BANK ALJAZIRA

Revised Basel III Pillar 3 – Qualitative & Quantitative Disclosures

December 31, 2017

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B.1 - Table OVA: Bank risk management approach

(a) Business model determination and risk profile

Bank's mission is "to be the Core Banker to our chosen target customers, helping them grow their businesses and wealth" with diversified revenue streams originating from Kingdom. The Bank's strategy remains to identify the current and emerging customer needs and ensuring that it exceeds the customers' expectation, while transforming into a fully integrate Bank offering seamless services to its Retail, Investment, Commercial and Corporate clients. The Bank quantifies its risks using methodologies that have been reasonably tested and deemed to be accepted in the industry.
Where risks are not easily quantified, due to the lack of commonly accepted risk measurement techniques, expert judgment is used to determine the size and materiality of the risk. The bank's ICAAP then focuses on the qualitative controls in managing such material, non-quantifiable risks within the established governance framework of the Bank. These qualitative measures include the following:

- Adequate governance process through BRC, EXCOM and Board;
- Adequate systems, procedures and internal controls;
- Effective risk mitigation strategies;
- Regular monitoring and reporting through various committees and management forums.

(b) The risk governance structure

The risk management governance approach is premised on three lines of defense – risk taking business units, risk control units and internal audit. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting-up the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and testing of risk. Complementing this is internal audit which provides independent assurance of the effectiveness of the risk management approach.

(c) Channels to communicate, decline and enforce the risk culture

The Bank has established an enterprise risk capital management framework to manage its material risks. The key components of the framework include the following:
I. Defined risk appetite and strategy.
II. Risk governance establishing the roles and responsibilities for the management committees and Enterprise Risk Management Group.
III. A comprehensive review and analysis of material risks – as assessed by the Bank, at regular frequency along with the review of existing risk mitigation mechanisms.
IV. Measurement methodologies for the quantification of risk.
V. Monitoring and reporting process to ensure that the risk is maintained within the established tolerance levels.
VI. Capital management linked to the overall business strategy to ensure that the capital is commensurate to the levels of risk inherent in the business.
VII. Stress test measures to determine if the capital levels are adequate in case of adverse events and take decisions to enhance the capital or mitigate risk.

(d) The scope and main features of risk measurement systems.

At BAJ, the Risk Management through the Chief Risk Officer, Chief Credit Officer, and the Credit Risk Managers assume the independent responsibility of reviewing and co-signing the approval through the Management Credit Committee (MCC) and the Executive Committee (Excom), of all major credit proposals of the Bank which are prepared, sponsored and recommended by the Business Units. In addition, Enterprise Risk Management Group (ERMG) provides risk management and advisory to all lines of business for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks that are discussed under Pillar 2 of the BASEL regime. ERMG ensures that the core risk policies of the bank are consistent and current, sets the risk tolerance level through the approved Risk Appetite Framework & Policy. Also, ERMG is responsible for the development and implementation of various risk policies and related business decisions empowered by the board. ERMG is functionally and organizationally independent of the business units and other risk taking units within BAJ.

(e) Process of risk information reporting provided to the board and senior management

Risk dashboards are reported to Board and Senior Mangement on a quarterly basis through various MIS. The dashboard covers all material risks i.e. credit risk quality, credit risk profile, credit concentration, top exposures, market risk reports, operational risk dashboards.

(f) Qualitative information on stress testing

The bank's stress testing program is in compliance with the applicable SAMA Stress Testing guidelines encapsulated in a Board approved Stress Testing Framework and Policy. It is embedded in the risk and capital management process. The program serves as a forward looking risk and capital management tool to understand the bank's risk profile under extreme but plausible conditions. Such conditions may arise from macroeconomic, strategic, political and business environmental factors.
The Stress Testing methodology and assertions undergo comprehensive review and challenging process to ensure that these remain in sync with the prevailing regulatory and global best practices. The stress testing exercise in Bank AlJazira is viewed as a means to review bank's capital allocation strategy based on different extreme stress scenarios and the Bank makes necessary adjustments to its strategy where warranted, based on the stress testing results. Under Bank AlJazira's Stress Testing Policy and Framework, the potential unfavorable effects of stress scenarios on the bank's profitability, asset quality, liquidity, risk weighted assets and capital adequacy are modeled.

(g) The strategies and processes to manage, hedge and mitigate risks

Risk Management sturcture at the bank supports the BRC and BoD in fulfilling the responsibilities of overseeing the risks in the Bank's businesses and making sure necessary controls are in place. It reviews the ability of the Bank to manage risks based on board approved Risk Appetite Framework & Policy (RAF), appropriate analysis and formulation of necessary risk management policies. It also approves the credit classification system in the bank and risk policies for assets and liabilities management as recommended by assets and liabilities committee. The bank measures the exposures to financial risks and other significant exposures and the steps taken by management to monitor, control and report cases of risks, including review of credits, market, liquidity, reputational, operational and strategic risks in addition to evaluating exposures, tolerance levels and approval of appropriate transactions. The bank reviews the scope of the risk management and the targeted activities related to the activities of the Bank's risk management. The bank pro-actively manages the credit risk exposures at transaction and relationship levels. A detailed risk review, including information on provisions, is prepared quarterly. Single name counterparty concentrations are monitored at transaction level. Large exposures and portfolio concentrations are reported regularly to senior management and the Board. BAJ ensures that the overall Business strategy; Risk policies, procedures & methodologies are consistent with the Bank's Risk Appetite.

