BIBD Pillar III Disclosures

FOR THE YEAR ENDED 31ST DECEMBER 2022

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1. Overview and Introduction

Bank Islam Brunei Darussalam ("BIBD") and its subsidiaries ("the Group") 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.

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 Group' own regulatory fund;
- **Pillar II** – address the Bank's Internal Capital Adequacy Assessment Process ("ICAAP") for assessing an 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 -** compliments the other two pillars and focuses on the 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.

2. Scope of Application

The name of the top corporate entity in the group, to which these regulations apply, is Bank Islam Brunei Darussalam Berhad and its subsidiaries. The consolidated financial statements are prepared in accordance with the requirements of the International Financial Reporting Standards ("IFRS") and BDCB.

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

C1: Overview of key prudential metrics and 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: Comparing September 2022 to December 2022, the tier 1 and total capital increased due to net profit was recognized as capital, which resulted a higher tier 1 and total capital ratio.

Quantitative disclosure:

		T	T-1	T-2	T-3	T-4
		31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21
Available capital (BND'000)						
1	Tier 1	1,276,146	1,182,599	1,255,796	1,268,508	1,284,695
2	Total Capital	1,287,185	1,200,377	1,274,092	1,282,272	1,302,960
Risk-weighted assets (BND'000)						
3	Total risk-weighted assets (RWA)	6,932,782	6,937,085	6,388,496	6,343,104	6,350,173
Risk-based capital ratios as a percentage of RWA						
4	Tier 1 ratio (%)	**18.4%**	**17.0%**	**19.7%**	**20.0%**	**20.2%**
5	Total capital ratio (%)	**18.6%**	**17.3%**	**19.9%**	**20.2%**	**20.5%**

OV1: Overview of Risk Weighted Assets (RWA)

Purpose: To provide an overview of total RWAs and further respective breakdowns.

Frequency: Quarterly

Format: Fixed

Narrative: There is no significant movement in the overall RWA. Quarter-on-quarter movement, In December 2022, there is a slight reduction in both credit risks and market risks RWAs' driven financial institution exposure and a lower foreign exchange position respectively.

Quantitative disclosure:

		(a)	(b)	(c)
BND'000		RWA		Minimum capital requirement
		31-Dec-22	30-Sep-22	31-Dec-22
1	Credit Risk (Standardised)	6,319,155	6,321,188	631,915
2	Market Risk (Standardised)	1,246	3,516	125
3	Operational risk (Basic Indicator Approach)	612,381	612,381	61,238
4	Total	**6,932,782**	**6,937,085**	**693,278**

C2: Composition of Capital

CC1: Composition of regulatory capital

Purpose: To provide a breakdown of the constituent elements of the bank's capital	
Content: Regulatory capital breakdown according to the scope of regulatory consolidation	
Frequency: Semi-Annual	
Format: Fixed	
Narrative: As part of regulatory capital, only stage 1 general credit loss reserved is categorized as capital (stage 2 and stage 3 cannot be use as capital). Note that there is an increase in the negative fair value reserved due to Sukuk marked-to-market.	
Quantitative disclosure:	

	Item (BND'000)	Amount
	Tier 1 Capital: instruments and reserves	
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	581,819
5	Published Retained Profits/(Accumulated Losses)	234,612
6	General Reserves	5,420
7	Fair Value Reserves	(35,830)
8	**Tier 1 capital before regulatory adjustments**	1,293,346
	Tier 1 Capital: regulatory adjustments	
9	Reciprocal cross-holdings of ordinary shares (as required by BDCB)	-
10	Goodwill	-
11	Other intangible assets	13,659
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	13,659
15	**Tier 1 capital**	**1,279,686**
	Tier 2 capital: instruments and provisions	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	14,579
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**	14,579
	Tier 2 capital: regulatory adjustments	
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**	14,579
23	**Tier 2 capital (T2)**	14,579
24	Allowable Supplementary Capital (Tier 2 Capital)	14,579
25	Sub-Total of Tier 1 and Tier 2 Capital	1,294,265
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)**	1,287,185
33	**Total risk-weighted assets**	6,932,782
	Capital ratios	
34	**Tier 1 (as a percentage of risk-weighted assets)**	**18.4%**
35	**Total capital (as a percentage of risk-weighted assets)**	**18.6%**

C3: Linkages between financial statements and regulatory exposures

LIA: Explanations of differences between accounting and regulatory exposure amounts

Purpose: to provide qualitative explanations on the differences observed between accounting carrying value (as defined in Ll1) and amounts considered for regulatory purposes (as defined in Ll2) under each framework.
Content: Qualitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure:
Credit risk exposures difference, reported under Pillar III vis-à-vis financial statements: • As per BDCB Capital Adequacy framework, off balance sheet exposures are converted, by applying a credit conversion factor (“CCF”), into equivalent credit exposures; • Intangible assets such as Goodwill are deducted from Capital and not taken under credit risk weighted assets; • Commercial subsidiaries are completely deconsolidated and only the investments at cost, in those entities, are considered for the risk weight purposes; reserves and retained earnings in these companies are deducted from the group capital; • Under the comprehensive credit risk mitigation approach, eligible collaterals are considered; and • General provisions are not netted off against financing but used as Tier 2 capital up to 1.25% of Credit RWA. • For marketable securities, BIBD perform its valuation of its securities by using the marked-to-market approached by subscribing to Bloomberg data license service. The maintenance of the independent price is under the purview of the risk management middle office and where the unit is responsible to ensure that the price is retrieve on a daily basis. • As of FY2022, BIBD does not have a valuation adjustment reserve for valuing trading position as there is an absent of a trading book.

Ll1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Purpose: To highlight the difference between the accounting and regulatory consolidation scope and the mapping of the financial statement categories including regulatory risk categories
Content: Carrying values
Frequency: Annual
Format: Flexible
Narrative: As of FY2022, there is no difference in the carrying value under the published financial statement and the regulatory consolidation. However, there are several elements which are not factored in, such as market risk and off-balance sheet items which are converted into credit equivalent.

