 11 incurred loss impairment model approach.

**Transition**

Changes in accounting policies resulting from the adoption of FAS 30 have been applied prospectively, and comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of FAS 30 are recognised in retained earnings as at 1 January 2019. Accordingly, the information presented for 2018 does not reflect the requirements of FAS 30 and therefore is not comparable to the information presented for 2019 under FAS 30.

**Impact of adopting FAS 30**

Following is the impact of early adoption of FAS 30:

	<i>Balance at 31 December 2018 BD</i>	<i>Transition adjustment BD</i>	<i>Restated 1 January 2019 BD</i>
Accumulated losses	(2,846,788)	(64,759)	(2,911,547)
Cash and balances with banks	192,957	(280)	192,677
Mudaraba	354,130	(167)	353,963
Wakala	1,885,000	(2,930)	1,882,070
Murabaha receivables	1,766,280	(61,382)	1,704,898

The key changes to the Bank's accounting policies resulting from its adoption of FAS 30 are summarized in the note below.

**a Impairment of financial assets**

FAS 30 replaces the 'incurred loss' model in FAS 11 with ECL model. The new impairment model also applies to certain financing commitments and financial guarantee contracts but not to equity investments.

The Bank applies three-stage approach to measure ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

**Credit losses approach**

The Bank recognises credit loss provisions based on a forward looking Expected Credit Loss (ECL) approach on all established receivables and off-balance sheet exposures including guarantees, letters of credit and other similar positions which are subject to credit risk.

The Bank categorises its assets subject to credit losses into the following three stages in accordance with the FAS 30 methodology:

- **Stage 1 – Performing assets:** assets that have not significantly deteriorated in credit quality since origination. The impairment allowance will be recorded based on 12 months ECL.

---

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a Impairment of financial assets (continued)

*Credit losses approach (continued)*

- **Stage 2 – Underperforming assets:** assets that have significantly deteriorated in credit quality since origination. The credit losses will be recorded based on life time ECL.
- **Stage 3 – Impaired assets:** For assets that are impaired, the Bank will recognize the impairment allowance based on life time ECL.

The Bank also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information include macroeconomic factors (e.g., fiscal deficit, GDP growth, inflation, government spending, profit rates and oil prices) and economic forecasts obtained through internal and external sources.

To evaluate a range of possible outcomes, the Bank formulates various scenarios. For each scenario, the Bank derives an ECL and apply a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

**Measurement of ECL**

Following are the key inputs into the measurement of ECL:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

These parameters are generally derived from internally developed models and other historical data. These are adjusted to reflect forward-looking information as described below.

**Definition of default**

The Bank's definition of default is aligned with regulatory guidelines and internal credit risk management practices. Defaulted facilities are under Stage 3 and a specific provision is recognized against all such assets.

The Bank uses 90+ Days Past Due on principal and profit repayments as a hard stop default definition along with certain other unlikelihood-to-pay indicators defined in risk management policies (if any).

**Probability of default**

Probability of default (PD) is a key risk parameter in the ECL calculations. It is defined as the likelihood that a counterparty will not be able to meet its debt obligations in the future. A 12 months marginal PD will be applied for all Stage 1 assets and a lifetime PD will be applied for all Stage 2 assets. PD reflect the Bank's view of the future asset quality and is an unbiased estimate so as to not include any optimism or conservatism. A "point-in-time" PD (PiT PD) estimate which reflects forecasted macroeconomic conditions is used for ECL calculation purposes, as required under FAS 30.

**Loss Given Default**

Loss given default (LGD) is defined as the forecasted economic loss in case of default. LGD computation is based on the Bank's losses on defaulted accounts after the consideration of recovery percentages. LGD computation is independent of the assessment of credit quality and thus applied uniformly across all stages.

**Exposure At Default**

Exposure at default (EAD) is an estimation of the extent that the Bank may be exposed to an obligor in the event of default. The estimation of EAD should take into account any expected changes in the exposure after the assessment date, including expected drawdowns on committed facilities (if any) through the application of a credit conversion factor (CCF). This is of particular importance in the case of Stage 2 assets where the point of default may be several years in the future.



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

**a Impairment of financial assets (continued)**

***Period of exposure***

The period of exposure limits the period over which possible defaults are considered, and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 assets for which lifetime ECLs are to be calculated).

The maximum period over which ECL is computed correspond to the maximum contractual period of a facility commitment. However, for certain financial instruments, the maximum period over which ECL is computed over a period that the Bank is exposed to credit risk even if that period extends beyond the maximum contractual period.

***Significant Increase in Credit Risk***

When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary on a portfolio level and include quantitative and qualitative factors, including days past due and risk rating.

***Backward transition***

FAS 30 staging model is of symmetrical nature as exposures may migrate from lifetime ECL measurement (Stage 2 and Stage 3) to 12 month ECL measurement (Stage 1). However, movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1.

***Impairment approach***

The Bank recognizes impairment losses on all investment assets and exposures subject to risks other than investments carried at fair value through income statement.

The impairment losses are measured by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use.

**b Cash and cash equivalents**

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

**c Mudaraba**

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

**d Murabaha receivables**

Murabaha receivables are deferred sales transactions (Murabaha) which are stated net of deferred profits and allowance for ECL, if any.

