

# realising aspirations

ANNUAL REPORT 2008

  
بنك الإسكان  
ESKAN BANK

2030  
البحرين  
BAHRAIN





**H.H. Shaikh Khalifa Bin  
Salman Al Khalifa**

The Prime Minister



**H.M. King Hamad  
Bin Isa Al Khalifa**

The King of Bahrain



**H.H. Shaikh Salman  
Bin Hamad Al Khalifa**

The Crown Prince and Deputy  
Supreme Commander of Bahrain  
Defence Force

**Head Office**

First Floor, Almoayyed Tower  
Seef District, PO Box 5370  
Manama, Kingdom of Bahrain  
Tel: (+973) 17 56 7777  
Fax: (+973) 17 56 4114  
Email: [inquiries@eskanbank.com](mailto:inquiries@eskanbank.com)

**Branches****Seef District**

Ground Floor, Almoayyed Tower  
Tel: (+973) 17 56 7777  
Fax: (+973) 17 56 4114

**Diplomatic Area**

Ground Floor  
Ministry of Housing Building  
Tel: (+973) 17 53 1721,  
17 53 1749,  
Fax: (+973) 17 53 1875,  
17 53 1824, 17 53 1805

**Isa Town**

Isa Town Mall: *Ground Floor*  
Tel: (+973) 17 68 6445,  
17 68 4198, 17 68 1357,  
17 68 4691, 17 68 4730

Isa Town Mall: *First Floor*  
Tel: (+973) 17 68 6551,  
17 68 9587, 17 683255,  
17 68 4729, 17 68 4732  
Fax: (+973) 17 68 3126

Hotline: (+973) 17 567 888

[www.eskanbank.com](http://www.eskanbank.com)

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## INTRODUCTION

Eskan Bank was established in 1979 by Amiri (Royal) decree to provide mortgages and banking services to the citizens in the Kingdom of Bahrain, in addition to property development. Eskan translates literally from Arabic to mean "housing" and encapsulates the essence of the Bank.

Since formation, the Bank has become the Kingdom's largest residential mortgage provider and a leading property development operation. To date, the Bank has provided mortgages totalling more than BD 519.2 million benefiting over 33,400 Bahraini families, and has been actively involved in the financing and development of social housing, community based and commercial real estate projects across the Kingdom.

Eskan Bank has become synonymous with fulfilling aspirations and making dreams of home ownership a reality. The Bank is now capitalising on its unique market position to expand its business activities into other related sectors, and play a pivotal role in the growth and development of the national economy.

Wholly owned by the Government of the Kingdom of Bahrain, Eskan Bank has an authorised share capital of BD 40 million. At the end of 2008, total assets of the Bank stood at BD 325.5 million.

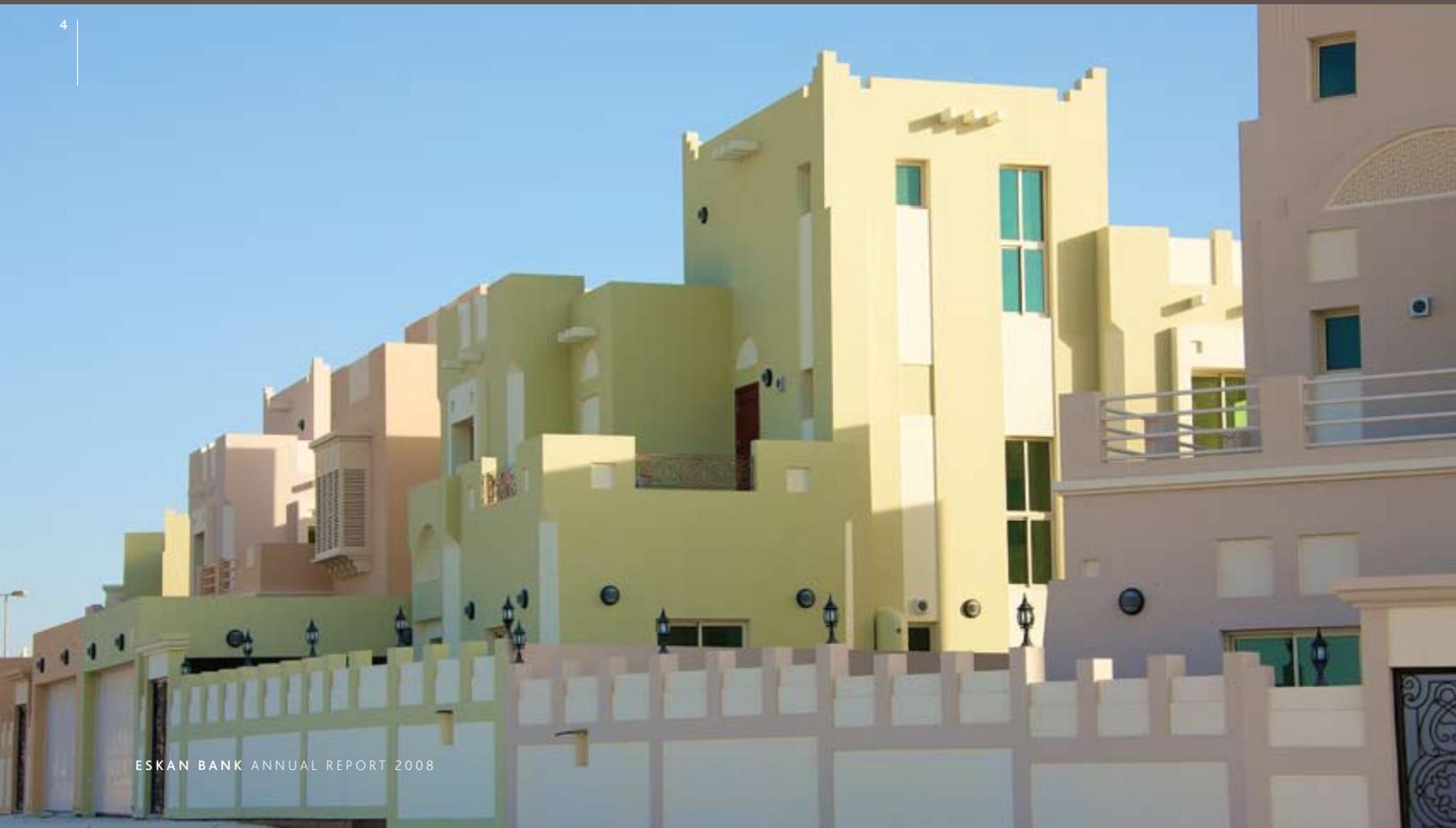
**OUR VISION** Eskan Bank aspires to be an acknowledged industry leader, committed to the formation of a fair and efficient mortgage loan market in the Kingdom of Bahrain. We aim to facilitate affordable housing solutions through competitively priced mortgages, and contribute to the development of cohesive communities for the citizens of Bahrain.

**OUR MISSION** Eskan Bank seeks to develop a professional banking business to create and maximise value for the provision of affordable solutions to meet the housing needs of citizens of the Kingdom of Bahrain. We aim to serve as a partner in providing the best mortgages and loans facilities for our customers, with a strong commitment to:

- Being the pre-eminent choice for affordable mortgage solutions
- Providing quality housing and developing cohesive communities
- Driving the development of a mortgage backed securitisation model for the Kingdom of Bahrain
- Enhancing our business activities with innovative, value added services and quality products
- Providing the best customer services

“Developing cohesive communities through quality housing. Improving the quality of life for the citizens of the Kingdom of Bahrain.”

**HAMAD TOWN VILLAS:** Developed by Eskan Properties Company, a subsidiary of Eskan Bank, which develops social, community and commercial projects throughout the country. We are committed to making the dream of owning a home a reality and contributing to the urbanisation of future communities.