Quantitative disclosure:

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			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 (BND'000)							
Cash and cash equivalents	2,999,315	2,999,315	2,999,315	-	-	-	-
Balances with BDCB	556,603	556,603	556,603	-	-	-	-
Placements with and financing and advances to banks	1,533,155	1,533,155	1,533,272	-	-	-	(117)
Government sukuks	97,332	97,332	97,332	-	-	-	-
Investments	1,401,781	1,401,781	1,402,966		-		(1,185)
Derivative financial assets	136,613	136,613	136,613		-	-	-
Financing and advances	4,282,642	4,282,642	4,295,388	-	-	-	(12,746)
Finance lease receivables	12,529	12,529	12,529	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-
Investment in associate and Joint Ventures	49,745	49,745	42,665	-	-	-	7,080
Other assets	361,405	361,405	361,405	-	-	-	-
Property and equipment	94,885	94,885	94,885	-	-	-	-
Investment property	21,458	21,458	21,458	-	-	-	-
Deferred tax assets	12,628	12,628	12,628	-	-	-	-
Total Assets	11,560,091	11,560,091	11,567,059		-		(6,968)
Liabilities (BND'000)							
Deposits from customers	9,329,368	9,329,368	-	-	-	-	9,329,368
Deposits from banks and other financial institutions	406,047	406,047	-	-	-	-	406,047
Placements from other financial institutions	-	-	-	-	-	-	-
Derivative financial liabilities	15,569	15,569	-	-	-	-	15,569
Other liabilities	475,282	475,282	-	-	-	-	475,282
Zakat	3,882	3,882	-	-	-	-	3,882
Provision for taxation	36,597	36,597	-	-	-	-	36,597
Total Liabilities	10,266,745	10,266,745	-	-	-	-	10,266,745

Ll2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Purpose: Provide information on the main differences (other than due to different scopes for the consolidation which are shown in Ll1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

Content: Carrying values

Frequency: Annual

Format: Flexible

Narrative: Regulatory exposure translate off-balance sheet exposure into credit exposure equivalent which is not considered in the financial statement.

Quantitative disclosure:

		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
	Assets (BND'000)					
1	**Asset carrying value amount under scope of regulatory consolidation (as per Template LI1)**	11,567,406	11,567,406	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per Template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation (Row 1 – Row 2)	11,567,406	11,567,406	-	-	-
4	Off-balance sheet amounts	673,723	426,336	-	247,387	-
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*	14,048	14,048	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	12,255,177	12,007,790	-	247,387	-

C4: Overview of Risk Management

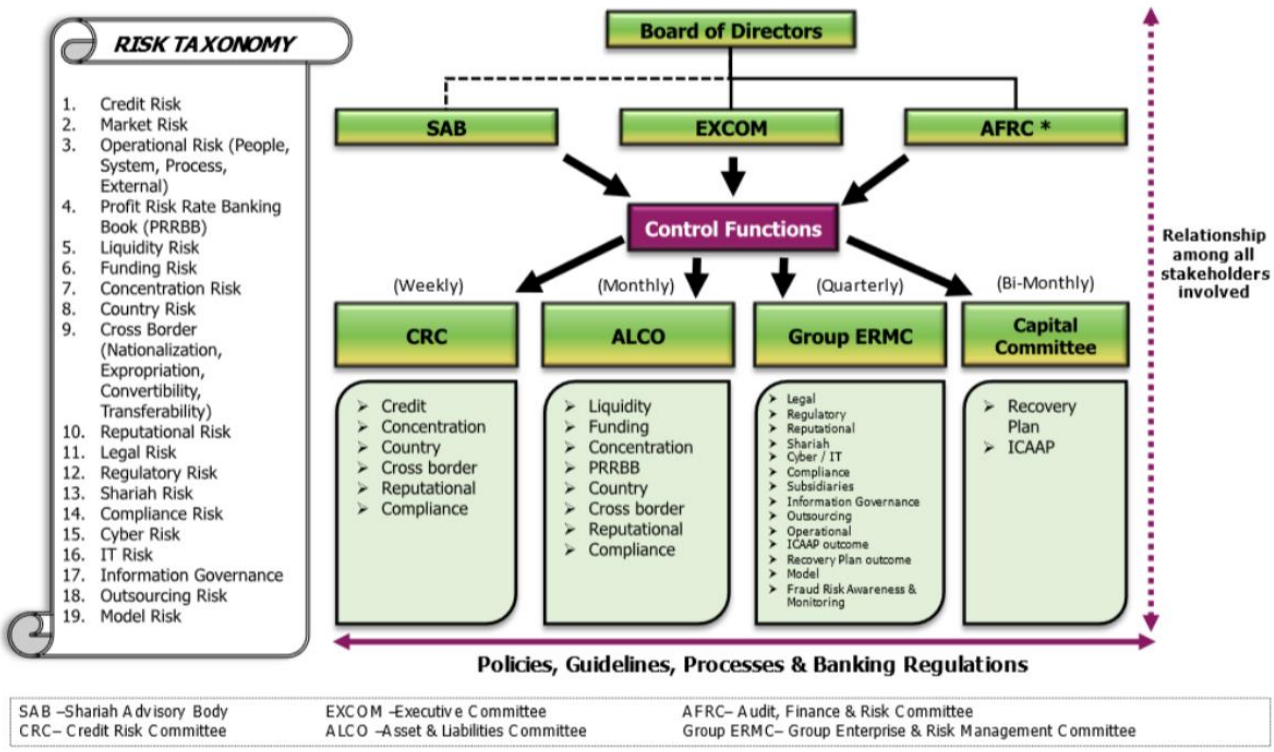
OVA: Risk Management Approach

Purpose: To provide a description of the bank's strategy and how senior management and the board of directors assess and manage risks, enabling users to gain a clear understanding of the Group's risk tolerance/ appetite in relation to its main activities and all significant risks.
Content: Qualitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure:

Risk is inherent in the Group's activities and is managed through a process of ongoing identifications, measurements, and monitoring, subject to the risk type, limits, governance and other controls.

To ensure that all relevant risks of the group are properly identified, well-understood, measured and assessed. The Group has categorized the risk framework into nineteen (19) risk classifications or "Risk Taxonomy" which aimed to proper monitoring, reporting, controlling and mitigating or avoidance of the risk factors in general. This includes an established governance, using effective risk measurement techniques and management information systems, for monitoring and reporting on the Group's risk appetite vis the Group's risk controls, coupled with the strategic and business plans within an Enterprise Risk View.

