



## **BIBD Pillar III Disclosures**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2023**

## BIBD - Pillar III Disclosures

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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 to the notes from the BIBD financial statements.

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### C1: Overview of key prudential metrics and RWA

#### KM1: Key Metrics

<b>Purpose:</b> To provide an overview of the Group's prudential regulatory metrics						
<b>Content:</b> Key prudential metrics related to regulatory capital and other regulatory requirements						
<b>Frequency:</b> Quarterly						
<b>Format:</b> Fixed						
<b>Narrative:</b> Comparing September 2023 to December 2023, 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.						
<b>Quantitative disclosure:</b>						
		T	T-1	T-2	T-3	T-4
		31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
<b>Available capital (BND'000)</b>						
1	Tier 1	1,339,448	1,147,318	1,281,337	1,280,118	1,276,146
2	Total Capital	1,347,365	1,155,869	1,291,957	1,291,679	1,287,185
<b>Risk-weighted assets (BND'000)</b>						
3	Total risk-weighted assets (RWA)	7,270,838	7,214,520	7,262,122	6,882,040	6,932,782
<b>Risk-based capital ratios as a percentage of RWA</b>						
4	Tier 1 ratio (%)	18.4%	15.9%	17.6%	18.6%	18.4%
5	Total capital ratio (%)	18.5%	16.0%	17.8%	18.8%	18.6%

#### OV1: Overview of Risk Weighted Assets (RWA)

<b>Purpose:</b> To provide an overview of total RWAs and further respective breakdowns.				
<b>Frequency:</b> Quarterly				
<b>Format:</b> Fixed				
<b>Narrative:</b> There is no significant movement in the overall RWA. Quarter-on-quarter movement, In December 2023, there is a slight increase in both credit risks and market risks RWAs' driven financial institution exposure and a lower foreign exchange position respectively.				
<b>Quantitative disclosure:</b>				
		(a)	(b)	(c)
		RWA		Minimum capital requirement
	BND'000	31-Dec-23	30-Sep-23	31-Dec-23
1	Credit Risk (Standardised)	6,650,444	6,594,721	665,044
2	Market Risk (Standardised)	2,328	1,733	233
3	Operational risk (Basic Indicator Approach)	618,066	618,066	61,807
4	Total	7,270,838	7,214,520	727,084

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### C2: Composition of Capital

#### CC1: Composition of regulatory capital

<b>Purpose:</b> To provide a breakdown of the constituent elements of the bank's capital		
<b>Content:</b> Regulatory capital breakdown according to the scope of regulatory consolidation		
<b>Frequency:</b> Semi-Annual		
<b>Format:</b> Fixed		
<b>Narrative:</b> 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).		
<b>Quantitative disclosure:</b>		
	<b>Item (BND'000)</b>	<b>Amount</b>
	<b>Tier 1 Capital : instruments and reserves</b>	
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	591,175
5	Published Retained Profits/(Accumulated Losses)	279,008
6	General Reserves	4,097
7	Fair Value Reserves	(22,319)
8	<b>Tier 1 capital before regulatory adjustments</b>	<b>1,359,286</b>
	<b>Tier 1 Capital: regulatory adjustments</b>	
9	Reciprocal cross-holdings of ordinary shares (as required by BDCB)	-
10	Goodwill	-
11	Other intangible assets	16,298
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	16,298
15	Tier 1 Capital (prior to Deductions/Adjustments 3)	1,342,988
	<b>Tier 2 capital: instruments and provisions</b>	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	11,457
17	Hybrid (debt/equity) Capital Instruments	-
18	Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	-
19	<b>Tier 2 capital before regulatory adjustments</b>	<b>11,457</b>
	<b>Tier 2 capital: regulatory adjustments</b>	
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	<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>
23	<b>Tier 2 capital (T2)</b>	<b>11,457</b>
24	Allowable Supplementary Capital (Tier 2 Capital)	11,457
25	Sub-Total of Tier 1 and Tier 2 Capital (prior to adjustment 3)	1,354,445
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	<b>Tier 1 capital after regulatory adjustment (T1)</b>	<b>1,339,448</b>
33	<b>Total regulatory capital (TC = T1 + T2)</b>	<b>1,347,365</b>
34	<b>Total risk-weighted assets</b>	<b>7,270,838</b>
	<b>Capital ratios</b>	
35	Tier 1 (as a percentage of risk-weighted assets)	18.4%
36	<b>Total capital (as a percentage of risk-weighted assets)</b>	<b>18.5%</b>

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### C3: Linkages between financial statements and regulatory exposures

#### L1A: Explanations of differences between accounting and regulatory exposure amounts

<b>Purpose:</b> to provide qualitative explanations on the differences observed between accounting carrying value (as defined in L11) and amounts considered for regulatory purposes (as defined in L12) under each framework.
<b>Content:</b> Qualitative information
<b>Frequency:</b> Annual
<b>Format:</b> Flexible
<b>Qualitative disclosure:</b>
Credit risk exposures difference, reported under Pillar III vis-à-vis financial statements: <ul style="list-style-type: none"><li>• As per BDCB Capital Adequacy framework, off balance sheet exposures are converted, by applying a credit conversion factor (“CCF”), into equivalent credit exposures;</li><li>• Intangible assets such as Goodwill are deducted from Capital and not taken under credit risk weighted assets;</li><li>• 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;</li><li>• Under the comprehensive credit risk mitigation approach, eligible collaterals are considered; and</li><li>• General provisions are not netted off against financing but used as Tier 2 capital up to 1.25% of Credit RWA.</li><li>• For marketable securities, BIBD performs its valuation of its securities by using the marked-to-market approached by subscribing to Bloomberg data license service by way of automation. 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, by performing sanity check by comparing the price in the system against on the screen in Bloomberg.</li><li>• As of FY2023, BIBD does not use a marked-to-model valuation and does not have a valuation adjustment reserve for valuing trading position as there is an absent of a trading book.</li></ul>

