

**Eskan Bank B.S.C. (c)**  
**Basel II, Pillar III Disclosures**  
**30 June 2014**

**(Reviewed)**

## **Eskan Bank B.S.C. (c)**

Basel II, Pillar III Disclosures  
for the period ended 30 June 2014 (Reviewed)

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All Amounts in BD '000

**Table 1: CAPITAL STRUCTURE**

The following table summarizes the eligible capital after deductions for Capital Adequacy Ratio (CAR) calculation as of 30 June 2014:

	<u>Tier I</u>	<u>Tier II</u>
<b>Components of capital</b>		
Issued and fully paid ordinary shares	108,300	-
Legal / statutory reserves	54,462	-
Retained profit brought forward	29,180	-
Others	18,751	-
Current interim profits (reviewed by external auditors)	-	5,251
Collective Impairment loss provision	-	260
<b>TOTAL AVAILABLE CAPITAL</b>	<b>210,693</b>	<b>5,511</b>
Less : Significant minority investments in banking, securities and other financial entities	(117)	(117)
<b>NET AVAILABLE CAPITAL</b>	<b>210,576</b>	<b>5,394</b>
<b>TOTAL ELIGIBLE CAPITAL BASE (Tier 1 + Tier 2)</b>		<b>215,970</b>

Following are Capital Adequacy Ratios for total capital and Tier 1 capital as of 30 June 2014:

<b>Tier I Capital Adequacy Ratio</b>	<b>110.33%</b>
<b>Total Capital Adequacy Ratio</b>	<b>113.16%</b>

Following are the total risk weighted exposures for each category of risk the Bank is exposed to as of 30 June 2014 :

Credit Risk Weighted Exposures	164,673
Operational Risk Weighted Exposures	26,184
Market Risk Weighted Exposures	-
<b>Total Risk Weighted Exposures</b>	<b>190,857</b>

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**Table 2: ASSETS - FUNDED, UNFUNDED AND AVERAGE EXPOSURES**

The following table summarises the amount of gross funded and unfunded credit exposure and average gross funded and unfunded exposures as of 30 June 2014 :

	<i>Gross Exposures</i>	<i>* Average Exposures</i>
<b><u>Funded Exposure</u></b>		
Cash and cash equivalents	96,935	98,991
Investments	4,757	4,757
Loans	417,001	412,991
Investment in associates	9,374	9,255
Investment properties	42,602	42,229
Development properties	7,976	8,234
Other assets	6,421	6,442
	<b>585,066</b>	<b>582,899</b>
<b><u>Unfunded Exposure</u></b>		
Loan related	94,343	84,336
Lease commitments	581	343
Capital Commitments	1,170	820
	<b>96,094</b>	<b>85,499</b>

\* Average balances are computed based on quarter end balances.

The Group holds collateral against loans in the form of mortgage on residential property.

**Table 3: CAPITAL REQUIREMENTS - STANDARD PORTFOLIO**

The following table summarises the capital requirements by type of standard portfolio as of 30 June 2014:

	<i>* Gross Exposures</i>	<i>Risk Weighted Value</i>	<i>** Capital Charge</i>
<b><u>Standard Portfolio</u></b>			
Sovereign Portfolio	515,067	-	-
Banks Portfolio	20,066	4,024	483
Residential Retail Portfolio	26,095	19,816	2,378
Equity Portfolio	1,484	2,226	267
Real estate Portfolio	68,565	137,130	16,456
Other Exposures	1,616	1,477	177
	<b>632,893</b>	<b>164,673</b>	<b>19,761</b>

\*Gross Exposures are in agreement with the Form PIRI submitted to the Central Bank of Bahrain ("CBB") which takes in to account several deduction made in order to arrive at the eligible capital.

\*\* Capital charge is calculated at 12%.

The Group did not make use of on and off balance sheet netting arrangements as of 30 June 2014.

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**Table 4: GEORAPHICAL ANALYSIS**

The following table summarises the geographic distribution of exposures, broken down into significant areas by major types of credit exposure as of 30 June 2014 :

	<i>Kingdom of Bahrain</i>	<i>United States</i>	<i>Total</i>
Cash and cash equivalents	96,899	36	96,935
Investments	4,757	-	4,757
Loans	417,001	-	417,001
Investment in associates	9,374	-	9,374
Investment properties	42,602	-	42,602
Development properties	7,976	-	7,976
Other assets	6,421	-	6,421
	<b>585,030</b>	<b>36</b>	<b>585,066</b>

The Group considers the above geographical disclosure to be the most appropriate as the Group's major activities are conducted in the Kingdom of Bahrain.