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 sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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

**e Equipment, furniture and fixtures**

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

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

Equipment	5 years
Furniture and fixtures	3-5 years

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

Bahraini employees of the Bank are covered by contributions made to the Social Insurance Organisation (SIO) 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. The expected costs of these benefits are accrued over the period of employment.

**g Earnings prohibited by Shari'a**

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

**h Derecognition of financial instruments**

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

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

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

**i Revenue recognition**

*Mudaraba*

Income on Mudaraba is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the statement of income on declaration by the Mudarib.

*Murabaha receivables*

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

---

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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

**i Revenue recognition (continued)**

*Grant*

The benefit of a government loan at a below-market rate of profit is treated as a government grant. The loan is recognised and measured at fair value using market rates of profit for loans with similar terms and characteristics. The benefit of the below-market rate of profit, being the difference between the initial carrying value of the loan and the proceeds received, is recognised as deferred government grant and recognised in the statement of income over the period of the loan.

Grants which are gratuitous and therefore do not warrant compliance with any conditions or obligations are recognised in the statement of income in the year in which such grant is received.

Grants received as compensation for any expenditure, are recognised in the statement of income over the period such expenses are incurred.

Grants related to assets are accounted for by deducting such grant from the carrying amount of the assets.

*Fee income*

**i. Administration fees**

Administration fees earned for the provision of services over a period of time are accrued over that period.

**ii. Processing fees**

Loan processing fees are recognised upon receipt.

**j 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.

**k Offsetting**

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

**l Zakah**

The responsibility of payment of Zakah is on individual shareholders of the Bank. The Zakah due for the financial year ended 31 December 2019 according to Zakat standard issued by AAOIFI is BD 0.002813 (2018: BD 0.001113) per share.

**5 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES**

**New standards and interpretations issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. This listing is of the relevant standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt those standards (where applicable) when they become effective:

- FAS 31 " Investment Agency (Al-Wakala Bi Al-Istithmar)" (effective 1 January 2020);
- FAS 31 standard intends to define the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent (effective 1 January 2020);
- FAS 32 "Ijarah" (effective 1 January 2021), which supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek" sets out principle for classification, measurement and presentation and disclosure of Ijarah. It defines new measurement and recognition principles for initial recognition for right-of-use assets, requirements to identify and separate Ijarah and non-Ijarah components and new measurement and recognition principles for Ijarah;

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

**5 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES (continued)****New standards and interpretations issued but not yet effective (continued)**

- FAS 33 "Investments in sukuk, shares and similar instruments" (effective 1 January 2020);
- FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions), in line with Shari'a principles. It defines the key types of instruments of Shari'a compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held (effective 1 January 2020).
- FAS 34 "Financial reporting for sukuk-holders" (effective 1 January 2020);  
FAS 34 aims to establish the principles of accounting and financial reporting for assets and businesses underlying the sukuk to ensure transparent and fair reporting to all relevant stakeholders, particularly including sukuk-holders (effective 1 January 2020);
- FAS 35 "Risk reserves" (effective 1 January 2021); and
- FAS 35 intends to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions (effective 1 January 2021).

The Bank's management are currently assessing the impact of the above standards, interpretations and amendments on the financial statements of the Bank.

**6 CASH AND BALANCES WITH BANKS**

	2019 BD	2018 BD
Cash in hand	3,322	1,759
Balances with banks (note 18)	472,403	191,198
Allowance for expected credit losses	(1,041)	-
	<u>474,684</u>	<u>192,957</u>

**7 MUDARABA**

	2019 BD	2018 BD
Mudaraba with Islamic financial institutions (note 18)	1,400,815	354,130
Allowance for expected credit losses	(13,706)	-
	<u>1,387,109</u>	<u>354,130</u>

**8 MURABAHA RECEIVABLES**

	2019 BD	2018 BD
Gross murabaha receivables	3,863,538	2,695,109
Deferred profits	(1,316,685)	(851,175)
	<u>2,546,853</u>	<u>1,843,934</u>
Allowance for expected credit losses (note 9)	(194,208)	(77,654)
Net murabaha receivables	<u>2,352,645</u>	<u>1,766,280</u>

At 31 December 2019, the restructured facilities amounted to BD 25,315 (31 December 2018: BD 17,872).

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

**8 MURABAHA RECEIVABLES (continued)**

The table below shows the credit quality and the maximum exposure to credit risk based on the stage classification as of 31 December 2019:

	2019			Total BD	2018 BD
	Stage 1 BD	Stage 2 BD	Stage 3 BD		
Not past due	1,731,111	-	-	1,731,111	1,471,325
1 to 89 days past due	-	612,650	-	612,650	230,529
90 days or more past due	-	-	203,092	203,092	142,080
	1,731,111	612,650	203,092	2,546,853	1,843,934
Less: allowance for credit losses	(28,184)	(70,452)	(95,572)	(194,208)	(77,654)
	<b>1,702,927</b>	<b>542,198</b>	<b>107,520</b>	<b>2,352,645</b>	<b>1,766,280</b>