The Group Risk Governance Structure refers to: all committees and policies related as well as how all the nineteen (19) risk classifications are managed under a risk governance model whereby each risk classification is reported/escalated to the dedicated/delegated senior management committee and later on escalated to and its respective board committee as below shown.



In addition to this, Group Risk Management also adopted the 80:10:10 Group Risk Culture; whereby it is stipulated the specific risk ownership among the "Three (3) lines of defense ("LoD")" as follows:-

3 LOD

1st line: Business units	: Risk owner 80%
2nd line: Risk Management and Compliance	: Risk oversight, policy and methodology 10% (ownership)
3rd line: Internal Audit	: Risk assurance 10% (ownership)

On the same note, RMD provide an ongoing support, guidance and an oversight risk function to all related business units activities through six (6) dedicated units as follows:-

1) **Corporate Credit Risk** – To ensure a healthy balance sheet for corporate portfolios by overseeing credit related matters from an operational, tactical and strategic view, coupled with the recovery plan and stress test exercise.
2) **Retail Credit Risk** – To ensure a healthy balance sheet for retail portfolios by overseeing credit related matters from an operational, tactical and strategic view.
3) **Market Risk** – Overseeing and perform credit risk evaluation for cross-border exposures International Islamic debt and syndication financings, coupled with the market risk analysis related to treasury products as well as the RWAs management and ICAAP elaboration.
4) **Cyber/IT Risk Unit** – Overseeing and perform risk assessment analysis for the IT/Cyber activities and related projects.
5) **Operational Risk** – Overseeing and performs the risk assessment analysis on the 1st LOD's risk activities for both operational and Shariah Non- Compliance Risks.
6) **Shariah Risk Review** – Reviewed and ensured that all Shariah principles were properly implemented and followed.

Risk management functional and governance structure
The Group has aligned its risk organisational responsibilities with the objective of ensuring a common risk view across the Group. As a matter of good business practice and prudence, the Board of Director ("BOD") set and approved risk tolerance and delegated responsibility of the Group's risk management functions to the Audit, Finance and Risk Committee ("AFRC") which has being subdivided into three sub-committees: (1) Audit Sub-Committee, (2) Finance Sub-Committee and (3) Risk Sub-committee; all three oversighting specific scopes and functions within the Group, being an independent and clearly segregated body from the business divisions to ensure such risks are monitored and controlled in a focused manner. However, such delegation of authority does not absolve the Board and its members from their risk management responsibilities and the need to oversee the work of any such committee(s) exercising delegated authority.

Shariah Advisory Body ("SAB") main roles and responsibilities are to advise the Group on the operations of its Islamic banking business in order to ensure that every aspect of the Group operations and activities are compliant with Shariah principles.

The BOD via the Group's Executive committee ("ExCom"), which is at the same level as the AFRC, has also delegated, among others, with the responsibility to oversight the Group credit risk decision, throughout the Credit Risk Committee ("CRC"), Market Risk and liquidity risk throughout the Asset & Liabilities Committee ("ALCO") and all enterprise risks (19 risks) throughout the Enterprise Risk Management Committee ("ERMC").

Risk Management Division is an area, reporting to the Deputy Managing Director 1, responsible for managing the Group's risks, including the following:

- To conform with a statutory scope, all regulatory and internal risk management process in order to have a sound risk management framework, in order to comply with domestic and international alignment.
- To support management in building a healthy credit portfolio in line with the Group's overall strategy and risks appetite;
- To develop an increasing ability to recognized, measured and mitigate or avoid potential risk issues;

The Group has a strong management risk culture, whereby the Risk Management team plays and important role as a 2nd line of defense, having in place a proper Risk Governance, Controls and Monitoring process, in order to minimized losses as well as increasing sustainable revenues. The Group has a Risk Strategy ("RS") which is a holistic document aligning the Group's general objectives with respect to its Risks Appetite Statement ("RAS"), as follows:

- To consistently exceed minimum regulatory capital requirements
- To ensure sufficient levels of liquidity and funding
- To manage the level of risk in the portfolio to an acceptable level
- To maintain favourable external debt ratings

As part of its overall risk management framework, the Group has established different type of limits, in order to properly managed exposures resulting from changes in the credit, liquidity, market (including profit rate risk and foreign exchange risk) and operational risks, among others (enterprise risk management approach).

Credit risk

The Group seeks to manage its credit risk exposures through the diversification of financings and investing activities to avoid undue concentration of risk with individuals and groups of customers within specific locations or businesses. The Group actively uses collaterals to mitigate its credit risk. The credit risks are within the oversight of the CRC.

Market Risk

Market risk is managed on the basis of continuous revaluation of assets against market movements for its foreign currencies and Sukuk price against current market price. Whereas for the liquidity risk, management is monitoring all funding sources, on a monthly basis, and the usage of assets with respect to their overall liquidity in consideration to maintain a healthy balance within the liquid assets (i.e. cash and cash equivalents). Both market and liquidity risks are within the oversight of ALCO.

Market risk also performed regular stress test for its portfolios which includes (1) sukuk portfolio stress test using the Banking Committee on Banking supervision (“BCBS”) six standardized interest rate scenarios, (2) Capital and RWA stress test, (3) Foreign currencies volatility stress test, and (4) Profit rate risk in the banking book stress test, (5) liquidity and funding risk stress test, using the combine scenarios which reports to ALCO on a monthly basis.

Cyber & IT Risk

Within the scope of the Cyber & IT risk management (“CIRM”) (2LoD), is an ongoing activity of identifying, analyzing, responding, monitoring and reviewing risks. CIRM process is primarily focused on information assets that operated within BIBD’s IT eco-system and designed in alignment within various international industry standards, such as Control Objective for Information and Related Technology (“COBIT“) by ISACA, Technology Risk Assessment Framework (“TRAF”) by BDCB among others.

Operational Risk

BIBD recognized the importance of a Risk culture within an organization. In order to promote the risk awareness, Risk management consistently provide trainings to all staff at least once a year. Operational risk is one of the major risk the Group is facing. As a result, the group had appointed risk coordinators across all the divisions within the Group as focal points to escalate any risk management event.

