

Capital Adequacy Qualitative Disclosures

As per Basel II Pillar 3

As at December 31, 2010

SCOPE OF APPLICATION

- A. The name of the top corporate entity in the group, to which these regulations apply, is Bank Al Jazira.
- B. The following table lists the entities that are consolidated in the group financial statements, where control exists, for accounting and regulatory purposes:

Entity Name	Consolidation	
	Accounting	Regulatory
AlJazira Capital Company	Yes	Yes
Aman Real Estate	Yes	Yes
Al-Mashareq Japanese Equity Fund	Yes	No
Al-Khair Global Equity Fund	Yes	No
Al-Thoraiya European Equity Fund	Yes	No

i. Entities that are fully consolidated for regulatory purposes are:

1. AlJazira Capital Company (JAZC):

JAZC is incorporated in Saudi Arabia as a capital market company to carry out the investment banking activities of the group including: brokerage, asset management, arranging, advisory and custody. The company commenced its operations during 2008.

2. Aman Real Estate:

Aman is incorporated in Saudi Arabia as a custodian of title deeds for real estate pledged to the Bank as collateral against credit facilities or/and mortgage lending. The company commenced its operations during 2006.

ii. Entities that are not consolidated for regulatory purposes are:

The other three entities namely Al-Mashareq, Al-Khair and Al-Thoraiya are the international mutual funds operated by the Bank; all are incorporated in Saudi Arabia. The Bank consolidates these funds for accounting purposes due to Bank's holding of units in these funds and the control indirectly through its subsidiary AlJazira Capital Company.

Due to the nature of the funds business of units being subscribed to and/or redeemed on a daily basis and since the risk associated with the third parties' units do not affect the financial position of the Bank; these funds are not consolidated for regulatory purposes. Furthermore, the Bank's own units held are part of the Held for Trading Investments and are considered for the purpose of calculating capital adequacy under Pillar I.

C. There are no restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

CAPITAL STRUCTURE

The components of the regulatory capital for Bank Al Jazira are as follows:

	SR"000
Tier One Capital:	
Share capital	3,000,000
Eligible reserve	1,466,000
Retained earnings	48,779
IAS type adjustments	739
Deduction from Tier I:	

Reciprocal holding of bank capital at 50% deduction	-
Total Tier One Capital	4,515,518
Tier Two Capital:	
Portfolio provision	184,639
Total Tier One and Tier Two Capital	4,700,157

The major components of Tier One & Tier Two Capital of the Bank are:

1. Eligible share capital

The issued and outstanding share capital of the Bank consists of 300 million ordinary shares at SR 10 each. These shares carry equal voting rights.

2. Eligible reserve

Eligible reserves are created by accumulated appropriations of profits and are maintained for future growth. In accordance with Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the bank.

3. Eligible retained earnings

This represents the accumulated undistributed profits that are available for future dividend distributions as recommended by the Board and approved by the General Assembly.

4. Portfolio provision

This is the portfolio provision created under International Accounting Standard (IAS) 39 to cover the incurred but not reported losses in the loan portfolio.

CAPITAL ADEQUACY

When assessing the adequacy of its capital, BAJ takes the following objectives into consideration:

A. Primary Capital Objectives

• **Core Capital Purpose**

- The directors' objective is to extend the BAJ proposition in Saudi Arabia with a future intention of expansion in the high growth region of the Gulf for Shari'ah compliant Financial Services. The directors' presented program is one of expansion and building on success for long term growth, with the majority of capital held to support the expansion.
- Capital is held with the purpose to generate the required expected shareholders' returns from the successful provision of innovative Shari'ah compliant banking services to individuals, businesses, and institutions.
- Capital is held to safeguard the Bank's ability to continue as a going concern and to maintain an adequate capital base in order to preserve the rights of all stakeholders including; shareholders, depositors, the community and its employees.
- Capital is held with the purpose to meet the assessed Capital Adequacy Requirements, for Pillar I and II, so that the actual Tier 1 and Tier 2 capital meets regulatory targets, by the greater of the:
 - Minimum regulatory capital requirements (Directors ICAAP); or
 - Minimum Supervisory ICAAP Guidance (SAMA's ICAAP assessment)

• **External Credit Rating**

BAJ's second objective is to achieve a longer term "stable" rating in the A+ to A- range for credit rating to:

- i. Facilitate short term transactions in the inter-bank deposit market with tenors up to 2 years for funding and balance sheet management; and
- ii. Support the issue of medium term, 3-7 year, Sukuks, Shari'ah compliant commercial paper and Musharaka programs are proposed to consist of sound ring-fenced income generating assets.