The below table shows the movement in allowance for credit losses by stage:

	2019			Total ECL BD	2018 BD
	Stage 1: 12 months ECL BD	Stage 2 Lifetime ECL not credit impaired BD	Stage 3 Lifetime ECL credit impaired BD		
Balance at 1 January on adoption of FAS 30	21,773	47,500	69,764	139,037	122,204
Changes during the year:					
- transferred to Stage 1: 12 month ECL	9,226	(9,226)	-	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(5,064)	10,132	(5,068)	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(1,022)	(11,495)	12,517	-	-
Net remeasurement of loss allowance	9,253	44,125	36,972	90,350	113,382
Recoveries / write-backs	(5,982)	(10,584)	(13,210)	(29,776)	(114,928)
Allowances for credit losses (note 9)	6,411	22,952	31,211	60,574	(1,546)
Amounts written off during the year	-	-	(5,403)	(5,403)	(43,004)
	<b>28,184</b>	<b>70,452</b>	<b>95,572</b>	<b>194,208</b>	<b>77,654</b>

**9 (PROVISION FOR) RECOVERIES OF CREDIT LOSSES**

The charge for the year comprise provisions against the following financial assets:

	2019 BD	2018 BD
Cash and balances with banks	(760)	-
Mudaraba	(13,539)	-
Wakala	2,929	-
Murabaha receivables	(60,574)	1,608
	<b>(71,944)</b>	<b>1,608</b>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

## 10 EQUIPMENT, FURNITURE AND FIXTURES

	<i>Equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Total BD</i>
Cost:			
At 1 January 2019	140,173	193,019	333,192
Additions during the year	6,531	740	7,271
At 31 December 2019	<b>146,704</b>	<b>193,759</b>	<b>340,463</b>
Depreciation:			
At 1 January 2019	134,810	190,632	325,442
Charge for the year	2,766	998	3,764
At 31 December 2019	<b>137,576</b>	<b>191,630</b>	<b>329,206</b>
Net carrying values:			
At 31 December 2019	<b>9,128</b>	<b>2,129</b>	<b>11,257</b>
	<i>Equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Total BD</i>
Cost:			
At 1 January 2018	135,814	193,019	328,833
Additions during the year	4,359	-	4,359
At 31 December 2018	<b>140,173</b>	<b>193,019</b>	<b>333,192</b>
Depreciation:			
At 1 January 2018	130,184	188,982	319,166
Charge for the year	4,626	1,650	6,276
At 31 December 2018	<b>134,810</b>	<b>190,632</b>	<b>325,442</b>
Net carrying values:			
At 31 December 2018	<b>5,363</b>	<b>2,387</b>	<b>7,750</b>

## 11 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	<i>2019 BD</i>	<i>2018 BD</i>
Accrued expenses	50,000	46,442
Employees' end-of-service benefits	31,811	25,362
Customer saving accounts	-	23,776
Legal and professional fees payable	7,010	3,760
Other payables	36,226	13,765
	<b>125,047</b>	<b>113,105</b>

## 12 WAKALA FINANCING

In November 2018 the Bank had received a Wakala financing of BD 2 million, the terms of which were agreed through a financing contract dated 10 March 2019. The Wakala financing carries a subsidised profit rate of 0.5% and is repayable in bullet in November 2020.

The difference between the fair market value of the Wakala financing and the proceeds received is recognised as a government grant and recognised in the statement of income over the loan tenor.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

## 13 DEFERRED GOVERNMENT GRANT

	Note	2019 BD	2018 BD
Balance at 1 January		243,505	-
Government grant amortised during the year	16	(76,158)	-
Balance at 31 December		<u>167,347</u>	<u>-</u>

## 14 SHARE CAPITAL

	2019 BD	2018 BD
<i>Authorised:</i>		
150,000,000 ordinary shares (31 December 2018: 150,000,000) of BD 0.1 each	<u>15,000,000</u>	<u>15,000,000</u>
<i>Issued and fully paid up:</i>		
As at beginning and end of the year		
20,000,000 ordinary shares (31 December 2018: 50,000,000) of BD 0.1 each	<u>2,000,000</u>	<u>5,000,000</u>

**Reduction of share capital**

The Central Bank of Bahrain, in its circular number EDBS/KH/C/22/2019 dated 20 March 2019, reduced the minimal capital requirement for Microfinance Institutions as stipulated in Volume 5, from BD 5 million to BD 2 million.

During the year, the Bank's shareholders', at the Extraordinary General Meeting held on 31 March 2019, resolved to reduce the Bank's issued and paid up share capital from BD 5,000 thousand to BD 2,000 thousand by cancellation of 30 million ordinary shares. The reduction was used to write off the accumulated losses by BD 2,858 thousand and transfer of BD 142 thousand to contributed surplus.

