BAIDURI BANK

PILLAR 3 DISCLOSURE

Dec 31, 2021

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1 SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a bank solo as well as on a consolidated basis of the Group, i.e. the Bank ("Baiduri Bank Berhad") and its subsidiaries ("Baiduri Finance Berhad" & "Baiduri Capital Sdn Bhd"). The financial statements of the Bank and the Group have been prepared in accordance with the Brunei Darussalam Companies Act, Chapter. 39, the Brunei Darussalam Banking Order, 2006 and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2 OVERVIEW OF KEY PRUDENTIAL METRICS AND RWA

2.1 Key Metrics

	Bank	Dec 2021 B$'000	Sep 2021 B$'000	Jun 2021 B$'000	Mar 2021 B$'000	Dec 2020 B$'000
	Available capital					
1	Tier 1	**471,193**	**442,412**	**438,675**	**435,281**	**432,655**
2	Total Capital	**434,666**	**415,845**	**409,368**	**402,244**	**395,756**
	Risk-weighted assets					
3	Total risk-weighted assets (RWA)	**1,965,690**	**2,021,753**	**1,918,468**	**1,937,792**	**1,903,401**
	Risk-based capital ratios as a percentage of RWA					
4	Tier 1 ratio (%)	**23.97%**	**21.88%**	**22.87%**	**22.46%**	**22.73%**
5	Total capital ratio (%)	**22.11%**	**20.57%**	**21.34%**	**20.76%**	**20.79%**

	Group	Dec 2021 B$'000	Sep 2021 B$'000	Jun 2021 B$'000	May 2021 B$'000	Dec 2020 B$'000
	Available capital					
1	Tier 1	**571,373**	**540,054**	**535,281**	**530,965**	**527,367**
2	Total Capital	**589,388**	**568,141**	**561,537**	**549,773**	**542,749**
	Risk-weighted assets					
3	Total risk-weighted assets (RWA)	**2,675,704**	**2,766,040**	**2,663,745**	**2,666,993**	**2,618,849**
	Risk-based capital ratios as a percentage of RWA					
4	Tier 1 ratio (%)	**21.35%**	**19.52%**	**20.10%**	**19.91%**	**20.14%**
5	Total capital ratio (%)	**22.03%**	**20.54%**	**21.08%**	**20.61%**	**20.72%**

2.2 Overview of Risk Weighted Assets (RWA)

		Risk-weighted Assets		Minimum Capital Requirements
		Dec 2021	Sep 2021	
		B$'000	B$'000	B$,000
	Bank			
1	Credit risk (Standardised)	**1,708,157**	**1,748,459**	**170,816**
2	Market risk (Standardised)	**6,800**	**6,146**	**680**
3	Operational risk (Basic indicator Approach)	**250,733**	**267,148**	**25,073**
4	**Total**	**1,965,690**	**2,021,753**	**196,569**
	Group			
1	Credit risk (Standardised)	**2,352,358**	**2,438,361**	**235,236**
2	Market risk (Standardised)	**6,599**	**5,467**	**660**
3	Operational risk (Basic indicator Approach)	**316,747**	**322,212**	**31,675**
4	**Total**	**2,675,704**	**2,766,040**	**267,570**

3 COMPOSITION OF CAPITAL

3.1 Composition of Regulatory Capital as at Dec 31. 2021

		Bank	Group
		B$'000	B$'000
	Tier 1 capital: Instruments and reserves	**471,193**	**571,373**
1	Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	**180,000**	**180,000**
2	Non-Cumulative, Non-Redeemable Preference Shares	-	-
3	Share Premium	-	-
4	Statutory Reserve Fund	**158,656**	**201,940**
5	Published Retained Profits/(Accumulated Losses)	**127,383**	**184,279**
6	General Reserves	**5,154**	**5,154**
7	Fair Value Reserves	-	-
8	**Tier 1 capital before regulatory adjustments**	**471,193**	**571,373**
	Tier 1 capital: regulatory adjustments	-	-
9	Reciprocal cross-holdings of ordinary shares (as required by BDCB)	-	-
10	Goodwill	-	-
11	Other intangible assets	-	-
12	Advances/financing granted to employees of the bank for the purchase of shares of the bank under a share ownership plan	-	-
13	Minority interests held by 3rd parties in Financial Subsidiary	-	-
14	**Total Regulatory adjustments to Tier 1 Capital**	-	-
15	**Tier 1 capital**	-	-
	Tier 2 capital: instruments and provisions	**11,422**	**18,015**
16	General Credit Loss Reserves (Capped at 1.25%) of Credit Risk)	**11,422**	**18,015**
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**	-	-
	Tier 2 capital: regulatory adjustments	-	-
20	Reciprocal cross-holdings 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)**	**11,422**	**18,015**
24	**Allowable Supplementary Capital (Tier 2 Capital)**	**11,422**	**18,015**
25	**Sub-Total of Tier 1 and Tier 2 Capital**	**482,615**	**589,388**
26	**Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 Capital**	**47,949**	-
27	Significant Investments in Banking, Securities and other Financial Entities	-	-
28	Significant Investments in Insurance, Entities & Subsidiary	**47,949**	-
29	Significant Investments in Commercial Entities	-	-
30	Securitisation Exposures (Rated B or Below and Unrated)	-	-
31	Resecuritisation Exposures (Rated B+ or Below and Unrated)	-	-
32	**Total regulatory capital (TC = T1 + T2)**	**434,666**	**589,388**
33	**Total risk-weighted assets**	**1,965,690**	**2,675,704**
	Capital ratios		
34	**Tier 1 (as a percentage of risk-weighted assets)**	**23.97%**	**21.35%**
35	**Total capital (as a percentage of risk-weighted assets)**	**22.11%**	**22.03%**

3.2 CAPITAL ADEQUACY

The Group's regulator, Brunei Darussalam Central Bank ("BDCB") sets and monitors capital requirements for the Group.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group's overall strategy remains unchanged from the previous financial year.

The capital structure of the Group consists of equity of the Bank and its subsidiaries (comprising issued capital, reserves, and retained earnings).

The Group has complied with all imposed capital requirements for the financial years ended December 31, 2020 and 2021. Management monitors capital based on "capital funds" as defined under the Brunei Darussalam Banking Order, 2006.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

Under the current regulatory framework, capital requirements are divided into two pillars:

- Pillar 1 – defined by a set of mathematical formulas prescribed by the regulator in order to calculate Risk Weighted Assets ("RWAs") for Credit Risk, Market Risk and Operational Risk. The minimum capital requirement is 10% of the total RWAs.

- Pillar 2 – contains a framework to assess the risks to which the Group is exposed as well as the risk management processes in place to avoid, manage and mitigate those risks. It requires an evaluation of capital adequacy relative to its risks; and considers the potential impact on earnings and capital from stress events.

