



**Basel II – Pillar 3 Disclosures
For Half yearly as of 30th June 2019**

Table of Contents

Executive Summary 3

1.0 Scope of Application 3

2.0 Capital Structure 3

3.0 Capital Adequacy 4

3.1 Credit Risk Related Disclosures 5

4.0 Credit Risk Mitigation 8

5.0 Counterparty Credit Risk 9

6.0 Market Risk 9

7.0 Equity position in the Banking Book 9

8.0 Profit Rate Risk in Banking Book (PRRBB) 9

Executive Summary

Pillar 3 disclosures are important reporting requirements as per AMBD & Basel II. AMBD is of the view that enhancing market transparency is best supported by the provision of disclosures based on a common framework. Pillar 3 disclosures (market discipline) act as an effective means of informing the market about the risk position of a bank in a consistent and comparable manner.

The disclosure is designed to complement the two other pillars of Basel II requirements, namely the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2), which allow transparency on key pieces of information on the capital structure, risk exposure, risk assessment processes and capital adequacy of the Group.

The disclosure has been prepared in accordance with the Guideline rules laid out in the AMBD guideline (specified in Notice BU/N-4/2018/54) and be reported to AMBD on a semi-annual basis. This report consists of qualitative and quantitative information using tables in the following pages. An explanation of approaches adopted by the Group for measuring the minimum capital requirement are discussed in subsequent sections of this report.

1.0 Scope of Application

The name of the top corporate entity in the group, to which these regulations apply, is Bank Islam Brunei Darussalam Berhad (“BIBD”) and its subsidiaries (“the Group”). The consolidated financial statements are prepared in accordance with the requirement of International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”) and Autoriti Monetari Brunei Darussalam (“AMBD”).

There is no difference between our accounting and reporting in the consolidation to our subsidiaries.

2.0 Capital Structure

The authorized, issued, and paid up capital of the Group comprises of 507,324,659 shares at BND 0.70 each as at 31st December 2018.

Table (1) - Consolidated Capital Structure as at 30th June 2019.

Tier 1 Capital	Amounts in BND '000s
Core capital (Tier 1 capital) before dividend	1,198,094
Less: Dividends to be proposed for the financial year	(88,202)
Core capital (Tier 1 capital) after dividend	1,109,892
Supplementary capital (Tier II capital)	18,946
Less: Investment in Associates and Subsidiaries	(7,080)
Total Regulatory capital after deductions (Capital Base)	1,121,758

The total capital base as of 30th June 2019 – BND1,121,758,000.00

3.0 Capital Adequacy

The Group is subject to compliance to the capital adequacy guidelines stipulated by AMBD under the Capital Adequacy Framework dated 13 February 2019 (version 1.1) of which is in line with the framework of Basel Committee of Banking Supervision (“BCBS”). The approach taken by The Group to assess the adequacy of its capital is based on these guidelines. As stipulated by AMBD in its guidelines (specified in Notice BU/N-4/2017/39), the Group is required to maintain a minimum Tier 1 Capital Adequacy Ratio (CAR) of 5% and minimum total CAR of 10%.

The Group’s strategy is to keep adequate capital levels all the time, to meet regulatory requirements while aiming to optimize the return to shareholder's capital. In accordance with the capital management strategy, the Group recognizes balance between efficiency, flexibility and adequacy in the consideration of capital management. The following considerations are detailed in Internal Capital Adequacy Assessment Process (ICAAP) which is under preparation:

- The development of a capital management strategy, which includes levels of capital buffers, contingent plans, the availability of capital deployed and the various forms of capital instruments (if any); and
- Simulating its capital measures using stress and scenario testing that includes the possibility of variability from planned outcomes, unexpected scenarios, and the impact of concentrations.

Table (2) - Capital Adequacy as at 30th June 2019

Quantitative Disclosures	RWA Amount (BND 000’ s)
Capital Requirements	
1. Credit Risk – Standardized Approach	5,341,411
2. Market Risk – Standardized Approach	2,133
3. Operational Risk – Basic Indicator Approach	617,489
Total	5,961,033
Capital amount	
1. Tier 1	1,109,892
2. Total Regulatory Capital	1,121,758
Capital Ratio	
1. Tier 1	18.62%
2. Total Regulatory Capital	18.82%