## Financial Highlights

(12 month period ended 31 December 2008)

Net Income

**BD 4.36m**

Operating Income

**BD 13.28m**

Total Assets

**BD 325.5m**

Total Equity

**BD 165.5m**

Return on Equity

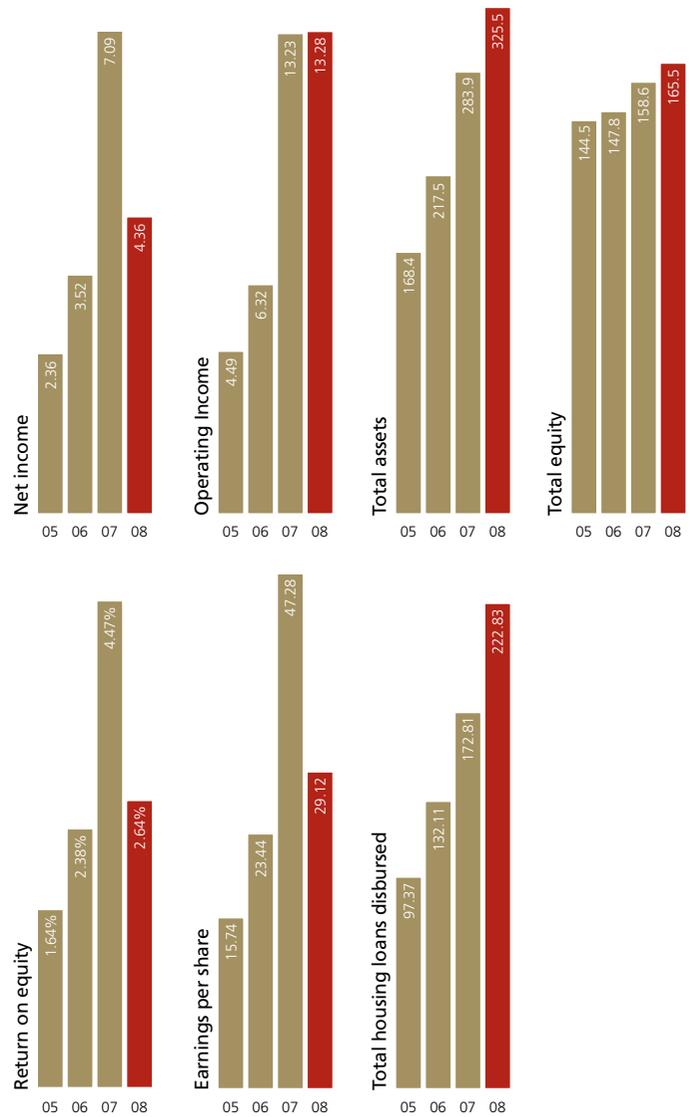
**2.64%**

Earnings per Share

**BD 29.12**

### Key Achievements in 2008

- Awarded the WIFCMC 2008 Innovation Award for Mortgage Product
- The Bank provided (to date) mortgages totalling more than BD 519.2 million benefiting over 33,400 Bahraini families
- Opening of the new Al Mahaza Shopping Centre at Sitra
- Completion of community projects in Hamad Town and Salmabad



## Board Members



**Dr. Anwar Khalifa Sada**  
**Vice Chairman**

Appointed 2008

Advisor: Al Salam Bank-Bahrain.

Previously: Deputy Governor of the Central Bank of Bahrain.

Awards: WIBC 2006 for Contribution in Islamic Banking.



**Mr. A. Razaq Abdulla Hassan**

**Member**

Appointed 2008

Chief Executive Officer: National Bank of Bahrain.

Chairman: Benefit Network Company; Corporate Governance Committee, Ministry of Commerce.

Deputy Chairman: Oasis Capital Bank.

Board Member: Esterad Investment Company; Batelco; Bahrain Duty Free Company; Arab Academy for Education & Research Company.

Member: Deposit Protection Scheme, Central Bank of Bahrain.



**Mr. Nedhal Saleh AlAujan**

**Member**

Appointed 2008

Chief Executive Officer: Bahrain Development Bank.

Chairman: Gulf Diabetes Specialist Centre; Arabian Taxi Company.

Board Member: Bahrain Telecommunication Company (Batelco); Venture Capital Bank; Retail Arabia.

Chairman of the Executive Committee: Bahrain Business Incubator Center.



**Dr. Ala'a Hassan Alyusuf**  
**Member**

Appointed 2008

Chief Economist: Gulf Finance House.

Founding Member: Bahrain Competitiveness Council.



**Ebrahim bin Khalifa Al Khalifa**

**Chairman**

Appointed 2007



**Dr. Jasim Yusuf Alajmi**  
**Member**

Appointed 2008

Director: Associate Professor of Finance & Continuing Education Program, College of Business Administration, University of Bahrain.

Founder, President & Executive Director: Bahrain Transparency Society.

Founder and Vice Chairman: Bahrain Competitiveness Council.

Board Member: Specific Council for Training in Construction Sector.

Member: National Committee for Establishing Corporate Governance Code for Bahraini Companies; Audit Committee of Real Estate Finance Company (Reef).

Advisor: Corporate Governance Issues in Bahrain – Center for International Private Enterprises, Washington DC, USA.



**Dr. Taqi Abdul Rasool Al Zeera**

**Member**

Appointed 2008

Co-Founder and Executive Director: Arab Business Consultants.

President: Gulf Academy for Development of Human Resources.

Board Member: Telecommunications Regulatory Authority.

Founding Member: Bahrain Society for Training & Development.

Registered Consultant: IMF; WTO; UNIDO; UNDP; UNCTAD; GCC Commercial Arbitration Centre.



**Mr. Osama Abdulrahim Al Khajah**

**Member**

Appointed 2008

Chairman: Meena Towers Company; KFH Industrial Oasis Company.

Vice Chairman & Managing Director: Crans Montana Forum – Middle East.

Board Member: Al Kindi Pharmaceuticals Industries Company; National Institute for Industrial Training.

Member: Bahrain Society of Accountants; American Institute of Certified Public Accountants; Education & Training Society, Student Fund; Bahrain Chamber of Commerce & Industry, SME Committee; LMRA, Financial Committee.



**Mrs. Sabah Almoayyed**  
**Member**

Appointed 2008

General Manager: Eskan Bank

Board Member: Southern Development Company; Southern Tourism Company; Supreme Council of Women Bahrain; Bahrain Bayan School; Bahrain Mumtalakat Holding Company.

Previous Position: Member - Consultative Committee of the Council of the Gulf States; President – Bankers Society of Bahrain

Trustee Member: American University of Beirut - Lebanon; Bahrain Association of Banks

“Despite the global financial and economic meltdown, and the turmoil of regional markets, which characterised the second half of the year, I am pleased to report that the Bank posted a strong performance in 2008.

This was highlighted by sound strategic and operational progress, positive financial results, and continued support for the Government’s commitment to provide quality, affordable housing for its citizens.”

## Chairman's Statement

On behalf of the Board of Directors, I have the privilege to present the annual report and consolidated financial statements of ESKAN Bank for the year ended 31 December 2008. Despite the global financial and economic meltdown, and the turmoil of regional markets, which characterised the second half of the year, I am pleased to report that the Bank posted a strong performance in 2008. This was highlighted by sound strategic and operational progress, positive financial results, and continued support for the Government's commitment to provide quality affordable housing for its citizens.

I would like to point out that ESKAN Bank was not adversely affected by the unprecedented severity of the global financial and economic meltdown, and its ensuing impact on the GCC economies. This is attributable to the Bank's Bahrain-focused business franchise, prudent business approach, conservative risk management and investment strategy, and continued strategic focus.

Throughout 2008, the Bank continued to advance its strategic transition from an institution for the disbursement of housing loans funded through the annual government budget, to a more diversified, financially independent, and commercially-oriented banking partner for individuals and businesses, which focuses on the social housing issues as the prime objective and overall goal of the Bank. In view of changing socio-economic trends and market conditions the Bank commissioned a comprehensive study by international consultants during 2008 to recommend a new five-year strategic plan for ESKAN Bank to facilitate the achievement of future strategic and business goals which are in line with the Government's Vision 2030 Strategy. The proposed strategy will rely on developing commercial activities as a yield enhancer for the Bank's social lending and investments and properties development for the funding of both the social and commercial activities. The study has been completed and is currently being reviewed by the Board and Senior Management.