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B.2 - Template OV1: Overview of RWA (Figures in SAR 000's)

		a	b	c
		RWA		Minimum capital requirements
		Dec-17	Sep-17	Dec-17
1	Credit risk (excluding counterparty credit risk) (CCR)	47,610,770	48,596,953	3,808,862
2	Of which standardised approach (SA)	47,610,770	48,596,953	3,808,862
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	422,213	457,443	33,777
5	Of which standardised approach for counterparty credit risk (SA-CCR)	422,213	457,443	33,777
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	1,127,857	873,253	90,229
17	Of which standardised approach (SA)	1,127,857	873,253	90,229
18	Of which internal model approaches (IMM)			-
19	Operational risk	4,975,084	4,943,887	398,007
20	Of which Basic Indicator Approach	4,975,084	4,943,887	398,007
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	54,135,924	54,871,536	4,330,874

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B.3 - Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (Figures in SAR 000's)

	a	b	c	d	e	f	g
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with SAMA	5,975,067	5,975,067	5,975,067	-	-	-	-
Due from banks and other financial institutions	369,249	369,249	369,249	-	-	-	-
Investments, net	20,360,547	20,360,547	20,360,547	-	-	-	-
Positive fair value of derivatives	104,021	104,021	-	104,021	-	-	-
Loans and advances, net	39,789,846	39,789,846	39,789,846	-	-	-	-
Investment in Associates	134,071	134,071	134,071	-	-	-	-
Other real estate, net	445,046	445,046	445,046	-	-	-	-
Property and Equipment	784,526	784,526	784,526	-	-	-	-
Other assets	325,082	325,082	325,082	-	-	-	-
Total assets	**68,287,456**	**68,287,456**	**68,183,434**	**104,021**	**-**	**-**	**-**
Liabilities							
Due to banks and other financial institutions	6,172,545	-	-	-	-	-	6,172,545
Negative fair value of derivaties	220,987	-	-	-	-	-	220,987
Customers' deposits	50,278,366	-	-	-	-	-	50,278,366
Other liabilities	780,336	-	-	-	-	-	780,336
Subordinated Sukuk	2,006,382	-	-	-	-	-	2,006,382
Total assets	**59,458,616**	**-**	**-**	**-**	**-**	**-**	**59,458,616**

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B.4 - Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (Figures in SAR 000's)

		a	b	c	d	e
			Items subject to:			
		Total	**Credit risk framework**	**Securitisation framework**	**Counterparty credit risk framework**	**Market risk framework**
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	68,287,456	68,183,434	-	104,021	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-		-
3	Total net amount under regulatory scope of consolidation	68,287,456	68,183,434	-	104,021	-
4	Off-balance sheet amounts	8,826,188	5,158,704	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Derivatives	12,000,808	-	-	422,213	-
10	**Exposure amounts considered for regulatory purposes**	**89,114,451**	**73,342,139**	**-**	**526,234**	**-**

B.5 - Table LIA: Explanations of differences between accounting and regulatory exposure amounts

Banks must explain the origins of the differences between accounting amounts, as reported in financial statements amounts and regulatory exposure amounts, as displayed in templates LI1 and LI2.

(a)	Explanation of significant differences between the amounts in columns (a) and (b) in LI1. - Bank Al Jazira does not have any difference between "Carrying Vales as reported in published financial statements" and "Carrying values under scope of regulatory consolidation.
(b)	Explanation of the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2. - On-Balance Sheet: In case of On-Balance Sheet items, currently there are no differences between carrying values and amounts considered for regulatory purposes except loan loss provisions and Unidentified Differences. - Off-Balance Sheet & Derivatives: In case of Off-Balance sheet and Derivatives Notional values are populated as total carrying / accounting value where as credit equivalent amounts (i.e. after applying conversion factors including Add-on adjustments in case of Derivative portfolio) are populated under respective regulatory framework.
(c)	• Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used. • Description of the independent price verification process. • Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument). - Please refer to the Published Financial Statements.

B.6 - Table CRA: General qualitative information about credit risk

(a)	How the business model translates into the components of the bank's credit risk profile. - BAJ is a diversified financial services institution operating in Saudi Arabia, with a range of business activities and income streams. The Bank's activities comprises mainly of the following financial services: - **Personal Banking**: Deposits, loans and investment products for individuals, remittance, real estate financing, credit card issuance and personal financing. - **Corporate Banking**: Loans, deposits and other credit products for corporate, small and medium sized business and institutional customers. - **Treasury:** Treasury is responsible for managing the assets and liabilities of the Bank. This includes profit rate risk mitigation and liquidity management to ensure that the Bank remains financially secure for customers. The other activities of Treasury include managing the Bank's investment portfolio, offering the Bank's customers Treasury products/solutions to meet their business and risk requirements.
(b)	Criteria and approach used for defining credit risk management policy and for setting credit risk limits The Bank manages and measures credit risk through a variety of policies, processes and toll, the principal amongst them are: **- Risk Appetite Statement:** Overall limits for business lines; Single exposure limits; Economic segment exposure limit; Geographic limit and Product limit. **- Risk Identification, measurements and assessment:** Portfolio analysis; Credit rating assessments for corporate clients; Periodic credit risk reveiws; Impairment assessments and Stress testing. **- Mitigation / Controls:** Collateral policy for some classes of lending; Documentation controls; Guarantor where appropriate and Facilities structure
(c)	Structure and organisation of the credit risk management and control function - At BAJ, the Risk Management through the Chief Risk Officer, Chief Credit Officer, and the Credit Risk Managers, assumes the independent responsibility of reviewing and co-signing the approval through the Management Credit Committee (MCC) and the Executive Committee (Excom), of all major credit proposals of the Bank which are prepared, sponsored and recommended by the Business Units.
(d)	Relationships between the credit risk management, risk control, compliance and internal audit functions - The risk management governance approach is premised on three lines of defense – risk taking business units, risk control units and internal audit. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting-up the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and testing of risk. Complementing this is internal audit which provides independent assurance of the effectiveness of the risk management approach.
(e)	Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors - The Bank has developed and implemented business line wise credit risk and portfolio management dashboards. These dashboards are produced on a monthly basis by the ERMG and discussed at various forums including but not limited to Senior Management and Board Risk Committee.