BIBD – Pillar 3 Regulatory Disclosures

Table (3) – Standard portfolio as at 30th June 2019

Quantitative Disclosures [^]	RWA Amount (BND 000's)
Capital Requirements	
a) Claims on Sovereign and Central Banks	127,939.72
b) Claims on Public Sector Entities (PSEs)	-
c) Claims on Multilateral Development Banks (MDBs)	10,870.00
d) Claims on Banks and Financial Institutions Exposure	1,620,412.28
e) Exposure to Corporates	1,341,501.70
f) Regulatory Retail Portfolio (including claims on SMEs eligible 75% risk weight	1,315,230.50
g) Claims secured by Residential Property (qualifying 35% RWA only)	33,137.12
h) Equity Portfolio	25,452.66

[^]The disclosures are the standard portfolio as per required by AMBD as per the guidance on pillar 3 (paragraph 3.2.2)

3.1 Credit Risk Related Disclosures

Table 4 (a) – Gross credit exposure by major type of credit exposure as at 30th June 2019

Segment (B\$'000)	Total
Cash and short-term deposit and placement with financial institution	3,881,007
Investment	1,180,224
Financing and advance	3,708,566
Derivative financial asset	35,560
On-balance sheet total	8,805,357
Commitment and contingencies	414,804
Other Off- Balance Sheet exposures	348,926
Total Non-Funded	763,730
Grand Total	9,569,087

Table 4 (b) - Gross Credit Exposures by Geography as at 30th June 2019

Geographic Distribution (B\$'000)	Brunei	Asia (ex- Brunei)	Others	Total
Cash and short-term deposit and placement with financial institution	375,678	2,878,571	626,758	3,881,007
Investment	-	1,078,798	101,426	1,180,224
Financing and advance	3,591,365	50,591	66,610	3,708,566
Derivative financial asset	4,301	20,549	10,710	35,560
On-balance sheet total	3,971,344	4,028,509	805,504	8,805,357
Commitment and contingencies	310,617	103,307	880	414,804
Other Off- Balance Sheet exposures	348,926	-	-	348,926
Total Non-Funded	659,543	103,307	880	763,730
Total	4,630,887	4,131,816	806,384	9,569,087

BIBD – Pillar 3 Regulatory Disclosures

Table 4(c) – Net exposure by industry by major credit exposure as at as at 30th June 2019

Industry Segment (B\$'000)	Cash and short-term and deposit and placement with financial institution	Balance with Autoriti Monetari Brunei Darussalam	Brunei Government Sukuk	Investment	Derivative financial asset	Financing and advance	Financing lease receivable	Other-asset	On-balance sheet total	Commitment and contingencies
Agriculture	-	-	-	-	-	10,729	-	-	10,729	2,973
Financial	3,880,693	-	-	564,104	35,560	26,918	-	-	4,507,275	387,267
Manufacturing	-	-	-	-	-	71,743	-	-	71,743	77,730
Transportation	-	-	-	34,844	-	928,894	-	-	963,738	2,581
Infrastructure	-	-	-	-	-	26,022	-	-	26,022	87,824
Traders	-	-	-	-	-	108,763	-	-	108,763	29,766
Service	-	-	-	74,264	-	110,116	12,627	-	197,007	31,887
Residential Property (personal)	-	-	-	-	-	735,509	-	-	735,509	16,974
Commercial (property development)	-	-	-	51,625	-	100,991	-	-	152,616	20,336
Tourism	-	-	-	-	-	5,894	-	-	5,894	2,273
Telecommunication and Information technology	-	-	-	17,936	-	2,091	-	-	20,027	9,048
Personal and consumption financing	-	-	-	-	-	1,076,460	-	-	1,076,460	69,788
Oil and Gas	-	-	-	-	-	429,366	-	-	429,366	25,283
Others	-	482,654	8,932	435,131	-	-	-	56,670	983,387	-
Total	3,880,693	482,654	8,932	1,177,904	35,560	3,633,496	12,627	56,670	9,288,536	763,730

BIBD – Pillar 3 Regulatory Disclosures

Table 4 (d) - Net Credit Exposures by Residual Contractual Maturity as at 30th June 2019