While Pillar 1 entails the calculation of capital requirements on the basis of uniform rules for all banking groups operating in Brunei Darussalam, the ICAAP under Pillar 2 takes into account the individual characteristics of a given institution and covers all relevant risk types, including risks not addressed under Pillar 1.

The Group's approach to calculate its own internal capital requirements has been to take the minimum capital required for Risk Weighted Assets under Pillar 1 as the starting point, assess whether this is sufficient to cover the risks, and then identify other risks and assess prudent levels of capital to meet them. Various stress scenarios and methodologies have been employed to measure and assess Pillar 2 capital requirements for each key risk type.

Quantitative disclosures on the Group's capital adequacy can be found in page 50 of the Consolidated Financial Statements.

4 LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

4.1 Explanations of differences between accounting and regulatory exposure amounts

The Group has an established framework and methodology used for assessing the condition of individual credits and timely recognition of Expected Credit Losses in accordance with IFRS 9 and BDCB Prudential Measures of Asset Quality. There are no differences reported in published financial statement and regulatory consolidation.

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4.2 Differences between accounting and regulatory scopes for Bank as of Dec 31, 2021

	Bank as at Dec 31, 2021					
		Carrying values of items:				
	Carrying values as reported in published financial statements and regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the Securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with bank and other financial institutions	1,134,821	1,134,821	927,028	-	90,856	-
Items in the course of collection from other banks	-	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-
Financial assets designated at fair value	140,601	140,601	-	-	306	-
Debt Securities	814,930	814,930	-	-	17,520	-
Government Sukuk	18,350	18,350	-	-	-	-
Derivatives	374	374	-	-	374	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	1,253,961	1,265,383	-	-	164,105	(11,422)
Investments in subsidiaries	47,949	-	-	-	-	47,949
Reverse and repurchase agreements	-	-	-	-	-	-
and other similar secured lending	-	-	-	-	-	-
Available for sale financial investments	-	-	-	-	-	-
Other Assets	3,615	3,615	-	-	55	-
Right-of-use Assets	1,421	1,421	-	-	-	-
Property, plant and equipment	56,368	56,368	-	-	-	-
Total Assets	**3,472,390**	**3,435,863**	**927,028**	-	**273,216**	**36,527**
Liabilities						
Deposits from banks	360,852	-	-	-	-	360,852
Items in the course of collection due to other banks	-	-	-	-	-	-
Customers accounts	2,507,945	-	-	-	244,020	2,507,945
Repurchase agreements and other similar secured borrowings	-	-	-	-	-	-
Trading portfolio liabilities	-	-	-	-	-	-
Financial liabilities designated at fair value	-	-	-	-	-	-
Derivatives	5	-	-	-	5	-
Lease liabilities	1,512	-	-	-	-	1,512
Group Balances Payable	2,579	-	-	-	-	-
Other liabilities	80,915	-	-	-	777	80,915
Deferred Taxation	7,446	-	-	-	-	7,446
Provision for taxation	19,943	-	-	-	-	19,943
Total Liabilities	**2,981,197**	-	-	-	**244,802**	**2,978,613**

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4.3 Differences between accounting and regulatory scopes for Group as of Dec 31, 2021

	Group as at Dec 31, 2021					
		Carrying values of items:				
	Carrying values as reported in published financial statements and regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with bank and other financial institutions	1,213,246	1,213,246	927,028	-	90,856	-
Items in the course of collection from other banks	-	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-
Financial assets designated at fair value	140,601	140,601	-	-	306	-
Debt Securities	814,930	814,930	-	-	17,520	-
Government Sukuk	18,350	18,350	-	-	-	-
Derivatives	374	374	-	-	374	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	2,072,195	2,090,210	-	-	164,105	(18,015)
Reverse and repurchase agreements	-	-	-	-	-	-
and other similar secured lending	-	-	-	-	-	-
Available for sale financial investments	-	-	-	-	-	-
Other Assets	37,109	37,109	-	-	-	-
Right-of-use Assets	2,519	2,519	-	-	1,249	-
Property, plant and equipment	57,452	57,452	-	-	-	-
Total Assets	**4,356,776**	**4,374,791**	**927,028**	**-**	**274,410**	**(18,015)**
Liabilities						
Deposits from banks	3,072	-	-	-	-	3,072
Items in the course of collection due to other banks	-	-	-	-	-	-
Customers accounts	3,612,655	-	-	-	245,013	3,612,655
Repurchase agreements and other similar secured borrowings	-	-	-	-	-	-
Trading portfolio liabilities	-	-	-	-	-	-
Financial liabilities designated at fair value	-	-	-	-	-	-
Derivatives	5	-	-	-	5	-
Lease liabilities	2,717	-	-	-	-	2,717
Other liabilities	95,433	-	-	-	777	95,433
Deferred Taxation	7,493	-	-	-	-	7,493
Provision for taxation	44,028	-	-	-	-	44,028
Total Liabilities	**3,765,403**	**-**	**-**	**-**	**245,795**	**3,765,398**

4.4 Main sources of differences between regulatory exposure amounts and carrying values for Bank as at Dec 31, 2021

		Bank Dec 31, 2021				
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**4,636,107**	**3,435,863**	**-**	**927,028**	**273,216**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	**-**	**-**	**-**	**-**	**(244,802)**
3	Total net amount under regulatory scope of consolidation (Row 1 - Row 2)	**4,636,107**	**3,435,863**	**-**	**927,028**	**28,414**
4	Off-balance sheet amounts	**1,215,881**	**137,206**	**-**	**-**	**(35,214)**
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	*Differences due to prudential filters*	**-**	**-**	**-**	**-**	**-**
9	**Exposure amounts considered for regulatory purposes**	**5,851,988**	**3,573,069**	**-**	**927,028**	**(6,800)**

4.5 Main sources of differences between regulatory exposure amounts and carrying values for Group as at Dec 31, 2021

		Group 31 Dec 2021				
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**5,576,229**	**4,374,791**	**-**	**927,028**	**274,410**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	**-**	**-**	**-**	**-**	**(245,795)**
3	Total net amount under regulatory scope of consolidation (Row 1 - Row 2)	**5,576,229**	**4,374,791**	**-**	**927,028**	**28,615**
4	Off-balance sheet amounts	**1,215,881**	**137,206**	**-**	**-**	**(35,214)**
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	*Differences due to prudential filters*	**-**	**-**	**-**	**-**	**-**
9	**Exposure amounts considered for regulatory purposes**	**6,792,110**	**4,511,997**	**-**	**927,028**	**(6,599)**

