BIBD Pillar III Disclosures

FOR THE YEAR ENDED 31ST DECEMBER 2024

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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.

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:
September 2024 to December 2024 saw a drop in the Tier 1 ratio and Total Capital ratio by 0.8% respectively. There was an overall decrease in capital due to 2023 dividend payment as well as an increase in the negative fair value reserve.

Quantitative disclosure:

		T	T-1	T-2	T-3	T-4
		31-Dec-24	30-Sep-24	30-Jun-24	31-Mar-24	31-Dec-23
Available capital (BND'000)						
1	Tier 1	1,356,804	1,427,868	1,339,912	1,340,318	1,339,448
2	Total Capital	1,356,804	1,427,868	1,348,314	1,348,009	1,347,365
Risk-weighted assets (BND'000)						
3	Total risk-weighted assets (RWA)	7,594,081	7,635,122	7,698,953	7,653,391	7,270,839
Risk-based capital ratios as a percentage of RWA						
4	Tier 1 ratio (%)	**17.9%**	18.7%	17.4%	17.5%	18.4%
5	Total capital ratio (%)	**17.9%**	18.7%	17.5%	17.6%	18.5%

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 2024, there is a slight decrease in both credit risks and market risks RWAs' driven by financial institution exposure and a lower foreign exchange position respectively.

Quantitative disclosure:

BND'000		(a)	(b)	(c)
		RWA		Minimum capital requirement
		31-Dec-24	30-Sep-24	31-Dec-24
1	Credit Risk (Standardised)	6,943,689	6,983,472	694,369
2	Market Risk (Standardised)	1,829	3,086	183
3	Operational risk (Basic Indicator Approach)	648,563	648,564	64,856
4	Total	**7,594,081**	**7,635,122**	**759,408**

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).		
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	599,075
5	Published Retained Profits/(Accumulated Losses)	297,767
6	General Reserves	5,421
7	Fair Value Reserves	(8,671)
8	**Tier 1 capital before regulatory adjustments**	1,400,917
	Tier 1 Capital: regulatory adjustments	
9	Reciprocal cross-holdings of ordinary shares (as required by BDCB)	-
10	Goodwill	-
11	Other intangible assets	19,128
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	19,128
15	Tier 1 Capital (prior to Deductions/Adjustments 3)	1,381,788
	Tier 2 capital: instruments and provisions	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	9,218
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**	9,218
	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**	-
23	**Tier 2 capital (T2)**	9,218
24	Allowable Supplementary Capital (Tier 2 Capital)	9,218
25	Sub-Total of Tier 1 and Tier 2 Capital (prior to adjustment 3)	1,391,007
26	Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital	34,203
27	Significant Investments in Banking, Securities and Other Financial Entities	27,123
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	**Tier 1 capital after regulatory adjustment (T1)**	1,356,804
33	**Total regulatory capital (TC = T1 + T2)**	1,356,804
34	**Total risk-weighted assets**	7,594,081
	Capital ratios	
35	**Tier 1 (as a percentage of risk-weighted assets)**	17.87%
36	**Total capital (as a percentage of risk-weighted assets)**	17.87%

C3: Linkages between financial statements and regulatory exposures

LlA: 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 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 in Bloomberg. • As of FY2024, 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.

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 FY2024, 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:

BND'000	(a) Carrying values as reported in published financial statements	(b) Carrying values under scope of regulatory consolidation	(c) Carrying values of items: Subject to credit risk framework	(d) Subject to counterparty credit risk framework	(e) Subject to the securitisation framework	(f) Subject to the market risk framework	(g) Not subject to capital requirements or subject to deduction from capital
Assets (BND'000)							
Cash and cash equivalents	2,292,521	-	2,292,521	-	-	-	-
Balances with BDCB	553,536	-	553,536	-	-	-	-
Placements with and financing and advances to banks	824,983	-	825,068	-	-	-	(85)
Government sukuks	9,358	-	9,358	-	-	-	-
Investments	1,500,220	-	1,500,292	-	-	-	(72)
Derivative financial assets	12,014	-	12,014	-	-	-	-
Financing and advances	5,448,261	-	5,456,927	-	-	-	(8,666)
Finance lease receivables	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-
Investment in associate and Joint Ventures	58,610	-	24,407	-	-	-	34,203
Other assets	409,056	-	409,056	-	-	-	-
Property and equipment	112,021	-	112,021	-	-	-	-
Investment property	19,445	-	19,445	-	-	-	-
Deferred tax assets	4,181	-	4,181	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-
Total Assets	**11,244,206**	**-**	**11,218,826**	**-**	**-**	**-**	**25,380**
Liabilities (BND'000)							
Deposits from customers	8,332,378	-	-	-	-	-	8,332,378
Deposits from banks and other financial institutions	288,390	-	-	-	-	-	288,390
Placements from other financial institutions	602,762	-	-	-	-	-	602,762
Derivative financial liabilities	65,201	-	-	-	-	-	65,201
Other liabilities	507,471	-	-	-	-	-	507,471
Zakat	7,946	-	-	-	-	-	7,946
Provision for taxation	39,141	-	-	-	-	-	39,141
Total Liabilities	**9,843,289**	**-**	**-**	**-**	**-**	**-**	**9,843,289**

LI2: 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 LI1) 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 converts off-balance sheet exposure into credit exposure equivalent which is not considered in the financial statement.

Quantitative disclosure:

		(a)	(b)	(c)	(d)	(e)
			Items subject to:			
		Total	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)**	11,218,826	11,218,826	-	-	-
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)	11,218,826	11,218,826	-	-	-
4	Off-balance sheet amounts	527,370	417,999	-	109,371	-
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*	8,823	8,823	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**11,755,019**	**11,645,648**	**-**	**109,371**	**-**

