



Pillar 3 – PUBLIC DISCLOSURES

UNAUDITED AS OF JUNE 30, 2021

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1. Overview and Introduction

The Bank is regulated by the Brunei Darussalam Central Bank (“BDCB”) and follows the updated Pillar 3 - Public disclosure requirements issued by the BDCB in April 2021.

This document is prepared and based on the said notice and complements other regulatory guidance such as the minimum risk-based capital requirements and other quantitative requirement as per the Notice No BU/N-4/2017/39 - Maintenance of Capital Adequacy Ratio and Notice No. BU/N-10/2018/60 : Amendment No. 1 - Supervisory Review and Evaluation Process (SREP)The Pillar 3 disclosure aims to facilitate and promote market discipline by requiring disclosure of key information on a consistent and comparable basis.

1.1 Basel Regulatory Framework

The Basel Accord framework consists of following three main pillars:

- **Pillar I** - defines the regulatory minimum capital requirements by providing rules and regulations for measurement of credit risk, market risk and operational risk. The requirement of capital has to be covered by the Banks’ own regulatory fund;
- **Pillar II** - addresses a Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”) for assessing overall capital adequacy in relation to risks other than Pillar I. Pillar II also introduces the Supervisory Review and Evaluation Process (“SREP”), which is used as a tool to assess the internal capital adequacy of banks; and
- **Pillar III** - complements the other two pillars and focuses on enhanced transparency in information disclosure, covering risk and capital management, including capital adequacy which encourages market discipline and allows market participants to assess specific information.

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”) and Brunei Darussalam Central Bank (“BDCB”).

There is no difference between our accounting and reporting in the consolidation to our subsidiaries. Further details on the basis of consolidation can be referred on the notes to the BIBD financial statements.

C1: Overview of key prudential metrics and Risk Weighted Assets (“RWA”)

KM1: Key Metrics

Purpose: To provide an overview of the Group’s prudential regulatory metrics						
Content: Key prudential metrics related to regulatory capital and other regulatory requirements						
Frequency: Quarterly						
Format: Fixed						
Narrative: The driver of the increase in RWA are due to increase in exposures to Corporates and Financial Institutions.						
Quantitative disclosure:						
		T	T-1	T-2	T-3	T-4
		30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20
Available capital (BND'000)						
1	Tier 1 (adjusted)	1,264,406	1,269,980	1,269,881	1,198,740	1,129,463
2	Total Capital	1,282,726	1,285,812	1,281,387	1,210,889	1,144,057
Total risk-weighted assets (RWA)						
3	Total risk-weighted assets (RWA)	6,414,947	6,360,999	6,400,922	5,996,250	5,232,704
Tier 1 ratio (%)						
4	Tier 1 ratio (%)	19.7%	20.0%	19.8%	20.0%	19.3%
Total capital ratio (%)						
5	Total capital ratio (%)	20.0%	20.2%	20.0%	20.2%	19.5%

OV1: Overview of Risk Weighted Assets (RWA)

Purpose: To provide an overview of total RWA and further breakdowns of RWA.				
Frequency: Quarterly				
Format: Fixed				
Narrative: The driver of the increase in RWA are due to increase exposures to in Corporates and Financial Institutions.				
Quantitative disclosure:				
		(a)	(b)	(c)
		RWA (BND'000)		Minimum capital requirements
		30-Jun-21	31-Mar-21	30-Jun-21
1	Credit Risk (Standardised)	5,719,047	5,659,972	571,905
2	Market Risk (Standardised)	76,272	81,398	7,627
3	Operational risk (Basic Indicator Approach)	619,629	619,629	61,963
4	Total	6,414,947	6,360,999	641,495