#### L11: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

<b>Purpose:</b> To highlight the difference between the accounting and regulatory consolidation scope and the mapping of the financial statement categories including regulatory risk categories
<b>Content:</b> Carrying values
<b>Frequency:</b> Annual
<b>Format:</b> Flexible
<b>Narrative:</b> As of FY2023, 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.

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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
BND'000							
<b>Assets (BND'000)</b>							
Cash and cash equivalents	2,002,117		2,002,117				
Balances with BDCB	512,770		512,770				
Placements with and financing and advances to banks	1,028,516		1,028,599				(83)
Government sukuku	9,859		9,859				
Investments	1,414,646		1,414,690				(44)
Derivative financial assets	67,839		67,839				
Financing and advances	4,952,429		4,963,391				(10,962)
Finance lease receivables	12,497		12,497				
Investments in subsidiaries	-		-				
Investment in associate and Joint Ventures	31,001		23,921				7,080
Other assets	223,515		223,515				
Property and equipment	98,027		98,027				
Investment property	20,270		20,270				
Deferred tax assets	9,537		9,537				
Assets held for sale	30,524		30,524				
<b>Total Assets</b>	<b>10,413,547</b>		<b>10,417,556</b>				<b>(4,009)</b>
<b>Liabilities (BND'000)</b>							
Deposits from customers	8,121,271						8,121,271
Deposits from banks and other financial institutions	329,327						329,327
Placements from other financial institutions	184,569						184,569
Derivative financial liabilities	15,710						15,710
Other liabilities	351,360						351,360
Zakat	8,612						8,612
Provision for taxation	43,412						43,412
<b>Total Liabilities</b>	<b>9,054,261</b>						<b>9,054,261</b>



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### LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

<b>Purpose:</b> Provide information on the main differences (other than due to different scopes for the consolidation which are shown in LI1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.						
<b>Content:</b> Carrying values						
<b>Frequency:</b> Annual						
<b>Format:</b> Flexible						
<b>Narrative:</b> Regulatory exposure translate off-balance sheet exposure into credit exposure equivalent which is not considered in the financial statement.						
<b>Quantitative disclosure:</b>						
		(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)	10,417,556	10,417,556			-
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)	10,417,556	10,417,556			-
4	Off-balance sheet amounts	814,004	642,399		171,605	-
5	<i>Differences in valuations</i>					-
6	<i>Differences due to different netting rules, other than those already included in row 2</i>					-
7	<i>Differences due to consideration of provisions</i>	11,089	11,089			-
8	<i>Differences due to prudential filters</i>					-
9	Exposure amounts considered for regulatory purposes	11,242,649	11,071,044		171,605	-