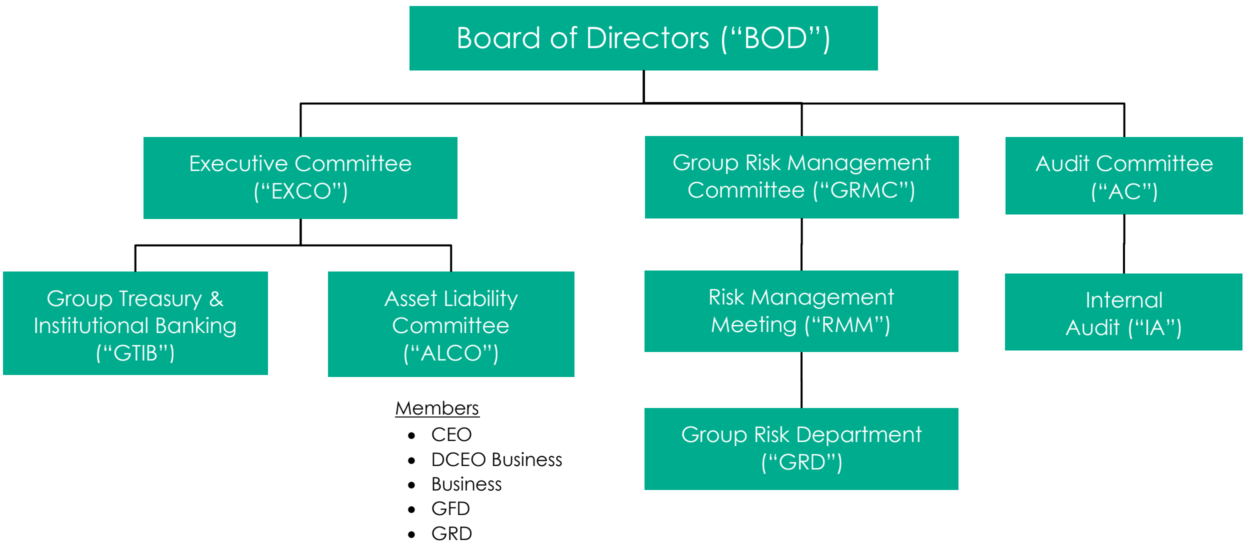
5 OVERVIEW OF RISK MANAGEMENT

5.1 Risk Management Approach

The Group recognises that a robust risk management framework is critical to support continued business expansion as well as sustainable growth in shareholder value. The Group Risk Management Committee ("GRMC") is established as a Board sub-committee to assist the Board of Directors in fulfilling its oversight responsibilities for the Group's risk management framework and the Group's corporate risk structure including the strategies, policies, processes, procedures, and systems established by the Senior Management to identify, assess, measure, manage, and monitor the Group's significant financial, operational, and other risk exposures. The GRMC monitors the Group's key risks, assisted by the Risk Management Meeting ("RMM"), through a comprehensive risk monitoring and assessment framework which covers the various risks faced by the Group, including Credit, Liquidity, Market, Technology and Operational Risk, as well as Strategic, Compliance and Reputation Risks.

Senior Management committees have been established and delegated authority for overseeing the day-to-day management of various risks. These include the Group Credit Committee ("GCC"), Asset and Liability Committee ("ALCO") and the Operational and Compliance Risk Committee ("OCRC").

5.2 Governance Framework



5.3 Three Lines of Defence

The Group adopts Three Lines of Defence ("LoD") approach towards risk management. Each LoD has different responsibilities for managing the risk and therefore different actions.

Individual business lines and support functions act as the first line of defence and are responsible and accountable for the ongoing management of risks inherent in their activities. They are also required to ensure adherence to various policies and procedures including ensuring compliance with internal limits as well as laws and banking regulations.

The Group Risk Department acts as a second line of defence and is responsible for overseeing the Group's risk-taking activities and assessing risks and issues independently from the business line.

The Group Compliance Department also forms part of the second line of defence and is responsible for the identification, assessment, mitigation, monitoring and reporting of the Group's compliance risks.

Internal audit provides assurance on the implementation of the Group's overall risk management framework, as well as an assessment of the efficiency and effectiveness of the control environment. The Group Internal Audit is independent and reports directly to the Group Audit Committee.

5.4 Risk Management Information

The Group maintains Risk Management Information with adequate technological support and processing capacity to effectively capture, aggregate and report on the risks of its activities. Risk management information reports cover all material risk areas (e.g. credit, operational, funding, liquidity, operational, reputation and strategic risks) and provide information in respect of risk concentrations, adherence to risk appetite and risk limits and forward-looking assessment of risks. Risk management reports should also provide information relating to regulatory ratios and their projections.

5.5 Risk Appetite Statement

The Risk Appetite Statement of the Group identifies the key risks and expresses the maximum tolerance of such risks that the Group is prepared to take in order to achieve its strategic objectives. The Group's performance against Risk Appetite limits shall be observed and senior management is expected to have strong regard to the Risk Appetite Statement in its decision-making process. A breach of Risk Appetite Limits shall be escalated to the Board accompanied by a detailed management action plan to address such breach.

5.6 Stress Testing

The Group establishes adequate systems and capability to measure the sensitivity of earnings to a change in various risk factors and conduct stress tests to identify possible events or market changes that could have serious adverse effects or a significant impact on their overall risk profiles and financial positions. These stress tests address existing or potential risk concentrations and facilitate the development of risk mitigating measures or contingency plans across a range of stressed conditions.

The sensitivity analyses and stress tests should be conducted regularly on major business activities, and on a group-wide basis. Stress scenarios are forward-looking and include risk factors that can significantly affect the Group, individual business units or functions. The output of stress-tests shall be presented to the GRMC.

6 LIQUIDITY RISK

6.1 Liquidity Risk Management

Funding & liquidity risk is defined as the current and prospective risk to earnings, shareholder funds or reputation arising from the Group's inability to efficiently meet present and future funding needs or regulatory obligations when they are due, which may adversely affect our daily operations and incur unacceptable losses.

The Group ensures that it maintains sufficient liquidity, including a cushion of liquid assets, to meet business as usual (BAU) outflows, to remain above regulatory requirements as well as to withstand initial stages of liquidity stress events. The Group primarily relies on stable funding sources to meet the requirements of its balance sheet composition and ensure effective diversification of such sources.

The key elements of the Group's liquidity strategy are as follows:
1) Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits, as well as maintaining contingency facilities with other banks;
2) Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
3) Monitoring liquidity ratios, maturity mismatches and behavioural characteristics of the Group's financial assets and liabilities.

Various limits are established to define parameters for the deployment of excess funds. These limits are approved by EXCO, or where appropriate, input to be contributed and shared at the GRMC. For day-to-day management of the treasury activities, the EXCO is further supported by the ALCO.

GTIB ensures appropriate process and controls are in place to ensure that there is sufficient intraday liquidity to meet all payment and settlement obligations on a timely basis under both normal and stressed conditions. The Group monitors the Net Stable Funding Ratio ("NSFR") and Liquidity Coverage Ratio ("LCR") of both the bank and its finance subsidiary on a solo basis, in order to ensure a stable and sustainable funding structure with assessment of funding risk across its balance sheet.