The number and nominal value of shares as well as the shareholding percentages after the proposed reduction in share capital:

Shareholders	Number of shares	Nominal value BD	Share capital BD	Shareholding percentage
Ministry of Labour & Social development	6,080,000	0.1	608,000	30.40%
Royal Charity Organization	6,000,000	0.1	600,000	30.00%
Ahli United Bank B.S.C.	2,400,000	0.1	240,000	12.00%
Ithmaar Holding B.S.C.	2,000,000	0.1	200,000	10.00%
Bank of Bahrain and Kuwait	2,000,000	0.1	200,000	10.00%
Kuwait Finance House (Bahrain) B.S.C.(c)	1,520,000	0.1	152,000	7.60%
	<u>20,000,000</u>		<u>2,000,000</u>	<u>100%</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 required to be transferred to a statutory reserve until the reserve reaches 50% of the Bank's paid-up share capital. This reserve is not distributable, but can be utilised as security for the purpose of distribution in such circumstances as stipulated in the Bahrain Commercial Companies Law and other applicable statutory regulations. The transfer made during the current year is of BD 4,561 (31 December 2018: nil).

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

**15 INCOME FROM FINANCING ASSETS**

	2019 <i>BD</i>	2018 <i>BD</i>
Income from Murabaha receivables	704,706	483,712
Income from Mudaraba	20,690	15,459
Income from Wakala	59,657	9,371
	<u>785,053</u>	<u>508,542</u>

**16 OTHER INCOME**

	2019 <i>BD</i>	2018 <i>BD</i>
Grant received	86,158	75,000
Recoveries from Murabaha & Mudaraba receivables previously written off	36,876	73,200
	<u>123,034</u>	<u>148,200</u>

**17 STAFF COSTS**

	2019 <i>BD</i>	2018 <i>BD</i>
Salaries and benefits	411,537	390,312
Social security contributions	62,579	60,799
Medical expenses	37,368	33,483
Other	78,717	76,416
	<u>590,201</u>	<u>561,010</u>

**18 GENERAL AND ADMINISTRATION EXPENSES**

	2019 <i>BD</i>	2018 <i>BD</i>
Lease rentals	27,720	27,720
Utilities	11,938	12,022
Professional fees	33,657	12,292
Membership fees	18,049	13,110
Security charges	8,193	7,994
Shari'a Supervisory Board advisory and attendance allowances (note 18)	6,040	6,040
Communications	5,897	5,527
Marketing and promotional expenses	4,750	5,242
Training expenses	710	-
Other	16,508	16,339
	<u>133,462</u>	<u>106,286</u>

**19 RELATED PARTY TRANSACTIONS**

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

The transactions with related parties arise from the ordinary course of business. Outstanding balances at year end are unsecured. As of 31 December 2019, none of the Bank's exposures to related parties are past due or impaired (31 December 2018: nil).



## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

**19 RELATED PARTY TRANSACTIONS (continued)**

The significant balances with related parties were as follows:

	2019 <i>BD</i>	2018 <i>BD</i>
<b>ASSETS</b>		
Balances with banks (note 6)	472,403	191,198
Mudaraba (note 7)	1,400,815	354,130
Wakala	-	1,885,000
Other assets	4,559	2,514
	<u>1,877,777</u>	<u>2,432,842</u>
<b>LIABILITIES</b>		
Accounts payable, accruals and other liabilities	<u>39,554</u>	<u>30,261</u>

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

	2019 <i>BD</i>	2018 <i>BD</i>
<b>Income</b>		
Grant received	10,000	25,000
Income from mudaraba (note 14)	20,690	15,459
Income from wakala	59,657	9,371
	<u>90,347</u>	<u>49,830</u>
<b>Expense</b>		
Shari'a Supervisory Board advisory and attendance allowances (note 17)	6,040	6,040
Professional fees	5,500	4,500
	<u>11,540</u>	<u>10,540</u>

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

	2019 <i>BD</i>	2018 <i>BD</i>
Salaries	238,613	223,057
Other benefits	38,254	32,211
	<u>276,867</u>	<u>255,268</u>

**20 CAPITAL MANAGEMENT**

The primary objectives of the Bank's capital management are to ensure 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.

**21 SHARI'A SUPERVISORY BOARD**

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

**22 RISK MANAGEMENT**

The Bank is exposed to credit risk, liquidity risk and operational risk in its day to day operations.

The Bank's Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established an Executive, Remuneration & Nomination Committee (Executive Committee), which is responsible for developing and monitoring Bank's operations and policies across various functions including 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 an outsourced Internal Audit function.

**22.1 Credit risk**

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

The Bank's credit risk arises mainly from balances with banks, mudaraba, wakala and murabaha receivables. The Bank manages its credit risk by placing funds with reputable banks having good credit ratings and by a process of credit evaluation and monitoring of credit worthiness of the counterparties.