During the year, ESKAN Bank finalised plans for the introduction of a number of major new initiatives in 2009. These include the establishment of joint-ventures to facilitate commercial property developments in Bahrain; the launch of a Property Fund to provide additional sources of funding for new projects; and the establishment of a building materials company to ensure a regular supply for the construction industry.



**Ebrahim bin Khalifa Al Khalifa** | *Chairman*

Importantly, we continued to reinforce the Bank's institutional capability in 2008. We now have in place a high calibre, well experienced senior management team, with all key roles within the organisation having been filled. Also during the year, we continued to build the Bank's corporate governance, risk management and legal framework; strengthen our internal controls systems; re-engineer our operational processes and procedures; and enhance our human capital and information technology resources. At the same time, a number of new products and services were introduced to meet the growing needs of our retail customers and corporate clients.

ESKAN Bank posted a solid financial performance for 2008. However, while we aim to continually enhance our profitability and cost-efficiency, we are not driven solely by bottom-line considerations. The success of our performance is also measured in terms of the volume and extent of activities undertaken by the Bank to meet its primary strategic role of enabling more low-income Bahraini families to own their homes. In this respect, I am pleased to report that the Bank continued to perform well during 2008, with over BD 60.4 million of home loans being disbursed to more than 3,000 families, representing a 19.98 per cent increase over 2007. This means that since inception, ESKAN Bank has provided mortgages totaling more than BD 519.2 million, benefiting over 33,400 Bahraini families.

## Chairman's Statement

Continued

The Board remains cautiously optimistic about the outlook for the Bank in the following year. The underlying macro-economic fundamentals of the GCC remain robust, with member states sitting on very substantial reserves of foreign reserves following their six-year boom on the back of soaring oil prices. As such, the economic stability of the region is unlikely to be significantly tested by the weakening global economy. Bahrain, with its diversified economy, driven by its expanding banking and financial services industry, is forecast to post moderate GDP growth in 2009. Supporting this economic outlook is the Government's commitment to continue funding for the Kingdom's social and infrastructure development projects.

As a result of our achievements during 2008, we are better equipped to face the challenges that lie ahead, and ensure the ongoing growth and development of the Bank. As a professional, efficient, responsive, and service-oriented organisation, we remain committed to contributing to the future prosperity of Bahrain by creating a sustainable, well-funded mortgage market, and providing high quality affordable housing, which will enable more citizens to realise the dream of owning their own homes. To meet the future funding needs of the Bank, and reduce the burden on the Government's budget, we will intensify our approaches to private financial institutions and the capital market.

I would like to pay tribute to the previous Chairman, H.E. Fahmi Bin Ali Al Jowder, who served the Bank with great distinction from 2003, and to thank the outgoing Directors for their sterling contributions since 2004. In turn, I welcome the new Members of the Board. Their diverse backgrounds and experience – embracing banking, auditing and accounting, real estate, business and commerce, economics, corporate governance, and academia – will prove invaluable in guiding the Bank in pursuing its strategic objectives. I look forward to working with my fellow Directors and the Management Team to pursue the Bank's future ambitious goals.

On behalf of the Board of Directors, I convey my gratitude to His Majesty King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain; to His Highness Shaikh Khalifa Bin Salman Al Khalifa, the Prime Minister; and to His Highness Shaikh Salman Bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander, and Chairman of the Economic Development Board; for their wise leadership and visionary reform programme.

I also take this opportunity to thank our shareholder, the Government of Bahrain, for its confidence and financial support; and to acknowledge the cooperation, professional advice and guidance received from the Government's ministries and official bodies, in particular the Ministry of Finance, the Ministry of Housing, the Ministry of Industry and Commerce, the Ministry of Works, the Electricity & Water Authority, the Central Bank of Bahrain, the Economic Development Board, and the Tender Board.

Finally, I would like to express my sincere appreciation to our customers for their loyalty and trust; to our business partners for their support and encouragement; and to our management and staff for their commitment and hard work. Collectively, our stakeholders have contributed to yet another successful year for ESKAN Bank during 2008, and I look forward to even greater success in 2009.

**EBRAHIM BIN KHALIFA AL KHALIFA**

*Chairman*

The Bank continued to perform well with over BD 60.4 million of home loans being disbursed to more than 3,000 families. Since inception, Eskan Bank has provided mortgages totalling more than BD 519.2 million, benefiting over 33,400 Bahraini families.

**AL DAAR MORTGAGES:** Enable our customers to build a secure and prosperous future for them and their children. As a specialist bank, we offer the best possible financial support and advice to help our customers create the perfect home.



## General Manager's Report

Against a backdrop of local and global financial downturn, I am pleased to report that Eskan Bank was not affected and posted another strong performance in 2008, highlighted by positive financial results, sound strategic progress, significant new business initiatives, and ongoing organisational developments.

### Financial performance

The Bank reported a positive financial performance for 2008. Housing loans grew by 28.90 per cent to *BD* 223 million, compared to *BD* 173 million the previous year. Total assets at the end of the year were *BD* 326 million, an increase of 14.30 per cent over 2007. The improvement in disbursements was matched by a rise in total income to *BD* 13.3 million compared to *BD* 13.2 million the previous year, while net income decreased by 38.4 per cent from *BD* 7.1 million in 2007 to *BD* 4.4 million. Key ratios remained strong, with a return on equity of 2.60 per cent (2007: 4.47 per cent), cost to income of 67.10 per cent (2007: 46.30 per cent), and earnings per share of *BD* 29.121 (2007: *BD* 47.285).

### Strategic progress

The Bank's strategy is based on four key pillars: our social role in providing mortgages and community projects; a greater reliance on investment banking for funding; utilising commercial opportunities to enhance our capabilities; and encouraging private sector participation.

During 2008, we made excellent progress in advancing our strategy and pursuing our business goal of evolving Eskan Bank into a more diversified, financially independent, and commercially oriented banking group. This will strengthen our ability to fulfill the aspirations of Bahraini citizens by making their dream of home ownership a reality, while also continuing to contribute to the social and economic development of the Kingdom.

Key achievements during the year include the signing of a consultancy agreement with the Canada Mortgage & Housing Corporation for technical and operational services in implementing and administering the Mortgage Guarantee System (MGS), which will be ready for launch upon the finalisation of all regulatory approvals; the finalisation of plans for the establishment of a new building materials company; and the completion of formalities for the launch of a Property



Sabah K. Almoayyed | General Manager

Fund in 2009 to provide additional sources of funding for the Bank's activities. In addition, Eskan Bank received the WIFCMC 2008 Innovation Award for Mortgage product in recognition of its pioneering role in the development of innovative new mortgage products and solutions in the Kingdom of Bahrain.

### Business initiatives

Eskan Bank continued to expand its range of banking and related services during 2008. These now comprise commercial banking, corporate real estate financing, asset management, treasury, investments, Islamic banking, property development, and tourism.

Key initiatives introduced during the year include a new current account product for mortgage customers, and the installation of ATMs at all of the Bank's branches in the Kingdom. In addition, plans were finalised for the launch in 2009 of new wholesale banking products targeted at the real estate sector. By early 2010 a dedicated Islamic area will be in place to meet the growing demand for Sharia-compliant products and services. Other developments include broadening the range of treasury activities, and the establishment of a new Investment division. The Bank also completed a number of new housing, social community and commercial property projects, and finalised plans for the development of its tourist facilities at Hawar Islands.

### **Organisational developments**

During 2008, the Bank continued to build its institutional capability. This entailed strengthening its corporate structure; enhancing its knowledge base; and developing its corporate culture. The Bank also maintained its substantial investment in human capital and technology resources; continued to streamline operating processes and procedures; and ensure that effective internal controls were in place. In addition, Eskan Bank reviewed and updated its corporate governance and risk management framework to ensure compliance with new regulatory requirements.

