

Eskan Bank B.S.C. (c)
Basel II, Pillar III Disclosures
30 June 2013
(Unaudited)

Eskan Bank B.S.C. (c)

Basel II, Pillar III Disclosures
for the period ended 30 June 2013 (Unaudited)

	Content	Page
Table 1	CAPITAL STRUCTURE	2
Table 2	ASSETS - FUNDED, UNFUNDED AND AVERAGE EXPOSURES	3
Table 3	CAPITAL REQUIRMENTS - STANDARD PORTFOLIO	3
Table 4	GEORAPHICAL ANALYSIS	4
Table 5	INDUSTRY ANALYSIS	4
Table 6	INTRA-GROUP TRANSACTIONS	5
Table 7	RELATED PARTY TRANSACTIONS	5
Table 8	PAST DUE LOANS - AGING ANALYSIS	6
Table 9	MOVEMENT IN PROVISIONS	6
Table 10	OPERATIONAL RISK	7
Table 11	RESTRUCTURED FACILITY	7
Table 12	RESIDUAL CONTRACTUAL MATURITY BREAKDOWN	8
Table 13	EQUITY POSITION RISK IN THE BANKING BOOKS	9
Table 14	SENSITIVITY ANALYSIS - INTEREST RATE RISK	9

Eskan Bank B.S.C. (c)

Basel II, Pillar III Disclosures for the period ended 30 June 2013 (Unaudited)

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 2013:

	<u>Tier I</u>	<u>Tier II</u>
Components of capital		
Issued and fully paid ordinary shares	108,300	-
Legal / statutory reserves	54,462	-
Retained profit brought forward	21,156	-
Others	18,258	-
Current interim cumulative net profits	-	4,536
TOTAL AVAILABLE CAPITAL	202,176	4,536
Less : Significant minority investments in banking, securities and other financial entities	(134)	(134)
NET AVAILABLE CAPITAL	202,042	4,402
TOTAL ELIGIBLE CAPITAL BASE (Tier 1 + Tier 2)		206,444

Following are Capital Adequacy Ratios for total capital and Tier 1 capital as of 30 June 2013:

Tier I Capital Adequacy Ratio	107.18%
Total Capital Adequacy Ratio	109.51%

Following are the total risk weighted exposures for each category of risk the Bank is exposed to as of 30 June 2013 :

Credit Risk Weighted Exposures	164,729
Operational Risk Weighted Exposures	23,781
Market Risk Weighted Exposures	-
Total Risk Weighted Exposures	188,510

Eskan Bank B.S.C. (c)

Basel II, Pillar III Disclosures
for the period ended 30 June 2013 (Unaudited)

All Amounts in BD '000

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 2013 :

	<i>Gross Exposures</i>	<i>* Average Exposures</i>
<u>Funded Exposure</u>		
Cash and cash equivalents	71,775	78,931
Investments	3,541	3,541
Loans	378,290	371,380
Investment in associates	10,515	10,534
Investment property	39,337	39,358
Development property	11,996	11,904
Other assets	6,135	6,403
	521,589	522,052
<u>Unfunded Exposure</u>		
Loan related	82,340	83,507
Lease commitments	258	284
Capital Commitments	246	290
	82,844	84,081

* 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 2013:

	<i>* Gross Exposures</i>	<i>Risk Weighted Value</i>	<i>** Capital Charge</i>
<u>Standard Portfolio</u>			
Sovereign Portfolio	451,100	-	-
Banks Portfolio	12,347	2,481	298
Residential Retail Portfolio	27,651	20,960	2,515
Equity Portfolio	1,547	2,320	278
Real estate Portfolio	68,847	137,694	16,523
Other Exposures	1,411	1,274	153
	562,903	164,729	19,767

*Gross Exposures are in agreement with the Form PIRC 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%.

Eskan Bank B.S.C. (c)

Basel II, Pillar III Disclosures for the period ended 30 June 2013 (Unaudited)

All Amounts in BD '000

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 2013 :

	<i>Kingdom of Bahrain</i>	<i>United States</i>	<i>Total</i>
Cash and cash equivalents	71,735	40	71,775
Investments	3,541	-	3,541
Loans	378,290	-	378,290
Investment in associates	10,515	-	10,515
Investment property	39,337	-	39,337
Development property	11,996	-	11,996
Other assets	6,135	-	6,135
	521,549	40	521,589

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 2013 :

	<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	71,775	-	-	-	-	71,775
Investments	-	-	-	-	3,541	3,541
Loans	-	-	378,290	-	-	378,290
Investment in associates	268	8,969	-	1,278	-	10,515
Investment property	-	39,337	-	-	-	39,337
Development property	-	11,996	-	-	-	11,996
Other assets	-	4,861	-	-	1,274	6,135
	72,043	65,163	378,290	1,278	4,815	521,589
Unfunded Exposures						
Loan related	-	-	82,340	-	-	82,340
Lease commitments	-	-	-	-	258	258
Capital Commitment	-	246	-	-	-	246
	-	246	82,340	-	258	82,844

Eskan Bank B.S.C. (c)

Basel II, Pillar III Disclosures
for the period ended 30 June 2013 (Unaudited)

All Amounts in BD '000

Table 6: INTRA-GROUP TRANSACTIONS

The following table summarises intra-group transactions as of 30 June 2013 :