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B.7 - Template CR1: Credit quality of assets (Figures in SAR 000's)

		a	b	c	d
		Gross carrying values of		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	504,363	39,990,212	704,729	39,789,846
2	Debt Securities	-	20,282,744	-	20,282,744
3	Off-balance sheet exposures	112,508	5,628,657	-	5,741,165
4	***Total***	**616,871**	**65,901,613**	**704,729**	**65,813,755**

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B.8 - Template CR2: Changes in stock of defaulted loans and debt securities (Figures in SAR 000's)

		a
1	**Defaulted loans and debt securities at end of the previous reporting period**	529,138
2	Loans and debt securities that have defaulted since the last reporting period	248,820
3	Returned to non-defaulted status	(35,117)
4	Amounts written off	(221,917)
5	Other changes	(16,561)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**504,363**

B.9 - Table CRB: Additional disclosure related to the credit quality of assets

Qualitative disclosures

(a)	The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes. - As per Bank Al Jazira's policy, a default is where the outstanding dues has remained unpaid for over 90-days and in the bank's view the Obligor is unlikely to repay the dues in full with interest unless the bank takes recourse to collateral enforcement or other recovery measures against the obligor. A past due but not impaired advance is one where the loan is past due for 90 days and where the obligor is facing temporary technical liquidity problems due to administrative delay in realisation of receivables from its business clients.
(b)	The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this. - If the past due situation arose as a result of temporary cash flow constraints of the borrower and in the Bank's view the recovery of the dues or the borrower's intention to repay is not in doubt, such outstandings may be classified as past due but not impaired (Ex: loans against receivables under contracts with Government Sector). However, the bank is in process of implementing IFRS 9 whereby impairement criteria will be governed by ECL model to be phased in pursuant to regulatory requirements.
(c)	Description of methods used for determining impairments. - Past due and impaired accounts are down graded to Non Performing status (NPL) and are monitored by the Remedial Management Division. The criteria for downgrading is the past due status of the borrower and the perception of the bank about the inability of obligor to service the debt from business cash flows. However, the bank is in process of implementing IFRS 9 whereby impairement criteria will be governed by ECL model to be phased in pursuant to regulatory requirements.
(d)	The bank's own definition of a restructured exposure. - A restructured exposure is where the bank extends the repayment period of an outstanding at the request of the borrower, to align with the borrower's cash flow which has changed from the time the original facility was granted. The factors driving this could be delay in implementation of a project resulting in delays in billing and collection or delay in realisation of receivables due to administrative reasons. The rescheduled facility will be governed by the new agreements that will be signed between the bank and the borrower. The bank as a policy does not grant any remission in fees or interest for the restructured exposures and merely grants additional time to align the repayment schedule with the cash flow generation rate of the obligor.

Quantitative disclosures

(e)	Breakdown of exposures by geographical areas, industry and residual maturity; - **Please refer quantitative disclosures.**
(f)	Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry **-Please refer quantitative disclosures.**
(g)	Ageing analysis of accounting past-due exposures; **-Please refer quantitative disclosures.**

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B.9.1 : Geographic Breakdown- 31 December 2017 (Figures in SAR 000's)							
Portfolios	**Geographic area**						
	Saudi Arabia	**Other GCC & Middle East**	**Europe**	**North America**	**South East Asia**	**Other countries**	**Total**
Sovereigns and central banks:	**19,776,685**	**5,439**	**-**	**-**	**-**	**-**	**19,782,124**
*SAMA and Saudi Government	19,776,685	5,439	-	-	-	-	**19,782,124**
*Others	-	-	-	-	-	-	**-**
Multilateral Development Banks (MDBs)	**1,105**	**-**					**1,105**
Public Sector Entities	**2,712,938**	**-**					**2,712,938**
Banks & Securities Firm Exposure	**2,474,643**	**236,939**	**123,284**	**35,144**	**2,055**	**33,424**	**2,905,489**
Corporate	**26,293,316**	**22**				**166**	**26,293,504**
Retail Non-Mortgages	**13,777,225**	**562**		**1,353**		**14,440**	**13,793,581**
*Small Business Facilities Enterprises (SBFE's)	**11,692,331**	**-**					**11,692,331**
Mortgages	**5,361,357**	**-**	**-**	**-**	**-**	**-**	**5,361,357**
*Residential	5,361,357	-					5,361,357
*Commercial							-
Securitized Assets	**-**	**-**					**-**
Equities	**170,414**	**188**		**12,058**			**182,659**
Others	**3,764,891**	**3,161**			**1,033**	**1,455**	**3,770,539**
TOTAL	**74,332,573**	**246,311**	**123,284**	**48,555**	**3,088**	**49,485**	**74,803,296**

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B.9.2 : Industry Sector Breakdown - 31 December 2017 (Figures in SAR 000's)