The operational Indictors are the Risk appetite statement (“RAS”) and respective Key Risk Indicators (“KRI”),which are implemented by each division and reviewed on a monthly basis by risk management via respective risk coordinators. Afterwards, results are uploaded in a centralized depository system called “B-wise”, which is a tool use for monitoring and reporting to the Enterprise Risk Management Committee (“ERMC”) on a quarterly basis. B-WISE also acts as a Central Depository for important documentation such as policies, SOPs and regulatory guidelines, that only limited users can have access to. Annually, Risk Management Strategy (“RS”) and Risks Appetite Statements (“RAS”) are review and approved at Board level.

Shariah Risk

Sharia compliance is a cornerstone for the Group as the leading Islamic bank in Brunei Darussalam and in order to comply with The Group Corporate Governance, there is a zero tolerance to any deviation with this respect. And always in full alignment with the Shariah Advisory Body (“SAB”) and Shariah Financial Supervisory Board (“SFSB”).

To manage all other risks, the Group has developed a detailed risk management framework to identify and apply resources to mitigate the risks which is fall within the oversight of the ERMC.

C5: Liquidity Risk

LIQA – Liquidity risk management

Purpose: Provides information on the bank's liquidity risk management framework which it considered relevant to the respective business model and liquidity risk profile, coupled with the organization and functions involved in the liquidity risk management.
Content: Qualitative and quantitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure:

Liquidity and funding risk are defined as the current and prospective risks arising from the Group's inability to efficiently meet present and future liquidity and funding needs or regulatory obligations when they are due, which may adversely affect the daily operations and may incur in unacceptable losses.

The funding strategy of the Group is controlled by the Group Treasury, with the exception of BIBD At' Tamwil which it is fully decentralized at entity level. Board is ultimately responsible for the liquidity and funding risk and in order to properly set up the risk tolerance and respective oversight. The Asset-Liability Management Committee ("ALCO") is held every month based on the governance derived by the board.

Measurement and monitoring tools available for the liquidity and funding risk are in the form of liquidity metrics or KRI (but not limited to) such as maturity mismatch gap and funding concentration which are monitored on a daily basis and reported to the management on a monthly basis and to AFRC on a quarterly basis.

The liquidity risk management process, is performed and monitored by the Asset-Liability management unit which is within the Treasury & Global Markets Division ("TGM") which roles and responsibility includes (not limited to):

- Manages the Group's day-to-day liquidity position.
- Monitoring all future cash flows to ensure that actual and future requirements can be met. This includes replenishment of funds as they mature or additional funding requirements;
- Monitoring the financial position and liquidity ratios against internal and regulatory requirements;
- Managing within the portfolio, the concentration and profile of the financings and investing exposures maturities; and
- Maintains a portfolio liquid asset (HQLA), Sukuks, money market placements with banks, to ensure that sufficient liquidity is maintained.

To manage this risk, the Group seeks to ensure that it will always have sufficient liquidity to meet its obligation when due, under both normal and stressed conditions. The Group also seeks to ensure that it has an adequate level of stable funding from diversified sources as well as ample funding tenor, including the assessment of expected cashflow and maintain High-Quality Liquid Asset ("HQLA") as a liquidity buffer. In addition, the Group maintain the required statutory reserves with BDCB.

The Contingency Funding Plan ("CFP") which is under the purview of ALCO is an important element of the bank's liquidity management, which can be activated in the event of a sudden run-off (or liquidity crisis) within the Group that may cause a disruption in the Group's funding or escalated liquidity requirements. CFP triggers are monitored monthly in ALCO and the pre-defined actions (bank specific or market wide condition) are reviewed by senior management and board at least once a year or more if required.

Stress testing is a forward-looking risk management tool, which includes key assumptions or inputs into the Group activity related to risks identification, monitoring and assessment on top of the Business as Usual ("BAU") assumptions. The result of the stress test will determine if the Group has the right liquidity adequacy and to be recalibrated if required, with respect to its risk appetite, liquidity, funding risk assessment, contingency funding plan and recovery plan to support future decisions. Stress test scenarios are built up based on historical data related to funding sources and the market liquidity assessments in the event of an unforeseen interruption of cashflow. The quantitative disclosure regarding the liquidity risk can be referred to the audit financial statement, maturity analysis, page FS106-FS107.

C6: Credit Risk

CRA: General qualitative information about credit risk

Purpose: Describe the main characteristics and elements of credit risk management
Content: Qualitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure:

Credit risk is the possibility of customers' or counterparties' to failed in meeting their contractual obligations when they fall due. These obligations arise from the Group's direct financing, trade finance and investments undertaken by the Group. The Group's exposure to credit risk is primarily from its financing activities to retail, corporate borrowers' (including small & medium enterprises), financial institutions and Investments. In BIBD, the credit risk is sub-divided into 3 sub-groups: (1) Retail credit risk, (2) Non-retail credit risk (Corporate risk), and (3) Financial institution and sovereign risk.

The Group has adopted the Standardized Approach ("SA") (Basel) for measuring minimum capital requirement for credit risk. To derive the Risk Weighted Assets ("RWAs"), outstanding exposure are netted from specific provisions as well as net application of eligible credit risk mitigants and are multiplied by the specific risk weights based on the regulatory capital framework. Off-balance sheet exposures are converted into credit exposure equivalents ("CEE") through the use of specific Credit Conversion Factors (CCF). The result of the CEE is then multiplied by the specific risk weight to derived the RWAs.

Retail credit risk

Retail credit exposures are managed on a product program basis. Credit product program are assessed jointly between credit risk and business units. BIBD use internal risk scoring models (application and Behavioral scorecard) for credit application, evaluation and approval. Reviews on credit program are conducted on a regular basis to assess the performance of the portfolio. For the retail credit limit, it is governed by the Total Debt Service Ratio ("TDSR") Notice No. BU/N-10/2017/45 – Amendment No. 1.