	<i>Eskan Bank</i>	<i>RMBS Co</i>	<i>Eskan Property Co.</i>	<i>Smart Building Material Co.</i>	<i>Total</i>
Assets					
Balances with Banks	-	-	670	250	920
Inter Bank Deposits	-	14,553	-	-	14,553
Investments in subsidiaries	501	-	-	-	501
Investment in Associate	-	-	-	-	-
Other Assets	3,416	7,702	1,715	-	12,833
	3,917	22,255	2,385	250	28,807
Liabilities and Equity					
Non-Bank Deposits	14,553	-	-	-	14,553
Current Accounts	920	-	-	-	920
Other Liabilities	9,417	1,418	1,886	112	12,833
Share Capital & Reserves	-	1	250	250	501
	24,890	1,419	2,136	362	28,807

Table 7: RELATED PARTY TRANSACTIONS

The following table summarises related party exposure as of 30 June 2013 :

Short term employee benefits	373
Long term employee benefits	34
Total	407

Eskan Bank B.S.C. (c)

Basel II, Pillar III Disclosures

for the period ended 30 June 2013 (Unaudited)

All Amounts in BD '000

Table 8: PAST DUE LOANS - AGING ANALYSIS

The Group's entire past due and provision balances as at 30 June 2013 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 2013 :

	<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 *	18,287	5,307	49	23,643
Retail mortgage commercial loans **	811	547	-	1,358
	19,098	5,854	49	25,001

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 **	271	7	-	278
Specific Provision				
Retail mortgage commercial loans **	292	193	(14)	471
	563	200	(14)	749

* 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.

Eskan Bank B.S.C. (c)

Basel II, Pillar III Disclosures

for the period ended 30 June 2013 (Unaudited)

All Amounts in BD '000

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 2013 :

Average Gross income	12,683
Risk Weighted Exposures	23,781
Capital Charge (@12%)	<u><u>2,854</u></u>

Table 11: RESTRUCTURED FACILITY

The following table summarises the total loans that have been restructured during the period ended 30 June 2013

Social loans	<u><u>61</u></u>
--------------	------------------

There is no significant impact of the renegotiated mortgage commercial loan on the provisions as well as present and future earnings. In addition, the magnitude of the restructuring activities is immaterial.

Eskan Bank B.S.C. (c)

Basel II, Pillar III Disclosures

for the period ended 30 June 2013 (Unaudited)

All Amounts in BD '000

Table 12: RESIDUAL CONTRACTUAL MATURITY BREAKDOWN

The following table summarises the residual contractual maturity breakdown of the whole credit portfolio as of 30 June 2013, broken down by major types of credit exposure:

	1-7 Days	7 Days - 1 Month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	10-20 Years	Above 20 Years	Total
Cash and cash equivalents	28,879	13,413	22,873	5,618	992	-	-	-	-	-	71,775
Investments	-	-	-	-	-	-	-	3,541	-	-	3,541
Loans	39	509	2,581	4,008	8,177	33,931	35,413	94,109	158,626	40,897	378,290
Investment in associates	-	-	-	-	-	-	-	10,515	-	-	10,515
Investment property	-	-	-	-	-	-	-	-	39,337	-	39,337
Development property	-	-	-	-	-	-	-	-	11,996	-	11,996
Other assets	632	159	47	102	4,746	289	160	-	-	-	6,135
TOTAL ASSETS	29,550	14,081	25,501	9,728	13,915	34,220	35,573	108,165	209,959	40,897	521,589
Deposits from financial and other institutions	5,500	21,200	8,140	650	-	-	-	-	-	-	35,490
Government accounts	194,734	-	-	-	-	-	-	-	-	-	194,734
Term loans	-	-	-	-	-	26,500	39,000	-	-	-	65,500
Other liabilities	8,136	329	629	458	831	2,048	1,440	5,394	-	-	19,265
TOTAL LIABILITIES	208,370	21,529	8,769	1,108	831	28,548	40,440	5,394	-	-	314,989
MISMATCH	(178,820)	(7,448)	16,732	8,620	13,084	5,672	(4,867)	102,771	209,959	40,897	206,600
CUMULATIVE MISMATCH	(178,820)	(186,268)	(169,536)	(160,916)	(147,832)	(142,160)	(147,027)	(44,256)	165,703	206,600	413,200

The report reflects a cumulative negative gap in the maturity buckets upto 10 years. This is mainly due to classifying the Government Account Liability of BHD 195 million in the first bucket i.e. 1 to 7 days.

Eskan Bank B.S.C. (c)

Basel II, Pillar III Disclosures
for the period ended 30 June 2013 (Unaudited)

All Amounts in BD '000

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 2013:

	<i>Gross Exposures</i>	<i>Privately Held</i>	<i>Capital Charge</i>
Available for sale investments	3,541	3,541	834
Investments in associates	10,515	10,515	2,383

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-Jun</i>	<i>Changes in</i>	<i>Effect on</i>
	<i>2013</i>	<i>basis points</i>	<i>net profit</i>
	<i>BD</i>	<i>(+/-)</i>	<i>(+/-)</i>
Assets			
Balances and placements with Financial Institutions	70,739	200	1,415
Loans and advances - Commercial loans	27,502	200	550
Liabilities			
Deposits from financial and other institutions	35,490	200	(710)
Term loans	15,500	200	(310)
Total			945