Portfolios	Industry sector												
	Government and quasi government	**Banks and other financial Institutions**	**Agriculture and fishing**	**Manufacturing**	**Mining and quarrying**	**Electricity, water, gas and health services**	**Building and construction**	**Commerce**	**Transportation and communication**	**Services**	**Consumer loans and credit cards**	**Others**	**Total**
Sovereigns and central banks:	19,782,124	0	-	-	-	-	-	-	-	-	-	-	19,782,124
SAMA and Saudi Government	19,782,124	-	-	-	-	-	-	-	-	-	-		19,782,124
Others	-	0	-	-	-	-	-	-	-	-	-	-	0
Multilateral Development Banks	-	1,105	-	-	-	-	-	-	-	-	-	-	1,105
Public Sector Entities	2,712,938												2,712,938
Banks & Securities Firm Exposure	-	2,902,414	-	-	-	-	-	-	-	-	-	3,075	2,905,489
Corporates	-	1,808,623.12	32,314.71	5,179,223.71	506,250.00	2,397.08	1,721,332.08	8,316,605.12	113,494.24	947,736.74	180.36	7,665,347.02	26,293,504
Retail Non-Mortgages	-	40	-	26,957	-	6,251	27,716	623,251	3,633	69,085	365,484	12,166,773	13,793,581
Small Business Facilities Enterprises (SBFE's)							6,352					11,685,979	11,692,331
Morgages	-	-	-	-	-	-	-	345	-	-	6,409	5,354,603	5,361,357
Residential	-	-	-	-	-	-	-	345	-	-	6,409	5,354,603	5,361,357
Commercial													-
Securitized assets													-
Equities												182,659	182,659
Others	-	- 17,872	-	17,548	-	-	126,401	88,571	-	71,698	353,046	3,131,149	3,770,539
TOTAL	**22,495,062**	**4,694,310**	**32,315**	**5,223,728**	**506,250**	**8,648**	**1,875,449**	**9,028,772**	**117,127**	**1,088,519**	**725,120**	**28,503,606**	**74,803,296**

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B.9.3 : Residual Contractual Maturity Breakdown - 31 December 2017 (Figures in SAR 000's)									
Portfolios	**Maturity breakdown**								
	Less than 8 days	**8-30 days**	**30-90 days**	**90-180 days**	**180-360 days**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Sovereigns and central banks:	-	4,791,356	-	-	-	-	4,497,231	10,493,538	19,782,124
SAMA and Saudi Government		4,791,356	-	-	-	-	4,497,231	10,493,538	19,782,124
Others		-	-	-	-	-	-	-	-
Multilateral Development Banks	1,105	-	-	-	-	-	-	-	1,105
Public Sector Entities	-	-	-	-	-	-	-	2,712,938	2,712,938
Banks & Securities Firm Exposure	791,509	210,608	-	37,441	-	122,620	158,002	1,585,309	2,905,489
Corporate	5,887,765	763,701	50,854	4,210,717	4,305,304	3,246,577	1,507,525	6,321,062	26,293,504
Retail Non-Mortgages	5,096	27,164	228	171,514	836,671	278,630	1,767,513	10,706,762	13,793,580
Small Business Facilities Enterprises (SBFE's)	5,096	27,164	228	171,514	836,671	278,630	1,767,513	8,605,513	11,692,331
Mortgages	1,892	29	-	296	3,568	4,688	86,750	5,264,135	5,361,357
Residential	1,892	29	-	296	3,568	4,688	86,750	5,264,135	5,361,357
Commercial									-
Securtized Assets									-
Equities	182,659	-	-	-	-	-	-	-	182,659
Other Assets	3,159,744	180	-	150,145	5,028	19,398	27,000	409,044	3,770,539
TOTAL	**10,029,769**	**5,793,037**	**51,082**	**4,570,114**	**5,150,572**	**3,671,914**	**8,044,021**	**37,492,786**	**74,803,295**

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B.9.4 : Impaired Loans, Past Due Loans and Allowances - 31 December 2016 (Figures in SAR 000's)									
		Aging of Past Due Loans (days)				Specific allowances			
Industry sector	**Impaired loans**	**Less than 90 ****	**90-180**	**180-360**	**Over 360**	**Gross charges during the period**	**Charge-offs during the period**	**Balance at the end of the period**	**General allowances**
Government and quasi government	-	-	-	-	-	-		-	10,096
Banks and other financial institutions	-	-	-	-	-	-		-	6,663
Agriculture and fishing	-	-	-	-	-	-		-	72
Manufacturing	104,677	422,878	4,887	315,010	-	101,408		101,408	45,569
Mining and quarrying	-	-	-	-	-	-		-	-
Electricity, water, gas and health services	-	-	-	-	-	-		-	-
Building and construction	59,298	41,239	47	146,369	-	45,535		45,535	8,000
Commerce	177,237	516,690	35,031	-		98,734		98,734	84,949
Transportation and communication	-	-	-	-	-	-		-	740
Service	77,324	13,549	-	-	-	10,318		10,318	9,324
Consumer loans and credit cards	75,721	1,254,925	111,196	68,501	22,858	33,093		33,093	193,361
Others	10,106	224,700	8	804	113	5,254		5,254	51,613
TOTAL	**504,363**	**2,473,981**	**151,168**	**530,684**	**22,971**	**294,343**	**-**	**294,343**	**410,386**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures							
B.9.5 : Impaired Loans, Past Due Loans And Allowances- 31 December 2016 (Figures in SAR 000's)							
Geographic area	**Impaired loans**	**Aging of Past Due Loans (days)**				**Specific allowances**	**General allowances**
		Less than 90	**90-180**	**180-360**	**Over 360**		
Saudi Arabia	504,363	2,473,981	151,168	530,684	22,971	294,343	410,386
Other GCC & Middle East	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-
South East Asia	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-
TOTAL	**504,363**	**2,473,981**	**151,168**	**530,684**	**22,971**	**294,343**	**410,386**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures		
B.9.6 : Reconciliation Of Changes In The Allowances For Loan Impairment - 31 June 2017 (Figures in SAR 000's)		
	Specific allowances	**General allowances**
Balance, beginning of the period	317,044	426,009
Charge-offs taken against the allowances during the period	118,423	68,382
Amounts set aside (or reversed) during the period	(3,212)	-
Other adjustments:	-	-
- exchange rate differences	-	-
- business combinations	-	-
- acquisitions and disposals of subsidiaries, etc	-	-
- - Written off	(221,917)	-
Transfers between allowances	84,005	(84,005)
Provision written back previously written off	-	-
Balance, end of the period	294,343	410,386

B.10 - Table CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

(a)	Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting. -Netting can reduce capital adequacy requirements by offsetting deposits held by the bank against financing arrangements. However netting arrangements are not used by the Bank unless the deposits need to be in the form of collateral with a specific charge or lien in favor of the Bank.