Non-retail credit risk (Corporate Risk)

Non-retail credit risks are assessed by business units and evaluated/approved in accordance with the Group's Credit Risk Governance. Each borrower is assigned with an initial credit rating, however, for non-retail credit which does not have any credit rating by an External Credit Assessment Institution ("ECAI"), BIBD assigned a proxy rating (S&P Methodology) based on the assessment of relevant qualitative and quantitative factors including the borrower's financial position, types of facilities and proposed securities or collateral. Group wide, a hierarchy of credit approving authorities coupled with committee structures (governance) are in place to ensure an appropriate underwriting standard are consistently enforced within the Group.

Annual reviews are conducted with no more than 12 months from last implementation date or no more than 18 months from last approval/renewal date with updated information on borrower's financial position, management track record, market position, industry and economic condition coupled with the account conduct. Corrective actions are taken when there are signs of credit deterioration.

Credit risk is deliberated and reviewed at CRC which is held weekly, whereas credit risk reports or performance reports are also reported at CRC and quarterly to AFRC and to senior management.

FI and Sovereign risk

Notwithstanding BIBD cater to retail and corporate customer, BIBD also involve in financing or investing in marketable securities issued by financial institution, corporates and sovereign. Depending on the nature of the entity, the type of credit analysis will be focused and different to each sector. The middle office unit perform the analysis based on international best practice tools and methodology used by credit rating agencies, coupled with limits review and review of limits (counterparty and country limits) are approved by CRC and ExCom on an annual basis. AFRC received the credit risk related update on a quarterly basis, and ad-hoc if required.

To avoid concentration of credit risk in its financing and advances portfolio, the Group imposes limits and financing guidelines within related:

- Country limits
- Business segments;
- Single customer groups;
- Counterparties; and
- Collateral valuation.

The Group has established a dedicated team of Collections and Recovery to effectively manage vulnerable borrowers in the retail portfolio and a Special Asset Group for the corporate portfolio. Special attention is given to the close monitoring account and watchlist process, where all borrowers are frequently and intensively monitoring (weekly, monthly and quarterly) in order to accelerate the remedial action.

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 structured deposits, equity securities and unquoted fund. General allowance includes stage 1 (BND13.926mil) and stage 2 (BND2.151mil).

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	134,576	4,194,683	46,617	31,837	14,780	4,282,642
2	Sukuk Investment	-	1,373,352	1,083	-	1,083	1,372,269
3	Other Investment	-	126,943	99	-	99	126,844
4	Money Market Placement	-	4,357,004	117	-	117	4,356,887
5	Off-balance sheet exposures	171	891,930	304	4	301	891,797
6	Total	**134,747**	**10,943,912**	**48,220**	**31,841**	**16,380**	**11,030,439**

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: From the last reporting (1H2022), there was an increase in the non-performing portfolio, by BND15.31million, however this was fully off-set by a reclassification from non-performing status to performing status of BND0.8million and amount written off amounting BND20.65million.

Quantitative disclosure:

	Asset classes (BND'000)	(a)
1	**Defaulted financing and debt securities at end of the previous reporting period**	140,728
2	Financing and debt securities that have defaulted since the last reporting period	15,310
3	Returned to non-defaulted status	(809)
4	Amounts written off	(20,653)
5	Other changes	-
6	**Defaulted financing and debt securities at end of the reporting period (1+2-3-4+5)**	134,576

CRB: Additional disclosure related to the credit quality of assets

Purpose: Supplement the quantitative templates with information on the credit quality of a bank's assets.

Content: Additional qualitative and quantitative information (carrying values).

Frequency: Annual

Format: Flexible

Qualitative disclosure:

A financial asset is considered as past due if any amount is due under a contract (profit, principal, fee or other amount) or has not been paid in full at the date when it was due. An exposure is considered past due from the first day of missed payment, even when the amount of the exposure of the past due amount, as applicable, is not considered material.

Whereas for credit-impaired is when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired, include observable data about the following events:

A. Significant financial difficulty of the issuer or the borrower;
B. A breach of contract, such as a default or past due event (more than 90 due past-due (DPD);
C. The restructuring of a financing or advance by the Group on terms that the Group would not consider otherwise;
D. It is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
E. The disappearance of an active market for that financial asset because of financial difficulties

BIBD's provisioning calculation is based on the IFRS9 standards. IFRS9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Group has developed methodologies and models taking into account the relative size, quality and complexity of the portfolios. These parameters are generally derived from internally developed statistical models and other historical data and are adjusted to reflect forward-looking information.

The portfolio staging is based on the IFRS9 methodology measured at amortized cost, which is divided into 3 stages (Stage 1, 2 and 3).

At origination, all obligors are graded as Stage 1, where there are no concerns on the credit performance. Additionally, all non-retail obligors which are classified as Stage 1 is required for mandatory annual reviews. The provision to Stage 1 portfolio is calculated based on a 12-month expected credit loss.

The non-performing is classified based on the BDCD Regulatory definition of 90 days past due ("DPD"). Nevertheless, it is also possible that the financial asset can be non-performing even if the days past due have not reach 90 days. The criteria is as follows: (1) Bankruptcy (initiated by other creditors), (2) Rated D, (3) Critical adverse findings about an obligor, (4) Partial write off & (5) Restructured obligors (due to financial difficulty) requiring 6 months cure period. Restructured accounts required a cure period of a continuous 6 months period.

Certain stress conditions triggering a "Significant Increase in Credit Risk" ("SICR") (examples: days past due >30 days and/or 4 notches downgrade obligor rating) if prompted, will cause the obligor to be moved to the next stage; i.e. Stage 2, where the probability of default is based on a lifetime expected loss (provision) calculation, and also is required a mandatory annual review. For Retail risk, the staging will be basically on days-past-due, i.e. Stage 2 (include Special mention and substandard under-performing).

If obligors (retail and non-retail) further deteriorate to 90 days past due and above, the obligors will be migrated to Stage 3 (substandard non-performing, doubtful and Loss) and are reported as non-performing. Obligors whose stress remedy requires a restructuring, are reported as non-performing even if days past due (based on restructured terms) is at Zero days. The cure period (removal from non-performing) requires 6 months continuous performance with no lapsed repayments under new terms. All non-retail obligors which are classified as stage 3, required mandatory annual reviews. BIBD restructure exposures are financing accounts which have been restructured due to financial difficulties or/and with concessions are considered forborne. Further disclosure of the forborne exposure can be referred to table CRB4: movements in forborne accounts.