### **Corporate social responsibility**

Eskan Bank has an enduring commitment to support the local community and contribute to the development of the Kingdom's banking and financial services sector. In 2008, through its corporate social responsibility programme, the Bank continued to provide financial and practical support for various charitable, cultural and educational organisations. Eskan Bank also participated in several industry conferences and Government initiatives designed to enhance Bahrain's status as the financial hub of the Middle East, and promote the Kingdom as an attractive destination for foreign investment.

### **Economic and market outlook**

The unprecedented severity of the global financial meltdown, credit squeeze and economic downturn impacted the Gulf region during the second half of 2008. Stock markets experienced their worst year ever, while plummeting oil prices and huge losses in foreign investments placed additional pressure on the GCC economy. However, the underlying fundamentals for the Gulf region remain strong, with the IMF and other analysts forecasting regional GDP growth of around 5 per cent in 2009.

Bahrain, with its highly diversified economy, its status as the financial hub of the region, and its reputation as the most friendly investment destination in the GCC, is perhaps more strongly positioned than many of its neighbours to weather the worst of the current storm. The Kingdom's real estate industry has been one of the key growth sectors, with a total market value of around US\$ 6 billion, accounting for between 6 to 8 per cent of GDP over the last five years.

The four main industry sectors – residential, commercial, retail and hospitality – have all registered healthy growth in recent years, driven by a strong economy, relaxed foreign property ownership legislation, a large influx of expatriates and tourists, and most importantly, cheaper property prices than other GCC countries. Bahrain is the second favourite destination after the UAE for real estate investment by GCC nationals, with investors from the GCC still actively engaged in the Kingdom's real estate sector. In addition, the Government has been an active participant in real estate development in the Kingdom, injecting considerable investment to stimulate growth of the industry.

### **Looking ahead**

Despite the ongoing global and local economic difficulties we remain optimistic about our future and our contribution to the country. As the achievements in 2008 illustrate, Eskan Bank has given particular attention to building stronger customer relationships and an efficient institution, with an organisational infrastructure and business competencies in place that are required to meet the Bank's ambitious mission and strategic objectives. As an integral part of the social fabric and economy of Bahrain, we are committed to the country's urbanisation, providing housing solutions and affordable mortgages that will enable more Bahraini citizens to own their own homes. To achieve this goal, we will intensify our approaches to private financial institutions and the capital market to meet the future funding needs of the Bank, and reduce the burden on the Government's budget. At the same time, we completed a new five year strategic plan which is in line with the Government's Vision 2030 Strategy. We will continue our efforts to contribute to the social and economic development of the Kingdom, and support the Leadership's vision.

In conclusion, I would like to thank the Shareholders and the Board of Directors for their encouragement and support, and the management and staff for their commitment and professionalism, which have contributed to another successful year for Eskan Bank.

### **SABAH K. ALMOAYYED**

*General Manager  
Member of the Board*

## Review of Operations

### STRATEGIC INITIATIVES UPDATE

#### Ibda'a Bank

Eskan Bank is a founding shareholder of Ibda'a (Creativity) Bank, which was launched in early 2009 by Her Highness Shaikha Sabeeka bint Ibrahim Al Khalifa, wife of His Majesty the King of Bahrain, and President of the Supreme Council for Women. Backed by a USD 5 million fund, Ibda'a Bank has been established to provide small loans (micro-financing) to low-income Bahrainis to help them set up their own businesses. The Bank aims to support 1,000 Bahrainis during its first year of operations, and 5,000 at the end of its third year. This pioneering initiative reflects the commitment of the Kingdom's Leadership to protect the less advantaged and vulnerable members of the community, and to ensure their welfare and growth.

#### Residential Mortgage Backed Securities (RMBS)

The success of this innovative initiative, the first of its kind in the Kingdom of Bahrain and one of the first in the Middle East region, was recognised during the fourth World Islamic Funds & Capital Markets Conference held in Bahrain during May 2008.

The issue of BD30 million of residential mortgage backed securities was considered as an stimulating initiative for the development of the securities market in the Kingdom of Bahrain. Eskan Bank was encouraged to capitalise on this opportunity to ensure stable financing to support its future needs.

The Bank was urged by Central Bank of Bahrain to consider a public offering and listing of these securities on the Bahrain Stock Exchange in future issues.

#### Property Fund

Plans were finalised during 2008 for the establishment of a Property Fund by Eskan Bank, in association with the Bahrain-based Liquidity Management Centre, to provide additional funding for the Bank's projects. The exact launch date of the BD 50 million private placement offering, planned for 2009, will be dependent on market conditions.

#### Building Materials Company

Following the completion of a feasibility study by a leading consultancy, the Bank finalised plans for the establishment of a new company specialising in the supply of building materials – such as sand, cement, concrete and steel rebars – for the local construction market. The new company – to be called Mawad Al Binaa – will construct warehouses to store the materials in order to ensure adequate supplies at affordable prices. The Bank was mandated by the Government to cooperate with the private sector in the establishment of this company, which is expected to have an authorised capital of BD 500 million and paid-up capital of BD 100 million. Following final negotiations between Eskan Bank, the Bahrain Chamber of Commerce & Industry, manufacturers, importers and contractors, the new company is scheduled for launch during 2009, subject to market conditions.

#### Mortgage Guarantee System (MGS)

Eskan Bank signed a consultancy agreement with the Canada Mortgage & Housing Corporation (CMHC) in 2008 to support the implementation of the Mortgage Guarantee System (MGS). Fully-owned by the Canadian government, CMHC has over 60 years' experience in the field of residential mortgages. The agreement will provide Eskan Bank with technical and operational services for implementing the MGS entities.

The Bank successfully finalised all formalities for the introduction of the Mortgage Guarantee System (MGS) for approval during 2008. The necessary legislation was drafted and negotiations progressed with a number of conventional and Islamic financial institutions as initial partners in the scheme. The primary market will be guaranteed by a 100 per cent government-owned Mortgage Guarantee Fund, while the National Mortgage Corporation will be responsible for structuring a secondary market to ensure the required liquidity for mortgage securitisation. Unique to the GCC region, MGS will support the Government's objective of facilitating mortgage guaranteed housing loans with reduced interest rates through private sector banks enabling easier and faster access to a broader range of home loan opportunities for nationals of the Kingdom, especially low-to-middle income Bahraini families.

Eskan Bank received the WIFCMC 2008 Innovation Award for Mortgage Product in recognition of its pioneering role in the development of innovative new mortgage products and solutions in the Kingdom of Bahrain.

**WIFCMC 2008 AWARD:** Mr. Tariq Al Jalahma, Head of Banking Operations, receives the award on behalf of the Bank during the WIFCMC 2008, for most innovative mortgage product.

The success of this innovative initiative, the first of its kind in the Kingdom of Bahrain and one of the first in the Middle East region, was recognised during the fourth World Islamic Funds & Capital Markets Conference held in Bahrain during May 2008. The issue of BD30 million of

residential mortgage backed securities was considered as an stimulating initiative for the development of the securities market in the Kingdom of Bahrain. Eskan Bank was encouraged to capitalise on this opportunity to ensure stable financing to support its future needs.



The Commercial Banking department achieved a record growth in social home loans during 2008, with the monthly average rising from BD 3.5 million to just under BD 7.1 million.

**DIPLOMATIC AREA BRANCH:**

Located in the ground floor of the Ministry of Housing focused on serving Bahraini citizens and Ministry of Housing customers to reduce waiting lists and provide affordable housing to all communities.



## BUSINESS DIVISIONS

### Commercial Banking

The Commercial Banking department achieved a record growth in social home loans during 2008, with the monthly average rising from BD 3.5 million to just under BD 7 million. The Bank's commercial mortgage programme – Al Daar – launched in 2007, also experienced good growth during its first full year of operations.