**Table 5: INDUSTRY ANALYSIS**

The following table summarises the distribution of funded and unfunded exposure by industry type as of 30 June 2014 :

	<i>Banks and financial institutions</i>	<i>Real estate and construction</i>	<i>Residential mortgage</i>	<i>Tourism</i>	<i>Other</i>	<i>Total</i>
<b>Funded Exposures</b>						
Cash and cash equivalents	96,935	-	-	-	-	96,935
Investments	-	3,273	-	1,216	268	4,757
Loans	-	-	417,001	-	-	417,001
Investment in associates	235	9,139	-	-	-	9,374
Investment properties	-	42,602	-	-	-	42,602
Development properties	-	7,976	-	-	-	7,976
Other assets	-	4,944	-	-	1,477	6,421
	<b>97,170</b>	<b>67,934</b>	<b>417,001</b>	<b>1,216</b>	<b>1,745</b>	<b>585,066</b>
<b>Unfunded Exposures</b>						
Loan related	-	-	94,343	-	-	94,343
Lease commitments	-	-	-	-	581	581
Capital Commitment	-	1,170	-	-	-	1,170
	<b>-</b>	<b>1,170</b>	<b>94,343</b>	<b>-</b>	<b>581</b>	<b>96,094</b>

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**Table 6: INTRA-GROUP TRANSACTIONS**

The following table summarises intra-group transactions as of 30 June 2014 :

	<i>Eskan Bank</i>	<i>RMBS Co</i>	<i>Eskan Property Co.</i>	<i>Smart Building Material Co.</i>	<i>Total</i>
<b><u>Assets</u></b>					
Balances with Banks	-	-	872	250	1,122
Inter Bank Deposits	-	14,553	-	-	14,553
Investments in subsidiaries	501	-	-	-	501
Investment in Associate	-	-	-	-	-
Other Assets	2,274	8,981	285	-	11,540
	<b>2,775</b>	<b>23,534</b>	<b>1,157</b>	<b>250</b>	<b>27,716</b>
<b><u>Liabilities and Equity</u></b>					
Non-Bank Deposits	14,553	-	-	-	14,553
Current Accounts	1,122	-	-	-	1,122
Other Liabilities	9,266	1,633	527	114	11,540
Share Capital & Reserves	-	1	250	250	501
	<b>24,941</b>	<b>1,634</b>	<b>777</b>	<b>364</b>	<b>27,716</b>

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**Table 7: PAST DUE LOANS - AGING ANALYSIS**

The Group's entire past due and provision balances as at 30 June 2014 relates to its operations in the Kingdom of Bahrain. The following table summarises the total past due loans and provisions disclosed by industry as of 30 June 2014 :

	<i>3 months up to 1 year</i>	<i>1 up to 3 years</i>	<i>Over 3 years</i>	<i>Total</i>
Social loans *	18,288	7,636	112	26,036
Retail mortgage commercial loans	768	974	-	1,742
	<b>19,056</b>	<b>8,610</b>	<b>112</b>	<b>27,778</b>

**Table 8: MOVEMENT IN PROVISIONS**

**General Provision**

Retail mortgage commercial loans **	266	-	(6)	260
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**Specific Provision**

Retail mortgage commercial loans	622	150	(11)	761
	<b>888</b>	<b>150</b>	<b>(17)</b>	<b>1,021</b>

\* The credit Risk of Social Loans does not reside with the Group and hence no impairment provisions are being made.

\*\* The Group has implemented Credit Risk Policy for retail mortgage commercial loan portfolio under which the Group provides 1% of the overall retail mortgage commercial loan as a nominal collective provision.

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### **Table 10: OPERATIONAL RISK**

The following table summarises the amount of exposures subject to basic indicator approach of operational risk and related capital requirements as of 30 June 2014 :

Average Gross income	13,965
Risk Weighted Exposures	26,184
Capital Charge (@12%)	<u><u>3,142</u></u>

### **Table 11: RESTRUCTURED FACILITY**

The following table summarises the total loans that have been restructured during the period ended 30 June 2014

Social loans	<u><u>3,695</u></u>
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There is no significant impact of the restructured commercial mortgage loans on the provisions as well as present and future earnings. In addition, the magnitude of the restructuring activities related to the commercial mortgage loans is immaterial.