**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

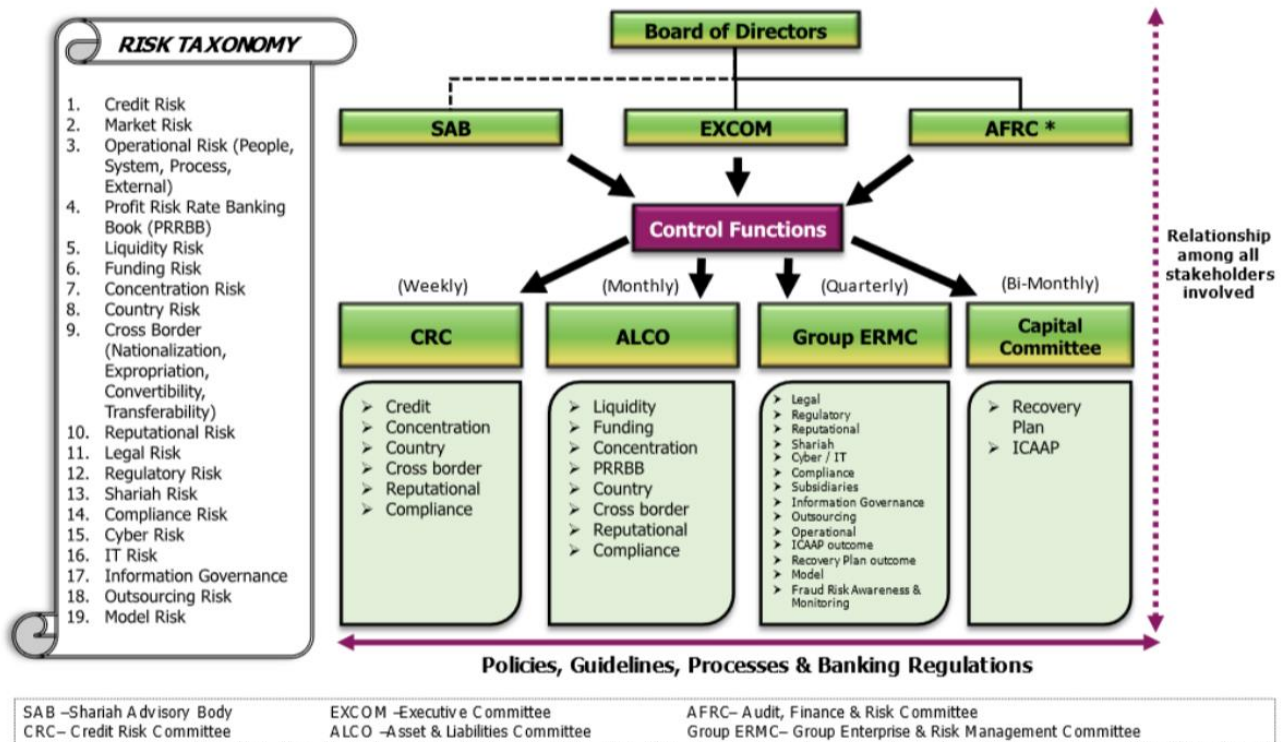
**Format:** Flexible

**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 to 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 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)

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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** - Maintain oversight of all operational risk assessment activities and provide ongoing guidance and support to the 1st Line of Defense (“LOD”) in reviewing and monitoring their operational risk (inclusive of Shariah risk) and control environments, respectively.
- 6) **Shariah Risk Review** - Conduct review assessment of the product implementation process to ensure Syariah Compliance, in line with the Syariah Authorities approval, and report the assessment outcome to the Board, Syariah Advisory Body and Senior Management.

### **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 is constituted as two separate sub-committees namely: (a) The Audit and Finance Sub-Committee (“AFSC”); and (b) The Risk Sub-Committee (“RSC”), all two overseeing 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.
- Assurance that the proper Risk Management Governance, controls and monitoring are in place.

The Group has a strong management risk culture, whereby the Risk Management team plays an important role as a 2<sup>nd</sup> line of defense, having in place proper Risk Governance, Controls and Monitoring processes, 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

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- 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 manage 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 performs 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 recognizes the importance of fostering a risk culture within the organization. To promote risk awareness, Risk Management consistently provides training to all staff. Operational risk is one of the major risks the Group faces. Consequently, the group has appointed risk coordinators across all divisions within the Group as focal points to escalate any risk management event.

The Group has defined risk appetite statements which incorporate a balanced mix of both quantitative and qualitative measures. Quantitative measures are linked to the overall capital charge for operational risk and are monitored through Key Risk Indicators (“KRIs”) and Risk Event Reports (“RERs”). This statement represents the highest level of risk the bank can manage without exceeding regulatory capital limits. Qualitative measures are defined against the Basel Risk Event Categories and are monitored through Key Risk Indicators (“KRIs”) and Risk Event Reports (“RERs”).

The bank utilizes the “B-WISE” system as a central repository for operational risk data and for important documentation such as policies, SOPs, and regulatory guidelines, accessible only to limited users. Annually, the Risk Management Strategy (“RS”) and Risk Appetite Statements (“RAS”) are reviewed and approved at the 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.

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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 ERM.

### **Compliance Risk**

BIBD’s Compliance Division is responsible for managing Compliance Risk for the Bank; and acts as a trusted advisor on matters related to regulations, anti-money laundering, sanctions and terrorism financing and supports BIBD by protecting its value and image through the monitoring transactions and ensures compliance with relevant laws and regulations.

The Regulatory Compliance unit is the centralized point for all regulatory matters, through effective engagement between regulators and Divisions within the BIBD organization. The Financial Crime Compliance unit provides oversight on compliance risk management through ensuring effective policies are in place, articulating the Group’s compliance risk and coordinating training for the wider organization to ensure effective Compliance culture is in place; as well as the management of operational matters relating to investigations and transactions.

The Compliance Division’s focus was to ensure ongoing enhancements and improvements to the Compliance programme which involved ongoing review of the different systems and platforms in place. BIBD continues to invest in Compliance with a drive towards training and certification of the compliance personnel. Engagement with international experts in the field of financial crime compliance continue to take place, with the aim of aligning BIBD’s compliance framework with global standards.

### **Reputational Risk**

Given that reputation is increasingly being recognized as a valuable asset, BIBD Group adopts a proactive approach towards reputational risk management - which includes identifying and assessing threats to the Group’s reputation and exploring enhancement opportunities - to protect the Bank from potential threats to its reputation; as well as minimizing the effects of any potential reputational event when it arises with the ultimate aim to avert the likelihood of any crisis.

BIBD Group has placed the utmost priority on the compliance surveillance with respect to the international and local governance guidelines. BIBD is well-aware of the proper and proactive implementation of all compliance principles, to mitigate, transfer or avoid all risks related to legal, regulatory, compliance, and the adverse impact to BIBD’s reputation.

### **Outsourcing Risk**

The BIBD Board and Senior Management has placed significant emphasis on ensuring that outsourcing and third-party related risks are mitigated and avoided. The BIBD Group has implemented an outsourcing monitoring process to ensure that material services and data received by external sources are reliable and providers have a sound and proven track record.

