



BIBD Pillar III Disclosures

FOR THE YEAR ENDED 31ST DECEMBER 2025

BIBD - Pillar III Disclosures

Table of Contents

1. Overview and Introduction	3
2. Scope of Application.....	3
C1: Overview of key prudential metrics and RWA	4
KM1: Key Metrics	4
OV1: Overview of Risk Weighted Assets (RWA).....	4
C2: Composition of Capital.....	5
CC1: Composition of regulatory capital	5
C3: Linkages between financial statements and regulatory exposures.....	6
LLA: Explanations of differences between accounting and regulatory exposure amounts	6
LL1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	6
LL2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements.....	8
C4: Overview of Risk Management.....	10
OVA: Risk Management Approach.....	10
C5: Liquidity Risk	14
LIQA - Liquidity risk management	14
C6: Credit Risk	15
CRA: General qualitative information about credit risk	15
CR1: Credit quality of assets.....	17
CR2: Changes in Stock of Defaulted Financing and Debt Securities	17
CRB: Additional disclosure related to the credit quality of assets	18
CRC: Qualitative disclosure requirements related to credit risk mitigation techniques	22
CR3: Overview of credit risk mitigation (CRM) techniques	22
CRD: Qualitative disclosure on banks' use of external credit ratings under the <i>standardized approach</i> for credit risk.	23
CR4: SA for Credit risk exposure and credit risk mitigation (CRM) effects	24
CR5: SA for Exposures by asset classes and risk weights	25
C7: Counterparty Credit Risk (CCR)	26
CCRA: Qualitative disclosure related to CCR	26
C8: Securitisation.....	26
SECA: Qualitative disclosure requirements related to securitisation exposures.....	26
C9: Market Risk.....	27

BIBD - Pillar III Disclosures

MRA: Qualitative disclosure requirements related to market risk.	27
MR1: Market risk under standardized approach	27
C10: Profit Rate Risk in the Banking Book	28
PRRBBA: Profit Rate Risk in the Banking Book (PRRBB) risk management objective and policies	28
C11: Operational Risk.....	29
ORA: Qualitative disclosure requirements related to operational risk.	29

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

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: Between September 2025 to December 2025, the Tier 1 ratio and Total Capital Ratio increased from 16.6% to 18.2%. Quarter-on-quarter, there was an overall increase in capital due to an increase in retained earnings. Year-on-year, there was no significant movement in the capital however, the tier-1 ratio and total ratio increased from 17.9% to 18.2%.						
Quantitative disclosure:						
		T	T-1	T-2	T-3	T-4
		31-Dec-25	30-Sep-25	30-Jun-25	31-Mar-25	31-Dec-24
Available capital (BND'000)						
1	Tier 1	1,401,594	1,281,331	1,373,826	1,367,228	1,356,804
2	Total Capital	1,401,594	1,281,331	1,373,826	1,367,228	1,356,804
Risk-weighted assets (BND'000)						
3	Total risk-weighted assets (RWA)	7,693,140	7,734,184	7,805,844	7,536,199	7,594,081
Risk-based capital ratios as a percentage of RWA						
4	Tier 1 ratio (%)	18.2	16.6	17.6	18.1	17.9
5	Total capital ratio (%)	18.2	16.6	17.6	18.1	17.9

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 between September to December 2025 saw a decrease in Market Risk RWA due to lower foreign exchange positions.				
Quantitative disclosure:				
		(a)	(b)	(c)
		RWA		Minimum capital requirement
BND'000		31-Dec-25	30-Sep-25	31-Dec-25
1	Credit Risk (Standardised)	7,027,706	7,067,498	702,771
2	Market Risk (Standardised)	1,572	2,824	157
3	Operational risk (Basic Indicator Approach)	663,862	663,862	66,386
4	Total	7,693,140	7,734,184	769,314