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**Table 12: RESIDUAL CONTRACTUAL MATURITY BREAKDOWN**

The following table summarises the residual contractual maturity breakdown of the whole credit portfolio as of 30 June 2014, broken down by major types of credit exposure:

	<b>1-7 Days</b>	<b>7 Days - 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>5-10 Years</b>	<b>10-20 Years</b>	<b>Above 20 Years</b>	<b>Total</b>
Cash and cash equivalents	34,113	17,253	34,009	6,608	4,952	-	-	-	-	-	<b>96,935</b>
Investments	-	-	-	-	-	268	4,489	-	-	-	<b>4,757</b>
Loans	42	417	2,941	4,523	9,226	38,136	39,681	105,301	168,525	48,209	<b>417,001</b>
Investment in associates	-	-	-	-	-	9,374	-	-	-	-	<b>9,374</b>
Investment property	-	-	-	-	-	-	-	-	42,602	-	<b>42,602</b>
Development property	-	-	-	-	-	7,976	-	-	-	-	<b>7,976</b>
Other assets	690	53	4,733	124	32	621	168	-	-	-	<b>6,421</b>
<b>TOTAL ASSETS</b>	<b>34,845</b>	<b>17,723</b>	<b>41,683</b>	<b>11,255</b>	<b>14,210</b>	<b>56,375</b>	<b>44,338</b>	<b>105,301</b>	<b>211,127</b>	<b>48,209</b>	<b>585,066</b>
Deposits from financial and other institutions	17,400	21,500	9,500	-	-	-	-	-	-	-	<b>48,400</b>
Government accounts	-	-	-	-	-	-	-	-	-	236,017	<b>236,017</b>
Term loans	-	-	-	6,500	-	30,000	29,000	-	-	-	<b>65,500</b>
Other liabilities	4,808	281	491	593	618	2,111	1,468	3,640	5,310	-	<b>19,320</b>
<b>TOTAL LIABILITIES</b>	<b>22,208</b>	<b>21,781</b>	<b>9,991</b>	<b>7,093</b>	<b>618</b>	<b>32,111</b>	<b>30,468</b>	<b>3,640</b>	<b>5,310</b>	<b>236,017</b>	<b>369,237</b>
<b>MISMATCH</b>	<b>12,637</b>	<b>(4,058)</b>	<b>31,692</b>	<b>4,162</b>	<b>13,592</b>	<b>24,264</b>	<b>13,870</b>	<b>101,661</b>	<b>205,817</b>	<b>(187,808)</b>	<b>215,829</b>
<b>CUMULATIVE MISMATCH</b>	<b>12,637</b>	<b>8,579</b>	<b>40,271</b>	<b>44,433</b>	<b>58,025</b>	<b>82,289</b>	<b>96,159</b>	<b>197,820</b>	<b>403,637</b>	<b>215,829</b>	<b>215,829</b>

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**Table 13: EQUITY POSITION RISK IN THE BANKING BOOKS**

The following table summarises the total gross exposure of equity based investments as of 30 June 2014:

	<i>Gross Exposures</i>	<i>Privately Held</i>	<i>Capital Charge</i>
Available for sale investments	4,757	4,757	1,053
Investments in associates	9,374	9,374	2,193

The risk weighted assets used in arriving at the capital requirements considered certain investments risk weighted at 200% being equity investments in real estate entities and as well certain deduction to arrive at the eligible capital.

Capital Charge is calculated @ 12%.

**Table 14: SENSITIVITY ANALYSIS - INTEREST RATE RISK**

Analysis of the Group's sensitivity to an increase or decrease in a 200 bps parallel market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) on the Group's net profit and equity:

	<i>30 June</i>	<i>Changes in</i>	<i>Effect on</i>
	<i>2014</i>	<i>basis points</i>	<i>net profit</i>
	<i>BD</i>	<i>(+/-)</i>	<i>(+/-)</i>
<b>Assets</b>			
Balances and placements with Financial Institutions	96,333	200	1,927
Loans and advances - Commercial loans	26,737	200	535
<b>Liabilities</b>			
Deposits from financial and other institutions	48,400	200	(968)
Term loans	15,500	200	(310)
<b>Total</b>			<b>1,184</b>