With support from the Operations and IT departments, application turnaround improved dramatically from 4 weeks to 5 days, with loan disbursements now comprising only two stages instead of eight previously. Also during the year, plans to establish a representative office for the Notary Public associated with Ministry of Justice to notarize the necessary contracts and documents. As part of the department's commitment to providing customers with a 'one-stop-shop' service, progressed well, and are expected to come into effect in later part of 2009.

Key initiatives launched in 2008 include a new current account product for mortgage customers, comprising ATM and debit cards, and a cheque book; and the installation of new ATMs at Seef District, Isa Town, and Diplomatic Area branches.

Plans for the future include continuing to improve customer service with the establishment of a Contact Centre; expanding our distribution channels; providing new delivery channels such as Internet and Mobile banking; and signing an agreement with Takaful International for the provision of insurance services.

### Corporate Real Estate Financing

A Corporate Real Estate Financing department has been established by the Bank to provide a comprehensive range of financial products tailored to meet the financing needs of large and medium companies, mortgage firms, and Government-related entities. The department operates on a relationship management basis, with experienced and skilled professionals acting as a single point of contact with clients. Products and services include structured lending, project and contract finance, trade finance (including issuance of bid, performance and retention bonds), and Islamic banking.

### Islamic Banking

During 2008, the Bank finalised plans to establish new dedicated Islamic services in 2009 to meet the growing demand of customers for Sharia-compliant products and services. Upon final approval from the Central Bank of Bahrain, a comprehensive range of products will be offered, including current and savings accounts, Mudarabah, real estate Murabaha, Ijara, and Istisnaa.

### Treasury

Historically, the Treasury department has confined its activities to managing the Bank's liquidity. In 2008, however, in line with the strategic evolution of Eskan Bank, plans were developed to broaden its activities and services. These include diversifying sources of funding by taking deposits from other banks, rated financial institutions and Government entities.

### Investment Banking

Towards the end of 2008, a new Investment department was established to provide the Bank with additional sources of funding, and to support the expansion of its business activities, especially property development and commercial mortgages. Following a feasibility study, the department has developed a strategic plan, which takes into account current and future market conditions. A set of investment tools has also been created, comprising joint-venture agreements, co-investments, funds and special purpose vehicle structures, and exit strategy options. These tools are subject to investment criteria set by the Board's Investment Committee, including targeted internal rate of return (IRR); a target investment horizon; expected return on investment (ROI) and return on equity (ROE); an adjusted asset allocation (debt/financing distribution); and a strategic fit in line with the Bank's overall strategy.

A business plan and budget for 2009 has also been developed, identifying the key projects that the Bank will pursue, based on anticipated market trends. To ensure that these targets are met, a monitoring process and efficient control measures have been designed to track the ongoing progress of projects.

### Asset Management

The wide ranging responsibilities of the Asset Management department involve the acquisition of properties and land, transferring projects to a developer, and then either leasing or selling the developments. It is also responsible for the management and maintenance of all properties owned by the Bank. The department works closely with the Bank's subsidiary, Eskan Properties Company.

A key achievement during 2008 was the opening of the new Al Mahaza Shopping Centre at Sitra. The new mall covers a total area of over 2,000 square metres, comprising 12 shops, a 24-hour supermarket, and a kindergarten. This follows the successful completion of community projects in Hamad Town and Salmabad in the recent past.

Other developments include the successful sale of 32 villas in Hamad Town and eight villas in Busaiteen to Bahraini citizens, with project completion in 2008 and handover planned for early 2009; and the start of construction of Segaya Plaza – a 5,469 square metre residential and commercial complex.

Additional community and commercial projects are planned for Isa Town, Hamad Town and Muharraq, which will be developed in conjunction with the Bank's subsidiary, Eskan Properties Company.

## SHARED SERVICES

### Financial Control

The Financial Control team was expanded during 2008, in line with the growth and diversification of the Bank's business activities. The core activities of the Financial Control department include providing senior management with timely financial reports to aid decision making; preparing quarterly and annual consolidated financial statements; and assisting the Board and its appropriate committees to ensure that effective financial control processes and procedures are in place, and monitored on a regular basis. The department is also responsible for ensuring adherence to the financial reporting requirements of the Central Bank of Bahrain, and adoption of new and amended International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as of 1 January 2008.

### Operations

A key achievement by the Operations department in 2008 was the introduction of measures to ensure a stronger understanding and control of operating expenses, resulting in a better than budget performance.

New initiatives were launched during the year to support the growth in the Bank's business activities and improve customer service. These include improving loan application turnaround times; implementing a new Document Management System to support the move towards a 'paperless' organisation; enhancing the tender process; and streamlining processes and procedures to document business operations, and ensure the Bank's compliance with Basel II requirements.

In addition, the department participated in identifying and implementing organisational changes to clarify departmental roles and responsibilities, and achieve a clearer definition between front and back office roles in the Bank. This resulted in greater synergy and team work, with a substantial improvement in cross-functional working.

### Administration & Security

The Administration department was restructured in 2008 to provide a stronger focus on service delivery to its internal customers throughout the Bank. Service improvements included more efficient clearance of personal documents such as work permits and residence visas, and the ordering of business stationery and equipment. The department also continued its renovation programme of all Bank premises, and implemented a new process for the centralised management of third party contracts and agreements.

During 2008, a Security Manager was recruited, and a detailed plan implemented to improve security, and health and safety standards at all Bank branches and office locations.

### Information Technology & Information Security

The latest phase of the implementation of the new core banking system by the IT department resulted in effective support for new business initiatives such as ATM installations, enhanced systems security and controls, and improved operational / service Turn Around Time (TAT) for key customer activities.



We aim to serve as a partner in providing the best mortgages and loans facilities for our customers.

## Review of Operations...

Continued

Development and testing for a new Islamic business process and functionality within the core banking system to meet the growing customer demand for Sharia compliant products and services. Following the installation of SWIFT the previous year, the IT department augmented this with connection to Reuters, the provision of a real time gross settlement system (RTGS), and a link-up with Benefit / Credit Reference Bureau. The department also finalised plans for the introduction of internal 'e-forms' for use by staff, such as leave application requests, as a further step towards a 'paperless organisation'.

The IT department reviewed and enhanced the Bank's IT policy, processes and procedures during the year, and also commenced a programme to develop the Bank's business continuity and disaster recovery plans, and strengthen information security practices and procedures. An Information Security manager was recruited, with responsibility for information security and risk assessment, incident management, and regulatory compliance.

### Marketing & Communications

Throughout 2008, the Marketing & Communications department continued to manage the brand and image of the Bank and its subsidiaries, and to improve the quality of external and internal communications.

The department conducted a Customer Survey during 2008 and worked with other divisions to implement customer satisfaction improvements. In addition, several promotional campaigns were carried out for new products, services and projects, with the focus on enhancing customer relationship management and identifying cross-selling opportunities.

Plans for 2009 include initiatives to further improve customer service; expanding the range of products and services; expanding delivery channels; and introducing enhanced facilities at the Bank's branches through a design concept.

### Human Capital

The success of the Bank's ongoing strategic and business growth depends upon attracting, developing and retaining the best people in the industry. Accordingly, Eskan Bank places the highest priority on building a world class Human Capital capability.

Key initiatives during 2008 include a comprehensive review and enhancement of human capital policies and procedures; further refinement of the performance appraisal process, training needs analysis, career development, and succession planning. In addition, an Employee Handbook and Code of Conduct were introduced, and an Induction programme was developed and will be launched for new staff in 2009.

In 2008 the first group of students completed the Executive Trainee program Al Nokhba for Bahraini graduates, which was introduced in 2007, phase one of a three-month extensive training programme at BIBF as well as a nine month On-the-Job-Training-Program in preparation for their key roles within their respective departments.

Also during the year, a new Staff Savings Scheme was introduced, and the Bank decided to cover the one per cent unemployment insurance deduction from employees' monthly salaries.

## SUBSIDIARIES & ASSOCIATE COMPANIES

### Subsidiaries

#### Eskan Properties Company

Established in 2007, Eskan Properties Company provides comprehensive management, operation and maintenance services for the properties owned by the Bank. With its multidisciplinary expertise, the Company aims to become a leading player in the Kingdom's real estate sector, providing project assessment, design management, project management, quantity surveying, sales and marketing, and property and facility management.