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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 used 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	605,266
5	Published Retained Profits/(Accumulated Losses)	317,172
6	General Reserves	-
7	Fair Value Reserves	17,092
8	Tier 1 capital before regulatory adjustments	1,446,855
	Tier 1 Capital: regulatory adjustments	
9	Reciprocal cross-holdings of ordinary shares (as required by BDCB)	-
10	Goodwill	-
11	Other intangible assets	22,141
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	22,141
15	Tier 1 Capital (prior to Deductions/Adjustments 3)	1,424,714
	Tier 2 capital: instruments and provisions	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	9,637
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	9,637
	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)	9,637
24	Allowable Supplementary Capital (Tier 2 Capital)	9,637
25	Sub-Total of Tier 1 and Tier 2 Capital (prior to adjustment 3)	1,434,351
26	Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital	32,757
27	Significant Investments in Banking, Securities and Other Financial Entities	25,677
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)	1,401,594
33	Total regulatory capital (TC = T1 + T2)	1,401,594
34	Total risk-weighted assets	7,693,140
	Capital ratios	
35	Tier 1 (as a percentage of risk-weighted assets)	18.22%
36	Total capital (as a percentage of risk-weighted assets)	18.22%

C3: Linkages between financial statements and regulatory exposures

L1A: 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 L11) and amounts considered for regulatory purposes (as defined in L12) 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 fully deconsolidated, and only the cost of the investments in those entities is used for risk-weighting. Their reserves and retained earnings are deducted from 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 values its holdings using a mark-to-market approach supported by automated Bloomberg data feeds. The Risk Management Middle Office maintains independent pricing and ensures that prices are retrieved daily, performing sanity checks by comparing system prices against Bloomberg. • As of FY2025, 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.

L11: 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 FY2025, 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							
Assets (BND'000)							
Cash and cash equivalents	2,392,926	-	2,392,926	-	-	-	-
Balances with BDCB	502,342	-	502,342	-	-	-	-
Placements with and financing and advances to banks	559,048	-	559,110	-	-	-	(62)
Government sukuku	22,269	-	22,269	-	-	-	-
Investments	1,395,296	-	1,395,353	-	-	-	(57)
Derivative financial assets	19,414	-	19,414	-	-	-	-
Financing and advances	5,983,263	-	5,992,226	-	-	-	(8,963)
Finance lease receivables	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-
Investment in associate and Joint Ventures	59,013	-	26,256	-	-	-	32,757
Other assets	325,620	-	325,620	-	-	-	-
Property and equipment	111,052	-	111,052	-	-	-	-
Investment property	18,385	-	18,385	-	-	-	-
Deferred tax assets	5,650	-	5,650	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-
Total Assets	11,394,278	-	11,370,603	-	-	-	23,675
Liabilities (BND'000)							
Deposits from customers	8,622,060	-	-	-	-	-	8,622,060
Deposits from banks and other financial institutions	259,216	-	-	-	-	-	259,216
Placements from other financial institutions	565,970	-	-	-	-	-	565,970
Derivative financial liabilities	18,988	-	-	-	-	-	18,988
Other liabilities	429,195	-	-	-	-	-	429,195
Zakat	9,569	-	-	-	-	-	9,569
Provision for taxation	34,291	-	-	-	-	-	34,291
Deferred tax liabilities	8,134	-	-	-	-	-	8,134
Total Liabilities	9,947,423	-	-	-	-	-	9,947,423

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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)
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
	Assets (BND'000)					
1	Asset carrying value amount under scope of regulatory consolidation (as per Template LI1)	11,370,603	11,370,603	-	-	-
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)	11,370,603	11,370,603	-	-	-
4	Off-balance sheet amounts	637,926	543,152	-	94,774	-
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	9,082	9,082	-	-	-
8	Differences due to prudential filters		-	-	-	-
9	Exposure amounts considered for regulatory purposes	12,017,611	11,922,837	-	94,774	-

