

Eskan Bank B.S.C. (c)
Basel II, Pillar III Disclosures
30 June 2011
(Unaudited)

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for the period ended 30 June 2011 (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 2011 (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 2011:

	<u>Tier I</u>	<u>Tier II</u>
Components of capital		
Issued and fully paid ordinary shares	15,000	-
Legal / statutory reserves	7,762	-
Retained profit brought forward	145,477	-
Others	20,132	-
Current interim cumulative net profits	-	3,276
TOTAL AVAILABLE CAPITAL	188,371	3,276
Less : Significant minority investments in banking, securities and other financial entities	(164)	(164)
NET AVAILABLE CAPITAL	188,207	3,112
TOTAL ELIGIBLE CAPITAL BASE (Tier 1 + Tier 2)		191,319

Following are Capital Adequacy Ratios for total capital and Tier 1 capital as of 30 June 2011:

Tier I Capital Adequacy Ratio	98.53%
Total Capital Adequacy Ratio	100.16%

Following are the total risk weighted exposures for each category of risk the Bank is exposed to as of 30 June 2011:

Credit Risk Weighted Exposures	171,808
Operational Risk Weighted Exposures	19,199
Market Risk Weighted Exposures	-
Total Risk Weighted Exposures	191,007

Eskan Bank B.S.C. (c)

Basel II, Pillar III Disclosures
for the period ended 30 June 2011 (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 2011:

	<i>Gross Exposures</i>	<i>* Average Exposures</i>
<u>Funded Exposure</u>		
Cash and cash equivalents	87,702	90,523
Investments	3,541	3,542
Loans	289,472	287,128
Investment in associates	1,921	1,929
Investment property	58,358	58,221
Development property	6,506	6,346
Other assets	1,820	1,869
	449,320	449,556
<u>Unfunded Exposure</u>		
Loan related	84,500	89,875
Lease commitments	578	305
	85,078	90,180

* 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 2011:

	<i>* Gross Exposures</i>	<i>Risk Weighted Value</i>	<i>** Capital Charge</i>
<u>Standard Portfolio</u>			
Sovereign Portfolio	352,864	-	-
Banks Portfolio	41,648	10,730	1,288
Residential Retail Portfolio	23,752	17,855	2,143
Equity Portfolio	1,853	2,779	333
Real estate Portfolio	69,260	138,520	16,622
Other Exposures	2,032	1,924	231
	491,409	171,808	20,617

*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 2011 (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 2011:

	<i>Kingdom of Bahrain</i>	<i>United States</i>	<i>Total</i>
Cash and cash equivalents	87,659	43	87,702
Investments	3,541	-	3,541
Loans	289,472	-	289,472
Investment in associates	1,921	-	1,921
Investment property	58,358	-	58,358
Development property	6,506	-	6,506
Other assets	1,820	-	1,820
	449,277	43	449,320

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 2011:

	<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	87,702	-	-	-	-	87,702
Investments	-	-	-	-	3,541	3,541
Loans	-	864	288,608	-	-	289,472
Investment in associates	327	9	-	1,585	-	1,921
Investment property	-	58,358	-	-	-	58,358
Development property	-	6,506	-	-	-	6,506
Other assets	-	-	-	-	1,820	1,820
	88,029	65,737	288,608	1,585	5,361	449,320
Unfunded Exposures						
Loan related	-	-	84,500	-	-	84,500
Lease commitments	-	-	-	-	578	578
	-	-	84,500	-	578	85,078

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Basel II, Pillar III Disclosures
for the period ended 30 June 2011 (Unaudited)

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Table 6: INTRA-GROUP TRANSACTIONS

The following table summarises intra-group transactions as of 30 June 2011:

	<i>Eskan Bank</i>	<i>Southern Tourism Co</i>	<i>RMBS Co</i>	<i>Eskan Property Co.</i>	<i>Smart Building Material Co.</i>	<i>Total</i>
Assets						
Balances with Banks	-	39	-	350	250	639
Inter Bank Deposits	-	1,753	20,553	-	-	22,306
Investments in subsidiaries	748	-	-	-	-	748
Investment in Associate	-	3	-	-	-	3
Other Assets	2,051	-	4,981	795	-	7,827
	2,799	1,795	25,534	1,145	250	31,523
Liabilities and Equity						
Non-Bank Deposits	22,306	-	-	-	-	22,306
Current Accounts	639	-	-	-	-	639
Other Liabilities	5,776	-	985	961	105	7,827
Share Capital & Reserves	-	250	1	250	250	751
	28,721	250	986	1,211	355	31,523

