

Eskan Bank B.S.C. (c)
Basel III, Pillar III Disclosures
30 June 2015
(Reviewed)

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As at 30 June 2015 (Reviewed)

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Table 1: CAPITAL STRUCTURE

The following table summarizes the eligible capital after deductions for Capital Adequacy Ratio (CAR) calculation as of 30 June 2015:

	<u>CET1</u>	<u>AT1</u>	<u>T2</u>
Components of capital			
Tier 1 Capital			
Common Equity Tier 1 (CET1)			
Issued and fully paid ordinary shares	108,300	-	-
Legal / statutory reserves	54,462	-	-
Retained profit brought forward	39,552	-	-
Others	19,499	-	-
Current interim profits (reviewed by external auditors)	5,644	-	-
Total CET 1 Capital prior to the regulatory adjustments	<u>227,457</u>	<u>-</u>	<u>-</u>
Total CET 1 Capital after the regulatory adjustments	<u>227,457</u>	<u>-</u>	<u>-</u>
Other Capital (AT1 & T2)			
General loan loss provisions	-	-	234
NET AVAILABLE CAPITAL	<u>227,457</u>	<u>-</u>	<u>234</u>
TOTALCAPITAL			<u>227,691</u>

Following are Capital Adequacy Ratios for total capital and Tier 1 capital as of 30 June 2015:

CET1 Capital Adequacy Ratio	104.81%
T1 Capital Adequacy Ratio	104.81%
Total Capital Adequacy Ratio	104.92%

Following are the total risk weighted exposures for each category of risk the Bank is exposed to as of 30 June 2015 :

Credit Risk Weighted Exposures	188,933
Operational Risk Weighted Exposures	28,088
Market Risk Weighted Exposures	-
Total Risk Weighted Exposures	<u>217,021</u>

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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 2015 :

	<i>Gross Exposures</i>	<i>* Average Exposures</i>
<u>Funded Exposure</u>		
Cash and cash equivalents	39,400	54,264
Investments	4,757	4,757
Loans	450,613	446,623
Investment in associates	9,722	9,420
Investment properties	42,892	42,893
Development properties	21,035	20,249
Other assets	6,401	6,476
	574,821	584,682
<u>Unfunded Exposure</u>		
Loan related	85,322	81,218
Lease commitments	336	358
Capital Commitments	8,821	9,457
	94,480	91,033

* 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 REQUIRMENTS - STANDARD PORTFOLIO

The following table summarises the capital requirements by type of standard portfolio as of 30 June 2015:

	<i>* Gross Exposures</i>	<i>Risk Weighted Value</i>	<i>** Capital Charge</i>
<u>Standard Portfolio</u>			
Sovereign Portfolio	499,372	-	-
Banks Portfolio	5,085	1,017	127
Residential Retail Portfolio	23,207	17,573	2,197
Equity Portfolio	1,484	2,226	278
Real estate Portfolio	83,304	166,608	20,826
Other Exposures	1,753	1,509	189
	614,205	188,933	23,617

*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 12.5%.

The Group did not make use of on and off balance sheet netting arrangements as of 30 June 2015.

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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 2015 :

	<i>Kingdom of Bahrain</i>	<i>Total</i>
Cash and cash equivalents	39,400	39,400
Investments	4,757	4,757
Loans	450,613	450,613
Investment in associates	9,722	9,722
Investment properties	42,892	42,892
Development properties	21,035	21,035
Other assets	6,401	6,401
	574,821	574,821

The Group considers the above geographical disclosure to be the most appropriate as the Group's 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 2015 :

	<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>
Funded Exposures						
Cash and cash equivalents	39,400	-	-	-	-	39,400
Investments	-	3,273	-	1,216	268	4,757
Loans	-	-	450,613	-	-	450,613
Investment in associates	-	9,722	-	-	-	9,722
Investment properties	-	42,892	-	-	-	42,892
Development properties	-	21,035	-	-	-	21,035
Other assets	-	4,892	-	-	1,509	6,401
	39,400	81,815	450,613	1,216	1,777	574,821
Unfunded Exposures						
Loan related	-	-	85,322	-	-	85,322
Lease commitments	-	-	-	-	336	336
Capital Commitment	-	8,821	-	-	-	8,821
	-	8,821	85,322	-	336	94,480

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Table 6: INTRA-GROUP TRANSACTIONS

The following table summarises intra-group transactions as of 30 June 2015 :