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

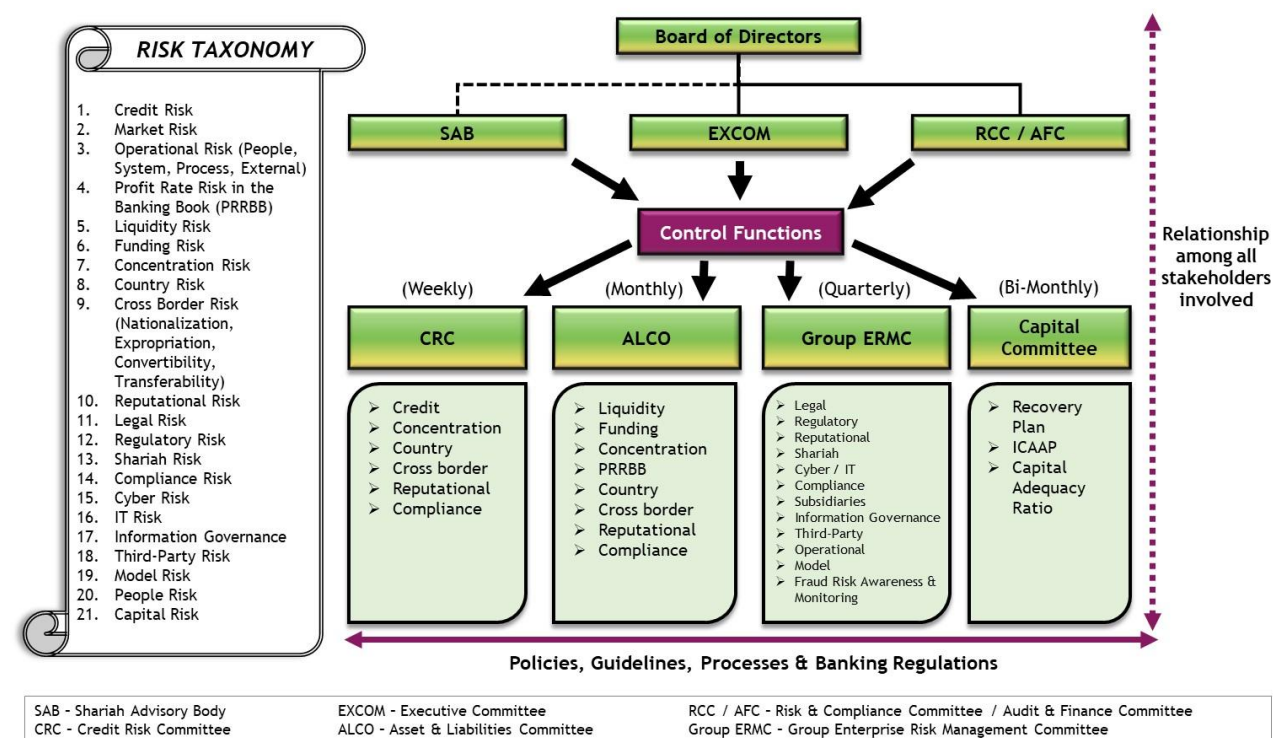
Format: Flexible

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 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 approach within the BIBD 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)

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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 eight (8) 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, 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 and strategic view.
- 3) **Market Risk and Middle Office** - 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.
- 7) **Enterprise Risk** - To strengthen governance, monitoring, and control over non-financial risks (including reputational, legal, regulatory, compliance, information governance, third-party, model, and people risks) with the focus on building foundational elements such as frameworks, inventories, templates, and stakeholder alignment, to enable consistent oversight and reporting.
- 8) **Fraud Risk [Pre-Event]**: Responsible for periodic oversight and review of fraud policy and monitoring mechanism; as well as to promote ongoing fraud risk awareness and culture within BIBD Group.

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 through the Asset & Liabilities Committee (“ALCO”), Capital matters through the Capital Committee (“CC”), and all enterprise risks (21 risks) through the Enterprise Risk Management Committee (“ERMC”).

Risk Management Division is an area, reporting directly to the Assistant Managing Director 2 (Governance), 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 risk management 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 Statements ("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 and Concentration 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 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.

Capital Risk

Capital risk refers to the risk of insufficient capital due to weak capital buildup capacity vis-à-vis the growth in Risk-Weighted Assets (“RWA”), which may impact the Group’s ability to absorb losses while continuing to comply with Regulatory Capital Governance requirements. The Group manages capital risk to ensure that it maintains a strong capital base that supports its strategic objectives, business growth, and resilience under both normal and stressed conditions.

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 FS105-FS108.