## **C5: Liquidity Risk**

### **LIQA - Liquidity risk management**

<b>Purpose:</b> 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.
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<b>Content:</b> Qualitative and quantitative information
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<b>Frequency:</b> Annual
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<b>Format:</b> Flexible
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<b>Qualitative disclosure:</b>
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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. Board is ultimately responsible for the liquidity and funding risk and 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 (but not limited to) liquidity metrics or KRI such as maturity mismatch gap and funding concentration which are monitored daily 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 within the Treasury & Global Markets Division ("TGM") and oversight by the Middle office unit under the risk management division 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, 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 maintains 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-FS109.

### **C6: Credit Risk**

#### **CRA: General qualitative information about credit risk**

<b>Purpose:</b> Describe the main characteristics and elements of credit risk management
<b>Content:</b> Qualitative information
<b>Frequency:</b> Annual
<b>Format:</b> Flexible
<b>Qualitative disclosure:</b>
Credit risk is the possibility of customers' or counterparties' failing to meet their contractual obligations when they fall due. These obligations arise from the Group's direct financing, trade finance and investments

## BIBD - Pillar III Disclosures

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 & sovereign risk.

The Group has adopted the Basel Standardized Approach ("SA") for measuring minimum capital requirement for credit risk. To derive the Risk Weighted Assets ("RWAs"), outstanding exposure are net of 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 derive 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 appropriate underwriting standards 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 is also involved in financing as well as investing in marketable securities issued by financial institutions, corporates and sovereigns. Depending on the nature of the entity, the type of credit analysis will be different and focused to each sector. The middle office unit performs analysis based on international best practice and tools as well as methodology used by credit rating agencies, coupled with limits review (counterparty and country limits) approved by CRC and ExCom on an annual basis. AFRC receives 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.

## BIBD - Pillar III Disclosures

### CR1: Credit quality of assets

<b>Purpose:</b> To provide a comprehensive picture of the credit quality of a bank's (on- and off- balance sheet) assets.							
<b>Content:</b> Carrying values (corresponding to the accounting values reported in financial statements but according to the scope of regulatory consolidation).							
<b>Frequency:</b> Semi-Annual							
<b>Format:</b> Fixed							
<b>Narrative:</b> 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 (BND11.256mil) and stage 2 (BND3.170mil).							
Note: Based on IFRS9 definition, any non-performing exposure will affect all other facility. There are clients that have non-performing in the funded exposure and this impacted the unfunded portfolio.							
<b>Quantitative disclosure:</b>							
		(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	89,908	4,901,786	39,265	25,423	13,842	4,952,429
2	Sukuk Investment	-	1,321,301	245	-	245	1,321,056
3	Other Investment	-	103,248	3	-	3	103,245
4	Money Market Placement	-	2,818,432	83	-	83	2,818,349
5	Off-balance sheet exposures	60	1,332,191	262	9	253	1,331,989
6	<b>Total</b>	<b>89,968</b>	<b>10,476,958</b>	<b>39,858</b>	<b>25,432</b>	<b>14,426</b>	<b>10,527,068</b>

### CR2: Changes in Stock of Defaulted Financing and Debt Securities

<b>Purpose:</b> 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.		
<b>Content:</b> Carrying values		
<b>Frequency:</b> Semi-Annual		
<b>Format:</b> Fixed		
<b>Narrative:</b> From the last reporting (1H2023), there was an increase in the non-performing portfolio, by BND51.61million. However this was fully off-set by a reclassification from non-performing status to performing status of BND1.23million and assets written off amounting to BND15.60million, and other changes due to amount recovered of BND47.60million.		
<b>Quantitative disclosure:</b>		
	Asset classes (BND'000)	(a)
1	<b>Defaulted financing and debt securities at end of the previous reporting period</b>	102,730
2	Financing and debt securities that have defaulted since the last reporting period	51,614
3	Returned to non-defaulted status	(1,236)
4	Amounts written off	(15,604)
5	Other changes	(47,596)
6	<b>Defaulted financing and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>89,908</b>



## BIBD - Pillar III Disclosures

### CRB: Additional disclosure related to the credit quality of assets

<b>Purpose:</b> Supplement the quantitative templates with information on the credit quality of a bank's assets.
<b>Content:</b> Additional qualitative and quantitative information (carrying values).
<b>Frequency:</b> Annual
<b>Format:</b> Flexible
<b>Qualitative disclosure:</b>
<p>A financial asset is considered as past due if any amount is due under a contract (profit, principal, fee or other amount) 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 past due exposure, as applicable, is not considered material.</p> <p>Whereas 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:</p> <ul style="list-style-type: none"><li>A. Significant financial difficulty of the issuer or the borrower;</li><li>B. A breach of contract, such as a default or past due event (more than 90 due past-due (DPD));</li><li>C. The restructuring of a financing or advance by the Group on terms that the Group would not consider otherwise;</li><li>D. It is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;</li><li>E. The disappearance of an active market for that financial asset because of financial difficulties</li></ul> <p>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.</p> <p>The portfolio staging is based on the IFRS9 methodology measured at amortized cost, which is divided into 3 stages (Stage 1, 2 and 3).</p> <p>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 are required for mandatory annual reviews. The provision to Stage 1 portfolio is calculated based on a 12-month expected credit loss.</p> <p>The non-performing is classified based on the BDCB 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 reached 90 days. The criteria are as follows: (1) Bankruptcy (initiated by other creditors), (2) Rated D, (3) Critical adverse findings about an obligor, (4) Partial write off &amp; (5) Restructured obligors (due to financial difficulty) requiring 6 months cure period. Restructured accounts require a cure period of a continuous 6 months period.</p> <p>Certain stress conditions triggering a "Significant Increase in Credit Risk" ("SICR") (examples: days past due &gt;30 days and/or 4 notches downgrade obligor rating), 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 is also 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).</p> <p>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, require mandatory annual reviews. BIBD restructured 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.</p>
<b>Quantitative disclosures:</b>