As the property development arm of Eskan Bank, the Company works closely with the Bank's business divisions, subsidiaries and associate companies in the development of social, community and commercial projects. The Company helps in defining sustainable urban development guidelines; recommending appropriate architectural design quality; managing construction; and developing sales and marketing strategies.

We aim to facilitate affordable housing solutions through competitively priced mortgages, and contribute to the development of cohesive communities.

**ESKAN PROPERTIES:** The inauguration ceremony of Hamad Town Project held on 24th December 2008. Showing in the picture the owners of the villas, the project developers, and the management of Eskan Bank and Eskan Properties.

A key achievement was the successful completion of community projects in Hamad Town and Salmabad. Other developments include the successful sale of 32 villas in Hamad Town and eight villas in Busaiteen to Bahraini citizens,

with project completion and handover planned for early 2009; and the start of construction of Segaya Plaza – a mixed-use residential and commercial complex.



## The Southern Tourism Company is the only Government approved sea transportation provider for passengers and cargo between mainland Bahrain and the Hawar Islands.

During 2008, STC continued to enhance its services and improve its fleet, which now comprises a total of 13 vessels, including ferryboats, motorboats, dhows and emergency speedboats. The Company also recently finalised plans for developing its site at Hawar, where it owns 47 chalets. The plan entails the refurbishment of the

chalets, with the provision of new services for visitors, including a supermarket, cafeteria, and a swimming pool. STC also plans to develop the Al Dur jetty and the surrounding area to provide better amenities for passengers, and the potential of beach resort facilities for tourists.

(LEFT) SOUTHERN TOURISM COMPANY: Is the only Government approved sea transportation provider for passengers and cargo between mainland Bahrain and Hawar Islands.

(RIGHT) AL MAHAZA SHOPPING CENTRE: The official inauguration of Al Mahaza Shopping Centre in Sitra attended by Central Governorate and Municipal Council officials and ESKAN Bank Management.



## Review of Operations...

Continued

A key achievement during 2008 was the completion of the Al Mahaza Shopping Centre at Sitra. This new community mall covers a total area of over 2,000 square metres, comprising 12 shops, a 24-hour supermarket and a kindergarten. This follows the successful completion of community projects in Hamad Town and Salmabad in the recent past. Other developments include the successful sale of 32 villas in Hamad Town and eight villas in Busaiteen to Bahraini citizens, with project completion and handover planned for early 2009; and the start of construction of Segaya Plaza – a mixed-use residential and commercial complex.

Additionally, Eskan Properties Company was assigned by Southern Area Development Company to manage the development of the detailed master plan tendering phase for Danaat Hawar project. Five international companies have been shortlisted, and the evaluation process is underway.

Current joint venture projects are under consideration, which will include retail and residential development; and a shopping complex, providing a mix of retail and residential space adding value to communities' urban development.

### **Southern Tourism Company**

The Southern Tourism Company (STC) is the only Government approved sea transportation provider for passengers and cargo between mainland Bahrain and the Hawar Islands. During 2008, STC continued to enhance its services and improve its fleet, which now comprises a total of 13 vessels, including ferryboats, motorboats, dhows and emergency speedboats.

The Company also recently finalised plans for developing its site at Hawar, where it owns 47 chalets. The plan entails the refurbishment of the chalets, with the provision of new services for visitors, including a supermarket, cafeteria, and a swimming pool. STC also plans to develop the Al Dur jetty and the surrounding area to provide better amenities for passengers, and the potential of beach resort facilities for tourists.

## **Associate Companies**

### **Southern Area Development Company (SDC)**

SDC is responsible for developing the Hawar Islands and surrounding area into a major tourist attraction. In 2008, the hotel at Hawar was transferred to Golden Tulip Hotels Group for management, and subsequently upgraded to a 4-star status. The hotel is currently being refurbished, and will be re-opened under the new name of Tulip Inn Beach Hotel.

In addition, the design for the Danaat Hawar project was approved, and an initial feasibility study conducted, and a masterplan developed. The next stage will comprise the completion and execution of a detailed masterplan. The project, which will be carried out in three phases over the next five years, will help to boost Bahrain's tourist industry.

### **Naseej**

Eskan Bank is a founder shareholder of Naseej, the Gulf region's first fully integrated real estate and infrastructure solutions provider. Established in 2008 by private sector and public sector institutions, the Company will leverage its size to manage the entire spectrum of the construction and real estate business. This ranges from the initial planning stages to the manufacture of building materials, design, project management, and marketing advisory services for developments, as well as construction and facility management. In doing so, it will create unprecedented synergies that will help provide, among other things, affordable housing solutions to the general public.

## Risk Management

Eskan Bank gives significant priority to risk management and seeks to manage appropriately all the risks that arise from its activities. The principal risks inherent in the business are credit risk, market risk, liquidity risk and operational risk. These risks are highly interdependent, and events that affect one area can have adverse implications for a range of other risk categories.

The Management of the Bank continues to accord the highest priority to maintain and improve the ability of the Bank in identifying, measuring, monitoring and controlling these risks and the overall risk profile of the Bank. Further, in accordance with the growth in the lines of business of the Bank, it has continued to evolve, widen and intensify the risk management function to cover not only the traditional areas of social loans but also those of commercial residential mortgage loans, property development and Islamic finance. Consequently, risk management systems with a greater degree of sophistication are in the process of being implemented.

A formal structure has been evolved for managing those risks to which Eskan Bank is exposed. This is based on detailing and documenting various risk policies and procedures; establishing a Risk Management division staffed by appropriately qualified and experienced personnel to set limits consistent with the risk appetite and to provide an oversight role in relation to risk; as well as a Committee structure comprising senior management functionaries to support the management of risk within the Bank. In addition to these management committees, oversight of risk management and controls is provided by the Audit Committee and Risk Committee on behalf of the Board of Directors.

During 2008, Eskan Bank extended and expanded its various operations, products, processes and systems, which have given rise to some or all of the risks detailed above. In order to assess, manage and control these risks, the Risk Management division was further streamlined and correspondingly staffed. The Bank has also commenced the process of implementing Basel II norms and will be adhering to the Standardised Approach for its regulatory credit risk capital adequacy, and the Basic Indicator Approach for regulatory capital for Operational Risk. The implementation has been carried out in two phases: the first involving a study of the gaps, and the second with a view to implementing the necessary policies, procedures and systems. Specialised consultants assisted the Bank in both phases.

The nature of the Bank's business, with a current exclusive focus on the domestic market, and a conservative investment and liquidity management policy, has ensured that it has been untouched by the troubles in the sub-prime mortgage market.

### Credit Risk

Credit Risk is the risk that a customer or counterparty will not be able to meet its obligations to the Bank when they fall due. The building blocks put in place for effective management of credit risk comprise the following:

- **Independent Functions:**  
The initial credit decision pertaining to mortgage loans has been distanced from the Customer Service team, by routing the proposals to a specialist Loans Department which considers the acceptability of the credit. This ensures that pre-disbursal review of the loan is done independently of the originating team.
- **Credit Policies and Procedures:**  
The Risk Management division is guided in its functioning by credit policies and procedures that have been documented and approved by the Board of Directors of the Bank. Procedures complementing these, to ensure proper credit controls are in place, have been approved by the Senior Management of the Bank prior to final approval by the Board of Directors of the Bank.
- **Credit Approving Authority:**  
The credit approving authority has been defined and documented in the Credit Policy document and by an Authority Matrix which is approved by the Board. Delegations of authority are dependent both on the hierarchical seniority of the approver and on the risk of the transaction, as demonstrated by its size and conformity with approved normal policy, with higher risk exposures requiring sanction by the Risk Committee or Board of Directors.
- **Prudential Limits:**  
Prudential limits are also in place for exposure to borrowers and sectors, which helps in mitigating credit concentration risk. To mitigate the risk of concentration of placement with any one bank, limits for inter bank placements have been approved for each bank, which are monitored on a daily basis.