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 refers to the likelihood that customers or counterparties may fail to meet their contractual obligations when they fall due. These obligations arise from the Group's direct financing activities, trade finance, and investments. The Group's main sources of credit risk stem from financing provided to retail and corporate clients (including small and medium enterprises), financial institutions, and its investment activities. Within BIBD, credit risk is categorized into three segments: (1) Retail credit risk, (2) Non-retail credit risk (Corporate risk), and (3) Financial institution and sovereign risk. The Group applies the Standardized Approach ("SA") under Basel to measure minimum capital requirements for credit risk. Risk-weighted assets (RWA) are calculated by taking outstanding exposures net of specific provisions and eligible credit risk mitigants, then applying the relevant regulatory risk weights. Off-balance sheet exposures are first converted into credit exposure equivalents ("CEE") using specified Credit Conversion Factors (CCF), after which the applicable risk weights are applied to derive the RWAs. <u>Retail credit risk</u> 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. <u>Non-retail credit risk (Corporate Risk)</u> 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. <u>FI and Sovereign risk</u> 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.

BIBD - Pillar III Disclosures

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.

BIBD - Pillar III Disclosures

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 (BND9.411mil) and stage 2 (BND3.704mil).							
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:							
	Asset classes (BND'000)	(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)
		Defaulted exposures	Non-defaulted exposures		Of which: Specific Allowance	Of which: General Allowance	
1	Financing	61,327	5,956,853	34,917	22,589	12,328	5,983,263
2	Sukuk Investment	-	1,358,664	429	-	429	1,358,235
3	Other Investment	-	58,958	-	-	-	58,958
4	Money Market Placement	-	2,815,834	62	-	62	2,815,772
5	Off-balance sheet exposures	-	1,252,084	296	-	296	1,251,788
6	Total	61,327	11,442,393	35,704	22,589	13,115	11,468,016

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 (1H2025), there was an overall reduction in the non-performing portfolio, by BND9.381million. This was contributed by (1) reclassification to non-default status by BND2.73million, (2) amount written off by BND6.378million and (3) recoveries of BND4.226million. The group has also recorded a new non-performing of BND3.953million.		
Quantitative disclosure:		
	Asset classes (BND'000)	(a)
1	Defaulted financing and debt securities at end of the previous reporting period	70,708
2	Financing and debt securities that have defaulted since the last reporting period	3,953
3	Returned to non-defaulted status	(2,730)
4	Amounts written off	(6,378)
5	Other changes	(4,226)
6	Defaulted financing and debt securities at end of the reporting period (1+2-3-4+5)	61,327

BIBD - Pillar III Disclosures

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) Evidence of full repayment is unlikely without realization of collaterals or risk mitigants (2) considered credit-impaired under IFRS9 Considered 'defaulted' under Basel framework (3) classified as substandard non-performing, doubtful or loss (4) in litigation. Accounts which are classified as non-performing require financing repayment to be made for six (6) continuous months and maintain current status prior to being considered for cure. 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

BIBD - Pillar III Disclosures

(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 2025

Geographic Distribution (B\$'000)	Brunei	Asia (ex-Brunei)	Global	Total
Cash and short-term deposit and placement with financial institution	658,076	1,513,535	780,425	2,952,036
Investments	23,492	1,336,395	57,735	1,417,622
Financing and advances	4,118,353	946,369	953,458	6,018,180
Derivative financial assets	58	12,898	6,458	19,414
On-balance sheet total	4,799,979	3,809,197	1,798,076	10,407,252
Commitment and contingencies	438,794	56,348	381,284	876,426
Other Off- Balance Sheet exposures	272,051	81,250	22,357	375,658
Total non-funded	710,845	137,598	403,641	1,252,084
Total	5,510,824	3,946,795	2,201,717	11,659,336

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 2025	36,196
Allowance made during the year	6,764
Amount written off during the year	(8,043)
At 31 December 2025	34,917

CRB3: Impaired facilities and past due facilities by Geographic Distribution as on 31st December 2025

Geographic distribution (B\$'000)	Brunei	Global (ex-Brunei)	Total
At 1 January 2025	74,119	-	74,119
Classified as impaired during the year	12,930	-	12,930
Reclassified as performing	(9,150)	-	(9,150)
Amount received	(8,529)	-	(8,529)
Amount written off against allowances	(8,043)	-	(8,043)
At 31 December 2025	61,327	-	61,327

CRB4: Movement in the restructure (forbearance accounts)

Movement in the restructure (forbearance account) (B\$'000)	Total
At 1 January 2025	75,845
Classified as forbearance during the year	202,550
Reclassified as performing	(1,705)
Amount received	(55,263)
At 31 December 2025	221,426