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

	2019 <i>BD</i>	2018 <i>BD</i>
Balances with banks	472,403	191,198
Mudaraba	1,400,815	354,130
Wakala	-	1,885,000
Murabaha receivables	3,863,538	2,695,109
Other assets	30,243	36,304
	<u>5,766,999</u>	<u>5,161,741</u>

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

	2019				<i>Total BD</i>
	<i>Balances with banks BD</i>	<i>Mudaraba BD</i>	<i>Murabaha receivables BD</i>	<i>Other assets BD</i>	
Stage 1	472,403	1,400,815	1,731,111	30,243	3,634,572
Stage 2	-	-	612,650	-	612,650
Stage 3	-	-	203,092	-	203,092
<b>Net exposure to credit risk</b>	<u>472,403</u>	<u>1,400,815</u>	<u>2,546,853</u>	<u>30,243</u>	<u>4,450,314</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

## 22 RISK MANAGEMENT (continued)

## 22.1 Credit risk (continued)

	2018					Total BD
	Balances with banks	Mudaraba	Wakala	Murabaha receivables	Other assets	
	BD	BD	BD	BD	BD	
Stage 1	191,198	354,130	1,885,000	1,438,241	36,304	3,904,873
Stage 2	-	-	-	276,500	-	276,500
Stage 3	-	-	-	129,193	-	129,193
Net exposure to credit risk	191,198	354,130	1,885,000	1,843,934	36,304	4,310,566

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

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

	2019					Total BD
	Banks and financial institutions	Trade	Service	Food Processing	Others	
	BD	BD	BD	BD	BD	
<b>Assets</b>						
Balances with banks	472,403	-	-	-	-	472,403
Mudaraba	1,400,815	-	-	-	-	1,400,815
Murabaha receivables	-	1,620,518	1,606,706	402,348	233,966	3,863,538
Other assets	29,843	-	400	-	-	30,243
	1,903,061	1,620,518	1,607,106	402,348	233,966	5,766,999

	2018					Total BD
	Banks and financial institutions	Trade	Service	Food Processing	Others	
	BD	BD	BD	BD	BD	
<b>Assets</b>						
Balances with banks	191,198	-	-	-	-	191,198
Mudaraba	354,130	-	-	-	-	354,130
Wakala	1,885,000	-	-	-	-	1,885,000
Murabaha receivables	-	1,130,434	1,120,799	280,668	163,208	2,695,109
Other assets	32,154	-	400	-	3,750	36,304
	2,462,482	1,130,434	1,121,199	280,668	166,958	5,161,741

**Geographical concentration**

Assets and liabilities of the Bank as at 31 December 2019 and 31 December 2018 are concentrated in the Kingdom of Bahrain.

Family Bank B.S.C. (c)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

22 RISK MANAGEMENT (continued)

22.2 Liquidity risk

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

**Maturity profile**

The table below summarises the maturity profile of the Bank's assets and liabilities as of 31 December 2019 based on expected periods to cash conversion from the statement of financial position date:

	2019						Total BD
	Up to 1 month BD	1 to 3 months BD	3 months to 1 year BD	Total of within 1 year BD	1 to 3 years BD	Over 3 years BD	
<b>Assets</b>							
Cash and balances with banks	474,684	-	-	474,684	-	-	474,684
Mudaraba	-	665,204	721,905	1,387,109	-	-	1,387,109
Murabaha receivables	-	-	-	-	2,352,645	-	2,352,645
Equipment, furniture and fixtures	-	-	-	-	-	11,257	11,257
Other assets	63,128	3,718	7,763	74,609	11,717	400	86,726
<b>Total assets</b>	<b>537,812</b>	<b>668,922</b>	<b>729,668</b>	<b>1,936,402</b>	<b>2,364,362</b>	<b>400</b>	<b>4,312,421</b>
<b>Liabilities</b>							
Wakala financing	-	-	-	-	1,832,653	-	1,832,653
Deferred government grant	-	-	-	-	167,347	-	167,347
Accounts payable, accruals and other liabilities	19,199	74,037	-	93,236	-	31,811	125,047
<b>Total liabilities</b>	<b>19,199</b>	<b>74,037</b>	<b>-</b>	<b>93,236</b>	<b>2,000,000</b>	<b>31,811</b>	<b>2,125,047</b>
<b>Net gap</b>	<b>518,613</b>	<b>594,885</b>	<b>729,668</b>	<b>1,843,166</b>	<b>364,362</b>	<b>(31,411)</b>	<b>11,257</b>
<b>Cumulative net gap</b>	<b>518,613</b>	<b>1,113,498</b>	<b>1,843,166</b>	<b>2,207,528</b>	<b>2,176,117</b>	<b>2,187,374</b>	<b>2,187,374</b>

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

At 31 December 2019

**22 RISK MANAGEMENT (continued)**

**22.2 Liquidity risk (continued)**

**Maturity profile (continued)**

The table below summarises the maturity profile of the Bank's assets and liabilities as of 31 December 2018 based on expected periods to cash conversion from the statement of financial position date:

	2018							
	Up to 1 month BD	1 to 3 months BD	3 months to 1 year BD	Total of within 1 year BD	1 to 3 years BD	Over 3 years BD	No fixed maturity BD	Total BD
<b>Assets</b>								
Cash and balances with banks	192,957	-	-	192,957	-	-	-	192,957
Mudaraba	-	354,130	-	354,130	-	-	-	354,130
Wakala	-	300,000	1,585,000	1,885,000	-	-	-	1,885,000
Murabaha receivables	-	-	-	-	1,766,280	-	-	1,766,280
Equipment, furniture and fixtures	-	-	-	-	-	-	7,750	7,750
Other assets	40,851	2,334	5,000	48,185	11,615	400	-	60,200
<b>Total assets</b>	<b>233,808</b>	<b>656,464</b>	<b>1,590,000</b>	<b>2,480,272</b>	<b>1,777,895</b>	<b>400</b>	<b>7,750</b>	<b>4,266,317</b>
<b>Liabilities</b>								
Wakala financing	-	-	-	-	2,000,000	-	-	2,000,000
Accounts payable, accruals and other liabilities	11,251	50,857	1,859	63,967	23,776	25,362	-	113,105
<b>Total liabilities</b>	<b>11,251</b>	<b>50,857</b>	<b>1,859</b>	<b>63,967</b>	<b>2,023,776</b>	<b>25,362</b>	<b>-</b>	<b>2,113,105</b>
<b>Net gap</b>	<b>222,557</b>	<b>605,607</b>	<b>1,588,141</b>	<b>2,416,305</b>	<b>(245,881)</b>	<b>(24,962)</b>	<b>7,750</b>	
<b>Cumulative net gap</b>	<b>222,557</b>	<b>828,164</b>	<b>2,416,305</b>	<b>2,170,424</b>	<b>2,145,462</b>	<b>2,153,212</b>		

**22 RISK MANAGEMENT (continued)**

**22.3 Operational Risk**

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

**23 SEGMENTAL INFORMATION**

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

**24 SOCIAL RESPONSIBILITY**

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

**25 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.

**26 EARNINGS PROHIBITED BY SHARI'A**

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to BD nil (2018: BD nil).

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

- **Board Profile and experience**

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

**Board Chairman**

**Non- Independent, Non- Executive Director**

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

**2. Dr. Mustafa Ali Al Sayed**

**Board Deputy Chairman**

**Non- Independent, Non - Executive Director**

Dr. Mustafa Al Sayed is the Secretary General of the Royal Charity Organization. He has over 39 years of industrial experience, his previous positions include: Chief Executive, Bahrain Petroleum Co. (BAPCO) Chief Engineer with the Ministry of Works, Power & Water, Chief Executive at Middle Cables Ltd, and General Manager with Gulf Petrochemical Industries Company (GPIC).

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

**3. Dr. Khalid Abdulla Ateeq**

**CEO & Board Member**

**Non- Independent, Executive Director**

Dr. Khalid is currently the Chief Executive Officer of Family Bank. Dr. Khalid has over 40 years' experience in banking, finance, auditing and accounting. Prior to join VC Bank as Deputy CEO, he was Executive Director of Banking Supervision at the Central Bank of Bahrain. Where he was responsible for the licensing, inspection and supervision of financial institutions, insuring that all banks and financial institutions, either operating or incorporated in Bahrain, complied with promulgated laws and regulations. Before joining the CBB, he was Assistant Professor at Bahrain University. In addition, through his diversified experience, Dr. Ateeq served in senior posts with a number of reputable banks and firms. He holds a Ph.D. in Philosophy of Accounting from UK. Dr. Khalid is a Board Member in Med Gulf Company, Al Baraka Bank and Al Baraka Banking Group .

**4. Mr. Khalid Mohamed Al Maarafi**

**Non- Independent, Executive Director**

Mr. Khalid Mohamed Al Maarafi holds a Bachelor's degree in Accounting from the University of Bahrain and is a Certified Public Accountant (CPA). He has been involved in the banking and finance industry and business management for over 41 years. Mr. Al Maarafi is an Executive Manager and Head of Retail Banking Group at Kuwait Finance House-Bahrain. He is the Chairman of Al Enma'a House for Real Estate and is also a non-Executive Director at the Boards of Directors of various companies. Mr. Al Maarafi held several positions at the Ministry of Finance and the Ministry of Industry in Bahrain.



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

Mr. Rashad Akbari holds an MSc in Marketing from the University of Sterling, (UK) in 1997. He has 31 years of working experience of which 19 years in Banking. Mr. Rashad joined BBK in 2000 and is currently the Assistant General Manager, Operations of BBK.

**6. Mr. Mohammed Imad Hamzah**  
**Non- Independent, Executive Director**

Mr. Mohammed Imad Hamzah currently works the Product Management and Business Alliances of Ithmaar Bank. He has a decade of investment banking experience working on private equity and real estate projects. Mr. Hamzah had advised start-up ventures in the region, providing guidance and support at various stages. He holds a Master of Business of Administration from Lancaster University, UK, and a Bachelor of Economic and Social Studies in Banking Finance (with Honours) from Cardiff University, UK. Mr. Hamzah also serves as a Board Member in Bahrain's Al Ahli Club, and is a published sports columnist. He has a keen interest in the economics of sport

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

Mr. Redha is currently the Group Head of Corporate Banking in Ahli United Bank. He has over 29 years' experience in banking with wide knowledge in Corporate Finance, Trade Finance, Syndication and Project Finance. Prior to join AUB, he was working with BNP Paribas - Bahrain. Mr. Ali holds a Diploma in Commercial Studies from University of Bahrain (UOB), Advanced Diploma in Banking and Finance from the Bahrain Institute of Banking and Finance (BIBF), among many other local and international course

**8. Ms. Kubra Ali Mirza**  
**Independent Director**

Ms. Kubra Mirza has over 22 years of experience in investment banking, financial regulations, corporate governance, compliance, financial crimes and anti-money laundering. She is currently holding the position of Chief Compliance Officer, MLRO and Board Secretary of Bank Alkhair. Prior to joining Bank Alkhair, she was the Head of Compliance, MLRO and Board Secretary at Venture Capital Bank, Bahrain. Prior to that, she worked for the Central Bank of Bahrain as the Head of Policies and Central Risk Unit. She was also a member of several local and international regulatory working groups and task forces. Ms. Mirza holds an Executive MBA and a Bachelor's degree in Accounting from the University of Bahrain.