6.2 Contingency Funding Plan

The Group's Contingency Funding Plan ("CFP") acts as a guide to manage its liquidity and funding requirements during a liquidity crisis. The CFP shall act as response plan for sustaining the funding needs and sources under any potential emergencies caused by adverse market scenarios.

Objectives of the CFP are:
- To set out strategies in addressing liquidity shortfalls during emergency situations,
- Ensuring stability and minimal disruptions to Treasury operations in managing the liquidity and funding requirements of the Group,
- Identifying and monitoring indicators that may trigger the implementation of the CFP,
- To identify contingent liquidity sources and methods to minimise impact of severe losses in liquidity or funding,
- Establish action plans and responsibilities in managing a liquidity crisis

6.3 Liquidity risk management

Bank	Carrying Amount B$'000	Gross Nominal Inflow/ (Outflow) B$'000	Less than 3 months B$'000	3-6 months B$'000	6-12 months B$'000	1-3 years B$'000	3-5 years B$'000	Over 5 years B$'000
2021								
Non-Derivative Assets								
Cash	**29,931**	**29,931**	29,931	-	-	-	-	-
Balances with Banks and Other financial institutions	**1,104,890**	**1,110,357**	714,933	67,442	171,918	81,264	74,800	-
Government Sukuk	**18,350**	**18,350**	18,350	-	-	-	-	-
Investment Securities	**955,531**	**981,581**	434,975	136,267	2,013	167,388	172,344	68,594
Loans and Advances	**1,253,961**	**1,457,119**	237,790	107,285	114,525	495,200	195,428	306,891
Other On Balance Sheet Assets	**1,853**	**1,853**	-	-	1,530	323	-	-
Total	**3,364,516**	**3,599,191**	**1,435,979**	**310,994**	**289,986**	**744,175**	**442,572**	**375,485**
Non-Derivative Liabilities								
Deposits	**2,868,797**	**2,873,421**	921,474	447,074	648,676	841,471	14,726	-
Borrowings	**-**	**-**	-	-	-	-	-	-
Lease Liabilities	**1,512**	**1,512**	291	257	429	497	38	-
Group Balances Payable	**2,579**	**2,579**	2,579	-	-	-	-	-
Other On Balance Sheet Liabilities	**71,644**	**71,644**	15,064	1	-	56,579	-	-
Other Off Balance Sheet Liabilities	**141,874**	**141,874**	112,456	14,090	14,201	1,127	-	-
Undrawn Credit Lines	**858,910**	**858,910**	-	-	858,910	-	-	-
Total	**3,945,316**	**3,949,940**	**1,051,864**	**461,422**	**1,522,216**	**899,674**	**14,778**	**-**
Net cash Inflow/(Outflow)	**(580,800)**	**(350,749)**	**384,115**	**(150,428)**	**(1,232.230)**	**(155,499)**	**427,808**	**375,485**
Derivative Financial Instruments								
- Inflow	**-**	**35,625**	**14,494**	**16,742**	**3,669**	**720**	**-**	**-**
- Outflow	**-**	**(35,214)**	**(14,337)**	**(16,529)**	**(3,634)**	**(714)**	**-**	**-**
Total	**-**	**411**	**157**	**213**	**35**	**6**	**-**	**-**

Group	Carrying Amount B$'000	Gross Nominal Inflow/ (Outflow) B$'000	Less than 3 months B$'000	3-6 months B$'000	6-12 months B$'000	1-3 years B$'000	3-5 years B$'000	Over 5 years B$'000
2021								
Non-Derivative Assets								
Cash	**31,405**	**31,405**	31,405	-	-	-	-	-
Balances with Banks, Other financial institutions and BDCB	**1,181,841**	**1,187,308**	791,884	67,442	171,918	81,264	74,800	-
Government Sukuk	**18,350**	**18,350**	18,350	-	-	-	-	-
Investment Securities	**955,531**	**981,581**	434,975	136,267	2,013	167,388	172,344	68,594
Loans and Advances	**2,072,195**	**2,432,562**	300,504	168,181	231,148	899,035	452,307	381,387
Other On Balance Sheet Assets	**35,268**	**35,268**	33,415	-	1,530	323	-	-
Total	**4,294,590**	**4,686,474**	**1,610,533**	**371,890**	**406,609**	**1,148,010**	**699,451**	**449,981**
Non-Derivative Liabilities								
Deposits	**3,615,727**	**3,624,014**	930,493	503,343	755,423	1,420,029	14,726	-
Lease Liabilities	**2,717**	**2,717**	431	399	708	1,127	52	-
Other On Balance Sheet Liabilities	**83,728**	**83,728**	27,148	1	-	56,579	-	-
Other Off Balance Sheet Liabilities	**141,874**	**141,874**	112,456	14,090	14,201	1,127	-	-
Undrawn Credit Lines	**858,910**	**858,910**	-	-	858,910	-	-	-
Total	**4,702,956**	**4,711,243**	**1,070,528**	**517,833**	**1,629,242**	**1,478,862**	**14,778**	**-**
Net cash Inflow/(Outflow)	**(408,366)**	**(24,769)**	**540,005**	**(145,943)**	**(1,222,633)**	**(330,852)**	**684,673**	**449,981**
Derivative Financial Instruments								
- Inflow	**-**	**35,625**	**14,494**	**16,742**	**3,669**	**720**	**-**	**-**
- Outflow	**-**	**(35,214)**	**(14,337)**	**(16,529)**	**(3,634)**	**(714)**	**-**	**-**
Total	**-**	**411**	**157**	**213**	**35**	**6**	**-**	**-**

7 CREDIT RISK

7.1 General qualitative information about credit risk

Credit risk is the risk of financial losses to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and advances to customers, counterparties and investment debt securities.

Credit risk is diversified across the Group's business lines – Corporate Banking, Retail Banking, Hire Purchase Financing and Treasury activities. Policies and processes are in place to ensure timely and appropriate recognition of expected credit losses ("ECL"). The Board of Directors, via the Executive Committee ("EXCO"), has delegated authority to the Group Credit Committee, who is responsible for the approval of lending policies & procedures, product programs, corporate banking exposures, large retail or hire purchase financing, as well as overseeing the day-to-day management of credit risks. The EXCO is directly responsible for overseeing the Group's treasury activities and the associated risks including credit risk.