B. Specific Capital Objectives

• Investment Capital

BAJ specific strategy is to grow and expand the investment in financial services in range and service offering with investment opportunities. The directors holding in the investment capital is to support the risk uncertainty and price volatility on exposures (Foreign Exchange, Property Exposures, Mutual Funds, Equities & etc.) providing a level of comfort for depositors.

• Trading Services

BAJ has a specific objective of holding capital to engage in trading through identifiable channels:

- i. Credit Risk Capital for Shari'ah compliant financing services are:
 - a. Tawarruq and Murabaha contracts. Products descriptions are Dinar, Naqa'a and Tamam;
 - b. Trade financing advances – Letters of Credit/Guarantees;
 - c. Istisna'a contracts; and
 - d. Ijara transactions.
- ii. Market Risk Capital for Shari'ah compliant trading are:
 - a. Treasury trading;
 - b. Musharaka.
- iii. Operational Risk Capital
The specific objective of providing payment, transaction and professional services exposing BAJ to operational risk failures.

RISK EXPOSURE AND ASSESSMENT GENERAL QUALITATIVE DISCLOSURE REQUIREMENTS

A. Risk Management

The Bank's business operations require identification, measurement, aggregation and effective management of risks and efficient allocation of capital to derive an optimal risk and return ratio. The Bank manages its risks in a structured, systematic and transparent manner through a risk policy that embeds risk management into the organizational structure, risk measurement and monitoring processes. The key features of the Bank's comprehensive risk management policy are:

- The Board of Directors provides overall risk management direction and oversight.
- The Bank's risk appetite is determined by the senior management and approved by the Board of Directors.
- Risk management is embedded in the Bank as an intrinsic process and is a core competency of all its employees.
- The Bank manages its credit, market, operational and liquidity risks in a centralized manner within the organization.
- The Bank's risk management function is independent of the business divisions.

- The Bank's internal audit function reports to the Board Audit Committee and provides independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on a bank wide basis.

Due to their non-compliance with Shari'ah, the Bank does not currently use derivatives and other similar instruments to manage exposures resulting from changes in commission rate, foreign exchange rate, equity risks and credit risks. Collateral are used to reduce the Bank's credit risk. The Bank is in the process of developing derivative instruments that will be Shari'ah compliant.

The risk management function assists senior management in controlling and actively managing the Bank's overall risk. The function also ensures that:

- The Bank's overall business strategy is consistent with its risk appetite approved by the Board of Directors and allocated by the senior management.
- Risk policies, procedures and methodologies are consistent with the Bank's risk appetite.
- Appropriate risk management architecture and systems are developed and implemented.
- The portfolio of risks and limits are monitored throughout the Bank.

i. Risk Management Organization

The risk management activities are predominantly organized to support business units' by Risk Group and various committees that deal with the different risk categories. The Risk Group carries out the daily and monitoring activities, and also prepares and implements review and control policies on all risk portfolios. Therefore, responsibility of Risk Group is to identify, measure, evaluate and report on all risks to which the bank is exposed.

ii. Scope and Nature of Risk Reporting Tools

The comprehensive risk management framework enables the Bank to identify, assess, limit and monitor risks using a comprehensive range of quantitative and qualitative tools. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories and enable generation of information such as:

- Credit risk in commercial and consumer lending and other asset exposures such as collateral coverage ratio, limit utilization, past-due alerts, etc.
- Quantification of the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis.)
- Quantification of exposure to losses due to extreme movements in market prices or rates.