BIBD - Pillar III Disclosures

CRB5: Net exposure by industry by major credit exposure as at 31st December 2025

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	-	-	-	-	-	3,251	-	-	3,251	1,006
Financial	2,880,425	-	-	874,977	19,414	751,878	-	-	4,526,694	170,681
Manufacturing	-	-	-	3,755	-	61,072	-	-	64,827	161,649
Transportation	-	-	-	-	-	991,738	-	-	991,738	2,070
Infrastructure	-	-	-	190,723	-	36,072	-	-	226,795	58,417
Traders	-	-	-	-	-	91,318	-	-	91,318	21,251
Services	-	-	-	-	-	54,399	-	-	54,399	62,597
Residential Property (personal)	-	-	-	-	-	1,052,376	-	-	1,052,376	51,731
Commercial property	-	-	-	-	-	1,128,584	-	-	1,128,584	411,861
Tourism	-	-	-	-	-	16,542	-	-	16,542	3,507
Telecommunication and Information technology	-	-	-	14,907	-	74,260	-	-	89,167	41,751
Personal and consumption financing	-	-	-	-	-	936,391	-	-	936,391	112,771
Oil and Gas	-	-	-	-	-	785,382	-	-	785,382	143,303
Others	-	502,342	22,269	309,264	-	-	-	316,007	1,149,882	6,000
Total	2,880,425	502,342	22,269	1,393,626	19,414	5,983,263	-	316,007	11,117,346	1,248,595

* Cash and short-term funds and deposits and placements with financial institutions exclude cash in hand

** Investments exclude unquoted equity security and unquoted fund.

*** Other assets exclude prepayments.

BIBD - Pillar III Disclosures

CRB6: Net Credit Exposures by Residual Contractual Maturity as on 31st December 2025

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	2,392,926	2,394,076	2,394,076	-	-	-	-	-	-
Balance with BDCB	502,342	502,342	406,102	36,616	50,949	8,669	-	6	-
Placement with and financing and advances to banks	559,048	565,554	279,984	264,471	21,099	-	-	-	-
Government Sukuks	22,269	21,374	11,374	-	10,000	-	-	-	-
Investments*	1,393,626	1,581,223	113,653	89,023	56,858	524,288	704,556	92,845	-
Derivatives financial assets	19,414	13,904	13,702	202	-	-	-	-	-
Financing and advances	5,983,263	6,618,157	1,128,517	524,986	788,425	1,869,772	698,027	1,608,430	-
Finance lease receivable	-	-	-	-	-	-	-	-	-
Other assets**	316,007	316,007	289,910	9,568	13,062	1,006	664	1,797	-
Grand Total	11,188,895	12,012,637	4,637,318	924,866	940,393	2,403,735	1,403,247	1,703,078	-

* 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 2025

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 (At-Tamwil inclusive)	4,140	18,689	22,829	10,218	12,611	7,600
Non-Retail	1,816	36,682	38,498	12,371	26,127	443
Grand Total	5,956	55,371	61,327	22,589	38,738	8,043

BIBD - Pillar III Disclosures

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	5,013,552	931,417	931,417	-	-
2	Debt Securities	1,358,235	-	-	-	-
3	Other investment	58,958	-	-	-	-
4	Money Market Placement	3,596,667	82,411	-	82,411	-
5	Total	10,027,412	1,013,828	931,417	82,411	-
6	Of which defaulted	24,287	14,451	14,451	-	-

BIBD - Pillar III Disclosures

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 ECAs' 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 for risk management purpose. The scoring is based on the S&P nomenclature. However, for the BDCB capital adequacy, only the ECAI rating is being used

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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").

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	1,314,602	845	1,314,602	845	94,345	7%
2	Non-central government PSE	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	3,905,741	168,451	3,823,330	168,451	1,484,403	37%
5	Securities firms	-	-	-	-	-	-
6	Corporates	1,414,568	377,786	1,330,593	377,786	1,609,595	94%
7	Regulatory retail portfolios	1,949,070	64,977	1,845,414	38,084	1,423,365	76%
8	Secured by residential property	1,042,966	25,866	1,042,966	25,866	746,415	70%
9	Secured by commercial real estate	1,112,743	-	1,108,444	-	1,108,444	100%
10	Equity	1,223	-	1,223	-	1,834	150%
11	Non-performing financing	38,249	-	36,348	-	51,532	142%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	574,035	-	574,035	-	502,486	88%
14	Total	11,353,197	637,926	11,076,955	611,033	7,022,418	60%

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 changes were observed.