Residual contractual maturity (B\$'000)	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	No specific maturity
Cash, balance and placements with banks	2,479,614	2,480,513	2,480,513	-	-	-	-	-	-
Balance with AMBD	482,654	482,654	345,734	29,940	55,033	16,572	-	35,375	-
Placement with and financing and advance to banks	1,401,079	1,406,268	522,882	414,537	468,849	-	-	-	-
Government Sukuks	8,932	9,000	-	9,000	-	-	-	-	-
Investments	1,177,904	1,312,850	76,577	42,523	109,028	366,642	403,189	211,293	103,598
Derivatives financial assets	35,560	35,332	30,568	2,045	2,719	-	-	-	-
Financing and advances	3,633,496	4,416,153	916,108	247,174	381,246	1,161,850	797,599	912,176	-
Finance lease receivable	12,627	29,580	180	180	360	1,440	1,450	25,970	-
Other assets	56,670	56,670	42,469	2,494	580	3,269	3,895	3,963	-
Grand Total	9,288,536	10,229,020	4,415,031	747,893	1,017,815	1,549,773	1,206,133	1,188,777	103,598

Table 4 (e) – Impaired financing/facilities and non-performing financing/facilities by Industry Segment as on as at 30th June 2019

Industry Segments (B\$'000)	Overdue			Allowance for losses	Total impaired Assets net of Provision	Other information
	Less than 90 days	90 days and above	Total			Write-offs
Retails	9,344	52,266	61,610	28,513	33,097	3,413
Corporate	20,457	59,685	80,142	24,542	55,600	1
Grand Total	29,801	111,951	141,752	53,055	88,697	3,414

BIBD – Pillar 3 Regulatory Disclosures

Table 4 (f) – Impaired financing/facilities and past due financing/facilities by Geographic Distribution as on as at 30th June 2019

Geographic distribution (B\$'000)	Brunei	Asia (ex-Brunei)	Total
At 1 January 2019	143,873	-	143,873
Classified as impaired during the year	19,844	-	19,844
Reclassified as performing	(5,679)	-	(5,679)
Amount received	(12,872)	-	(12,872)
Amount written off against allowance	(3,414)	-	(3,414)
30 June 2019	141,752	-	141,752

Table 4 (g) – Movement in the allowance for losses on financing and advance

Movement in the allowance for losses on financing and advance (B\$'000)	Total
Opening balance as at 31 December 2018	72,451
Allowance made during the year	6,033
Amount written off during the year	(3,414)
At 30 June 2019	75,070

4.0 Credit Risk Mitigation

Table 5 - Credit Risk Mitigation – Standardized Approach as on 30th June 2019

Standard portfolio [^] (RWA BND '000)	Total exposure (after on-or off-balance sheet netting), after the application of haircuts	Covered by eligible financial collateral	Covered by guarantees/ credit derivatives	Total exposure
Sovereign	129,269	-	-	127,940
Multilateral Development Banks (MDBs)	10,545	-	-	10,870
Public Sector Entities	-	-	-	-
Banks	1,821,090	-	(200,678)	1,620,412
Corporate	1,468,470	-	-	1,341,502
Regulatory Retail	1,318,727	(3,496)	-	1,315,231
Residential Retail	31,952	-	-	33,137
Equity	25,638	-	-	25,453

[^] The disclosures are the standard portfolio as per required by AMBD as per the guidance on pillar 3 (paragraph 3.2.2)

5.0 Counterparty Credit Risk

Table 6 – Total Exposure at default for Counterparty Credit Risk as on 30th June 2019

Counterparty Credit Risk	Exposure Amount in BND'000s	RWA in BND'000s
Counterparty Credit Risk	146,713	50,082
Total Exposure amount	146,713	50,082

6.0 Market Risk

Table 7 - Total Capital Requirement for Market Risk under Standardized Approach as on 30th June 2019

Market Risk	Amount in BND'000s	Amount in BND'000s (RWA)
Profit rate risk	-	-
Equity position risk	-	-
Foreign exchange risk	171	2,133
Commodity risk	-	-
Total Capital Requirement	171	2,133

7.0 Equity position in the Banking Book

Table 8 – Equity position for the year as at 30th June 2019

Equity Position (B\$'000)	Total
Investment in associate	24,207
Investment in Joint Venture	19,931
Grand Total	44,138

8.0 Profit Rate Risk in Banking Book (PRRBB)

Table 9 - following impact on the net profit income and regulatory capital for the year of a movement in interest yield curves as at 30th June 2019

Group (BND'000)	1% increase	1% decrease	3% increase	3% decrease	8% increase	8% decrease
30 June 2019	2.43%	-2.43%	24.54%	-24.54%	100.24%	-100.24%