The Bank continuously assesses the adequacy and effectiveness of its reporting tools in light of the changing risk environment.

iii. Risk Management Processes

Through the comprehensive risk management framework, transactions and outstanding risk exposures are quantified and compared against authorized limits, whereas non-quantifiable risks are monitored against policy guidelines and key risk and control indicators. Any discrepancies, excesses or deviations are escalated to senior management for appropriate action.

B. Methodology and Assumptions

i. Current Methodology and Assumptions

The current methodology adopted by the Bank on the implementation of SAMA requirements for implementation of Basel II is structured in two phases. The Bank elected Internal Capital Adequacy Assessment Plan (ICAAP) methodology for the implementation program is to calculate Pillar 1 capital requirements and then add the Pillar 2 assessments.

The Pillar 1 risks (credit, market and operational) have been assessed under the following approaches:

- Credit Risk – Standardized Approach,
- Market Risk – Standardized Approach, and
- Operational Risk – Basic Indicator Approach.

The Bank is in compliance with Basel II since January 2008.

ii. Future Methodology

The Bank's methodology for Phase II is to build and develop the risk management capabilities, processes, records and testing to support the implementation of:

- Credit Risk – IRB Foundation Approach, and
- Market and Operational Risk – Standardized Approach.

The development and implementation of the infrastructure and resources are expected to enhance the risk management capabilities and capacity. The key risks assumed by the Bank in its daily operations are outlined below:

1. Credit Risk

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial obligations resulting in a default situation and/or financial loss. Credit risk arises in the Bank's normal course of business.

The Bank utilizes the standardized approach for Pillar 1 credit risk. The parameters used for risk weighted assets represent the rates approved by the supervisory authority.

The Bank uses external rating (where available) from Fitch and Moody's to supplement internal rating during the process of determining the credit limits of the counterparties. Unrated exposures are risk weighted as supervisory authority (Saudi Arabian Monetary Agency (SAMA)) guidelines for capital adequacy purposes. The Bank uses the guidelines issued by supervisory authority to map the credit assessment ratings provided by eligible external credit assessment institutions (ECAL's) to determine risk weighted exposures.

Credit Risk Management Strategy

The approach to credit risk management is based on the foundation to preserve the independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits, and approval structures which guide the day to day initiation and management of the Bank's credit risk exposure. This approach comprises credit limits that are established for all customers or credit and product programs after a careful assessment of their creditworthiness.

Standing procedures, outlined in the Bank's credit policy manual, require that all credit proposals be subjected to detailed screening by the Risk Group pending submission to the Management Credit Committee and/or Executive Credit Committee. Whenever necessary, credit facilities are secured by acceptable forms of collateral to mitigate the related credit risks. The Board of Directors defines the Bank's credit risk management strategy and approves significant credit risk policies to ensure alignment of the Bank's exposure with their risk appetite.

In addition, all credit facilities are continually monitored based on periodical review of the credit performance and obligor rating.

Key Features of Corporate Credit Risk Management

- Credit facilities are granted based on detailed credit risk assessments which include prevailing and potential macro-economic factors, industry trends and the customer's positioning within its industry.
- In compliance with SAMA regulations, lending to connected parties is secured as per the requirements specified in Banking Control Law and supervisory authority rules and monitored by the Executive Credit Committee. Such transactions are made on substantially the same terms, including commission rates and collateral, as those prevailing at the time for comparable transactions with other parties. All such facilities are approved by the Board of Directors through the Executive Credit Committee of the Board. The Bank limits its exposure per connected party group to 10% of the Bank's capital and reserves.
- The corporate proprietary updated internal-rating model has been successfully rolled out and is regularly reviewed by the bank's risk management function to enhance it in line with Basel II requirements and industry credit risk management "best practices". The bank is in the process of finalizing and implementing facility rating model for Corporate Banking Group and internal rating model for financial institutions. Assessment of financial institutions obligations are presently managed using external credit ratings of internationally recognized rating agencies and Risk Group judgment.
- All new proposals and/or material changes to existing credit facilities are reviewed and approved by the appropriate credit committee outlined below:
 1. Executive Credit Committee
 2. Management Credit Committee
 3. Commercial Credit Committee
- The credit facility administration process is undertaken by a segregated function to ensure proper execution of all credit approvals and maintenance of documentation, and proactive control over maturities, expiry of limits, collateral valuation and legal covenants.
- Country limits are determined based on the outlook of economic and political factors, along with the review of reports by rating agencies on the country (where available).
- Cross-border exposures are committed after obtaining supervisory authority prior approval and monitored by credit risk management function.