**9. Mr. Bader Ahmed Al-Hammadi**  
**Independent Director**

Mr. Bader is currently the Director of Finance at the Royal Charity Organization (RCO). He has over 16 years' experience in accounting. Prior to his current appointment in Royal Charity Organization, he has held many senior positions at al Salam Bank and, before that, in the Court of HRH The Crown Prince. Mr. Bader holds a Bachelor Degree in Accounting from University of Bahrain (UOB).

## **10. Mr. Masood Ahmed Al Bastiki Independent Director**

Mr. Masood Al Bastiki is the Chief Executive Officer of Aerolease – an aircraft & equipment leasing company. He is an executive banker with more than 32 years of experience in banking industry. His experience varies from local commercial, wholesale and investment banking. Mr. Al Bastiki holds a post graduate diploma in business and finance and BSC in Business Administration. He undertook various banking activities across various regions including the Middle East, North Africa, USA and Latin America as well as Europe and Asia.

### **• Board of Directors Responsibilities**

#### **Strategy**

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

#### **Corporate Culture**

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

#### **Monitoring and Evaluation**

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

#### **Stewardship**

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

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

### **• The Board Composition**

The Board has ten members, comprising ten members from the public sector and the private sector.

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

The Board Members have attended at least 75% of all board meetings during the financial year ended 31st December 2019.

**Ownership Structure:** As at 31st December 2019, distribution schedule of shares, setting out the number and percentage of holders were as the following categories:

Name	Number of Shares	Percentage
Ministry of Labour & Social development	6,080,000	30,40%
Royal Charity Organization	6,000,000	30%
Ithmaar Bank	2,000,000	10%
Bank of Bahrain and Kuwait	2,000,000	10%
Ahli United Bank	2,400,000	12%
Kuwait Finance House	1,520,000	7,60%
Total	20,000,000	100%

**1. Remuneration & Nomination Committee:**

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

**2. Risk, Audit and Corporate Governance Committee:**

A. Audit

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

B. Risk

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

C. Corporate Governance:

- Corporate Governance refers to the implementation of an appropriate system of directing and controlling the organization.
- A good system of corporate governance will facilitate the willing support (and therefore understanding) of all stakeholders whilst facilitating the spirit of entrepreneurship and protecting the interest of stakeholder. Corporate Governance assumes greater significance for any corporations as a result of the separation of management from shareholders.

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

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

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

- **Management Committee:**

- 1. Management Committee Responsibilities:**

To review the overall performance of the functions of the bank in line with the business plan and operating environment in order to achieve the Bank's objectives as set out by the Board and to permit actions required to achieve the business plan.

- 2. Credit Committee Responsibilities:**

- i. To exercise authority in assessing and managing the credit risk of the business and ensuring the maintenance of a good quality risk asset portfolio in line with the risk Appetite as agreed and monitored by the Board Audit, Risk & Corporate Governance Committee.
- ii. To monitor implementation of credit decisions in a manner so as to conform to credit policy as well laws and regulations stipulated by the statutory authorities.

- 3. HR Committee Responsibilities:**

- i. 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.
- ii. 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.
- iii. Form and delegate authority to subcommittees as the HR Committee may deem appropriate.
- iv. Report regularly to the CEO, not less frequently than annually.
- v. 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.
- vi. Review annually its own performance and report the results of such review to the Board.
- vii. Make Annual training Plan.

- **Heads of Functions:**

- 1. Mrs. Sana Salim**

**Manager - Banking operation**

Mrs. Sana Salim Abdulla holds a Diploma in Commercial Studies from the University of Bahrain. She has over 20 years of experience with Bank of Bahrain and Kuwait and Eskan Bank. During her professional career, she attended several courses, seminars and conference in banking, management, Islamic banking, economy and banking laws.

- 2. Mr. Abdulla Saleh**

**Senior Manager of Micro-finance department**

Mr. Abdulla Saleh holds a BSc degree from Beirut University in Lebanon majoring in business administration and is a member of the Association of Accounting Technicians, United Kingdom majoring in Accounting, finance, Audit and Taxation. He has 32 years of experience and his experience is in finance function in several organizations including the Fortune Investment House and the Gulf Air Co.

### Transactions Fees and service Charges

Our rate, fees and service charges are detailed in this section.

Islamic financing is available at Family Bank at annual profit rate of 17% for Grameen and 19% for MEF (in cooperation with Tamkeen).

