



**Basel II – Pillar 3 Disclosures
For Half yearly as of 30th June 2020**

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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 30th June 2020.

Table (1) - Consolidated Capital Structure as at 30th June 2020.

Tier 1 Capital	Amounts in BND '000s
Core capital (Tier 1 capital) before dividend	1,196,892
Less: Dividends to be proposed for the financial period	-
Core capital (Tier 1 capital) after dividend	1,196,892
Supplementary capital (Tier II capital)	21,674
Less: Investment in Associates and Subsidiaries	(7,080)
Total Regulatory capital after deductions (Capital Base)	1,211,486

The total capital base as of 30th June 2020 – BND1,211,486,000.00

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 2020

Quantitative Disclosures	RWA Amount (BND 000's)
Capital Requirements	
1. Credit Risk – Standardized Approach	5,232,913
2. Market Risk – Standardized Approach	3,868
3. Operational Risk – Basic Indicator Approach	621,815
Total	5,858,596
Capital amount	
1. Tier 1	1,196,892
2. Total Regulatory Capital	1,211,486
Capital Ratio	
1. Tier 1	20.4%
2. Total Regulatory Capital	20.7%

BIBD – Pillar 3 Regulatory Disclosures

Table (3) – Standard portfolio as at 30th June 2020

Quantitative Disclosures [^]	RWA Amount (BND 000's)
Capital Requirements	
a) Claims on Sovereign and Central Banks	131,654
b) Claims on Public Sector Entities (PSEs)	0
c) Claims on Multilateral Development Banks (MDBs)	11,534
d) Claims on Banks and Financial Institutions Exposure	1,194,299
e) Exposure to Corporates	1,331,535
f) Regulatory Retail Portfolio (including claims on SMEs eligible 75% risk weight	1,307,778
g) Claims secured by Residential Property (qualifying 35% RWA only)	42,366
h) Equity Portfolio	24,693

[^]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 2020

Segment (B\$'000)	Total
Cash and short-term deposit and placement with financial institution	3,338,540
Investment	1,053,310
Financing and advance	4,100,022
Derivative financial asset	35,737
On-balance sheet total	8,527,609
Commitment and contingencies	520,188
Other Off- Balance Sheet exposures	356,382
Total Non-Funded	876,570
Grand Total	9,404,179

Table 4 (b) - Gross Credit Exposures by Geography as at 30th June 2020

Geographic Distribution (B\$'000)	Brunei	Asia (ex- Brunei)	Others	Total
Cash and short-term deposit and placement with financial institution	1,137,593	1,613,924	587,023	3,338,540
Investment	-	982,537	70,773	1,053,310
Financing and advance	3,662,189	111,263	326,570	4,100,022
Derivative financial asset	3,665	12,097	19,975	35,737
On-balance sheet total	4,803,447	2,719,821	1,004,341	8,527,609
Commitment and contingencies	272,723	200,117	47,348	520,188
Other Off- Balance Sheet exposures	339,290	17,092	-	356,382
Total Non-Funded	612,013	217,209	47,348	876,570
Total	5,415,460	2,937,030	1,051,689	9,404,179

BIBD – Pillar 3 Regulatory Disclosures

Table 4(c) – Net exposure by industry by major credit exposure as at as at 30th June 2020

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	-	-	-	-	-	15,303	-	-	15,303	8,873
Financial	3,337,358	-	-	616,871	32,419	111,255	-	-	4,097,903	371,156
Manufacturing	-	-	-	-	-	69,799	-	-	69,799	196,159
Transportation	-	-	-	35,386	-	898,464	-	-	933,850	25,212
Infrastructure	-	-	-	84,029	-	24,070	-	-	108,099	61,719
Traders	-	-	-	-	-	99,460	-	-	99,460	26,948
Service	-	-	-	-	-	68,910	12,601	-	81,511	38,719
Residential Property (personal)	-	-	-	-	-	773,440	-	-	773,440	29,315
Commercial (property development)	-	-	-	26,324	-	387,972	-	-	414,296	18,851
Tourism	-	-	-	-	-	8,633	-	-	8,633	1,880
Telecommunication and Information technology	-	-	-	18,392	-	2,064	-	-	20,456	10,613
Personal and consumption financing	-	-	-	-	-	1,034,008	-	-	1,034,008	76,226
Oil and Gas	-	-	-	-	69	535,392	-	-	535,461	10,899
Others	-	524,957	9,952	267,321	3,249	-	-	31,016	836,495	-
Total	3,337,358	524,957	9,952	1,048,323	35,737	4,028,770	12,601	31,016	9,028,714	876,570