Key Features of Consumer Credit Risk Management

- Credit-scoring models are used to facilitate underwriting and monitoring credit facilities to customers and certain small businesses.
- Applicant "scoring" is used for underwriting purposes. Scoring is used to tandem with assessment of the applicant's "Ability to Repay" such as debt-to-income ratio, minimum income and caps on advances by product type.
- Bank applies its lending policy which incorporates supervisory authority guidelines and policies related to consumer credit facilities.

Bank Credit Risk Monitoring

The Bank's exposures are continuously monitored through a system of triggers and early-warning signals aimed at detecting adverse symptoms that could result in deterioration of credit risk quality. The triggers and early warning systems are supplemented by facility utilization and collateral valuation monitoring together with a review of upcoming credit facility expiration and market intelligence to enable timely corrective action by management. The results of the monitoring process are reflected in the internal rating process.

Credit risk is monitored on an ongoing basis with formal quarterly reporting to ensure senior management awareness of shifts in credit quality and portfolio performance.

A specialized team handles the management and collection of problem credit facilities.

Credit Risk - Impairment

In managing its portfolio, the Bank utilizes ratings and other measures and techniques which seek to take account of all aspects of perceived risk. Credit exposures classified as “High” quality are those where the ultimate risk of financial loss from the obligator’s failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. Credit exposures classified as “Standard” quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not impaired. The ultimate risk of possible financial loss on “Standard” quality is assessed to be higher than that for the exposures classified within the “High” quality range.

The Bank classifies its exposure into ten risk categories. Of these, seven categories are for performing and three for non-performing. Each borrower is rated on an internal risk rating model that evaluates risk based on financial as well as qualitative factors such as management strength, industry characteristics and account conduct. An independent credit unit reviews the assigned ratings periodically. Exposures falling below a certain classification threshold (8 to 10) are considered to be impaired and appropriate specific provisions are made against them by comparing the present value of expected future cash flows for each such exposure with its carrying amount based on the criteria prescribed by IAS 39. Collective impairment is also measured and recognized on portfolio basis for group of similar credits that are not individually identified as impaired.

Past-due and Impairment Provisions

Credit facilities are classified as “past due” when a payment has not been received on its contractual payment date, or if the facility is in excess of pre-approved limits.

A credit facility is considered as “impaired” if the profit or principal installments are past due for more than 90 days, or if the carrying amount of the facility is greater than its estimated recoverable value. The principle of materiality should be taken into consideration when determining an event of default.

Past-due and impaired facilities are managed and monitored as “irregular facilities” and are classified into the following four categories which are then used to guide the provisioning process:

Category	Criteria	Grades	Provision
Watch list	Irregular for a period up to 90 days		
Substandard	Irregular for a period between 91 and 180 days	8	25%
Doubtful	Irregular for a period between 181 and 365 days	9	50%
Loss	Irregular for a period exceeding 365 days	10	100%

The Bank may also include a credit facility in one of the above categories based on management’s judgment of a customer’s financial and/or non-financial circumstances.

Standardized Approach and Supervisory Risk Weights

The External Credit Assessment Institutions (ECAIs) that the Bank utilizes for the purpose of assessing the credit under the Standardized Approach are Fitch and Moody’s.

Credit Risk Mitigation

The Bank uses a wide variety of techniques to reduce credit risk on its lending; one important credit risk mitigation technique is accepting guarantee and collateral with appropriate coverage. The Bank ensures that the collateral held is sufficiently liquid, legally effective and regularly valued. The method and frequency of revaluation depends on the nature of the collateral involved.