Quantitative disclosures:

CRB1: Gross Credit Exposures by Geography as on 31st December 2022

Geographic Distribution (B$'000)	Brunei	Asia (ex-Brunei)	Global	Total
Cash and short-term deposit and placement with financial institution	1,430,920	2,579,194	522,474	4,532,588
Balance with BDCB	556,603			556,603
Investments	97,332	1,317,858	84,688	1,499,878
Financing and advances	3,793,971	260,713	274,575	4,329,259
Derivative financial assets	124	71,316	65,173	136,613
On-balance sheet total	5,878,950	4,226,081	949,910	11,054,941
Commitment and contingencies	571,350	9,040		580,390
Other Off- Balance Sheet exposures	229,166	79,320	3,225	311,711
Total Non-Funded	800,516	88,360	3,225	892,101
Total	6,679,466	4,314,441	953,135	11,947,042

CRB2: Movement in the allowance for losses on financing and advances

Movement in the allowance for losses on financing and advances (B$'000)	Total
At 1 January 2022	64,024
Allowance made during the year	3,246
Amount written off during the year	(20,653)
At 31 December 2022	46,617

CRB3: Impaired facilities and past due facilities by Geographic Distribution as on 31st December 2022

Geographic distribution (B$'000)	Brunei	Global (ex-Brunei)	Total
At 1 January 2022	117,865	30,473	148,338
Classified as impaired during the year	74,236		74,236
Reclassified as performing	(4,285)	-	(4,285)
Amount received	(63,060)	-	(63,060)
Amount written off against allowances	(20,653)	-	(20,653)
At 31 December 2022	104,103	30,473	134,576

CRB4: Movement in the restructure (forbearance accounts)

Movement in the restructure (forbearance account) (B$'000)	Total
At 1 January 2022	186,634
Classified as forbearance during the year	20,424
Amount received	(57,658)
Reclassified as cure	(26,209)
Non-Cure	(31,449)
At 31 December 2022	149,400

CRB5: Net exposure by industry by major credit exposure as at 31st December 2022

Industry Segment (B$'000)	Cash and short-term and deposit and placement with financial institution	Balance with BDCB	Brunei Government Sukuks	Investments	Derivative financial assets	Financing and advances	Financing lease receivable	Other assets	On-balance sheet total	Commitment and contingencies
Agriculture	-	-	-	-	-	18,846	-	-	18,846	25,344
Financial	4,532,470	-	-	798,238	136,613	230,236	-	-	5,697,557	93,790
Manufacturing	-	-	-	-	-	64,691	-	-	64,691	13,965
Transportation	-	-	-	6,451	-	828,182	-	-	834,633	13,736
Infrastructure	-	-	-	171,891	-	28,012	-	-	199,903	46,872
Traders	-	-	-	-	-	101,413	-	-	101,413	39,886
Service	-	-	-	21,910	-	71,315	12,529	-	105,754	29,306
Residential Property (personal)	-	-	-	-	-	875,477	-	-	875,477	65,177
Commercial (property development)	-	-	-	17,187	-	376,015	-	-	393,202	18,234
Tourism	-	-	-	-	-	7,517	-	-	7,517	2,795
Telecommunication and Information technology	-	-	-	7,555	-	3,639	-	-	11,194	6,338
Personal and consumption financing	-	-	-	-	-	921,859	-	-	921,859	82,306
Oil and Gas	-	-	-	-	-	755,440	-	-	755,440	452,595
Others	-	556,603	97,332	336,163	-	-	-	359,474	1,349,572	
Total	**4,532,470**	**556,603**	**97,332**	**1,359,395**	**136,613**	**4,282,642**	**12,529**	**359,474**	**11,337,058**	**890,344**

CRB6: Net Credit Exposures by Residual Contractual Maturity as on 31st December 2022

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	2,999,315	2,999,315	2,999,315	-	-	-	-	-	-
Balance with BDCB	556,603	556,603	449,775	35,707	53,462	17,573	-	86	-
Placement with and financing and advances to banks	1,533,155	1,561,185	767,990	209,191	584,004	-	-	-	-
Government Sukuks	97,332	97,450	97,450	-	-	-	-	-	-
Investments	1,401,251	1,557,676	214,637	59,637	18,822	794,005	404,805	23,877	41,893
Derivatives financial assets	136,613	134,126	132,939	1,187	-	-	-	-	-
Financing and advances	4,282,642	4,803,311	1,040,813	279,230	429,759	1,241,847	528,476	1,283,186	-
Finance lease receivable	12,529	27,060	180	180	360	1,540	1,560	23,240	-
Other assets	359,474	359,473	328,212	2,079	1,749	14,983	10,542	1,908	-
Grand Total	**11,378,914**	**12,091,442**	**6,029,935**	**587,211**	**1,087,752**	**2,068,241**	**945,383**	**1,331,027**	**41,893**

CRB7: Impaired financing/facilities and non-performing financing/facilities by Industry Segment as on 31st December 2022

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	5,072	30,069	35,141	18,888	16,253	20,604
Non-Retail	50,797	48,638	99,435	12,949	86,486	49
Grand Total	**55,869**	**78,707**	**134,576**	**31,837**	**102,739**	**20,653**

CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

Purpose: Provide qualitative information on the mitigation of credit risk
Content: Qualitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure:

The Group employs a range of guidelines to mitigate credit risk. The main types of collateral obtained by the Group and the Group to mitigate credit risk are as follows:

- For programme lending – assignment of income;
- For mortgages – charges over residential properties;
- For auto financing – ownership claims over the vehicles financed;
- For commercial property financing – charges over the properties financed; and
- For other financing – charges over business assets such as premises, inventories, assignment of receivables or under lien deposits.

However, for capital adequacy purpose, only eligible collateral such as cash, gold, foreign government securities, and guarantees (Brunei Government, Foreign Government, Multilateral Development Bank ("MDB") and other Financial Institution outside of Brunei Darussalam), with the aim to reduce or transfer the credit risk.

BIBD utilized the cash collateral received to reduce credit risk as part of mitigation technique and some of the higher risk weighted money market placement are guaranteed with a financial guarantees. Currently BIBD does not used, as collateral, marketable securities as a credit risk mitigation tool to reduced the credit risk.