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C2: Composition of Capital

CC1: Composition of regulatory capital

Purpose: To provide a breakdown of the constituent elements of a bank's capital		
Content: Breakdown of regulatory capital according to the scope of regulatory consolidation		
Frequency: Semi-Annual		
Format: Fixed		
Narrative: General credit loss reserved only include stage 1.		
Quantitative disclosure:		
	Item (BND'000)	Amount
	Tier 1 Capital : instruments and reserves	1,267,946
1	Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	507,325
2	Non-Cumulative , Non-Redeemable Preference Shares	-
3	Share Premium	-
4	Statutory Reserve Fund	563,516
5	Published Retained Profits/(Accumulated Losses)	183,227
6	General Reserves	-
7	Fair Value Reserves	13,878
8	Tier 1 capital before regulatory adjustments	1,267,946
	Tier 1 Capital: regulatory adjustments	-
9	Reciprocal cross-holdings of ordinary shares (as required by BDCB)	-
10	Goodwill	-
11	Other intangible assets	-
12	Advances/financing granted to employees of the bank for the purchase of shares of the bank under a share ownership plan	-
13	Minority Interests held by 3rd parties in Financial Subsidiary	-
14	Total Regulatory adjustments to Tier 1 Capital	-
15	Tier 1 capital (unadjusted)	1,267,946
	Tier 2 capital: instruments and provisions	21,860
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	21,860
17	Hybrid (debt/equity) Capital Instruments	-
18	Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	-
19	Tier 2 capital before regulatory adjustments	21,860
	Tier 2 capital: regulatory adjustments	21,860
20	Reciprocal Crossholdings of Tier 2 Capital Instruments	-
21	Minority Interests Arising From Holdings of Tier 2 Instruments in Financial Subsidiaries by Third Parties	-
22	Total regulatory adjustments to Tier 2 capital	-
23	Tier 2 capital (T2)	21,860
24	Allowable Supplementary Capital (Tier 2 Capital)	21,860
25	Sub-Total of Tier 1 and Tier 2 Capital	1,289,806
26	Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital	7,080
27	Significant Investments in Banking, Securities and Other Financial Entities	-
28	Significant Investments in Insurance Entities & Subsidiary	7,080
29	Significant Investments in Commercial Entities	-
30	Securitisation Exposures (Rated B+ or Below and Unrated)	-
31	Resecuritisation Exposures (Rated B+ or Below and Unrated)	-
32	Total regulatory capital (TC = T1 + T2)	1,282,726
33	Total risk-weighted assets	6,414,947
	Capital ratios	
34	Tier 1 (as a percentage of risk-weighted assets)	19.7%
35	Total capital (as a percentage of risk-weighted assets)	20.0%

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C6: Credit Risk

CR1: Credit quality of assets

Purpose: To provide a comprehensive picture of the credit quality of a bank's (on- and off- balance sheet) assets.							
Content: Carrying values (corresponding to the accounting values reported in financial statements but according to the scope of regulatory consolidation).							
Frequency: Semi-Annual							
Format: Fixed							
Narrative: Non-performing financings are classified based on the BDCB Regulatory definition of 90 days past due guided by the regulator's Prudential Treatment of problem assets and Accounting for Expected Credit Losses (Notice: BU/N-7/2018/57). Other Investment includes Structure deposit and equity securities. General allowance includes stage 1 (BND21.86mil) and stage 2 (BND2.332mil).							
Note: Based on IFRS9 definition, any non-performing exposure will affect to all other facility. There are clients that have non-performing in the funded exposure and this impacted the unfunded portfolio.							
Quantitative disclosure:							
		(a)	(b)	(c)	(d)	(e)	(f)
		Gross carrying values of		Allowances / impairments	Of which: ECL accounting provisions for credit losses on SA exposure		Net values (a+b-c)
	Asset classes (BND'000)	Defaulted exposures	Non-defaulted exposures		Of which : Specific Allowance	Of which : General Allowance	
1	Financing	143,899	4,037,709	65,663	45,120	20,543	4,115,945
2	Sukuk Investment	-	1,104,502	2,205	-	2,205	1,102,297
3	Debt instrument	-	27,751	-	-	-	27,751
4	Money Market Placement	-	3,636,329	561	-	561	3,635,768
5	Off-balance sheet exposures	808	1,015,711	900	16	884	1,015,619
6	Total	144,707	9,822,002	69,329	45,136	24,193	9,897,380

CR2: Changes in Stock of Defaulted Financing and Debt Securities

Purpose: Identify the changes in a bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.		
Content: Carrying values		
Frequency: Semi-Annual		
Format: Fixed		
Narrative: There is a recovery from non-performing status to performing status, which resulted a lower non-performing portfolio compared to previous year.		
Quantitative disclosure:		
	Asset classes (BND'000)	(a)
1	Defaulted financing and debt securities at end of the previous reporting period	167,892
2	Financing and debt securities that have defaulted since the last reporting period	53,585
3	Returned to non-defaulted status	(31,507)
4	Amounts written off	(77)
5	Other changes	(45,994)
6	Defaulted financing and debt securities at end of the reporting period (1+2-3-4+5)	143,899