C4: Overview of Risk Management

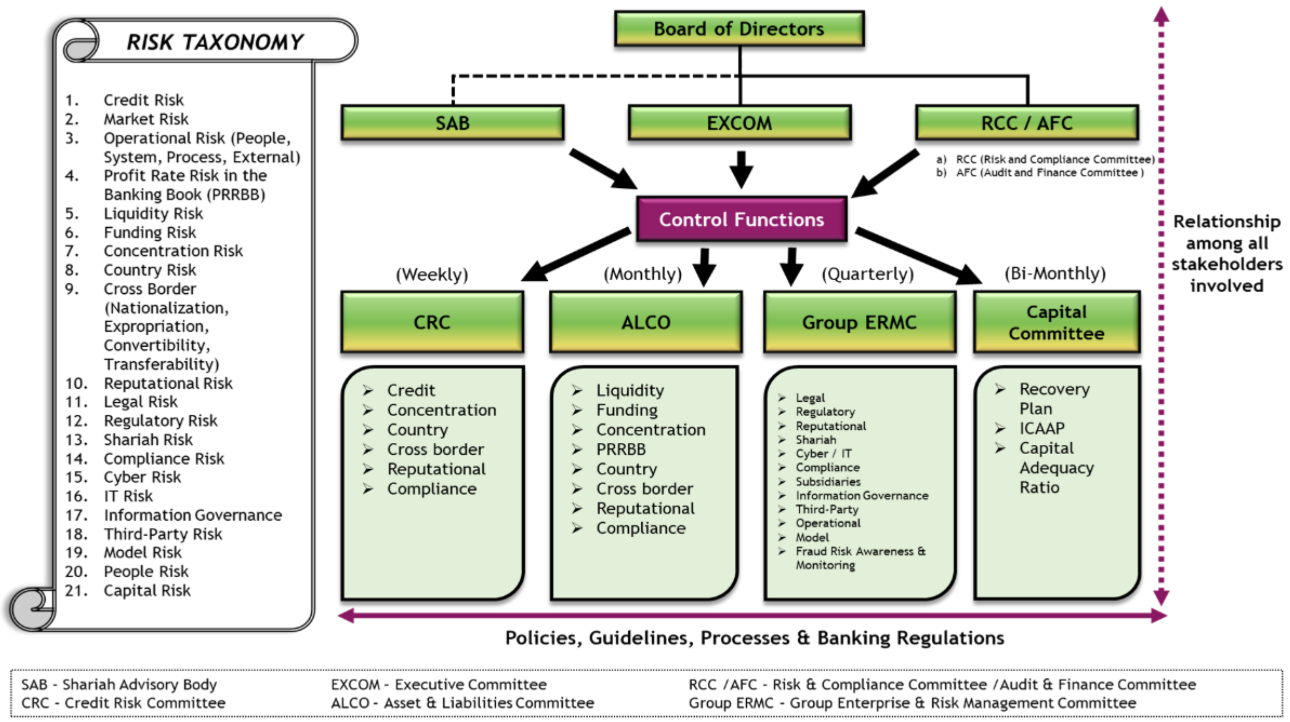
OVA: Risk Management Approach

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 twenty-one (21) 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 twenty-one (21) 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)

On the same note, RMD provides 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, calculates the final RWAs and ICAAP elaboration, related to capital requirements under different stress assumptions.
4) **Cyber & IT Risk Unit** – Oversees 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 Review** – Conduct review assessment on the Post-Syariah Review 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") sets and approves risk tolerance and delegates responsibility of the Group's risk management functions to the Risk and Compliance Committee ("RCC") 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 RCC, has also delegated, among others, with the responsibility to oversight the Group credit risk decision, through the Credit Risk Committee ("CRC"), Market Risk and liquidity risk throughout the Asset & Liabilities Committee ("ALCO") , Capital matters through the Capital Committee ("CC"), and all enterprise risks (21 risks) throughout the Enterprise Risk Management Committee ("ERMC").

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

- To conform the statutory scope, all regulatory and internal risk management process must have a sound risk management framework, and must comply with domestic and international standards.
- To support management in building a healthy credit portfolio and risk management governance in line with the Group's overall strategy and risk appetites.
- To develop an increasing ability to recognize, measure and mitigate or avoid potential risk issues.
- Assurance that the proper Risk Management Governance, controls and monitoring are in place.
- Continuous strengthening of the Risk Management Awareness Process.

The Group has a strong management risk culture, whereby the Risk Management team plays an important role as the 2nd line of defense, having in place proper Risk Governance, Controls and Monitoring processes, in order to minimize 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 Risk Appetite Statement ("RAS"), as follows:

- To consistently exceed minimum regulatory capital requirements

- To ensure sufficient levels of liquidity and funding
- To manage an acceptable level of risk in the portfolio
- To maintain favourable external debt ratings

As part of its overall risk management framework, the Group has established different types 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 and Liquidity 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 tests 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, (4) Profit rate risk in the banking book stress test, and (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 all information assets and cyber related risk issues. 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 a central repository called “B-WISE” for operational risk data and for important documentation such as policies, SOPs, and regulatory guidelines. 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.

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 fall within the oversight of the ERMC.

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.

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 risks 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 unacceptable losses. The funding strategy of the Group is controlled by the Group Treasury, except for BIBD At' Tamwil which is fully decentralized at entity level. Board is ultimately responsible for the liquidity and funding risk and to properly set up the risk tolerance and respective oversight. The ALCO is held every month based on the governance derived by the board.

Measurement and monitoring tools available for liquidity and funding risks are in the form of (but not limited to) liquidity metrics or KRIs such as maturity mismatch gap and funding concentration which are monitored daily and reported to the management monthly and to RCC 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 risk management 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 adequate level of stable funding from diversified sources and 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

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 failing to meet their contractual obligations when due. These obligations arise from the Group's direct financing, trade finance and investments. The Group's exposure to credit risk is primarily from its financing activities to retail, corporate clients' (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 Standardized Approach ("SA") (Basel) for measuring minimum capital requirement for credit risk. To derive the RWA, 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") using 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 is assessed jointly between credit risk and business units. BIBD uses 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 Client 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 assigns a proxy rating (S&P Methodology) based on the assessment of relevant qualitative and quantitative factors including the Client'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 Client'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 RCC and to senior management.