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	3,323,469	959,173	959,173	-	
2	Sukuk Investment	1,372,269	-	-	-	
3	Other investment	126,844	-	-	-	
4	Money Market Placement	4,087,615	269,041	-	269,041	
5	**Total**	8,910,197	1,228,214	959,173	269,041	
6	Of which defaulted	73,331	29,405	29,405	-	

*The carrying amount of exposure (net of allowance and impairments) partly or totally secured by collateral.

CRD: Qualitative disclosure on banks' use of external credit ratings under the *standardized approach* for credit risk.

Purpose: Supplement the information on the bank's usage of the standardized approach with qualitative data on the use of external ratings.
Content: Qualitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure
In accordance with the rules and principles laid down by the Basel Committee, BDCB has identified the following international external credit assessment institutions ("ECAI") rating agencies for risk weighting and for capital adequacy purposes as follows: • Moody's • Standard and Poor's ("S&P") • Fitch Rating Credit rating by ECAIs' on the counterparty (borrower) or specific securities issued by the counterparty (the issuer), are the basis for the determination of risk weights under the Standardised Approach for exposures to sovereigns, central banks, public sector entities, banks, corporates as well as certain other specific portfolios. With respect to exposures/obligors that have multiple ratings, the Group is complying with the guideline as stipulated in the Capital Adequacy Framework by BDCB. BIBD acknowledged that not all obligors (either locally or international) are rated by ECAI. As such, in order to be aligned to best practices, BIBD had subscribed and applied the proprietary credit scoring methodology by S&P to assess and determined the credit quality of the obligor and derived an implied/proxy rating. The scoring is based on the S&P nomenclature.

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CR4: SA for Credit risk exposure and credit risk mitigation (CRM) effects

Purpose: Illustrate the effect of CRM on a standardized approach capital requirements' calculations. The RWA density provides a synthetic metric on the riskiness of each portfolio.

Content: Regulatory exposure amounts.

Frequency: Semi-Annual.

Format: Fixed.

Narrative: The exposure include both on balance sheet exposure and with off-balance sheet exposure which is converted by the credit conversion factor ("CCF").

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	2,271,246	2,790	2,271,246	-	169,431	7%
2	Non-central government PSE	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	4,137,879	328,550	3,868,838	328,550	1,639,345	39%
5	Securities firms	-	-	-	-	-	-
6	Corporates	1,399,397	258,218	1,304,596	258,218	1,514,994	97%
7	Regulatory retail portfolios	1,653,986	51,577	1,585,187	13,489	1,203,718	75%
8	Secured by residential property	862,763	32,588	862,763	32,588	607,896	68%
9	Secured by commercial real estate	353,255	-	331,142	-	331,142	100%
10	Equity	230	-	230	-	346	150%
11	Non-performing financing	102,726	-	99,949	-	143,135	143%
12	Higher-risk categories	57,233	-	57,233	-	73,534	128%
13	Other assets	695,845	-	695,845	-	635,615	91%
14	**Total**	**11,534,560**	**673,723**	**11,077,029**	**632,845**	**6,319,155**	**54%**

CR5: SA 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:

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	Risk Weight→ / Asset Classes (BND'000)↓	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	2,024,590	-	27,691	-	110,144	-	108,821	-	-	2,271,246
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	1,984,058	-	2,210,635	-	2,695	-	-	4,197,388
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	95,638	-	1,467,176	-	-	1,562,814
7	Regulatory retail portfolios	-	-	-	-	-	1,597,691	985	-	-	1,598,676
8	Secured by residential property	-	-	-	160,729	-	731,927	2,695	-	-	895,351
9	Secured by commercial real estate	-	-	-	-	-	-	331,142	-	-	331,142
10	Equity	-	-	-	-	-	-	-	230	-	230
11	Non-performing financing	-	-	-	-	-	-	13,855	86,094	-	99,949
12	Higher-risk categories	-	-	-	-	-	-	24,630	32,603	-	57,233
13	Other assets	-	-	-	-	-	-	695,845	-	-	695,845
	Total	2,024,590	-	2,011,749	160,729	2,416,417	2,329,618	2,647,844	118,927	-	11,709,874

C7: Counterparty Credit Risk (CCR)

CCRA: Qualitative disclosure related to CCR

Purpose: Describe the main characteristics of counterparty credit risk management
Content: Qualitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure:

Counterparty Credit Risk ("CCR") is the risk that a counterparty to a transaction may default before completing the settlement period of the transaction. The objective of the CCR is to measure and quantify should a counterparty defaults before the value date, be sure that the economic loss has been considered. To date, this risk applies to FX transactions only (spot & outright).

CCR exposures are managed actively by capping the limit of counterparty and monitoring the credit rating of the counterparty on a monthly basis.

For the purpose of calculating the capital requirement, BIBD apply the standardized approach whereby the calculation of the CCR exposure is in two components: (1) Potential Future Exposure ("PFE") and (2)the Replacement Cost ("RC").

The Group calculate the PFE by multiplying the total notional principal amount of the foreign exchange contracts by the add on factor, which is split by residual maturity as follows: -

Residual Maturity	Add-on Factor
One year or less	2.0%
Over one year to five years	5.0%
Over five years	7.5%

The Group calculates the current RC of the contract by marking the contract to the market value (marked to market), thus capturing the replacement cost without the need for an estimation. BIBD then adds up the PFE and the RC to get the final current exposure of the CCR.

To manage the Wrong Way Risk ("WWR") exposure, in practice BIBD only deals with highly rated banks and transact with tenors of less than 1 year, effectively reducing the need of a collateral for the uncertainty should a counterparty defaulted.

C8: Securitisation

SECA: Qualitative disclosure requirements related to securitisation exposures.

Purpose: To provide qualitative information on a Bank's strategy and risk management with respect to its securitization activities.
Content: Qualitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure:
Not applicable due to no securitizations in place.

C9: Market Risk

MRA: Qualitative disclosure requirements related to market risk.

Purpose: Provide a description of the risk management objectives and policies for market risk.
Content: Qualitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure:

Market risk is defined as the risk of loss to earnings or capital, resulting from the adverse movements in market prices, such as benchmark rates, foreign exchange rates, equity prices and commodity prices, with respect to the economic value of an asset.