## BIBD - Pillar III Disclosures

### CRB1: Gross Credit Exposures by Geography as on 31<sup>st</sup> December 2023

Geographic Distribution (B\$'000)	Brunei	Asia (ex-Brunei)	Global	Total
Cash and short-term deposit and placement with financial institution	503,335	2,065,580	461,801	3,030,716
Balance with BDCB	512,770	-	-	512,770
Investments	11,082	1,328,354	85,113	1,424,549
Financing and advances	4,069,479	451,504	470,711	4,991,694
Derivative financial assets	721	53,769	13,349	67,839
<b>On-balance sheet total</b>	<b>4,584,617</b>	<b>3,899,207</b>	<b>1,030,974</b>	<b>9,514,798</b>
Commitment and contingencies	527,897	231,020	174,158	933,075
Other Off- Balance Sheet exposures	312,626	76,276	10,274	399,176
<b>Total Non-Funded</b>	<b>840,523</b>	<b>307,296</b>	<b>184,432</b>	<b>1,332,251</b>
<b>Total</b>	<b>5,937,910</b>	<b>4,206,503</b>	<b>1,215,406</b>	<b>11,359,819</b>

### 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 2023	46,617
Allowance made during the year	8,252
Amount written off during the year	(15,604)
<b>At 31 December 2023</b>	<b>39,265</b>

### CRB3: Impaired facilities and past due facilities by Geographic Distribution as on 31<sup>st</sup> December 2023

Geographic distribution (B\$'000)	Brunei	Global (ex-Brunei)	Total
At 1 January 2023	104,103	30,473	134,576
Classified as impaired during the year	26,890	-	26,890
Reclassified as performing	(2,844)	-	(2,844)
Amount received	(22,637)	(30,473)	(53,110)
Amount written off against allowances	(15,604)	-	(15,604)
<b>At 31 December 2023</b>	<b>89,908</b>	<b>-</b>	<b>89,908</b>

### CRB4: Movement in the restructure (forbearance accounts)

Movement in the restructure (forbearance account) (B\$'000)	Total
At 1 January 2023	149,400
Classified as forbearance during the year	32,358
Reclassified as performing	(31,894)
Amount received	(20,403)
<b>At 31 December 2023</b>	<b>129,461</b>

## BIBD - Pillar III Disclosures

**CRB5: Net exposure by industry by major credit exposure as at 31<sup>st</sup> December 2023**

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	-	-	-	-	-	14,077	-	-	14,077	15,648
Financial	3,030,633	-	-	841,323	67,839	322,993	-	-	4,262,788	114,338
Manufacturing	-	-	-	-	-	60,673	-	-	60,673	13,646
Transportation	-	-	-	-	-	834,590	-	-	834,590	11,318
Infrastructure	-	-	-	155,316	-	30,867	-	-	186,183	97,353
Traders	-	-	-	-	-	102,110	-	-	102,110	27,270
Services	-	-	-	21,665	-	58,180	12,497	-	92,342	59,876
Residential Property (personal)	-	-	-	-	-	926,128	-	-	926,128	75,745
Commercial property	-	-	-	49,626	-	693,259	-	-	742,885	393,801
Tourism	-	-	-	-	-	6,855	-	-	6,855	7,208
Telecommunication and Information technology	-	-	-	7,517	-	10,419	-	-	17,936	32,367
Personal and consumption financing	-	-	-	-	-	926,116	-	-	926,116	99,612
Oil and Gas	-	-	-	-	-	966,162	-	-	966,162	308,392
Others	-	512,770	9,859	320,757	-	-	-	220,656	1,064,042	69,599
<b>Total</b>	<b>3,030,633</b>	<b>512,770</b>	<b>9,859</b>	<b>1,396,204</b>	<b>67,839</b>	<b>4,952,429</b>	<b>12,497</b>	<b>220,656</b>	<b>10,202,887</b>	<b>1,326,173</b>