FI and Sovereign risk

BIBD is also involved in financing or 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 focused and different to each sector. The middle office unit performs analysis based on international best practice tools and methodology used by credit rating agencies, coupled with limits review (counterparty and country limits) approved by CRC and ExCom annually. RCC 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
- Single customer groups; and
- Counterparties.

The Group has established a dedicated team of Collections and Recovery to effectively manage vulnerable Clients 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 Clients are frequently and intensively monitoring (weekly, monthly and quarterly) 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 (BND8.922mil) and stage 2 (BND3.201mil). 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 impact the unfunded portfolio also.
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	74,119	5,410,338	36,196	24,675	11,521	5,448,261
2	Sukuk Investment	-	1,421,469	388	-	388	1,421,081
3	Other Investment	-	88,181	-	-	-	88,181
4	Money Market Placement	-	2,954,161	85	-	85	2,954,076
5	Off-balance sheet exposures	-	1,137,990	129	-	129	1,137,861
6	Total	**74,119**	**11,012,139**	**36,798**	**24,675**	**12,123**	**11,049,460**

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 report (1H2024), there was an overall reduction in the non-performing portfolio, by BND14.06million. This was contributed by (1) reclassification to non-default status by BND0.186million, (2) amount written off by BND6.563million and (3) recoveries of BND14.329million. The group has also recorded a new non-performing of BND6.644million.
Quantitative disclosure:

	Asset classes (BND'000)	(a)
1	**Defaulted financing and debt securities at end of the previous reporting period**	88,181
2	Financing and debt securities that have defaulted since the last reporting period	6,644
3	Returned to non-defaulted status	186
4	Amounts written off	(6,563)
5	Other changes	(14,329)
6	**Defaulted financing and debt securities at end of the reporting period (1+2-3-4+5)**	74,119

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) 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.

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:

A. Significant financial difficulty of the issuer or the Clients;
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 Clients 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), macroeconomic overlay, 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 are required for mandatory annual reviews. The provision for the Stage 1 portfolio is calculated based on a 12-month expected credit loss.

The non-performing is classified based on the BDCB Regulatory definition of 90 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 & (5) Restructured obligors (due to financial difficulty) requiring 6 months cure period. Restructured accounts require a cure period of a continuous 6 months period.

Certain stress conditions triggering a "Significant Increase in Credit Risk" ("SICR") (examples: DPD >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).

If obligors (retail and non-retail) further deteriorate to 90 DPD 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 DPD (based on restructured terms) is at 0 days. The cure period (removal from non-performing) requires 6 months continuous performance with no lapsed payments 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.

Quantitative disclosures:

CRB1: Gross Credit Exposures by Geography as on 31st December 2024

Geographic Distribution (B$'000)	Brunei	Asia (ex-Brunei)	Global	Total
Cash and short-term deposit and placement with financial institution	152,986	2,188,631	775,972	3,117,589
Balance with BDCB	553,536	-	-	553,536
Investments	10,581	1,412,111	86,958	1,509,650
Financing and advances	4,144,834	756,518	583,105	5,484,457
Derivative financial assets	8,949	2,402	663	12,014
On-balance sheet total	4,870,886	4,359,662	1,446,698	10,677,246
Commitment and contingencies	591,723	116,080	140,463	848,266
Other Off- Balance Sheet exposures	210,607	69,402	9,715	289,724
Total Non-Funded	802,330	185,482	150,178	1,137,990
Total	5,673,216	4,545,144	1,596,876	11,815,236

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 2024	39,265
Allowance made during the year	7,086
Amount written off during the year	(10,155)
At 31 December 2024	**36,196**

CRB3: Impaired facilities and past due facilities by Geographic Distribution as on 31st December 2024

Geographic distribution (B$'000)	Brunei	Global (ex-Brunei)	Total
At 1 January 2024	89,908	-	89,908
Classified as impaired during the year	19,412	-	19,412
Reclassified as performing	(1,932)	-	(1,932)
Amount received	(23,114)	-	(23,114)
Amount written off against allowances	(10,155)	-	(10,155)
At 31 December 2024	**74,119**	**-**	**74,119**