Quantitative disclosure:

	Risk Weight→ Asset Classes (BND'000)↓	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	1,115,204		49,213	-	133,056	-	17,974	-	-	1,315,447
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	1,922,409	-	2,021,314	-	48,058	-	-	3,991,782
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	197,568	-	1,510,811	-	-	1,708,379
7	Regulatory retail portfolios	-	-	-	-	-	1,875,821	7,677	-	-	1,883,498
8	Secured by residential property	-	-	-	140,147	-	925,287	3,399	-	-	1,068,832
9	Secured by commercial real estate	-	-	-	-	-	-	1,108,444	-	-	1,108,444
10	Equity	-	-	-	-	-	-	-	1,223	-	1,223
11	Non-performing financing	-	-	-	-	-	-	6,278	30,070	-	36,348
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	71,549	-	-	-	-	-	502,486	-	-	574,035
	Total	1,186,753	-	1,971,622	140,147	2,351,939	2,801,107	3,205,127	31,293	-	11,687,988

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: -								
<table><tr><th>Residual Maturity</th><th>Add-on Factor</th></tr><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></table>	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%							
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 refers to the potential loss in earnings or capital caused by adverse movements in market prices such as benchmark interest rates, foreign exchange rates, equity prices, and commodity prices which affect the economic value of assets. The Group's market risk policy incorporates governance processes that guide all market risk activities. These governance measures include, but are not limited to: Monitoring a broad set of risk metrics suited to specific trading activities, including gross and net open currency positions, Sukuk price risk, Value-at-Risk (VaR) for Sukuk instruments, and related limits; and Performing independent valuations (mark-to-market) of financial instruments held in the Trading Book. The RCC has ultimate responsibility for establishing risk limits and overall risk tolerance, setting strategies, and overseeing ALCO in monitoring, reporting, hedging, and addressing limit excesses within approved parameters. ALCO ensures that market risk policies and procedures are maintained in a manner consistent with the Board of Directors' short- and long-term strategic objectives. For capital adequacy purposes, the Group applies the Standardized Approach to determine regulatory capital requirements for market risk, covering profit rate, equity, foreign exchange, and commodity risks.

MR1: Market risk under standardized approach

Purpose: To provide the components of the capital charge under the <i>Standardised Approach</i> for market risk.		
Content: RWA		
Frequency: Semi-Annual		
Format: Fixed		
Quantitative disclosure:		
		(a)
		RWA (BND'000)
1	Profit rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	1,572
4	Commodity risk	-
5	Total	1,572

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 2025.																				
The sensitivity matrix below 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.																				
<table><tr><th></th><th>Parallel shift in yield curve</th><th>Net Operating income Sensitivity</th><th>EVE *</th></tr><tr><td>1</td><td>+100 basis point</td><td>BND3.310mil</td><td>(BND126.497mil)</td></tr><tr><td>2</td><td>-100 basis point</td><td>(BND3.310mil)</td><td>BND146.450mil</td></tr><tr><td>3</td><td>+200 basis point</td><td>BND6.620mil</td><td>(BND236.928mil)</td></tr><tr><td>4</td><td>-200 basis point</td><td>(BND6.620mil)</td><td>BND317.883mil</td></tr></table>		Parallel shift in yield curve	Net Operating income Sensitivity	EVE *	1	+100 basis point	BND3.310mil	(BND126.497mil)	2	-100 basis point	(BND3.310mil)	BND146.450mil	3	+200 basis point	BND6.620mil	(BND236.928mil)	4	-200 basis point	(BND6.620mil)	BND317.883mil
	Parallel shift in yield curve	Net Operating income Sensitivity	EVE *																	
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4	-200 basis point	(BND6.620mil)	BND317.883mil																	
*Economic Value of Equity																				
Based on internal model, the average repricing maturity assigned to NMD is up to 3.12 years and 3.84 years for current accounts and saving accounts respectively.																				
Based on the internal model, the longest repricing maturity assigned to NMD are 20 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 112 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).