## BIBD - Pillar III Disclosures

**CRB6: Net Credit Exposures by Residual Contractual Maturity as on 31<sup>st</sup> December 2023**

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	2,002,117	2,004,178	2,004,178	-	-	-	-	-	-
Balance with BDCB	512,770	512,770	393,663	31,893	72,007	15,203	-	4	-
Placement with and financing and advances to banks	1,028,516	1,127,382	450,757	508,942	167,683	-	-	-	-
Government Sukuks	9,859	10,000	-	10,000	-	-	-	-	-
Investments*	1,413,118	1,562,485	141,377	189,075	233,635	541,604	398,613	40,977	17,204
Derivatives financial assets	67,839	63,916	62,929	42	945	-	-	-	-
Financing and advances	4,952,429	5,497,738	1,121,188	363,912	544,035	1,555,916	641,973	1,270,714	-
Finance lease receivable	12,497	26,340	180	190	390	1,560	1,560	22,460	-
Other assets*	220,656	251,297	179,613	3,714	10,416	439	12	57,103	-
<b>Grand Total</b>	<b>10,219,801</b>	<b>11,056,106</b>	<b>4,353,885</b>	<b>1,107,768</b>	<b>1,029,111</b>	<b>2,114,722</b>	<b>1,042,158</b>	<b>1,391,258</b>	<b>17,204</b>

\* Investments exclude unquoted equity security and unquoted fund.

\*\* Other assets exclude prepayments.

**CRB7: Impaired financing/facilities and non-performing financing/facilities by Industry Segment as on 31<sup>st</sup> December 2023**

Industry Segments (B\$'000)	Overdue			Allowance for losses	Total impaired assets net of Provision	Other information Write-offs
	Less than 90 days	90 days and above	Total			
Retail	7,079	20,290	27,369	12,525	14,844	15,592
Non-Retail	12,768	49,771	62,539	12,898	49,641	12
<b>Grand Total</b>	<b>19,847</b>	<b>70,061</b>	<b>89,908</b>	<b>25,423</b>	<b>64,485</b>	<b>15,604</b>

## BIBD - Pillar III Disclosures

### CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

<b>Purpose:</b> Provide qualitative information on the mitigation of credit risk
<b>Content:</b> Qualitative information
<b>Frequency:</b> Annual
<b>Format:</b> Flexible
<b>Qualitative disclosure:</b>
<p>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:</p> <ul style="list-style-type: none"> <li>• For programme lending - assignment of income;</li> <li>• For mortgages - charges over residential properties;</li> <li>• For auto financing - ownership claims over the vehicles financed;</li> <li>• For commercial property financing - charges over the properties financed; and</li> <li>• For other financing - charges over business assets such as premises, inventories, assignment of receivables or under lien deposits.</li> </ul> <p>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/or other Financial Institution outside of Brunei Darussalam), are utilized with the aim to reduce and/or transfer the credit risk.</p> <p>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 marketable securities as collateral, as part of credit risk mitigation tool to reduce the credit risk.</p>

### CR3: Overview of credit risk mitigation (CRM) techniques

<b>Purpose:</b> Disclose the extent of use of CRM techniques																																																
<b>Content:</b> Carrying values - all CRM techniques used to reduce capital requirements and disclose all secured exposures.																																																
<b>Frequency:</b> Semi-Annual																																																
<b>Format:</b> Fixed																																																
<b>Narrative:</b> As per BDCB capital adequacy framework, BIBD uses Cash, foreign currencies and guarantees as eligible collateral for the purpose of credit risk mitigation.																																																
<b>Quantitative disclosure:</b>																																																
<table border="1"> <thead> <tr> <th></th> <th>(a)</th> <th>(b)</th> <th>(c)</th> <th>(d)</th> <th>(e)</th> </tr> <tr> <th>Asset classes (BND'000)</th> <th>Exposures unsecured</th> <th>Exposures secured*</th> <th>Exposures secured by collateral</th> <th>Exposures secured by financial guarantees</th> <th>Exposures secured by credit derivatives</th> </tr> </thead> <tbody> <tr> <td>1 Financing</td> <td>4,741,074</td> <td>211,355</td> <td>211,355</td> <td>-</td> <td>-</td> </tr> <tr> <td>2 Debt Securities</td> <td>1,321,056</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>3 Other investment</td> <td>103,245</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>4 Money Market Placement</td> <td>2,661,025</td> <td>157,337</td> <td>-</td> <td>157,324</td> <td>-</td> </tr> <tr> <td><b>5 Total</b></td> <td><b>8,826,400</b></td> <td><b>368,692</b></td> <td><b>211,355</b></td> <td><b>157,324</b></td> <td><b>-</b></td> </tr> <tr> <td>6 Of which defaulted</td> <td>59,616</td> <td>4,435</td> <td>4,435</td> <td>-</td> <td>-</td> </tr> </tbody> </table> <p>*The carrying amount of exposure (net of allowance and impairments) partly or totally secured by collateral.</p>		(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	4,741,074	211,355	211,355	-	-	2 Debt Securities	1,321,056	-	-	-	-	3 Other investment	103,245	-	-	-	-	4 Money Market Placement	2,661,025	157,337	-	157,324	-	<b>5 Total</b>	<b>8,826,400</b>	<b>368,692</b>	<b>211,355</b>	<b>157,324</b>	<b>-</b>	6 Of which defaulted	59,616	4,435	4,435	-	-
	(a)	(b)	(c)	(d)	(e)																																											
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## BIBD - Pillar III Disclosures

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

<b>Purpose:</b> Supplement the information on the bank's usage of the standardized approach with qualitative data on the use of external ratings.
<b>Content:</b> Qualitative information
<b>Frequency:</b> Annual
<b>Format:</b> Flexible
<b>Qualitative disclosure</b>
<p>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:</p> <ul style="list-style-type: none"><li>• Moody's</li><li>• Standard and Poor's ("S&amp;P")</li><li>• Fitch Rating</li></ul> <p>Credit rating by ECAs' 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.</p> <p>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.</p> <p>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&amp;P to assess and determined the credit quality of the obligor and derived an implied/proxy rating. The scoring is based on the S&amp;P nomenclature.</p>

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## BIBD - Pillar III Disclosures

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

**Purpose:** Illustrate the effect of CRM on a standardized approach capital requirements' calculation. 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 includes both on balance sheet exposure and with off-balance sheet exposure which is converted by the credit conversion factor ("CCF"). Note that in other assets includes Cash which carries 0% risk weight.