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CR3: Overview of Credit Risk Mitigation (CRM) techniques

Purpose: Disclose the extent of use of CRM techniques						
Content: Carrying values - all CRM techniques used to reduce capital requirements and disclose all secured exposures.						
Frequency: Semi-Annual						
Format: Fixed						
Narrative: As per BDCB capital adequacy framework, BIBD uses Cash, foreign currencies and guarantees as eligible collateral for the purpose of credit risk mitigation.						
Quantitative disclosure:						
		(a)	(b)	(c)	(d)	(e)
	Asset classes (BND'000)	Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Financing	3,503,405	612,540	612,540	-	-
2	Sukuk Investment	1,102,297	-	-	-	-
3	Other investment	2,7,751	-	-	-	-
4	Money Market Placement	3,254,690	381,078	-	381,078	-
5	Total	7,888,143	993,618	612,540	381,078	-
6	Of which defaulted	85,681	13,098	13,098	-	-

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CR4: Standardised approach for Credit risk exposure and Credit Risk Mitigation (CRM) effects

Purpose: Illustrate the effect of CRM on standardized approach capital requirements' calculations. The RWA density provides a synthetic metric on riskiness of each portfolio.							
Content: Regulatory exposure amounts.							
Frequency: Semi-Annual.							
Format: Fixed.							
Narrative: There is no significant changes observed.							
Quantitative disclosure:							
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes (BND'000)	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	1,214,402	-	1,214,402	-	105,207	8.66%
2	Non-central government public sector entities	-	-	-	-	-	0.00%
3	Multilateral development banks	4,040	-	4,040	-	808	20.00%
4	Banks	3,796,732	269,289	3,606,193	269,289	1,398,173	36.08%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	1,213,261	211,202	1,144,827	211,202	1,332,135	98.24%
7	Regulatory retail portfolios	1,744,792	43,744	1,678,049	43,744	1,292,784	75.08%
8	Secured by residential property	801,384	26,085	801,384	26,085	561,910	67.91%
9	Secured by commercial real estate	391,036	-	381,090	-	381,090	100.00%
10	Equity	699	-	699	-	1,049	150.00%
11	Non-performing financing	100,033	-	94,650	-	131,182	138.60%
12	Higher-risk categories	213,216	-	213,216	-	306,690	143.84%
13	Other assets	276,100	-	276,100	-	208,016	75.34%
14	Total	9,755,694	550,320	9,414,650	550,320	5,719,047	

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CR5: Standardised approach for Exposures by asset classes and risk weights

Purpose: Present the breakdown of credit risk exposures under the standardized approach by asset class and risk weight (corresponding to the level of risks attributed to the exposure).											
Content: Regulatory exposure amounts											
Frequency: Semi-Annual											
Format: Fixed											
Narrative: No Significant changed was observed.											
Quantitative disclosure:											
	Risk Weight→ Asset Classes (BND'000)↓	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	1,049,935	-	6,523	-	108,082	-	49,862	-	-	1,214,402
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	4,040	-	-	-	-	-	-	4,040
4	Banks	-	-	2,160,114	-	1,498,435	-	216,933	-	-	3,875,482
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	47,786	-	1,308,243	-	-	1,356,029
7	Regulatory retail portfolios	-	-	-	-	-	1,716,040	5,754	-	-	1,721,794
8	Secured by residential property	-	-	-	148,969	-	674,914	3,585	-	-	827,468
9	Secured by commercial real estate	-	-	-	-	-	-	381,090	-	-	381,090
10	Equity	-	-	-	-	-	-	-	699	-	699
11	Non-performing financing	-	-	-	-	-	-	21,586	73,064	-	94,650
12	Higher-risk categories	-	-	-	-	-	-	-	186,950	-	186,950
13	Other assets	68,084	-	-	-	-	-	234,282	-	-	302,366
	Total	1,118,019	-	2,170,677	148,969	1,654,303	2,390,954	2,221,335	260,713	-	9,964,970

C9: Market Risk

MR1: Market risk under standardized approach

Purpose: To provide the components of the capital charge under the <i>Standardised Approach</i> for market risk.		
Content: RWA		
Frequency: Semi-Annual		
Format: Fixed		
Quantitative disclosure:		
		(a)
		RWA (BND'000)
1	Interest rate risk (general and specific)	74,037
2	Equity risk (general and specific)	-
3	Foreign exchange risk	2,235
4	Commodity risk	-
5	Total	76,272