Credit risk-taking activities are guided by the Group Credit Risk Strategy Statement, which defines the Group's Credit Granting Principles as follows:

- The Group is firmly committed to ensure all credit facilities are granted in compliance with local regulatory rules and regulations.
- The Group generally provides credit facilities to residents of Brunei Darussalam. Similarly, credit facilities are generally only granted to companies incorporated or registered in Brunei Darussalam. Credit exposures outside of Brunei Darussalam require exceptional approval.
- The Group does not provide credit facilities in support of illegal activities, prohibited or unlicensed businesses, or any other activities deemed to pose unacceptable environmental, ethical, social or reputational risk to the Group and the wider community.
- Credit should only be granted when a clear understanding of the borrower, purpose of the facilities and identification of sources of repayment have been established. While collateral is often obtained as a form of credit risk mitigation, it should not be a substitute to ensuring the borrower has the income or equity to support its overall debt burden.
- The Group monitors and manages its concentration risk to groups of related counterparties as well as overall exposure to various industry sectors.
- The pricing of credit shall consider the overall risks of the borrower and facility, including collateral, as well as the funding and operating costs of the Group in order to ensure an acceptable return on capital.

The Group measures and monitors credit risk through Key Risk Indicators in the monitoring and assessment framework. The framework also includes the monitoring of Treasury-related credit risk indicators and are reported to the Board of Directors, via the GRMC on a quarterly basis.

Corporate risk exposures are graded according to an internal rating scale which is determined by the combination of intrinsic risk of the borrower and the assessment of credit risk mitigants, including the quality and nature of collateral provided. Factors which are considered for the intrinsic risk of the borrower include the industry environment, position within its sector, management capability, financial performance and repayment capacity.

All Corporate exposures are under the responsibility of the Group Credit Committee, within its delegated limits. Risk is further managed through a set of policies and procedures, which provide for credit criteria, credit assessment, annual review of credit exposures, management of collateral, management of problem accounts as well as independent review of credit files.

Credit risk for retail customers is generally managed on a portfolio level, with credit assessment and approval being guided by product programmes. Product programmes, which are approved by the Group Credit Committee, define the product's target customer segments, customer eligibility and exclusions; as well as the product's parameters in terms of pricing, fees, maximum limits and maximum tenor for both secured and unsecured lending products.

The Group Credit Committee has sub-delegated a small portion of its lending authority to the Corporate Banking, Retail Banking and Hire Purchase business-lines. Nevertheless, all credit exposures are individually assessed and approved within a limit authority matrix. Risks are monitored through portfolio delinquency reports, which monitor the distribution of exposures by product, delinquency status and credit rating, including historical trend analysis.

Within Retail Banking, the Retail Credit Management department is responsible for the day-to-day credit risk management.

With regards to the Group's treasury activities, authority to approve credit risk limits remains at the EXCO level, who have delegated monitoring responsibilities to the Group's ALCO. This covers credit exposures to financial institutions, counterparty and correspondent bank limits, as well as credit risk in the bank's investment portfolio, i.e. bonds / sukuk. Group Treasury and Institutional Banking is responsible for the day-to-day management of such risks and provides regular updates to ALCO and EXCO.

The Group's "Three Lines of Defence" framework also governs the credit risk management process such that Group Risk Department and Group Compliance Department act as second line to ensure independent assessment over credit risk taking activities while Internal Audit provides objective quality assurance over internal controls and processes.

Scope of Key Risk Indicators being reported to Senior Management, GRMC and the Board include the Group's Impairment Charge, IFRS Classification Staging by Exposure, Expected Credit Losses by Stage, Net NPA as a percentage of Advances, breaches of any credit authority or limits, significant movements in investment portfolio and risk on counterparty banks.

The definitions of credit-impaired financial assets and descriptions of the Group's approaches for specific and collective impairment provisions can be found in pages 26 to 29 and page 56 of the Consolidated Financial Statements. Further disclosures on the Group's management of credit risk, including quantitative disclosures can be found in pages 62 to 76 and 79 to 82 of the Consolidated Financial Statements.

7.2 Credit Quality of Assets

		Gross Carrying Values of		Allowances/ impairments	Of which: ECL accounting provisions for credit losses on SA exposures		Net Values
		Defaulted Exposures	Non-Defaulted Exposures		Of which: Specific Allowances	Of which: General Allowances	
		B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
	Bank as at Dec 31, 2021						
1	Loans	39,363	1,264,433	(48,834)	(38,361)	(10,473)	1,254,962
2	Debt Securities	-	973,706	(131)	(131)	-	973,575
3	Off-balance sheet exposures	544	703,086	(1,001)	(52)	(949)	702,629
4	**Total**	39,907	2,941,225	(49,966)	(38,544)	(11,422)	2,931,166
	Group as at Dec, 2021						
1	Loans	48,322	2,093,492	(68,618)	(51,552)	(17,066)	2,073,196
2	Debt Securities	-	973,706	(131)	(131)	-	973,575
3	Off-balance sheet exposures	544	703,086	(1,001)	(52)	(949)	702,629
4	**Total**	48,866	3,770,284	(69,750)	(51,735)	(18,015)	3,749,400

Definition of default:

The Baiduri Bank Group considers the following definition as an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators of Credit-impaired financial assets. The definition is applied consistently period to period, and reviewed to ensure accurate reflection of what constitutes a default in the current economic environment.

As a result of the changes in the economic environment due to the COVID-19 pandemic, the Group has refreshed its list of Unlikely to Pay ("UTP") criteria to reflect the current UTP indicators that are evident from borrowers' non-payment behaviour in the current economic environment. Additionally, where an increasing amount of balances may be subject to longer 'days past due', the Group exercises care in applying the 90 dpd rebuttable presumption, especially where principal payment holidays are introduced, during which borrowers are permitted to defer certain payments, where such payments are no longer past due.

7.3 Changes in Stock of Defaulted Loans and Debt Securities as at Dec 31, 2021

		Bank	Group
		B$'000	B$'000
1	Defaulted loans and debt securities at Jun 30, 2021	59,830	67,521
2	Loans and debt securities that have defaulted since Jun 30, 2021	(1,499)	560
3	Returned to non-defaulted status	4,392	4,115
4	Amounts written off	(21,546)	(22,646)
5	Other changes	(1,270)	(684)
6	Defaulted loans and debt securities at Dec 31, 2021	39,907	48,866

7.4 Additional disclosure related to the credit quality of assets.

Gross Credit Exposure by Geographical concentration as at Dec 31, 2021

Bank	Brunei B$'000	Singapore B$'000	United States of America B$'000	Malaysia B$'000	Others B$'000	Total B$'000
On-Balance Sheet Exposures						
Cash and Short Term Funds	277,857	828,171	3.270	61	25,462[1]	1,134,821
Derivative Assets	374	-	-	-	-	374
Government Sukuk	18,350	-	-	-	-	18,350
Investment Securities	-	955,051	-	-	305	955,356
Loans and Advances	1,284,661	-	-	2,411	16,724[2]	1,303,796
Sub-Total	1,581,242	1,783,222	3,270	2,472	42,491	3,412,697
Commitments and Contingencies	1,214,879	1,000	-	-	-	1,215,879
Total Credit Exposures	**2,796,121**	**1,784,222**	**3,270**	**2,472**	**42,491**	**4,628,576**

Group	Brunei B$'000	Singapore B$'000	United States of America B$'000	Malaysia B$'000	Others B$'000	Total B$'000
On-Balance Sheet Exposures						
Cash and Short Term Funds	290,032	828,171	3,270	61	25,462	1,146,996
Derivative Assets	374	-	-	-	-	374
Government Sukuk	18,350	-	-	-	-	18,350
Investment Securities	-	955,051	-	-	305	955,356
Loans and Advances	2,122,679	-	-	2,411	16,724	2,141,814
Sub-Total	2,431,435	1,783,222	3,270	2,472	42,491	4,262,890
Commitments and Contingencies	1,214,879	1,000	-	-	-	1,215,879
Total Credit Exposures	**3,646,314**	**1,784,222**	**3,270**	**2,472**	**42,491**	**5,478,769**

[1] Others include Australia, Canada, France, Germany, Hong Kong, Indonesia, Japan, Luxembourg, New Zealand, Philippines, Sweden, Thailand, United Arab Emirates, Saudi Arabia,India and United Kingdom.