**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	1,209,866	779	1,209,867	-	156,097	13%
2	Non-central government PSE	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	3,700,086	280,408	3,542,748	280,408	1,461,346	38%
5	Securities firms	-	-	-	-	-	-
6	Corporates	1,359,708	434,837	1,272,448	434,837	1,653,313	97%
7	Regulatory retail portfolios	1,727,710	60,108	1,652,728	40,794	1,276,621	75%
8	Secured by residential property	916,468	37,872	916,468	37,872	652,002	68%
9	Secured by commercial real estate	880,331	-	854,966	-	854,966	100%
10	Equity	1,222	-	1,222	-	1,834	150%
11	Non-performing financing	64,051	-	59,616	-	84,510	142%
12	Higher-risk categories	16,912	-	16,912	-	25,368	150%
13	Other assets	541,201	-	541,201	-	484,387	90%
14	<b>Total</b>	<b>10,417,555</b>	<b>814,004</b>	<b>10,068,176</b>	<b>793,911</b>	<b>6,650,444</b>	<b>61%</b>

## BIBD - Pillar III Disclosures

### 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)
		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total
Risk Weight→											
Asset Classes (BND'000)↓		credit exposures amount (post CCF and post-CRM)									
1	Sovereigns and their central banks	972,188	-	54,864	-	75,382	-	107,433	-	-	1,209,867
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	1,768,391	-	2,051,532	-	3,233	-	-	3,823,156
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	107,945	-	1,599,340	-	-	1,707,285
7	Regulatory retail portfolios	-	-	-	-	-	1,686,999	6,523	-	-	1,693,522
8	Secured by residential property	-	-	-	162,081	-	787,939	4,320	-	-	954,340
9	Secured by commercial real estate	-	-	-	-	-	-	854,966	-	-	854,966
10	Equity	-	-	-	-	-	-	-	1,222	-	1,222
11	Non-performing financing	-	-	-	-	-	-	10,475	49,141	-	59,616
12	Higher-risk categories	-	-	-	-	-	-	-	16,912	-	16,912
13	Other assets	56,814	-	-	-	-	-	484,387	-	-	541,201
<b>Total</b>		<b>972,188</b>	<b>-</b>	<b>1,823,255</b>	<b>162,081</b>	<b>2,234,859</b>	<b>2,474,938</b>	<b>3,127,491</b>	<b>67,275</b>	<b>-</b>	<b>10,862,087</b>



### **C7: Counterparty Credit Risk (CCR)**

#### **CCRA: Qualitative disclosure related to CCR**

<b>Purpose:</b> Describe the main characteristics of counterparty credit risk management								
<b>Content:</b> Qualitative information								
<b>Frequency:</b> Annual								
<b>Format:</b> Flexible								
<b>Qualitative disclosure:</b>								
<p>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 &amp; outright).</p> <p>CCR exposures are managed actively by capping counterparty limits and monitoring the counterparty credit ratings monthly.</p> <p>For the purpose of calculating the capital requirement, BIBD applies 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”).</p> <p>The Group calculates 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: -</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #4b0082; color: white;">Residual Maturity</th> <th style="background-color: #4b0082; color: white;">Add-on Factor</th> </tr> </thead> <tbody> <tr> <td>One year or less</td> <td>2.0%</td> </tr> <tr> <td>Over one year to five years</td> <td>5.0%</td> </tr> <tr> <td>Over five years</td> <td>7.5%</td> </tr> </tbody> </table> <p>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.</p> <p>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.</p>	Residual Maturity	Add-on Factor	One year or less	2.0%	Over one year to five years	5.0%	Over five years	7.5%
Residual Maturity	Add-on Factor							
One year or less	2.0%							
Over one year to five years	5.0%							
Over five years	7.5%							

### **C8: Securitisation**

#### **SECA: Qualitative disclosure requirements related to securitisation exposures.**

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

## BIBD - Pillar III Disclosures

### C9: Market Risk

#### MRA: Qualitative disclosure requirements related to market risk.

<b>Purpose:</b> Provide a description of the risk management objectives and policies for market risk.
<b>Content:</b> Qualitative information
<b>Frequency:</b> Annual
<b>Format:</b> Flexible
<b>Qualitative disclosure:</b>
<p>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.</p> <p>As part of the market risk policy, a governance processes is applied to the market risk activities. This governance policy includes (not limited to):</p> <ul style="list-style-type: none"> <li>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</li> <li>Independent valuation (marked-to-market) of financial instruments in the Trading Book.</li> </ul> <p>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.</p> <p>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).</p>