<b>*FEES &amp; SERVICES CHARGES</b>	<b>(Bahraini Dinar)</b>	<b>دب/BD</b>
<b>Application Fees (Non-Refundable)</b>		<b>15.750</b>
<b>Admin Fees (to be added with the profits)</b>		<b>42</b>
• BD 500 – 1000		
• BD 1001 – 2500		<b>63</b>
• BD 2501 – 4000		<b>105</b>
• BD 4001 – 10000		<b>136.500</b>
<b>Outstanding Letter (stating of outstanding liabilities with the Bank)</b>		<b>10.500</b>
<b>Outstanding Letter (stating of outstanding liabilities with the Bank) - Urgent basis</b>		<b>15.750</b>
<b>No liability/Release letter</b>		<b>10.500</b>
<b>No liability/Release letter- Urgent basis</b>		<b>15.750</b>
<b>Confirmation of Financing</b>		<b>10.500</b>
<b>Case Withdrawal from court</b>		<b>21.000</b>
<b>Tawarruq Fees for Islamic Financial Consultants (Itqan)</b>		<b>31.500</b>

\* All fees and charges are inclusive of 5% Value Added Tax (VAT), where applicable.

- **Non compliance**

In 2019, the Bank has the following regulatory non-compliances with respect to the CBB Volume 5 – Specialised Licensees:

1. The chairman of the Board is not an independent member. Section 1.4.6 of the Module HC states that “The chairman of the Board should be an independent director, so that there will be an appropriate balance of power and greater capacity of the Board for independent decision making”.
2. The members of the nominating and remuneration committee are non-independent. Sections HC 4.2.2 and 5.3.2 of Module HC state that “nomination and remuneration committee must include only independent directors or, alternatively, only non-executive directors of whom a majority must be independent directors and the chairman must be an independent director”.
3. As required under Module HC, section HC-1.3.7, the full Board should meet once every quarter. However, the Board of Directors of the Bank has not met in the third quarter of the financial year 2019.

#### 1. Objective

The objective of this document is to clarify the necessary steps and give an overview of the procedure and the process to be followed by the Family Bank.

#### 2. Organizational Structure

CEO —————> Public Relation Department

#### 3. Responsibilities of PR Department

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

#### 4. Annual Corporate Marketing Plan

The Annual Corporate Marketing Plan shall at a minimum contain:

- Details of recurring Departmental responsibilities e.g. Publications of Annual Reports, Conferences, other events etc. ;
- Budgets for major events planned for the following financial year;
- Details of events such as the date and month; and
- Plans and Preparation of ideas for the following financial year.

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

## **5. Annual Audited Financial Statement**

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

## **6. Year End Financial Statement**

- Public Relation Department has the responsibility to obtain deadlines for the publications of the year end financials from the Financial Controller and the compliance Department.
- The Bank required publishing the Annual Audited Financial statements on their website within seven days of submission to the CBB.
- Public Relation Department should notify all relevant members of staff about the details of advertisement one day before publishing the Financials so that they are aware of the contents of the Financials when approached by any third parties.

## **7. Events**

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



## 8. Conferences

1. Conferences may be held at any geographical location and are classified into the following types:
  - Conferences sponsored by
  - Conferences attended by
2. The PRD should act as the main point of contact between the Bank and Conference organizers.
3. PRD should ensure that they are aware of all the dates and formalities of the conference, including the theme and nature of the conference.
4. The offices of the CEO/Senior Management should draft any speeches or presentations to be given by the CEO/Senior Management at an event. The staff members should be allowed to attend the conference based on the following criteria by the Heads of each Department:
  - Topic of the conference
  - Relevance of the conference to the staff member's job and department activities;
  - What value the staff will bring to the Bank by attending the conference.
5. Any information for sponsorship should be sent to the PRD by the Heads of Departments along with the reasons why to sponsor the conference.
6. PRD will make sure that all the expenditure related to a conference is as per the approved budget.
7. PRD should collect all the photographs and interviews taken regarding during the conference and should be filed.

## 9. Press Release

- PRD is responsible to coordinate all Press releases
- Separate Procedures will be devised for compulsory and own initiated Press releases
- Press releases should be drafted either for specific Projects or when there is a need for public information about the activities.
- Press releases should be made for positive publicity of and to curtail the effects of any negative publicity as well.
- The CEO/Senior Management has the authority to issue Press releases.
- No staff member is allowed to make any public statement under any circumstances except the CEO approval.
- PRD should ensure that separate versions of the same Press releases are drafted, one in English and one in Arabic, if necessary.
- PRD is responsible to distribute the Press Release one day before the Press release date to all relevant members of staff through the email. This is to ensure that all relevant members of staff are aware of the Press release in case they are approached by a third party and questioned about the topic.
- PRD must send the press release to the Compliance Department to obtain CBB approval, in case if there's any advertising for the Bank products or services.

#### **10. Eid and Seasons Greeting Cards**

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

#### **11. Website Update**

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

#### **12. Directory Advertising**

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

#### **13. Selection of Advertising Agency**

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

#### **14. Selection of Quotations**

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

## 15. Standard Stationery Items

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

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

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

## 16. Payments

- PRD Staff must ensure that all invoices received are in line with the payment terms agreed with the service vendor prior to provision of such services.
- All invoices relating to PRD expenses must be reviewed and initialed by the PRD and should be approved by the authorized signatories of the Bank as per the Delegated Approval Authority Limits.