As part of the market risk policy, a governance processes is applied to the market risk activities. This governance policy includes (not limited to):

- Monitoring a wide range of risk metrics appropriate for the respective trading activities - such as gross and net open currency positions, Sukuk price risk, Value-at-Risk (VaR) for Sukuk instruments and limits; and
- Independent valuation (marked-to-market) of financial instruments in the Trading Book.

AFRC is ultimately responsible for the setting of risk limits/risk tolerance with appropriate strategies and provide oversight to Asset Liability Management Committee (“ALCO”) for the monitoring, reporting, hedging and limits excesses’ and escalation procedures given with the parameter setting. ALCO maintains the policy and procedures with regards to the market risk framework that are consistent and in-line with the short and long-term strategic goals and directions of the Board of Directors.

For capital adequacy purpose, the Group uses the Standardized Approach to calculate the regulatory capital requirements related to market risk (covering profit rates, equity, foreign exchange, and commodity). As of FY2022, the market risk exposed by BIBD is only foreign exchange risk.

MR1: Market risk under standardized approach

Purpose: To provide the components of the capital charge under the *Standardised Approach* for market risk.
Content: RWA
Frequency: Semi-Annual
Format: Fixed
Quantitative disclosure:

		(a)
		RWA (BND'000)
1	Profit rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	1,246
4	Commodity risk	-
5	**Total**	**1,246**

C10: Profit Rate Risk in the Banking Book

PRRBBA: Profit Rate Risk in the Banking Book (PRRBB) risk management objective and policies

Purpose: Provide a description of the risk management objectives and policies concerning PRRBB.
Content: Qualitative and quantitative information
Frequency: Annual
Format: Flexible

Qualitative disclosure:

The Group is not significantly exposed to a repricing risk of its customer deposits since, in accordance with the Islamic Shariah principle of Wadiah and Wakalah, the Group does not provide a contractual rate of return to its depositors or investment account holders.

Profit rate risk arises from the possibility of movements within the profit rates that will affect future profitability, cashflows or the fair values of financial instruments. Profit Rate Risk in the Banking Book (PRRBB) is defined as the exposure of the non-trading financial instruments to market rates. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that matures or are re-priced in a given period. The Group manages this risk through risk management strategies.

The Group's asset and liabilities profile can be characterized as a standard retail bank. Stress testing and sensitivity analysis are performed to assess the impact from changes in the yield curve. This exercise is done performed on a monthly basis in ALCO and reported to the AFRC on a quarterly basis.

Non-maturing deposit ("NMD") are analyzed based on statistical tools using the bank historical data of at least 10 years, to derive the core and non-core deposit monitored on a monthly basis. Whereas the assignment of the NMD tenor is based on the average life method of the accounts data of at least 10 years. Financing prepayment or early settlement are assumed to be negligible and not represent any significant impact to the repricing gap.

Quantitative disclosure:

The sensitivity of the statement of profit or loss is the effect of the respective changes in the profit rates on the net income for one year, based on the variable profit rate of non-trading financial assets and financial liabilities held at 31 December 2022.

The below sensitivity matric is illustrative only and adopt simplified scenarios. The sensitivities do not incorporate actions that could be taken by management to mitigate the effect of the global interest rate movements.

	Parallel shift in yield curve	Net Operating income Sensitivity	EVE
1	+50 basis point	BND6.249mil	(BND27.841mil)
2	-50 basis point	(BND6.249mil)	BND34.055mil
3	+100 basis point	BND12.498mil	(BND50.927mil)
4	-100 basis point	(BND12.498mil)	BND76.224mil

Based on internal model, the average repricing maturity assigned to non-maturity deposit ("NMD") are 4 years and 5 years for current account and saving account respectively.

Based on the internal model of 10 years data, the longest repricing maturity assigned to NMD are 3.67 years and 3.48 years for current account and saving account respectively.

C11: Operational Risk

ORA: Qualitative disclosure requirements related to operational risk.

Content: Qualitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure:
The Group is adopting the basic indicator approach (Basel) at present, in calculating the regulatory capital requirements for operational risk. The capital charge is calculated by applying a fixed 15% to the average of positive gross income from the recent three years, which complied with *BDCB Capital Adequacy Framework February 2019 (version 1.1) (Reference AMBD/R/BAS/SP/04)*. According to Basel; Operational risk is defined as the risk of loss resulting from inadequate, or failed from people, internal process, systems or external events. For the Group, operational risks are systematically identified at the Group-Wide level (all Division and subsidiaries). All divisions as 1st LoD, including subsidiaries have appointed their respective Risk Coordinators ("RC") and to date, there are a total of 77 Risk Coordinators Group Wide Level. The role and responsibilities of an RCs is to conduct and self-identify their own risk/control analysis and monitoring its control effectiveness respectively. This also includes reporting any risk events/incidents to ORM for their ongoing escalation to Senior Management and Executive Committees' information. This information called the "risk Event Report", also includes the identification of its root-cause analysis, its preventive mitigation measures and to record the actual operational losses (if any). ORM, as the 2nd LOD, will oversight on the 1st LOD's risk activities to ensure a sound, robust and effective risk management approach in place. The Group classifies Operational Risk with the following risk types; (1) People (2) Process (3) System and (4) External. Operational risk exposures are rated 'high', 'medium' or 'low' in accordance with the risk assessment matrix criteria. Identified risks are captured/recorded within the Group using Risk Appetite Statements ('RAS') and Key Risk Indicators ("KRI") per unit, as a 1st LOD on a monthly basis and monitored/oversight by ORM as 2nd LOD. The ERM Committee oversees the management of the Bank's Risk Taxonomy, inclusive of the operational support of all business unit. The ERM Committee operates based on the terms of reference derived from the Enterprise Risk Management Framework, which is an enterprise risk approach in managing all risk types included within the Risk Taxonomy (19 risk classifications); that can impact on the Group's capabilities to achieve its strategic goals and business objectives. This will allow the Management to understand the risk profiles in order to keep adequate risk controls and respective mitigants in line with the BIBD Group's risk appetite statements approved by the BOD.