	<i>Eskan Bank</i>	<i>RMBS Co</i>	<i>Eskan Property Co.</i>	<i>Dannat Al Luzi</i>	<i>Total</i>
Assets					
Balances with Banks	-	-	1,078	422	1,499
Inter Bank Deposits	-	8,053	-	753	8,806
Investments in subsidiaries	8,652	-	-	-	8,652
Other Assets	3,225	10,168	1,057	0.16	14,450
	11,877	18,221	2,135	1,175	33,408
Liabilities and Equity					
Non-Bank Deposits	8,806	-	-	-	8,806
Current Accounts	1,499	-	-	-	1,499
Other Liabilities	11,100	1,845	1,380	125	14,450
Share Capital & Reserves	-	1	250	8,401	8,652
	21,405	1,846	1,630	8,526	33,408

Table 7: RELATED PARTY TRANSACTIONS

The following table summarises related party exposure as of 30 June 2015 :

Short term employee benefits	353
Long term employee benefits	29
Total	382

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Table 8: PAST DUE LOANS - AGING ANALYSIS

The Group's entire past due and provision balances as at 30 June 2015 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 2015 :

	<i>3 months up to 1 year</i>	<i>1 up to 3 years</i>	<i>Over 3 years</i>	<i>Total</i>
Retail mortgage social loans *	14,805	11,289	1,241	27,335
Retail mortgage commercial loans	571	851	257	1,679
	15,376	12,140	1,499	29,014

Table 9: MOVEMENT IN PROVISIONS

	<i>Opening balance</i>	<i>Charge for the year</i>	<i>Write off/ write back</i>	<i>Closing balance</i>
General Provision				
Retail mortgage commercial loans **	253	-	(19)	234
Specific Provision				
Retail mortgage commercial loans	823	231	(47)	1,007
	1,076	231	(66)	1,241

* 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 2015 :

Average Gross income	14,983
Risk Weighted Exposures	28,088
Capital Charge (@12.5%)	<u><u>3,511</u></u>

Table 11: RESTRUCTURED FACILITY

The following table summarises the total loans that have been restructured during the period ended 30 June 2015 :

Social loans	3,414
Commercial loans	<u><u>-</u></u>

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 2015, broken down by major types of credit exposure.

For items that do not have a contractual maturity, expected maturity has been used for the purpose of this disclosure:

	<i>1-7 Days</i>	<i>7 Days - 1 Month</i>	<i>1-3 Months</i>	<i>3-6 Months</i>	<i>6-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5-10 Years</i>	<i>10-20 Years</i>	<i>Above 20 Years</i>	<i>Total</i>
Cash and cash equivalents	16,939	9,847	6,231	5,448	936	-	-	-	-	-	39,400
Investments	-	-	-	-	-	268	4,489	-	-	-	4,757
Loans	46	1,588	3,223	4,948	10,069	41,382	43,212	113,403	173,060	59,682	450,613
Investment in associates	-	-	-	9,722	-	-	-	-	-	-	9,722
Investment property	-	-	-	-	-	-	-	-	42,892	-	42,892
Development property	-	-	-	-	-	21,035	-	-	-	-	21,035
Other assets	648	15	79	5,021	42	460	136	-	-	-	6,401
TOTAL ASSETS	17,632	11,451	9,533	25,139	11,047	63,145	47,837	113,403	215,952	59,682	574,821
Deposits from financial and other institutions	4,000	8,500	5,000	-	-	-	-	-	-	-	17,500
Government accounts	-	-	-	-	-	-	-	-	-	240,737	240,737
Term loans	-	-	-	-	10,000	49,000	-	-	-	-	59,000
Other liabilities	5,377	143	1,079	783	618	2,166	1,494	3,600	7,200	1,056	23,516
TOTAL LIABILITIES	9,377	8,643	6,079	783	10,618	51,166	1,494	3,600	7,200	241,793	340,752
MISMATCH	8,256	2,808	3,454	24,356	428	11,979	46,342	109,803	208,752	(182,110)	234,068
CUMULATIVE MISMATCH	8,256	11,063	14,517	38,874	39,302	51,281	97,624	207,427	416,179	234,068	234,068

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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 2015:

	<i>Gross Exposures</i>	<i>Privately Held</i>	<i>Capital Charge</i>
Available for sale investments	4,757	4,757	1,097
Investments in associates	9,722	9,722	2,431

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. Further, there are no regulatory deductions to arrive at the eligible capital.

Capital Charge is calculated @ 12.5%.