[2] Others include Liberia Panama.

Concentration of Credit Risk by sector

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances and other commitments is shown below.

	Loans and Advances		Contingencies and Other Commitments		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Bank	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Agriculture	**7,712**	7,426	**4,123**	4,270	**11,835**	11,696
Constructions and Property Financing	**518,815**	472,720	**110,635**	44,423	**629,450**	517,143
Financial	**62**	-	**65,997**	75,269	**66,059**	75,269
Infrastructure	**2,480**	5,665	**22,597**	66,793	**25,077**	72,458
Manufacturing	**102,033**	79,983	**168,849**	96,866	**270,882**	176,849
Personal and Consumption Loans	**166,347**	175,245	**5,902**	26,311	**172,249**	201,556
Services	**232,818**	289,809	**364,877**	275,393	**597,695**	565,202
Telecommunication and Information Technology	**27,111**	2,444	**96,141**	122,520	**123,252**	124,964
Tourism	**21,219**	18,439	**6,641**	15,003	**27,860**	33,442
Traders	**153,853**	145,983	**207,909**	193,691	**361,762**	339,674
Transportation	**71,346**	91,904	**162,208**	157,789	**233,554**	249,693
Total	**1,303,796**	1,289,618	**1,215,879**	1,078,328	**2,519,675**	2,367,946

	Loans and Advances		Contingencies and Other Commitments		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Group	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Agriculture	**7,712**	7,426	**4,123**	4,270	**11,835**	11,696
Constructions and Property Financing	**518,815**	472,720	**110,635**	44,423	**629,450**	517,143
Financial	**62**	-	**65,997**	75,269	**66,059**	75,269
Infrastructure	**2,480**	5,665	**22,597**	66,793	**25,077**	72,458
Manufacturing	**102,033**	79,983	**168,849**	96,866	**270,882**	176,849
Personal and Consumption Loans	**166,347**	175,245	**5,902**	26,311	**172,249**	201,556
Services	**232,818**	289,809	**364,877**	275,393	**597,695**	565,202
Telecommunication and Information Technology	**27,111**	2,444	**96,141**	122,520	**123,252**	124,964
Tourism	**21,219**	18,439	**6,641**	15,003	**27,860**	33,442
Traders	**153,853**	145,983	**207,909**	193,691	**361,762**	339,674
Transportation	**909,364**	912,732	**162,208**	157,789	**1,071,572**	1,070,521
Total	**2,141,814**	2,110,446	**1,215,879**	1,078,328	**3,357,693**	3,188,774

Credit risk (cont'd)

Non-performing loans and advances

The Bank and the Group regards a loan and advance as non-performing if it is in arrears for more than 3 months or if there is objective evidence of impairment.

	Total Credit Exposure		Non-Performing Loans	
	2021	2020	2021	2020
Bank	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Agriculture	**11,835**	11,696	**-**	-
Constructions and Property Financing	**629,450**	517,143	**13,926**	23,460
Financial	**66,059**	75,269	**-**	-
Infrastructure	**25,077**	72,458	**-**	-
Manufacturing	**270,882**	176,849	**155**	927
Personal and Consumption Loans	**172,249**	201,556	**4,996**	7,710
Services	**597,695**	565,202	**1,271**	4,841
Telecommunication and Information Technology	**123,252**	124,964	**659**	246
Tourism	**27,860**	33,442	**5,414**	-
Traders	**361,762**	339,674	**12,942**	30,952
Transportation	**233,554**	249,693	**-**	488
Total	**2,519,675**	2,367,946	**39,363**	68,624

	Total Credit Exposure		Non-Performing Loans	
	2021	2020	2021	2020
Group	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Agriculture	**11,835**	11,696	**-**	-
Constructions and Property Financing	**629,450**	517,143	**13,926**	23,460
Financial	**66,059**	75,269	**-**	-
Infrastructure	**25,077**	72,458	**-**	-
Manufacturing	**270,882**	176,849	**155**	927
Personal and Consumption Loans	**172,249**	201,556	**4,996**	7,710
Services	**597,695**	565,202	**1,271**	4,841
Telecommunication and Information Technology	**123,252**	124,964	**659**	246
Tourism	**27,860**	33,442	**5,414**	-
Traders	**361,762**	339,674	**12,942**	30,952
Transportation	**1,071,572**	1,070,521	**8,959**	17,343
Total	**3,357,693**	3,188,774	**48,322**	85,479

7.5 Ageing Analysis of past-due loans

Bank	December 31, 2021 Stage 1 B$'000	Stage 2 B$'000	Stage 3 B$'000	POCI B$'000	Total B$'000
Non past due	1,187,635	74,451	10,447	1,439	1,273,972
Month-in-arrear 1	-	2,041	1,076	-	3,117
Month- in- arrear 2	-	306	104	3	413
Month- in-arrear 3 and above	-	-	24,057	2,237	26,294
Total Gross Carrying Amount	**1,187,635**	**76,798**	**35,684**	**3,679**	**1,303,796**
Loss allowances	**(11,422)**	**(17,516)**	**(19,545)**	**(1,352)**	**(49,835)**
Net carrying amount	**1,176,213**	**59,282**	**16,139**	**2,327**	**1,253,961**

Group	December 31, 2021 Stage 1 B$'000	Stage 2 B$'000	Stage 3 B$'000	POCI B$'000	Total B$'000
Non past due	1,957,841	84,671	12,974	1,447	2,056,933
Month-in-arrear 1	-	45,305	2,420	13	47,738
Month- in- arrear 2	-	5,675	1,082	3	6,760
Month- in-arrear 3 and above	-	-	28,146	2,237	30,383
Total Gross Carrying Amount	**1,957,841**	**135,651**	**44,622**	**3,700**	**2,141,814**
Loss allowances	**(18,015)**	**(26,917)**	**(23,329)**	**(1,358)**	**(69,619)**
Net carrying amount	**1,939,826**	**108,734**	**21,293**	**2,342**	**2,072,195**

Loans with renegotiated terms and the Bank's forbearance practice

When there is deterioration in the borrower's financial position, loans may be restructured with renegotiated terms where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance practice in order to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance practice, loan forbearance is granted on an elective basis in situations where the debtor is currently in default on its debt, or where there is a high risk of default.