(b)	Core features of policies and processes for collateral evaluation and management -Collateral evaluation and management is the responsibility of the Credit Administration and Control (CAC) Division. Collaterals are mainly in the form of real estate, cash margins and equity shares traded locally. Policy guidelines exist as to the periodicity of the valuation of the collateral, the minimum security coverage ratios to be maintained and the action points if these levels are breached. The bank has empanelled property evaluators and a minimum of three evaluations are done from three different empanelled valuers. An internal rule has been established to arrive at the appraised value of the property. Insurance/Takaful where necessary is also taken where applicable.

(c)	Information about market or credit risk concentrations under the credit risk mitigation instruments used (ie by guarantor type, collateral and credit derivative providers). - Bank Al Jazira's corporate portfolio is focused substantially on Saudi large, medium, and small business entities. The credit granting process is centralized and has a well reinforced governance process that ensures independent input from Enteprise Risk Management Group prior to decision making. Due to the wholesale nature of business, Country Concentration (outside Saudi Arabia) is virtually non-existent. **Name Concentration:** Name concentration in a lending portfolio arises when there are few borrowers in a bank's loan portfolio or when loan amounts are very unequal in distribution. The Bank uses the granularity adjustment methodology (GA) along with Herfindahl - Hirshchman Index (HHI) to assess and estimate the name concentration risk. **Sector Concentration:** Sector concentration risk in the bank's credit portfolios can also arise from an excessive exposure to a single economic or business sector or to several highly correlated sectors. The Bank uses normalized HHI to measure its Sector Concentration along with Sector Concentration limits that are sensitive to parameters such as economic activity, geography, collateral, risk rating etc.

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.11 - Template CR3: Credit risk mitigation techniques – overview (Figures in SAR 000's)

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	63,667,489	843,289	843,289	-	-	-	-
2	Debt Securities	-	-	-	-	-	-	-
3	Total	63,667,489	843,289	843,289	-	-	-	-
4	Of which defaulted	-	-	-	-	-	-	-

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.13 - Template CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (Figures in SAR 000's)

		a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereigns and their central banks	19,530,856	28,607	19,530,856	-	-	0%
2	Non-central government public sector entities	2,637,938	300,000	2,637,938	75,000	1,356,469	50%
3	Multilateral development banks		2,209	-	1,104	1,104	100%
4	Banks	2,173,474	273,382	2,173,474	271,689	2,301,088	94%
5	Securities firms	-	-	-	-	-	-
6	Corporates	21,692,645	7,927,290	21,447,614	4,631,317	25,309,168	97%
7	Regulatory retail portfolios	13,645,691	210,562	13,643,221	147,718	10,830,307	79%
8	Secured by residential property	5,361,435	-	5,361,357	-	4,021,018	75%
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	182,659	-	182,659	-	360,141	197%
11	Past-due loans	436,679	84,137	413,847	31,876	656,734	147%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	3,324,816	-	3,324,816	-	2,122,917	64%
14	***Total***	**68,986,193**	**8,826,188**	**68,715,782**	**5,158,704**	**46,958,946**	**64%**

B.14 - Template CR5: Standardised approach – exposures by asset classes and risk weights (Figures in SAR 000's)

		a	b	c	d	e	f	g	h	i	j
	Asset classes/ Risk weight*	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereigns and their central banks	19,782,125.00									19,782,125
2	Non-central government public sector entities (PSEs)	1,196,579				526,532		989,827			2,712,938
3	Multilateral development banks (MDBs)					1,105					1,105
4	Banks			211,210		2,632,496		61,783			2,905,489
5	Securities firms										-
6	Corporates			12,194				26,281,310			26,293,504
7	Regulatory retail portfolios					-	13,793,581				13,793,581
8	Secured by residential property						5,361,357				5,361,357
9	Secured by commercial real estate										-
10	Equity							64,338		118,321	182,659
11	Past-due loans	5,320				3,114		6,314	430,975		445,722
12	Higher-risk categories										-
13	Other assets							3,324,816			3,324,816
14	***Total***	20,984,024	-	223,404	-	3,163,246	19,154,938	30,728,388	430,975	118,321	74,803,297

B.12 - Table CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

A. For portfolios that are risk-weighted under the standardised approach for credit risk, banks must disclose the following information:

(a)	Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period; - Bank Al Jazira currently uses multiple assessment as specified by relevant guidelines of BCBS, where ECAI used are as follows : (a) Fitch (b) Standard & Poor's & (c) Moody's. There are no changes at the reporting period.
(b)	The asset classes for which each ECAI or ECA is used; - In accordance with the guideline issued by SAMA, ECAI risk assessments are used by the Bank as part of the determination of risk weightings for the following classes of exposure: - Claims on sovereigns and their central banks; - Claims on Multilateral Development Banks; - Claims on Banks and Securities Firms; and - Claims on corporates.

B.21 - Table CCRA: Qualitative disclosure related to counterparty credit risk

Banks must provide

(a)	Risk management objectives and policies related to counterparty credit risk, including: -To measure and manage variation risk/pre-settlement related to treasury products
(b)	The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures; Not Applicable
(c)	Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs; - The Bank has undertaken Credit Support Annexure (CSAs)with major derivative financial counterparties to mitigate counterparty credit risk
(d)	Policies with respect to wrong-way risk exposures; - Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The Bank considers its exposure to such risk as limited and immaterial.
(e)	The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade. - This will be managed through variation margin and the impact of any increase in variation margin due to the fact that potential credit rating downgrade is considered minimal.