CRB4: Movement in the restructure (forbearance accounts)

Movement in the restructure (forbearance account) (B$'000)	Total
At 1 January 2024	129,461
Classified as forbearance during the year	7,395
Reclassified as performing	(58,650)
Amount received	(2,361)
At 31 December 2024	**75,845**

CRB5: Net exposure by industry by major credit exposure as at 31st December 2024

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	-	-	-	-	-	12,272	-	-	12,272	20,164
Financial	3,117,504	-	-	997,486	8,035	473,392	-	-	4,596,417	151,918
Manufacturing	-	-	-	-	-	59,193	-	-	59,193	13,559
Transportation	-	-	-	-	-	877,481	-	-	877,481	1,642
Infrastructure	-	-	-	189,146	-	31,909	-	-	221,055	90,893
Traders	-	-	-	-	-	97,292	-	-	97,292	31,652
Services	-	-	-	-	-	58,850	-	-	58,850	23,423
Residential Property (personal)	-	-	-	-	-	988,624	-	-	988,624	62,505
Commercial property	-	-	-	25,528	-	941,158	-	-	966,686	200,815
Tourism	-	-	-	-	-	16,308	-	-	16,308	4,205
Telecommunication and Information technology	-	-	-	15,486	-	40,640	-	-	56,126	29,097
Personal and consumption financing	-	-	-	-	-	933,434	-	-	933,434	102,254
Oil and Gas	-	-	-	-	3,979	917,708	-	-	921,687	242,985
Others	-	553,536	9,358	270,933	-	-	-	406,597	1,240,424	155,000
Total	**3,117,504**	**553,536**	**9,358**	**1,498,579**	**12,014**	**5,448,261**	**-**	**406,597**	**11,045,849**	**1,130,112**

* Investments exclude unquoted equity security and unquoted fund.
** Other assets exclude prepayments.

CRB6: Net Credit Exposures by Residual Contractual Maturity as on 31st December 2024

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	2,292,521	2,294,639	2,294,639	-	-	-	-	-	-
Balance with BDCB	553,536	553,535	423,766	44,827	78,170	6,661	-	111	-
Placement with and financing and advances to banks	824,983	906,392	503,190	328,079	75,123	-	-	-	-
Government Sukuks	9,358	9,500	-	5,000	4,500	-	-	-	-
Investments*	1,498,579	1,674,348	193,251	39,359	291,297	548,649	580,736	21,056	-
Derivatives financial assets	12,014	12,875	9,236	2,056	1,128	455	-	-	-
Financing and advances	5,448,261	6,090,470	1,324,451	306,662	532,102	1,771,315	662,250	1,493,690	-
Finance lease receivable	-	-	-	-	-	-	-	-	-
Other assets*	406,597	406,597	381,292	2,210	4,487	16,366	516	1,726	-
Grand Total	**11,045,849**	**11,948,356**	**5,129,825**	**728,193**	**986,807**	**2,343,446**	**1,243,502**	**1,516,583**	**-**

* 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 31st December 2024

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
Retail	5,632	20,379	26,011	12,191	13,820	10,155
Non-Retail	5,698	42,410	48,108	12,484	35,624	-
Grand Total	**11,330**	**62,789**	**74,119**	**24,675**	**49,444**	**10,155**

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 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/or other Financial Institution outside of Brunei Darussalam), are utilized with the aim to reduce and/or transfer the credit risk.