Collateral provided by the customer shall not be considered as a primary source for repayment. The Bank requests collateral in order to protect its claims. The type and quality of collateral depends on the type of transaction, the counterparty and risks involved.

Concentration of credit risk arise from exposure to customers having similar characteristics in terms of the industry and business sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by change in political, economic or other conditions.

The Bank's comprehensive risk management framework has specific guidelines that focus on maintaining a diversified portfolio to avoid excessive concentration of risk which is implemented through customer and economic sector limit structures. This risk is managed by diversification of the portfolio which is implemented through client, industry, geographic and product.

Risk transfer in the form of syndicated loans or risk participation arrangements with other banks is common practices to limit the banks' exposure.

The Bank's pledge agreement give another mitigation technique through allowing the Bank to net credit and debit balances in the event of default of the counter party.

All interrelated companies controlled by the same management and/or ownership structure are treated as one entity/group. The Bank limits its credit concentration per entity/group to 15% of the Bank's capital and reserves. In some cases, it is possible to extend an entity/group up to 25% of the Bank's capital and reserves provided it enjoys outstanding credit worthiness.

As Shari'ah compliant Bank, the nature of the Islamic product entitled the Bank with other mitigation techniques such as ownership of the goods in Murabaha product and the possession of the leased assets in Ijara product.

Management of Credit Collateral and Valuation

The main types of collateral accepted by the Bank are:

1. Real state
2. Quoted shares
3. Cash
4. Bank guarantees
5. Acknowledged assignment of contracts proceeds

In accordance with the Bank's credit policies, banks, creditworthy companies and individuals with high net worth are accepted as guarantor counterparties, subject to credit risk assessment. Furthermore, in accordance with SAMA/Basel II framework, from the above collateral only cash collateral and banks' guarantees are recognized for capital adequacy purposes.

The method and frequency of revaluation depends on the nature of the collateral involved. The amount, type and valuation of collateral are based on guidelines specified in the risk management policies. The custody and revaluation of collateral are performed independent of the business units.

2. Market Risk – Standardized Approach

"Market" risk is defined as the potential loss in value of financial instruments caused by adverse movements in market variables such as commission rates, foreign exchange rates and equity prices.

Market Management Framework

The market risk management framework governs the Bank's trading and non-trading related market risk.

Market risk stemming from trading activities is managed by the relevant group. The management and oversight

of market risk inherent within the Bank's non-trading activities is the primary responsibility of the Bank's Asset and Liability Committee. All activities giving rise to market risk are conducted within a structure of approved credit and position limits.

All instruments and exposures that were subject to market risk were assessed using the standardized approach for Pillar I market risk

Monitoring of "Market" Risk from "Trading" Activities

The Bank's risk management function independently monitors the trading market risk exposure to derive quantitative measures specifically for market risk under normal market conditions.

Monitoring of Non-Trading Market Risk in the "Banking" Activities

The Bank's key non-trading market risk is the sensitivity of its net commission income to movements in commission rates. Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates.

Currently, the Bank uses the following risk measures and limits to identify measure and monitor the market risk in the trading and banking book:

- Open Position limits;
- Commission rate sensitivity;
- Commission rate gaps;
- Maturity gaps; and
- Liquidity ratios limit.

These limits and exposures are reviewed in ALCO meetings.

The commission rate risk in the "banking" book is managed through a "gap" limit structure which is supplemented by periodic analysis of scenarios to capture the extreme indicative measure of exposure to commission rate changes. The analysis of scenarios showed an impact in the banking book as follows:

31 December 2010	+25bp	-25bp
31 December 2009	+25bp	-25bp

The Bank is exposed to commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

Liquidity Risk

Liquidity risk is defined as the inability to generate sufficient financial resources to meet all obligations and commitments as they fall due, or having to access funds to meet payment obligations at an excessive cost. It is the policy of the group to maintain adequate liquidity at all times.

The Bank applies a prudent mix of liquidity controls which provide security of access to funds without undue exposure to increased costs of funds from the liquidation of assets, or aggressive bidding for deposits. Liquidity risk is monitored and evaluated daily by Treasury to ensure that, over the short term and by major currency, the profile of projected future cash inflows is adequately matched to the maturity of the liabilities.