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B.22 - Template CCR1: Analysis of counterparty credit risk (CCR)[1] exposure by approach (Figures in SAR 000's)

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	68,780	644,118		-	928,809	422,213
2	Internal Model Method (for derivatives and SFTs)			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	VaR for SFTs					-	-
6	**Total**						422,213

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B.23 - Template CCR2: Credit valuation adjustment (CVA) capital charge (Figures in SAR 000's)

		a	b
		EAD post-CRM	**RWA**
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	**52,146**	**651,825**
4	Total subject to the CVA capital charge	**52,146**	**651,825**

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B.24 - Template CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights (Figures in SAR 000's)

	a	b	c	d	e	f	g	h	i
Regulatory portfolio*/ Risk weight***	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures**
Sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Non-central government public sector entities (PSEs)	251,269	-	-	-	-	-	-	-	251,269
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-
Banks	-	-	83,882	376,444	-	-	-	-	460,326
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	214,573	-	-	214,573
Regulatory retail portfolios	-	-	-	-	-	2,642	-	-	2,642
Other assets	-	-	-	-	-	-	-	-	-
Total	251,269	-	83,882	376,444	-	217,215	-	-	928,809

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B.26 - Template CCR5: Composition of collateral for CCR exposure (Figures in SAR 000's)

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	-	152,081	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	152,081	-	-	-

B.35 - Table MRA: Qualitative disclosure requirements related to market risk

(A) Banks must describe their risk management objectives and policies for market risk according to the framework below (the granularity of the information should support the provision of meaningful information to users):

(a)	Strategies and processes of the bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges Market Risk Management The Bank's willingness to accept risk is influenced by various factors including market volatility, business direction, macro-economic and subjective factors. This is managed and contained through relevant market risk limits and policies governed under the approved risk management framework and regulatory compliance. The Bank continually monitors its market risk by quantifying its capital requirement, profit rate risk, currency risk and by ensuring that its Treasury Business operates within its respective limits. Market Risk: a) Introduction: Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices. b) Management of Market Risk Delegated by the Board, the Market Risk Policy Committee (MRPC) is responsible for the policies, limits and controls used in managing market risk. The Bank has an approved Market Risk Policy and Treasury Limits Package that clearly defines policies, procedures, and limits of market risk exposures. The primary objective is to manage volatility in earnings and highlight the market risk and liquidity risk profile to Senior Management, Board Risk Committee (BRC), Asset and Liability Committee (ALCO), the Board of Directors and the national supervisor. I. Foreign Exchange Risk Foreign Exchange risk is the risk that financial assets that are denominated in foreign currency lose value, or financial liabilities that are denominated in foreign currency gain value. The MRPC has set limits on net open positions by currency. There are limits for USD, Other G10 Currencies, GCC Currencies, and currencies in other regions. The Bank has negligible exposure in foreign exchange because its assets and liabilities are mainly denominated in Saudi Riyals (SAR) and to a limited extent in United States Dollars (USD) or in USD-pegged currencies. II. Equity Price Risk Equity price risk refers to the risk of a decrease in fair values of the Bank's investments in equities. The Bank's portfolio of securities is regularly marked to market and positive/negative changes are taken into the Bank's equity or income statement. c) Capital Treatment for Market Risk Bank AlJazira computes the minimum capital requirements against market risk using the Standardized Approach. The capital serves as a financial buffer to withstand any adverse market risk movements. Profit rate risk, foreign currency risk and liquidity risk are the primary risk factors experienced in the Bank's activities.
(b)	Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management Market Risk Management Structure: Market Risk unit is mainly responsible for monitoring Foreign Exchange Risk, Equity Price Risk and Liquidity Risk on a daily basis. The primary tools used to monitor market risks are: I. Market Risk Factors II. Factor Sensitivity III. Loss Triggers IV. Profit Rate Exposure V. Market Access Requirement VI. Stress Tests Governance Bodies: Market Risk Policy Committee (MRPC) The Board Executive Committee (Excom) delegates the decision making authority of monitoring and controlling Treasury activities through the MRPC. This authority includes the risk appetite setting process which culminates in the approval of the market risk and Treasury related credit. Asset and Liability Committee (ALCO) ExCom delegates the decision making authority of monitoring and controlling liquidity and accrual risks on BAJ's balance sheet to the ALCO. Board of Directors Executive Committee (ExCom) The ExCom has been delegated by the BOD and chaired by the chairman of board of directors. It is the responsibility of the ExCom, in accordance with the delegated powers, to approve credit and monitor the implementation of the strategy and policies set by the BOD, recommend the budget and operating plan of action submitted for the fiscal year, and ensure proper implementation of the policies of the BOD. Board Risk Committee (BRC) The Board Risk Committee is primarily responsible for providing advice to the Board in relation to current and potential future risk exposures of the Bank and future risk strategy, including determination of risk appetite and tolerance.
(c)	Scope and nature of risk reporting and/or measurement systems. BAJ has implemented a comprehensive Market Risk Control function supported by robust MIS systems. Market Risk Management uses various MIS system for the below monitoring and reporting purpose: I. Foreign Exchange Profit & Loss II. Trading DV01 III. Investment Portfolio IV. Profit Rate Exposure V. Market Access Requirement

B.37 - Template MR1: Market risk under standardised approach (Figures in SAR

		a
		RWA
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	122,830
3	Foreign exchange risk	1,005,028
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	**Total**	1,127,857

B.41 - Operational risk

Qualitative Disclosures	(a)	In addition to the general qualitative disclosure requirement (paragraph 824), the approach(es) for operational risk capital assessment for which the bank qualifies. - The Bank follows the Basic Indicator Approach (BIA) for measurement of Operational Risk Capital charge. The Bank has the intent of migrating from BIA to the approach recommended by BCBS (Basel Committee on Banking Supervision) through its “Basel III – Finalizing post-crisis reforms” document issued in December 2017 and subsequent SAMA guidelines. The Bank is in the process of defining a road map to adopt the new approach as per the timelines suggested by the regulators. The bank will continue to collect loss data and map it against the business lines to establish a comprehensive Internal Loss data history before migrating to the new methodology subject to receiving SAMA’s final guidelines on the same.
	(b)	Description of the advanced measurement approaches for operational risk (AMA), if used by the bank, including a discussion of relevant internal and external factors considered in the bank’s measurement approach. In the case of partial use, the scope and coverage of the different approaches used. - Not Applicable
	(c)	For banks using the AMA, a description of the use of insurance for the purpose of mitigating operational risk. **- Not Applicable**

*Fulfilling this requirement is a condition for use of the particular approach (AMA) for the calculation of regulatory capital.