BIBD utilizes the cash collateral received to reduce credit risk as part of a mitigation technique and some of the higher risk weighted money market placement are guaranteed with a financial guarantee. BIBD does not currently use marketable securities as collateral, as part of credit risk mitigation tool to reduce 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	3,741,538	1,072,360	1,072,360	-	-
2	Debt Securities	1,421,081	-	-	-	-
3	Other investment	88,181	-	-	-	-
4	Money Market Placement	2,373,944	300,227	-	300,227	-
5	**Total**	**7,624,744**	**1,372,587**	**1,072,360**	**300,227**	**-**
6	Of which defaulted	21,378	16,224	16,224	-	-

*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 (Clients) 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 acknowledges that not all obligors (either locally or international) are rated by ECAI. As such, to be aligned with best practices, BIBD is subscribed to and applies the proprietary credit scoring methodology by S&P to assess and determine the credit quality of the obligor and derive 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' 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").
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	781,741	1,239	781,741	1,239	71,312	9%
2	Non-central government PSE	0	0	0	0	0	-
3	Multilateral development banks	0	0	0	0	0	-
4	Banks	4,467,641	194,398	4,183,700	194,398	1,658,167	38%
5	Securities firms	0	0	0	0	0	-
6	Corporates	1,550,975	238,972	1,464,018	238,972	1,619,253	95%
7	Regulatory retail portfolios	1,825,392	61,509	1,730,609	34,172	1,330,858	75%
8	Secured by residential property	979,057	31,252	979,057	31,252	700,878	69%
9	Secured by commercial real estate	920,226	0	911,996	0	911,996	100%
10	Equity	1,223	0	1,223	0	1,834	150%
11	Non-performing financing	49,112	0	45,934	0	64,957	141%
12	Higher-risk categories	0	0	0	0	0	-
13	Other assets	643,459	0	643,459	0	584,434	91%
14	**Total**	**11,218,826**	**527,370**	**10,741,736**	**500,033**	**6,943,689**	**62%**

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	624,513	-	57,324	-	82,591	-	18,552	-	-	782,980
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	2,304,206	-	2,037,074	-	36,819	-	-	4,378,098
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	167,473	-	1,535,517	-	-	1,702,990
7	Regulatory retail portfolios	-	-	-	-	-	1,763,065	1,716	-	-	1,764,781
8	Secured by residential property	-	-	-	144,816	-	861,206	4,288	-	-	1,010,309
9	Secured by commercial real estate	-	-	-	-	-	-	911,996	-	-	911,996
10	Equity	-	-	-	-	-	-	-	1,223	-	1,223
11	Non-performing financing	-	-	-	-	-	-	8,178	37,756	-	45,934
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	59,025	-	-	-	-	-	584,434	-	-	643,459
	Total	**683,538**	**-**	**2,361,529**	**144,816**	**2,287,138**	**2,624,271**	**3,101,498**	**38,979**	**-**	**11,241,770**

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 may default before completing the settlement 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 counterparty limits and monitoring the counterparty credit ratings monthly.

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").

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: -

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, governance processes are applied to 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.

RCC is ultimately responsible for setting risk limits/risk tolerance with appropriate strategies and provide oversight to 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 purposes, the Group uses the Standardized Approach to calculate the regulatory capital requirements related to market risk (covering profit rates, equity, foreign exchange, and commodity 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	1,829
4	Commodity risk	-
5	**Total**	**1,829**

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 performed monthly in ALCO and reported to RCC quarterly. Non-maturing deposit ("NMD") are analyzed based on statistical tools using the banks historical data of at least 10 years, to derive the core and non-core deposit monitored monthly. 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 2024. The below sensitivity matrix is illustrative only and adopts 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	+100 basis point	BND3.246mil	(BND81.417mil)
2	-100 basis point	(BND3.246mil)	BND91.526mil
3	+200 basis point	BND6.493mil	(BND154.431mil
4	-200 basis point	(BND6.493mil)	BND195.317mil

*Economic Value of Equity

Based on internal model, the average repricing maturity assigned to NMD is up to 5 years for current accounts and saving accounts respectively.

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.

C11: Operational Risk

ORA: Qualitative disclosure requirements related to operational risk.

Content: Qualitative information
Frequency: Annual
Format: Flexible
Qualitative disclosure:
Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, 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. 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. 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. 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 101 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. The second line of defense is provided only by the Risk Management Division and the Compliance 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 Risk and Compliance Committee (RCC). The third line of defense involves only the Internal Audit function, which provides independent assurance to the Board and senior management. 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 (21 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. 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).