The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants.

Both retail and corporate loans are subject to the forbearance practice.

	Bank 2021 B$'000	Bank 2020 B$'000	Group 2021 B$'000	Group 2020 B$'000
Renegotiated loans and advances	**10,395**	9,972	**12,973**	15,082

7.6 Qualitative disclosure requirements related to credit risk mitigation techniques

The Group employs various credit risk mitigation techniques which include appropriate facility structuring, obtaining of tangible collateral as well as non-tangible security. Covenants / facility conditions are frequently imposed on credit facilities. The adequacy of the collateral will depend on the level of facilities granted, the borrower's risk profile, the Bank's risk appetite and the conduct of the borrower and length of the relationship with the Bank.

Acceptable types of collateral / security [3]

Cash including Certificate of Deposit	Assignment of project receivables
Investment funds	Assignment of development agreement
Debentures	Assignment of sale & purchase agreement
Property (residential and commercial)	Guarantee from banks
Motor Vehicles	Assignment of insurance policy
Stocks and Shares (private or listed)	Corporate guarantee
Ships and vessels	Personal guarantee
Aircraft	Letter of comfort or awareness

The market value of collateral may be determined through independent valuation by third-party panel valuer firms, or through internal formulas. Haircuts may be applied to the market value of collateral held to determine its financial effect. The condition of the collateral is assessed periodically, and should the collateral become undervalued or unenforceable, this shall be flagged in the credit proposal and recommend replacement or additional collateral.

Although the Group accepts various forms of collateral, as at the reporting period, only cash and Brunei Government guarantees have been considered as allowable CRM for capital calculation purposes.

7.7 Overview of Credit Risk Mitigation (CRM) Techniques as at Dec 31, 2021

		Exposures Unsecured	Exposures Secured	Exposures secured by Collateral	Exposures secured by Financial guarantees	Exposures secured by credit derivatives
		B$'000	B$'000	B$'000	B$'000	B$'000
	Bank					
1	Loans	520,232	734,729	734,729	-	-
2	Debt securities	973,575	-	-	-	-
3	**Total**	**1,493,807**	**734,729**	**734,729**	**-**	**-**
4	Of which defaulted	1,375	17,093	17,093		
	Group					
1	Loans	587,818	1,485,377	1,485,377	-	-
2	Debt securities	973,575		-	-	-
3	**Total**	**1,561,393**	**1,485,377**	**1,485,377**	**-**	**-**
4	Of which defaulted	1,416	22,220	22,220	-	-

[3] The listing is not intended to be exhaustive, representing the main types of collateral/security taken. The bank may accept other forms of collateral/security in order to mitigate its credit exposures

7.8 External Credit Assessment Institutions ("ECAIs")

The Group refers to ratings published by the following ECAIs for the purposes to assign risk weights to claims on banks and financial institutions as well as rated corporate exposures within the Group's investment portfolio:

- S&P Global Ratings
- Moody's Investors Service
- Fitch Ratings

7.9 Standardised Approach for Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

	Bank as at Dec 31, 2021						
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	Asset Classes	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	886,081	-	886,081	-	-	0.00%
2	Non-central government public sector entities	-	-	-	-	-	0.00%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	1,067,330	26,174	1,067,330	13,697	408,931	37.83%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	779,200	1,189,707	651,748	123,509	746,426	96.28%
7	Regulatory retail portfolios	196,205	-	192,474	-	146,261	75.99%
8	Secured by residential property	233,141	-	230,907	-	168,220	72.85%
9	Secured by commercial real estate	163,433	-	154,825	-	154,825	100.00%
10	Equity	306	-	306	-	459	150.00%
11	Past due loans	18,466	-	17,833	-	21,263	119.23%
12	Higher-risk categories	-	-	-	-	-	0.00%
13	Other assets	91,703	-	91,703	-	61,772	67.36%
14	Total	3,435,865	1,215,881	3,293,207	137,206	1,708,157	49.79%

	Group as at Dec 31, 2021						
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	Asset Classes	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	952,331	-	952,331	-	-	0.00%
2	Non-central government public sector entities	-	-	-	-	-	0.00%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	1,078,023	26,174	1,078,023	13,697	419,627	38.44%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	824,388	1,189,707	696,834	123,509	791,512	96.49%
7	Regulatory retail portfolios	970,675	-	966,922	-	727,097	75.20%
8	Secured by residential property	233,141	-	230,907	-	168,220	72.85%
9	Secured by commercial real estate	163,433	-	154,825	-	154,825	100.00%
10	Equity	306	-	306	-	459	150.00%
11	Past due loans	23,635	-	23,002	-	26,432	114.91%
12	Higher-risk categories	-	-	-	-	-	0.00%
13	Other assets	95,590	-	95,590	-	64,186	67.15%
14	Total	4,341,522	1,215,881	4,198,740	137,206	2,352,358	54.25%

7.10 Standardised Approach for Exposure by Asset Classes and Risk Weights

	Bank as at Dec 31, 2021	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit exposures (post CCF and post CRM)
1	Sovereigns and their central banks	689,869	-	-	-	-	-	-	-	-	689,869
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	605,487	-	375,413	-	100,127	-	-	1,081,027
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	25,090	-	17,520	-	732,647	-	-	775,257
7	Regulatory retail portfolios	-	-	-	-	-	184,853	7,621	-	-	192,474
8	Secured by residential property	-	-	-	13,072	-	216,761	1,074	-	-	230,907
9	Secured by commercial real estate	-	-	-	-	-	-	154,825	-	-	154,825
10	Equity	-	-	-	-	-	-	-	306	-	306
11	Past due Loans	-	-	-	-	-	-	10,972	6,861	-	17,833
12	Higher risk categories	-	-	-	-	-	-	-	-	-	-
13	Other Assets	226,143	-	-	-	-	-	61,772	-	-	287,915
14	Total	916,012	-	630,577	13,072	392,933	401,614	1,069,038	7,167	-	3,430,413

	Group as at Dec 31, 2021	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit exposures (post CCF and post CRM)
1	Sovereigns and their central banks	689,869	-	-	-	-	-	-	-	-	689,869
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	605,487	-	375,405	-	110,828	-	-	1,091,720
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	25,090	-	17,520	-	777,733	-	-	820,343
7	Regulatory retail portfolios	-	-	-	-	-	959,301	7,621	-	-	966,922
8	Secured by residential property	-	-	-	13,072	-	216,761	1,074	-	-	230,907
9	Secured by commercial real estate	-	-	-	-	-	-	154,825	-	-	154,825
10	Equity	-	-	-	-	-	-	-	306	-	306
11	Past due Loans	-	-	-	-	-	-	16,141	6,861	-	23,002
12	Higher risk categories	-	-	-	-	-	-	-	-	-	-
13	Other Assets	293,867	-	-	-	-	-	64,185	-	-	358,052
14	Total	983,736	-	630,577	13,072	392,925	1,176,062	1,132,407	7,167	-	4,335,946

8 COUNTERPARTY CREDIT RISK ("CCR")

Counterparty Credit Risk is the risk arising from the possibility that the counterparty may default on amounts owned on a derivative transaction. Derivatives are financial instruments that derive their value from the performance of assets, interest or currency exchange rates, or indexes.