B.42 - Profit rate risk in the banking book (PRRBB)

Qualitative disclosures

(a) **A description of how the bank defines IRRBB for purposes of risk control and measurement.**

Profit Rate Risk in the banking book arises from changes in profit rates that exposes the Bank to the risk of loss due to changes in future cash flows or the fair value of financial instruments. The Bank has in place an appropriate framework for identifying and measuring profit rate risk; these include profit rate gap, earnings-at-risk and economic value of equity (EVE) analyses reports be presented to management for regular review.
Annual review of underlying assumptions used to forecast profit rate margins, profit rates, fiscal/budgetary conditions and the economy at both local and international levels, in particular, considering the Bank's product and pricing structure fall under ALCO responsibilities.
From a governance perspective, BAJ's Market Risk Policy Committee (MRPC) has established limits on the profit rate risk exposure of the bank. Positions are monitored on a daily basis and reported regularly to senior management to ensure that profit rate risk is maintained within the established limits.
Market Risk Management is responsible for monitoring profit rate risk, on a day-to-day basis. Market Risk is also responsible for implementing the profit rate risk policy. Profit rate risks are reported to the MRPC.

(b) A description of the bank's overall IRRBB management and mitigation strategies.

The MRPC has responsibility for governing the nature and the level of the bank's IRRBB exposure. The committee approves broad business strategies as well as overall policies with respect to IRRBB. It ensures that there is clear guidance regarding the acceptable level of IRRBB, given the bank's business strategies.

Accordingly, the MRPC is responsible for ensuring that steps are taken by the bank to identify, measure, monitor and control IRRBB consistent with the approved strategies and policies.
i. Appropriate limits on IRRBB, including the definition of specific procedures and approvals necessary for exceptions, and ensuring compliance with the limits;
ii. Adequate systems and standards for measuring IRRBB;
iii. Standards for measuring IRRBB, valuing positions and assessing performance, including procedures for updating interest rate shock and stress scenarios and key underlying assumptions driving the institution's IRRBB analysis;
iv. A comprehensive IRRBB reporting and review process; and
v. Effective internal controls and management information systems (MIS).

Market Risk has established a monitoring and reporting process for profit rate risk that provides pertinent and timely information to MRPC. The following lists some of the aspects of the regular monitoring:
i. Monitoring of the implementation of the limits
ii. Checking for limit violations as and when they occur, and reporting accordingly
iii. Computing the profit rate risk of the Bank's portfolio
iv. Detection and correction of deficiencies in the policies, processes and procedures that relate and have a direct impact on market and profit rate risk
v. Managing profit rate risk through ongoing, periodic and annual reviews

For the measurement of profit rate risk, the Bank has adopted the Economic Value of Equity and Earnings based approaches as recommended by the Basel committee. EVE Approach captures the long term risk of change in values of banking book assets and liabilities till maturity/reprising.

Limit Structures for Profit Rate Exposures

EaR Trigger - This is the maximum level of loss in earnings that can be incurred over a given time frame.

TRAP Trigger – This is being implemented and acts as a management action trigger on the economic change in value of the balance sheet from a defined point in time (e.g. Month-to-date, Year-to-date and Inception-to-date).

Economic Value of Equity (EVE) or the Equity approach captures the long-term risk of change in values of banking book assets and liabilities till maturity/re-pricing for the purpose of capital estimation.

BAJ manages its profit rate risk on an entity-wide basis, it re-evaluates its cash flow exposures periodically. The frequency of the evaluation would depend on the Bank's risk management policy and repricing intervals of the hedged items and instruments.

(c) The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB.

Market Risk Management is responsible for monitoring profit rate risk, on a day-to-day basis. Market Risk is also responsible for implementing the profit rate risk policy. Profit rate risks are reported to the MRPC.

Stress Testing
The Bank conducts stress tests semi-annually, in line with the regulatory requirements, to identify vulnerabilities in the Bank's portfolio to various risks as envisaged in its Pillar-2 assessments. The stress test has the objective of enabling the Bank to assess the capital requirements and implement corrective actions, if required. Besides, the Bank also conducts ad hoc stress tests pertaining to various portfolios such as real estate, impact of provisions due to vulnerable accounts etc.

Stress tests produce information summarizing the Bank's exposure to extreme, but possible, circumstances and offer a way of measuring and monitoring the portfolio against extreme risk factor movements. Stress testing addresses the large moves in key market variables of the kind that lie beyond day-to-day risk monitoring but could potentially occur.

Sensitivity Analysis
A sensitivity analysis includes shocking the various profit rates by 'x' basis points.

Scenario Analysis
A scenario analysis includes building scenarios of benchmark profit rates, changing the level, slope and shape of the profit rate curves and changing the spreads between various profit rates.
Market Risk is responsible for performing stress tests in line with regulatory and executive management's requirements.