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:

LIABILITIES	1-7 Days	7 Days - 1 Month	1-3 Months	3-6 Months	6-12 Months	Total
Deposits from financial and other institutions	4,000	8,500	5,000	-	-	17,500
Term Loans	-	-	-	-	9,000	9,000
	<u>4,000</u>	<u>8,500</u>	<u>5,000</u>	<u>-</u>	<u>9,000</u>	<u>26,500</u>
Rate sensitive Liabilities	4,000	8,500	5,000	-	9,000	26,500
	<u><u>4,000</u></u>	<u><u>8,500</u></u>	<u><u>5,000</u></u>	<u><u>-</u></u>	<u><u>9,000</u></u>	<u><u>26,500</u></u>
ASSETS						
Balances and placements with financial institutions	16,695	9,847	6,231	5,448	936	39,156
Loans - commercial loans	-	-	-	-	22,915	22,915
	<u>16,695</u>	<u>9,847</u>	<u>6,231</u>	<u>5,448</u>	<u>23,850</u>	<u>62,071</u>
Rate sensitive Assets	16,695	9,847	6,231	5,448	23,850	62,071
	<u><u>16,695</u></u>	<u><u>9,847</u></u>	<u><u>6,231</u></u>	<u><u>5,448</u></u>	<u><u>23,850</u></u>	<u><u>62,071</u></u>
Mismatch	12,695	1,347	1,231	5,448	14,850	35,571
	<u><u>12,695</u></u>	<u><u>1,347</u></u>	<u><u>1,231</u></u>	<u><u>5,448</u></u>	<u><u>14,850</u></u>	<u><u>35,571</u></u>
	4	19	60	135	270	
Change in Basis Points (+/- 200)	3	1	4	40	220	268

Disclosure template for main features of regulatory capital instruments

1	Issuer	Eskan Bank
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	<i>Regulatory treatment</i>	
4	Transitional CBB rules	NA
5	Post-transitional CBB rules	NA
6	Eligible at solo/group/group & solo	Solo & Group
7	Instrument type (types to be specified by each jurisdiction)	Equity Share
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	108,300
9	Par value of instrument	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1979 , 2011
12	Perpetual or dated	Perpetual
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	non-convertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

PIR Reconciliation - 30 June 2015

Particulars	FS	PIR
ASSETS		
Cash and balances at central banks	29,315	29,315
Placements with banks and similar financial institutions	10,085	5,085
Financial assets at fair value through profit and loss	-	-
Loans and advances to banks and non-banks	450,613	450,847
Held-to-maturity and available-for-sale investments	4,757	4,757
Investment properties	42,892	42,892
Interest in unconsolidated subsidiaries and associated companies	9,722	18,123
Interest receivable	613	613
Property, plant, and equipment (PPE)	464	464
Other Assets	26,359	17,522
Total Assets (3.1 to 3.10 inclusive)	574,820	569,618
NON-CAPITAL LIABILITIES		
Deposits from banks	17,640	17,640
Deposits from non-banks	4,978	6,153
Certificates of deposits issued	-	-
Debt securities in issue	-	-
Financial liabilities at fair value through profit and loss	-	-
Term borrowings	59,000	59,000
Securities sold under repos	-	-
Dividend payable	-	-
Interest payable	165	165
Other liabilities	258,969	258,969
Total non-capital items (2.1 to 2.10 inclusive)	340,752	341,927
CAPITAL LIABILITIES		
Paid up share capital (net of treasury shares)	108,300	108,300
Share premium	-	-
Legal reserve	54,462	54,462
General (disclosed) reserves	19,499	19,499
Retained earnings/(losses) brought forward	39,548	39,552
Net (loss) for the current period	-	-
Net profit for the current period	5,632	5,644
Innovative capital instruments	-	-
Minority interest in subsidiaries' share capital	6,627	-
Fx translation adjustment	-	-
Fixed assets revaluation reserves	-	-
Collective impairment provision	-	234
Hybrid (debt/equity) capital instruments	-	-
Subordinated debts	-	-
Fair value changes on available-for-sale investments	-	-
Fair value changes of cash flow hedges	-	-
Short-term subordinated debts	-	-
Total capital items (1.1 to 1.17 inclusive)	234,068	227,691
Total capital and non-capital items (1.18 + 2.11)	574,820	569,618

Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	108,300
2	Retained earnings	39,552
3	Accumulated other comprehensive income (and other reserves)	79,605
4	Not Applicable	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	Common Equity Tier 1 capital before regulatory adjustments	227,457
Common Equity Tier 1 capital: regulatory adjustments		-
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	
11	Cash-flow hedge reserve	
12	Shortfall of provisions to expected losses	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	
14	Not applicable.	
15	Defined-benefit pension fund net assets	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	
17	Reciprocal cross-holdings in common equity	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	
20	Mortgage servicing rights (amount above 10% threshold)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
22	Amount exceeding the 15% threshold	
23	of which: significant investments in the common stock of financials	
24	of which: mortgage servicing rights	
25	of which: deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	
	OF WHICH: ...	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28	Total regulatory adjustments to Common equity Tier 1	-
29	Common Equity Tier 1 capital (CET1)	227,457
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	