### **Market and Liquidity Risk**

Market risk is defined as the potential loss in value or earnings from changes in value of financial instruments. The Bank has instituted comprehensive asset and liability management practices to achieve these objectives. Daily management of the liquidity position is carried out by the Treasury division, which manages the portfolio of liquid assets and contingency funding plans. The Bank's liquidity risk policy provides for the identification, assessment, control and monitoring of liquidity risk. The liquidity risk is closely monitored on an ongoing basis, with Treasury reporting to ALCO meetings to monitor and control the liquidity risk encountered by the Bank. With assets presently being predominately in the local currency (Bahraini Dinars) and a limited amount in US Dollars, the Bank does not run any significant foreign currency risk.

### **Operational Risk**

Operational Risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes or systems, human error or external events. External events include legal and regulatory risks, disasters and infrastructure failures, business risks and outsourcing and supplier risks.

The Bank's approach is to ensure business managers identify, assess, prioritise and effectively manage all substantive risks, and that a coordinated, cost-effective approach is adopted. This involves a combination of internal control systems, detailed processes, appropriate insurance cover, and contingency arrangements. To this end, the core banking system from MISYS has been successfully implemented, providing enhanced system control and mitigation of risk in some areas of operations. The Bank has also, with the assistance of specialist consultants, reviewed the policies and procedures of various departments of the Bank, and installed an Operational Risk management tool to monitor and manage operational risk.



Eskan Bank has become synonymous with fulfilling aspirations and making dreams of home ownership a reality.

## Corporate Governance

### Shareholder

The shareholder of Eskan Bank is the Government of the Kingdom of Bahrain. The Bank was founded with an authorized capital amounted to BD40 million, and capital issued and paid the value of BD15 million. The issued and paid up share capital is 37.5 per cent of the authorised share capital, and is entirely held by the Government of the Kingdom of Bahrain.

### Board of Directors

Eskan Bank's Board has been appointed by Decree No.38 of 2008 dated 16 October 2008 in line with Legislative Decree No.4 of 1979 with respect to the establishment of the Housing Banks amended by Law No.75 of 2006. The Board of Directors is comprised of a majority of Independent Directors drawn from leading Bahraini Banking and Finance Professionals and Academics.

### Responsibilities

The Board of Directors is responsible for the overall corporate governance of Eskan Bank, ensuring that the Bank is run in an efficient and effective manner. The Board meets regularly throughout the year and maintains full and effective control over strategic, financial, operational, internal control and compliance issues. The Board's remit includes charting the direction of the Bank, setting objectives, formulating strategy, establishing policy guidelines, and appointing the external auditors. The Board is also responsible for monitoring Management's running of the business according to an agreed framework. The Board is ultimately accountable and responsible for the affairs and performance of the Bank.

### Membership

The Board currently consists of nine directors, who are appointed by the Prime Minister of the Kingdom of Bahrain. The Chairman is the Minister of Housing, while the Vice Chairman and Members are prominent and widely experienced bankers and business persons. Profiles of the Directors are listed separately in this annual report.

## COMMITTEES

The Board has formed four sub-committees with specific delegated responsibilities – the Audit Committee, Investment Committee, Risk Committee, and Remuneration Committee.

### Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the Bank's financial information that is provided to the shareholders and others; the framework of internal controls established by the Management and the Board of Directors; and the audit process.

#### Members:

Dr. Anwar Khalifa Alsada (*Chairperson*)

Dr. Jasim Yusuf Alajmi (*member*)

Mr. Waleed Abdulla Rashdan (*Independent member*)

### Investment Committee

The purpose of the Investment Committee is to assist the Board of Directors in maintaining its oversight over the Bank's investment portfolio.

#### Members:

Mr. Nedhal Saleh Al Aujan (*Chairperson*)

Dr. Taqi Abdurassool Al Zeera (*member*)

### Risk Committee

The role of the Risk Committee is to assist the Board in fulfilling its oversight function in respect of those risk activities throughout the Group that give rise to credit, market, liquidity, interest rate, operational or reputational risk.

#### Members:

Dr. Ala'a Hasan Alyusuf (*Chairperson*)

Mr. Osama Abdurraheem Al Khajah (*member*)

Dr. Khalid Abdulla Ateeq (*Independent member*)

### Remuneration Committee

The purpose of the Remuneration Committee is to recommend Human Resources policies and procedures for the Bank, and to assist the Board in reviewing and approving the Bank's policy for the remuneration of Directors, Board Committee members, the General Manager, and Executive Management.

#### Members:

Dr. Jassim Yousif Alajmi (*Chairperson*)  
Mr. Osama Abdulraheem Al Khajah (*member*)  
Mr. Nedhal Saleh Al Aujan (*member*)

## MANAGEMENT

The Board has delegated the authority for management of the business to the General Manager, who is responsible for the day-to-day performance and operations of the Bank. The General Manager is supported by a well qualified and experienced Management Team and Management Committees – Management Committee, Management Risk Committee, Asset & Liability Management Committee, IT Steering Committee, New Product Committee, and Human Capital Committee.

### Management Committee

The role of the Management Committee is to ensure the proper functioning of the business divisions and support functions of the Bank.

#### Members:

GM (*Chairperson*)  
Head of Legal & Compliance  
Chief Business Officer  
Chief Operating Officer  
Chief Investment Officer  
Chief Risk Officer  
Chief Development Officer  
Head of Human Capital  
Head of Strategic Planning & Development  
Manager Strategic Planning & Development (*Secretary*)

### Management Risk Committee

The responsibility of the Management Risk Committee is to review and manage the credit, market and operational risks of the Bank; and to recommend on matters brought to it for consideration, including credit proposals for approvals.

#### Members:

Chief Risk Officer (*Chairperson*)  
General Manager  
Chief Business Officer  
Chief Operating Officer  
Chief Investment Officer  
Head of Banking Operations  
Head of Legal & Compliance  
Senior Manager – Risk Management (*ex officio Secretary*)

### Asset & Liability Management Committee

The function of the Asset & Liability Management Committee (ALCO) is to develop and institute an active and integrated approach to managing the Bank's balance sheet within regulatory and other guidelines on structure and on capital adequacy. ALCO sets and monitors the liquidity and market risk strategy policies of the Bank, as well as reviewing and allocating capacity on the balance sheet.

#### Members:

GM (*Chairperson*)  
Head of Financial Control (*Secretary*)  
Chief Business Officer  
Chief Operating Officer  
Chief Investment Officer  
Chief Risk Officer (*Non-Voting Member*)  
Head of Treasury

The Bank is now capitalizing on its unique market position to expand its business activities into other related sectors, and play a pivotal role in the growth and development of the national economy.

**VISION 2030:** Management meets to discuss the future strategic and business goals which are in line with the Bahrain's Government's Vision 2030 Strategy.



We made excellent progress in advancing our strategy and pursuing our business goal of evolving ESKAN Bank into a more diversified, financially independent, and commercially oriented banking group.

Throughout 2008, the Bank continued its strategic transition from an institution for the disbursement of housing loans funded through the annual government budget, to a more diversified, financially independent, and commercially-oriented banking partner for individuals and businesses, which focuses on the social housing issues as the prime objective.

In view of changing socio-economic trends and market conditions the Bank commissioned a comprehensive study during 2008 to recommend a new five-year strategic plan for ESKAN Bank to facilitate the achievement of future strategic and business goals which are in line with the Government's Vision 2030 Strategy.

**TEAM WORK:** Is the essence of everything we do. We are a hugely dedicated group committed to our customers and fulfilling their dreams of owning a home. Our success in a large part is a result of our dedicated team members many of whom have been with ESKAN Bank for over 20 years.



**IT Steering Committee**

The IT Steering Committee is responsible for overseeing the IT strategic direction of Eskan Bank; and for providing effective and secure IT services across the Bank through assessing opportunities to better manage IT resources and knowledge, and acquire 'best fit' IT solutions to meet the growth of the Bank.