(d) **A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and in earnings.**

In line with Basel best practices, Bank applies six prescribed interest rate shock scenarios to capture parallel and non-parallel gap risks for EVE and two prescribed interest rate shock scenarios for NII. IRRBB is measured by means of the following six scenarios:
a. parallel shock up;
b. parallel shock down;
c. steepener shock (short rates down and long rates up);
d. flattener shock (short rates up and long rates down);
e. short rates shock up; and
f. short rates shock down

(e) **Where significant modelling assumptions used in the bank's IMS (ie the EVE metric generated by the bank for purposes other than disclosure, eg for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure in Table B, the bank should provide a description of those assumptions and of their directional implications and explain its rationale for making those assumptions (eg historical data, published research, management judgment and analysis).**

N/A

(f) **f. A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment.**

In addition, as part of its ongoing asset and liability management activities, BAJ uses derivatives for hedging purposes in order to pro-actively manage its exposure to profit rate risk and remain within risk limit and appetite guidelines. This is generally achieved by hedging items on the balance sheet. Profit rate gaps on the balance sheet are typically created when the bank books long term assets with a fixed profit rate and funds them with short or long term floating profit rate liabilities e.g. Sukuks and fixed term customer deposits. These gaps exposes the bank to profit rate risk and the bank's strategy is to manage the exposure arising from these gaps (fixed-rate assets) by using derivatives to off-set the exposure. This can be achieved by receiving a floating and paying a fixed rate on the derivative which results in the profit rate risk (gap) being set-off on the balance sheet. The profit rate gap thus effectively gets neutralized. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are treated in accordance with respective accounting guidelines.

(g) **A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in Table B:**

Banks measures ΔEVE and ΔNII under the prescribed interest rate shock scenarios set out in BASEL guideline "Interest Rate Risk in the Banking Book April 2016". Bank uses its internal model to calculate the PRRBB exposure values.

The qualitative and quantitative disclosure (issued separately) of the bank provide sufficient information and supporting detail to enable the public to:
i. monitor the sensitivity of the bank's economic value and earnings to changes in interest rates;
ii. Understand the primary assumptions underlying the measurement produced by the bank.
iii. Insight into the bank's overall IRRBB objective and IRRBB management.

i. **For ΔEVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used.**

Market / Economical Value of Equity
For ΔEVE calculation; customer rates and other spread have been included in the cash flows and relevant benchmark/yield curves are used for discounting.

i. Banks excludes its own equity from the computation of the exposure level.
ii. Banks includes all cash flows from all interest rate-sensitive assets, liabilities and off-balance sheet items in the banking book in the computation of their exposure. Banks includes commercial margins and other spread components in its cash flows.
iii. Cash flows are being discounted by using standard relevant yield curve/benchmark.
iv. ΔEVE is computed with the assumption of a run-off balance sheet, where existing banking book positions amortize and are not replaced by any new business.

Net Interest Income
For ΔNII calculation; customer rates and other spread have been included in the cash flows and relevant benchmark/yield curves are used for discounting.

i. For ΔNII Banks includes expected cash flows including customer rates and other spread components arising from all interest rate-sensitive assets, liabilities and off-balance sheet items in the banking book.
ii. ΔNII is computed assuming a constant balance sheet, where maturing or repricing cash flows are replaced by new cash flows with identical features with regard to the amount, repricing period and spread components.
iii. ΔNII is disclosed as the difference in future interest income over a rolling 12-month period.

ii. **How the average repricing maturity of non-maturity deposits in (1) has been determined (including any unique product characteristics that affect assessment of repricing behaviour).**

Banks separates its Non-Maturity Deposits according to the nature of the deposits. Bank identifies core and non-core deposits, as described in the section Cash flow slotting (Table 2) but being more conservative the caps average maturity on Retail/Transactional and Wholesale deposit reduced from 5 year to 3years.

Bank classifies the NMDs into retail and wholesale categories. Retail deposits are defined as deposits placed with a bank by an individual person. Deposits made by small business customers and managed as retail exposures. Retail deposits are considered as held in a transactional account when regular transactions are carried out in that account.

Banks distinguishes between the stable and the non-stable parts of each NMD category. The stable NMD portion is the portion that is found to remain undrawn with a high degree of likelihood. Core deposits are the proportion of stable NMDs which are unlikely to reprice even under significant changes in the interest rate environment. The remainder constitutes non-core NMDs.

Banks estimates its level of core deposits by using Basel prescribed procedure for each deposit category to determine the overall volume of core deposits subject to imposed caps.

iii. **The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions.**

Given the fact that prepayments are immaterial, the Bank does not have any prepayment model and/or the early withdrawal rates for time deposits.

iv. **Any other assumptions (including for instruments with behavioural optionalities that have been excluded) that have a material impact on the disclosed ΔEVE and ΔNII in Table B, including an explanation of why these are material.**
Any methods of aggregation across currencies and any significant interest rate correlations between different currencies.

As per customer contract, the Bank has the option to reprice Retail Real Estate transactions. This portfolio has been forecasted to reprice at a reasonably higher rate (< 1%) in relevant scenarios as appropriate.

H) **(Optional) Any other information which the bank wishes to disclose regarding its interpretation of the significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBB since previous disclosures.**

N/A

Quantitative disclosures

1 Average repricing maturity assigned to NMDs is 1.48 Years
2 Longest repricing maturity assigned to NMDs is 3.00 Year

In reporting currency	ΔEVE		ΔNII	
Period	**T**	**T-1**	**T**	**T-1**
Parallel up	(1,128,951,180)	(1,049,077,615)	(150,711,021)	(165,839,927)
Parallel down	2,410,955,059	2,356,769,374	150,711,021	165,839,927
Steepener	(946,901,216)	(980,492,991)		
Flattener	505,830,946	552,290,440		
Short rate up	(412,941,184)	(349,930,788)		
Short rate down	(587,100,712)	(550,776,674)		
Maximum (See note below)	2,410,955,059	2,356,769,374	150,711,021	165,839,927
Period	**T**		**T-1**	
Tier 1 Capital (See note below)	**8,941,872,312**		**8,752,829,778**	