#### MR1: Market risk under standardized approach

<b>Purpose:</b> To provide the components of the capital charge under the <i>Standardised Approach</i> for market risk.		
<b>Content:</b> RWA		
<b>Frequency:</b> Semi-Annual		
<b>Format:</b> Fixed		
<b>Quantitative disclosure:</b>		
		(a)
		RWA (BND'000)
1	Profit rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	2,328
4	Commodity risk	-
5	<b>Total</b>	<b>2,328</b>

## **C10: Profit Rate Risk in the Banking Book**

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

<b>Purpose:</b> Provide a description of the risk management objectives and policies concerning PRRBB.																				
<b>Content:</b> Qualitative and quantitative information																				
<b>Frequency:</b> Annual																				
<b>Format:</b> Flexible																				
<b>Qualitative disclosure:</b>																				
<p>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.</p> <p>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.</p> <p>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 performed on a monthly basis in ALCO and reported to the AFRC on a quarterly basis.</p> <p>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.</p>																				
<b>Quantitative disclosure:</b>																				
<p>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 2023.</p> <p>The below sensitivity matrix is illustrative only and adopt simplified scenarios. The sensitivities does not incorporate actions that could be taken by management to mitigate the effect of the global interest rate movements.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Parallel shift in yield curve</th> <th>Net Operating income Sensitivity</th> <th>EVE</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>+50 basis point</td> <td>BND5.298mil</td> <td>(BND26.87mil)</td> </tr> <tr> <td>2</td> <td>-50 basis point</td> <td>(BND5.298mil)</td> <td>BND28.36mil</td> </tr> <tr> <td>3</td> <td>+100 basis point</td> <td>BND10.595mil</td> <td>(BND52.387mil)</td> </tr> <tr> <td>4</td> <td>-100 basis point</td> <td>(BND10.595mil)</td> <td>BND58.362mil</td> </tr> </tbody> </table> <p>Based on internal model, the average repricing maturity assigned to non-maturity deposit (“NMD”) is up to 5 years for current account and saving account respectively.</p> <p>Based on the internal model of 10 years data, the longest repricing maturity assigned to NMD are 3.52 years and 4.41 years for current account and saving account respectively.</p>		Parallel shift in yield curve	Net Operating income Sensitivity	EVE	1	+50 basis point	BND5.298mil	(BND26.87mil)	2	-50 basis point	(BND5.298mil)	BND28.36mil	3	+100 basis point	BND10.595mil	(BND52.387mil)	4	-100 basis point	(BND10.595mil)	BND58.362mil
	Parallel shift in yield curve	Net Operating income Sensitivity	EVE																	
1	+50 basis point	BND5.298mil	(BND26.87mil)																	
2	-50 basis point	(BND5.298mil)	BND28.36mil																	
3	+100 basis point	BND10.595mil	(BND52.387mil)																	
4	-100 basis point	(BND10.595mil)	BND58.362mil																	

## BIBD - Pillar III Disclosures

### C11: Operational Risk

#### ORA: Qualitative disclosure requirements related to operational risk.

<b>Content:</b> Qualitative information
<b>Frequency:</b> Annual
<b>Format:</b> Flexible
<b>Qualitative disclosure:</b>
<p>Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events, which may result in financial or non-financial business impacts. These impacts may include potential legal or regulatory sanctions, financial loss, business disruption, or loss of reputation and stakeholders' confidence.</p> <p>The Board, supported by Senior Management, has the ultimate responsibility and accountability for overseeing the BIBD Group's operational risk management framework and takes the lead in establishing a strong risk management culture within the BIBD Group.</p> <p>The Group's approach to operational risk management is comprehensive and encompasses a range of strategies, processes, and controls designed to identify, assess, mitigate, and monitor operational risks across all aspects of business activities. This approach is ensured through procedures defined in the Group Enterprise Risk Management Framework and the Operational Risk Management Policy, which are reviewed and approved by the Board annually.</p> <p>The Three Lines of Defense (LoD) approach is applied to operational risk management. The first line of defense is directly responsible for identifying and managing day-to-day operational risks. All divisions (as 1st LoD), including subsidiaries, have appointed their respective Risk Coordinators ("RC"). Currently, there are 93 Risk Coordinators Group-Wide. The role and responsibilities of RCs include conducting and self-identifying their own risk/control analysis and monitoring its control effectiveness, respectively. This also includes reporting any risk events/incidents to the Risk Management Division for ongoing escalation to Senior Management and Executive Committees' information.</p> <p>The second line of defense is provided by the Risk Management Division, which monitors, facilitates, and oversees the effectiveness and integrity of the Group's operational risk management framework and escalates all operational risk matters to the Group ERM Committee (ERMC) and Board Risk Committee (AFRC).</p> <p>The third line of defense involves the Internal Audit function, which provides independent assurance to the Board and senior management.</p> <p>The Group ERM Committee oversees the management of the Bank's Risk Taxonomy, inclusive of operational risks. This 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 the Group's capabilities to achieve its strategic goals and business objectives. This allows the Management to understand the risk profiles to maintain adequate risk controls and respective mitigants in line with the BIBD Group's risk appetite statements approved by the Board of Directors.</p> <p>Additionally, the Group adopts the Basic Indicator Approach (Basel) to compute operational risk capital charge. This 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).</p>