All limits for Counterparty Credit Risk are approved at the EXCO level. Limits are primarily to support Spot Transactions, Foreign Exchange Contracts as well as other derivative products (Swaps). Counterparty exposures are generally limited to banks which have been rated BBB+ by S&P (or Moody's/Fitch equivalent) or better.

The Bank and the Group's position on derivative financial instruments can be found on page 97 of the Consolidated Financial Statements.

9 SECURITISATION

The Group does not carry any securitisation exposures over the reporting period.

10 MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the value of the Group's holdings of financial instruments (non-banking book). The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Group's solvency while optimizing the return on risk.

The EXCO is responsible for authorising all market risk limits and has delegated responsibility for the measurement, monitoring and reporting of market risk to the ALCO, with Group Treasury and Institutional Banking being responsible for the day to-day management of the Group's market risk positions.

The Group has limited risk appetite and exposure to market risk. As at 31 December 2021, the Group has minimal foreign exchange risk exposure and no market risk exposure to interest rate risk (trading book), equity position risk, or commodity risk.

Further disclosures on the Group's management of market risk, including quantitative disclosures can be found in pages 83 – 89 of the Consolidated Financial Statements.

10.1 Market Risk under Standardised Approach as at Dec 31, 2021

	Risk Weighted Assets	
	Bank	**Group**
	B$'000	**B$,000**
Interest/Profit Rate Risk	-	-
Equity Position Risk	-	-
Foreign Exchange Risk	6,800	6,599
Commodity Risk	-	-
Total	6,800	6,599

11 INTEREST RATE RISK IN THE BANKING BOOK

Due to different movements in interest rates of assets and liabilities, the Group's earnings are exposed to IRRBB. Group ALCO, assisted by Group Treasury and Institutional Banking as well as Finance Department, is responsible for managing interest rate risk.

Interest rate risk is managed principally through an Asset-Liability reports, which provides Senior Management with details on the level of and return generated from interest generating assets, compared against funding sources and associated costs. The Group also reports on maturity gaps on its asset and liability position.

The Board of Directors maintains oversight over interest rate risks through the monitoring of various Key Risk Indicators, which are reported quarterly to the Group Risk Management Committee.

Although the movement of interest rates is primarily driven by external market forces, certain mitigating strategies are taken which include ensuring sufficient margins (particularly on longer maturity exposures) on credit facilities. The bank further ensures that most of its credit exposures are priced against an internal reference rate, which may be adjusted in the event of material changes in the funding market.

Quantitative disclosures on the Group's interest rate risk can be found in pages 83 - 86 of the Consolidated Financial Statements.

	Bank		**Group**	
	+0.10% B$'000	**-0.10% B$'000**	**+0.10% B$'000**	**-0.10% B$'000**
As at December 31, 2021	**324**	**(324)**	**631**	**(631)**
As at December 31, 2020	232	(232)	363	(363)

12 OPERATIONAL RISK

Operational risk is the risk to achieving the Group's strategic objectives as a result of inadequate or failed internal processes, people and systems, or from external events. Operational risk is inherent to every aspect of our business. The Group's objective is to manage its operational risk at appropriate levels, considering the markets we operate in, capital and liquidity adequacy, as well as economic conditions and the regulatory environment.

The Board is ultimately responsible for all aspects of operational risk management. The Board delegates these responsibilities to the GRMC to oversee the management of operational risks.

The Group Operational and Compliance Risk Committee ("OCRC") is responsible for the design, formulation and implementation of the Group's operational risk management framework, including related policies and processes to identify, evaluate, measure, monitor, and report on risks as well as the effectiveness of the internal control systems, taking appropriate and timely remedial actions as required.

The Three Lines of Defence approach is applied to operational risk management.

The first line of defence – business line management including support functions – is directly responsible for identifying and managing day-to-day operational risks.

The second line of defence is provided by the Group Risk Department where it coordinates, facilitates and oversees the effectiveness and integrity of the Group's operational risk management framework.

The third line of defence involves the Internal Audit function to provide independent assurance to the Board and senior management on the effectiveness and quality of governance, risk management and internal control processes.

The Group employs the Basic Indicator Approach to compute operational risk capital.

Additional risk management systems are in place to address specific to the areas including, but not limited to, are as follows:

Technology risk – All activities are governed by a set of Information Technology (IT) policies, guidelines, processes, procedures and mitigation programmes – including disaster recovery planning. These outline the governance and oversight structure, communication and escalation criteria, monitoring frequency, assessment and mitigation measures. IT incidents are assessed and evaluated by the Group's IT department according to its impact to the technologies, business operations and all stakeholders. Incidents are escalated to Chief Technology Officer, Group Risk Department and senior management for direction, depending on its severity.

Cyber and Information security risk – risk associated with cyber and information security are managed through security policies, processes, procedures and solutions. The Group's Information & Security Department is responsible for securing the network, infrastructure and information. The Group employs comprehensive assessments, penetration testing, firewall reviews and incident handling and response plans.

Fraud risk – risks associated with fraud are governed by Fraud policy with oversight by a dedicated committee.

Business disruptions – Business Continuity Management ("BCM") framework is embedded under a BCM programme which aims, in the event of an actual disaster, to recover the critical business processes and its ability to function in the changed operational environments, as well as to safeguard all stakeholders and protect the interests of the Group. It is to ensure that the impact of potential issues and adverse events are effectively managed to an acceptable level and communicated efficiently. Planning for resilience includes risk assessments and review, identification of critical business functions through Business Impact Analysis, continuity strategies, recovery and resumption plans, annual testing and exercising as well as maintenance of Business Continuity Plans ("BCP").

New products and services risk – the Group's policy is in place to ensure operational risks are considered and assessed as new products, services, systems and projects are initiated. Comprehensive post-implementation evaluation of new products or services is performed to ensure no risk remains unidentified or unaddressed.

Vendor, third party and outsourcing risk – the Group has implemented Vendor Management and Outsourcing policies, respectively. The policies are to govern vendor selection criteria, approved vendors, vendor evaluation and assessment, vendor review and outsourcing arrangements.