The Bank uses a mixed approach of cash flow match approach and liquid assets approach. Under the cash flow approach the Bank attempts to match the cash outflow against the contractual cash inflow leaving around one month cash requirements at all times to absorb unexpected cash movement. The excess liquidity for over one month is managed on the basis of liquid asset approach and as per SAMA guidelines.

To address these risks, management seeks to diversify funding sources to match the growth of its assets with funding.

The Bank has to maintain liquid assets of at least 20% of deposit liabilities in the form of cash or assets that can be converted into cash within a period not exceeding 30 days.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA. The Bank has the ability to raise additional funds through repo facilities with SAMA.

The market risk department is in the process of implementing an advanced financial risk management system that will enable the Bank to measure and monitor the risk more effectively and frequently. It will provide tools to enable sophisticated what-if-analyses at various levels of the Bank's portfolios and its trading and banking book. Further, it will allow dynamic simulation, scenario analysis, back and stress test at various levels of granularities of portfolio.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risks are controlled through limits pre-established by the Board of Directors on currency position exposures and in total for both over night and intra-day positions which are monitored daily. Assets are typically funded in the same currency to minimize exchange exposures. Appropriate segregation of duties exists between the front and back office functions, while compliance with position limits is monitored on an ongoing basis.

3. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The operational risk arises largely as a result of unauthorized activities such as frauds, human errors, inefficiencies, system failure or other external factors. Currently, the bank is utilizing the basic indicator approach for operational risk capital charges under Pillar I.

Operational Risk Management Framework

The bank has adopted a dynamic enterprise risk management approach to comply with sound practices of operational risk management as mandated by Basel Committee and SAMA. The risk management policies, methodologies and processes are aimed to comply with Basic Indicator Approach. Operational risk capital is assessed at 15% of average gross revenue for recent three years as per guidelines for BIA approach.

An independent operational risk management function has been established, reporting to the Chief Risk Officer, to manage operational risks. This department is responsible to identify, assess and report on the status of operational risk. The bank has acquired a technology system (Control and Risk Environment system) to keep data base of all risks, mitigating controls and losses / errors. The risk assessment of major activities of the bank was performed with collective participation of operational experts from the relevant Department, Internal Audit and Risk Management. Any risk not adequately mitigated, is targeted for enhancement of procedures and systems. For every entity, a risk profile is prepared showing major weaknesses and recommended action for enhancement of controls.

Compliance self assessment guidelines have been developed for all key controls to ensure that the controls are deployed as required. All key controls are tested by the Unit Head and reports are sent to Risk Management to update CARE data base. Internal Audit is also required to independently verify during annual audits that all controls are working as desired.

Periodically, a risk summary report is generated that shows, gaps in the control environment, critical risks not fully mitigated and recommendations pending for enhancement of systems and controls. This report is used by the management to evaluate operational risk governance and provide guidance on the strategy and approach.

The Bank's business processes are closely monitored to identify, assess, control and prevent potentially illicit use of the Bank's services for laundering money or financing terrorism. The bank's "anti money laundering" and "combating terrorism financing" initiatives are regularly reviewed to ensure compliance with local regulatory requirements and international best practices.

The bank has established a frauds investigation committee to investigate any internal and external fraudulent activity, its causes and recommend preventive actions to the executive management.

Business Continuity: The bank has a business continuity management planning process under which critical activities of the bank are identified as well as resources required to continue those activities in case of a disaster. A review will be done to realign the plans to reorganization and bank's disaster recovery management to ensure plans are operational. Bank has also established a disaster recovery center where most major IT systems have been set up as back up to the main data centre.

Equities in the Banking Book

The Bank is also exposed to market risk as a result of changes in the "fair value" of its strategic equity and investment positions held as Available for Sale Investments.

Equity price risk is the risk that fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. The Bank manages the risk through diversification of investments.

The Bank conducts periodic scenario analysis in the banking book to gauge changes in economic value under extreme market conditions and provides timely inputs to senior management.