**Members:**

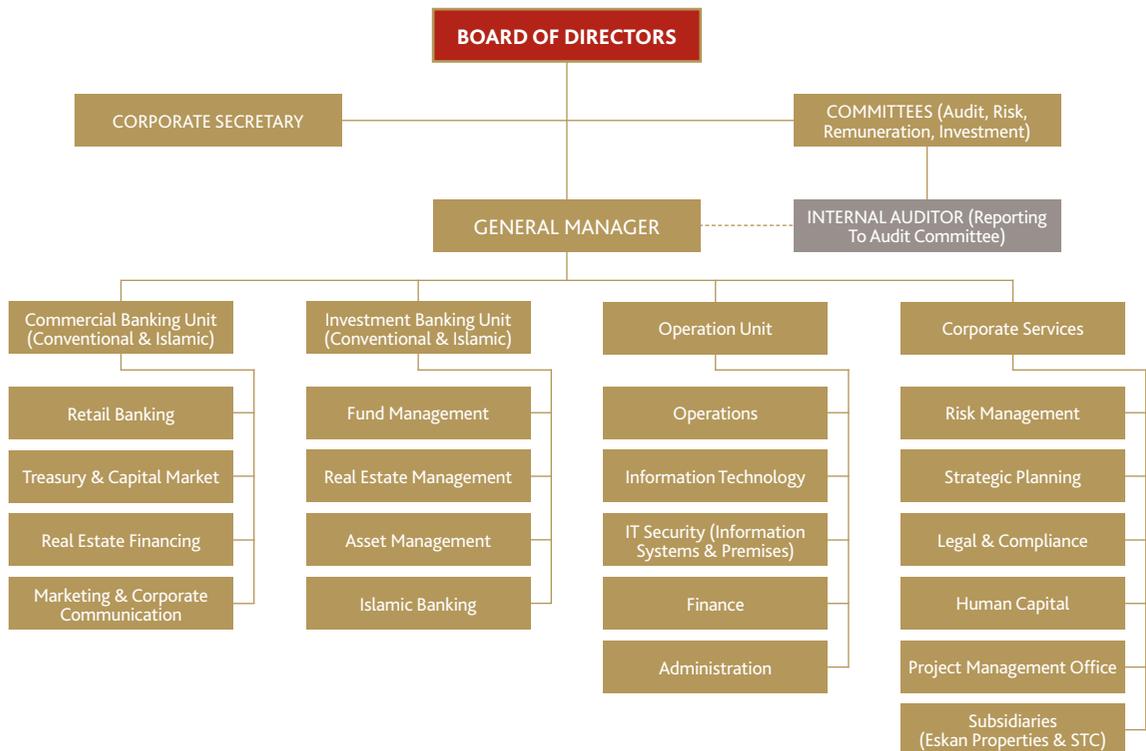
- Chief Operating Officer (*Chairperson*)
- Head of Information Technology (*Secretary*)
- General Manager
- Chief Business Officer
- Chief Investment Officer
- Head of Financial Control
- Chief Risk Officer (*Non-voting Member*)

**New Product Committee**

The role of the New Product Committee is to oversee the development of new and existing client products and services for treasury, asset management, commercial banking, property development, mortgage finance, and other areas of the Bank.

**Members:**

- Chief Business Officer (*Chairperson*)
- Head of Marketing & Communications (*Secretary*)
- Head of Strategic Planning & Development
- Head of Banking Operations
- Deputy Chief Development Officer
- Head of Information Technology



### **Human Capital Committee**

The function of the Human Capital Committee is to provide a forum for consultation and exchange of ideas, and decision making, on all matters relating to the planning and management of the Bank's Human Capital.

#### **Members:**

Head of Human Capital (*Chairperson*)

Senior Manager – HC (*Secretary*)

General Manager

Chief Business Officer

Chief Operating Officer

Head of Banking Operations

Other attendees or deputies in members' absence may attend as appropriate by invitation from the Chairperson.

#### **Internal Audit Role**

To provide assurance to the management and the board that the Bank's framework of risk management, control, and governance processes is adequate and functioning properly.

#### **Code of Conduct**

Eskan Bank conducts itself in accordance with the highest standards of ethical behaviour. The Bank's Code of Business Conduct governs the personal and professional behaviour of all stakeholders.

#### **Compliance**

The Bank has in place comprehensive policies and procedures to ensure full compliance with the relevant rules and regulations of the Central Bank of Bahrain. These include anti-money laundering reporting and prudential reporting.

### **Communications**

The Bank conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate and timely manner. Main communications channels currently include the annual report, corporate website and corporate brochure, newsletter, and regular announcements in the appropriate local media.

#### **Investments in subsidiaries and associate companies**

- 100% ownership in Southern Tourism Company (BD 250 K total share capital)
- 28.125% ownership of Southern Area Development Company (BD 8,000k total share capital)
- 99% ownership of Eskan Properties Company (BD250K total share capital)
- 99% ownership in Residential Mortgage Backed Securities ( BD 1000 K total share capital)

Eskan Bank conducts its business in accordance with the highest standards of ethical behaviour. The Bank has in place comprehensive policies and procedures to ensure full compliance with the relevant rules and regulations of the Central Bank of Bahrain.

**MORTGAGE EXPERTISE:** Our staff always takes pride in offering great customer service. With over 30 years of mortgage lending experience and community enhancement in Bahrain, Eskan Bank has unrivalled local knowledge and expertise.





The Bank finalised plans for the establishment of a new company specialising in the supply of building materials – such as sand, cement, concrete and steel rebars – for the local construction market.

## Senior Management

**Mrs. Sabah K. Almoayyed**

General Manager &  
Member of the Board

**Mr. Keith Scott**

Chief Business Officer – DGM

**Mr. Ebrahim Shehab**

Chief Investment Officer – DGM

**Mr. Christopher Drane**

Chief Operations Officer

**Mr. Srikanth Sheshadri**

Chief Risk Management Officer

**Dr. Naeema Aldosseri**

Head of Human Capital Group

**Mr. Tawfiq Al Maskati**

Head of Assets Management Group

**Mr. Robert Johnson**

Head of Marketing & Corporate  
Communications Group

**Dr. Bakri Bashir**

Head of Strategic Planning &  
Business Development

**Mr. Hassan Ali**

Head of Financial Control

**Mrs. Samar Agaiby**

Head of Project Management Office  
Mortgage Guarantee System

**Mr. Jamal Qamber**

Head of Information Technology

**Mr. Khalifa Najim**

Head of Corporate Real Estate Financial

**Mr. Tariq Al Jalahma**

Head of Banking Operations

**Mr. Timothy Regan**

Head of Legal & Compliance

**Mr. Thomas D'Souza**

Head of Operations

**Mr. Jassim Al Aradi**

Senior Manager – Internal Audit

**Eskan Properties Company**

**Mr. Fadi Jamali**

Chief Development Officer

**Mr. Eyad Obaid**

Deputy Chief Development Officer

**Mr. Jihad Kiame**

Head of Urban Planning &  
Architectural Department

**Southern Tourist Company**

**Mr. Tawfiq Al Maskati**

General Manager

**Mr. Wael Al Onais**

Marketing Manager

## Independent Auditor's Report to the Shareholders

The Eskan Bank B.S.C. (c)  
Manama, Kingdom of Bahrain, 8 April 2009

### Report on the financial statements

We have audited the accompanying consolidated financial statements of Eskan Bank B.S.C. (c) ("the Bank"), and its subsidiaries (together "the Group") which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Responsibility of the directors for the consolidated financial statements

The directors of the Bank are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other legal and regulatory requirements

In addition, in our opinion, the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the chairman and confirm that the information contained therein is consistent with the consolidated financial statements. We are not aware of any violations of the Central Bank of Bahrain and Financial Institutions Law 2006 or the terms of the Bank's license or its memorandum and articles of association having occurred during the year that might have had a material effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

**KPMG**  
8 April 2009