BIBD – Pillar 3 Regulatory Disclosures

Table 4 (d) - Net Credit Exposures by Residual Contractual Maturity as at 30th June 2020

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	2,343,750	2,345,156	2,345,156	-	-	-	-	-	-
Balance with AMBD	524,957	524,957	380,585	23,839	72,828	11,984	-	35,721	-
Placement with and financing and advance to banks	993,608	1,029,008	386,591	319,588	322,829	-	-	-	-
Government Sukuks	9,952	10,000	-	10,000	-	-	-	-	-
Investments	1,048,323	1,162,023	6,880	69,726	146,514	434,228	207,563	158,938	138,174
Derivatives financial assets	35,737	35,322	30,451	3,436	1,435	-	-	-	-
Financing and advances	4,028,770	4,674,070	701,286	239,972	694,083	1,372,303	755,125	911,301	-
Finance lease receivable	12,601	28,860	180	180	360	1,440	1,510	25,190	-
Other assets	31,016	31,016	18,129	1,914	1,727	4,267	1,751	3,228	-
Grand Total	9,028,714	9,840,412	3,869,258	668,655	1,239,776	1,824,222	965,949	1,134,378	138,174

Table 4 (e) – Impaired financing/facilities and non-performing financing/facilities by Industry Segment as on as at 30th June 2020

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	8,748	49,998	58,746	27,718	31,028	5,360
Corporate	50,625	34,343	84,968	26,228	58,740	-
Grand Total	59,373	84,341	143,714	53,946	89,768	5,360

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 2020

Geographic distribution (B\$'000)	Brunei	Asia (ex-Brunei)	Total
At 1 January 2019	146,689	-	146,689
Classified as impaired during the period	15,409	-	15,409
Reclassified as performing	(3,061)	-	(3,061)
Amount received	(9,963)	-	(9,963)
Amount written off against allowance	(5,360)	-	(5,360)
30 June 2020	143,714	-	143,714

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 1 January 2020	69,589
Allowance made during the period	7,023
Amount written off during the period	(5,360)
At 30 June 2020	71,252

4.0 Credit Risk Mitigation

Table 5 - Credit Risk Mitigation – Standardized Approach as on 30th June 2020

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	131,654	-	-	131,654
Multilateral Development Banks (MDBs)	11,534	-	-	11,534
Public Sector Entities	-	-	-	-
Banks	1,353,784	-	(159,485)	1,194,299
Corporate	1,331,353	-	-	1,331,353
Regulatory Retail	1,312,645	(4,867)	-	1,307,778
Residential Retail	42,366	-	-	42,366
Equity	24,693	-	-	24,693

[^] 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 2020

Counterparty Credit Risk	Exposure Amount in BND'000s	RWA in BND'000s
Counterparty Credit Risk	118,852	38,397
Total Exposure amount	118,852	38,397

6.0 Market Risk

Table 7 - Total Capital Requirement for Market Risk under Standardized Approach as on 30th June 2020

Market Risk	Amount in BND'000s	Amount in BND'000s (RWA)
Profit rate risk	-	-
Equity position risk	-	-
Foreign exchange risk	309	3,868
Commodity risk	-	-
Total Capital Requirement	309	3,868

7.0 Equity position in the Banking Book

Table 8 – Equity position for the year as at 30th June 2020

Equity Position (B\$'000)	Total
Investment in associate	25,349
Investment in Joint Venture	18,594
Grand Total	43,943

8.0 Profit Rate Risk in Banking Book (PRRBB)

Table 9 - following impact on the net profit income for the year of a movement in interest yield curves as at 30th June 20

Group (BND'000)	1% increase	1% decrease	3% increase	3% decrease	8% increase	8% decrease
30 June 2020	26,394	(26,394)	79,182	(79,182)	211,153	(211,153)