Table 7: RELATED PARTY TRANSACTIONS

The following table summarises related party exposure as of 30 June 2011:

Short term employee benefits	447
Long term employee benefits	66
Total	513

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Basel II, Pillar III Disclosures

for the period ended 30 June 2011 (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 2011 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 2011:

	<i>Up to 30 days</i>	<i>31 to 61 days</i>	<i>62 to 91 days</i>	<i>91 days</i>	<i>Total</i>
Social loans *	9,135	4,703	2,703	13,912	30,453
Retail mortgage commercial loans **	4,166	501	332	216	5,215
	13,301	5,204	3,035	14,128	35,668

	<i>Opening balance</i>	<i>Charge for the year</i>	<i>Write off/ write back</i>	<i>Closing balance</i>	
Table 9: MOVEMENT IN PROVISIONS					
General Provision					
Retail mortgage commercial loans **		236	8	-	244
Specific Provision					
Retail mortgage commercial loans **		-	54	-	54
		236	62	-	298

* 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 2011 (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 2011:

Average Gross income	10,239
Risk Weighted Exposures	19,199
Capital Charge (@12%)	<u><u>2,304</u></u>

Table 11: RESTRUCTURED FACILITY

The following table summarises the total loans that have been restructured during the period ended 30 June 2011:

Mortgage commercial loan	<u><u>51</u></u>
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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.

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Basel II, Pillar III Disclosures

for the period ended 30 June 2011 (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 2011, broken down by major types of credit exposure:

	<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>Above 10 Years</i>	<i>Total</i>
Cash and cash equivalents	51,155	20,000	16,547	-	-	-	-	-	-	87,702
Investments	-	-	-	-	-	-	-	3,541	-	3,541
Loans	-	978	1,986	3,051	6,176	19,946	26,777	56,295	174,263	289,472
Investment in associates	-	-	-	-	-	-	-	1,921	-	1,921
Investment property	-	-	-	-	-	-	-	-	58,358	58,358
Development property	-	-	-	-	-	-	-	-	6,506	6,506
Other assets	567	37	236	88	50	460	164	27	191	1,820
TOTAL ASSETS	51,722	21,015	18,769	3,139	6,226	20,406	26,941	61,784	239,318	449,320
	<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>Above 10 Years</i>	<i>Total</i>
Deposits from financial and other institutions	13,500	20,502	5,010	-	-	-	-	-	-	39,011
Government accounts	-	-	-	-	-	-	-	-	134,174	134,174
Term loans	-	-	-	16,667	16,667	22,667	6,500	9,000	-	71,500
Other liabilities	8,545	653	1,267	705	909	1,015	-	-	-	13,094
TOTAL LIABILITIES	22,045	21,154	6,277	17,372	17,575	23,682	6,500	9,000	134,174	257,779
MISMATCH	29,677	(139)	12,492	(14,233)	(11,349)	(3,276)	20,441	52,784	105,144	
CUMULATIVE MISMATCH	29,677	29,538	42,030	27,797	16,448	13,172	33,613	86,397	191,541	

*There are no negative cumulative gaps reflected by this Assets Liabilities Management ("ALM") report i.e. the Bank is in a comfortable solvency position and will be able to repay its existing liabilities on their scheduled due dates from its existing assets.

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for the period ended 30 June 2011 (Unaudited)

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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 2011:

	<i>Gross Exposures</i>	<i>Publicly Held</i>	<i>Privately Held</i>	<i>Capital Charge</i>
Available for sale investments	3,541	-	3,541	834
Investments in associates	1,921	-	1,921	287

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 100 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>2011</i>	<i>basis points</i>	<i>net profit</i>
	<i>BD</i>	<i>(+/-)</i>	<i>(+/-)</i>
Assets			
Balances and placements with Financial Institutions	87,595	100	876
Loans and advances - Commercial loans	24,914	100	249
Liabilities			
Deposits from financial and other institutions	39,011	100	(390)
Term loans	71,500	100	(715)
Total			20