

PILLAR 3 DISCLOSURE

UNAUDITED AS AT JUNE 30, 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, Cap. 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		Jun 2021	Mar 2021	Dec 2020	Sep 2020	Jun 2020
		B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Available capital						
1	Tier 1	438,675	435,281	432,655	404,167	401,355
2	Total Capital	409,368	402,244	395,756	375,579	372,507
Risk-weighted assets						
3	Total risk-weighted assets (RWA)	1,918,468	1,937,794	1,903,401	1,819,610	1,798,164
Risk-based capital ratios as a percentage of RWA						
4	Tier 1 ratio (%)	22.87%	22.46%	22.73%	22.21%	22.32%
5	Total capital ratio (%)	21.34%	20.76%	20.79%	20.64%	20.72%
Group		Jun 2021	Mar 2021	Dec 2020	Sep 2020	Jun 2020
		B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Available capital						
1	Tier 1	535,281	530,965	527,367	506,609	503,002
2	Total Capital	561,537	549,773	542,749	534,169	528,974
Risk-weighted assets						
3	Total risk-weighted assets (RWA)	2,663,745	2,666,993	2,618,849	2,534,882	2,512,412
Risk-based capital ratios as a percentage of RWA						
4	Tier 1 ratio (%)	20.10%	19.91%	20.14%	19.99%	20.02%
5	Total capital ratio (%)	21.08%	20.61%	20.72%	21.07%	21.05%

2.2 Overview of Risk Weighted Assets (RWA)

		Risk-weighted Assets		Minimum Capital Requirements
		June 2021	Mar 2021	
		B\$'000	B\$'000	B\$,000
Bank				
1	Credit risk (Standardised)	1,644,603	1,667,288	164,460
2	Market risk (Standardised)	6,718	3,358	672
3	Operational risk (Basic indicator Approach)	267,148	267,148	26,715
4	Total	1,918,469	1,937,794	191,847
Group				
1	Credit risk (Standardised)	2,334,443	2,341,713	233,444
2	Market risk (Standardised)	7,091	3,069	709
3	Operational risk (Basic indicator Approach)	322,212	322,212	32,221
4	Total	2,663,746	2,666,994	266,374

3 COMPOSITION OF CAPITAL

3.1 Composition of Regulatory Capital as at June 30, 2021

	Bank	Group
	B\$'000	B\$'000
Tier 1 capital: Instruments and reserves	438,675	535,281
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	150,042	191,553
5 Published Retained Profits/(Accumulated Losses)	103,479	158,574
6 General Reserves	5,154	5,154
7 Fair Value Reserves	-	-
8 Tier 1 capital before regulatory adjustments	438,675	535,281
Tier 1 capital: regulatory adjustments	-	-
9 Reciprocal cross-holdings of ordinary shares (as required by AMBD)	-	-
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 3 rd parties in Financial Subsidiary	-	-
14 Total Regulatory adjustments to Tier 1 Capital	-	-
15 Tier 1 capital	-	-
Tier 2 capital: instruments and provisions	18,642	26,256
16 General Credit Loss Reserves (Capped at 1.25%) of Credit Risk)	18,642	26,256
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 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)	18,642	26,256
24 Allowable Supplementary Capital (Tier 2 Capital)	18,642	26,256
25 Sub-Total of Tier 1 and Tier 2 Capital	457,317	561,537
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)	409,368	561,537
33 Total risk-weighted assets	1,918,468	2,663,745
Capital ratios		
34 Tier 1 (as a percentage of risk-weighted assets)	22.87%	20.10%
35 Total capital (as a percentage of risk-weighted assets)	21.34%	21.08%

4 CREDIT RISK

4.1 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 June 30, 2021							
1	Loans	59,120	1,226,574	(67,884)	(49,400)	(18,484)	1,217,810
2	Debt Securities	-	832,571	(115)	(115)	-	832,456
3	Off-balance sheet exposures	710	649,239	(298)	(140)	(158)	649,651
4	Total	59,830	2,708,384	(68,297)	(49,655)	(18,642)	2,699,917
Group as at June 30, 2021							
1	Loans	66,811	2,074,246	(85,925)	(49,400)	(36,525)	2,055,132
2	Debt Securities	-	832,571	(115)	(115)	-	832,456
3	Off-balance sheet exposures	710	649,239	(298)	(140)	(158)	649,651
4	Total	67,521	3,556,056	(86,338)	(49,655)	(36,683)	3,537,239

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.

4.2 Changes in Stock of Defaulted Loans and Debt Securities as at June 30, 2021

	Bank B\$'000	Group B\$'000
1 Defaulted loans and debt securities at December 31, 2020	69,768	86,621
2 Loans and debt securities that have defaulted since December 31, 2020	1,359	4,300
3 Returned to non-defaulted status	(4,260)	(11,960)
4 Amounts written off	(10,338)	(14,722)
5 Other changes	3,301	3,282
6 Defaulted loans and debt securities at June 30, 2021	59,830	67,521

4.3 Overview of Credit Risk Mitigation (CRM) Techniques as at June 30, 2021

	Exposures Unsecured B\$'000	Exposures Secured B\$'000	Exposures secured by Collateral B\$'000	Exposures secured by Financial guarantees B\$'000	Exposures secured by credit derivatives B\$'000
Bank					
1 Loans	489,809	728,001	728,001	-	-
2 Debt securities	832,456	-	-	-	-
Total	1,322,265	728,001	728,001	-	-
3 Of which defaulted	1,414	20,418	20,418	-	-
Group					
1 Loans	552,921	1,502,212	1,502,212	-	-
2 Debt securities	832,456	-	-	-	-
Total	1,385,377	1,502,212	1,502,212	-	-
3 Of which defaulted	1,443	24,917	24,917	-	-

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

	Exposures before CCF and CRM		Exposures post CCF and CRM		Risk weighted Assets and Risk weighted density	
	On-Balance Sheet amount	Off-Balance Sheet amount	On-Balance Sheet amount	Off-Balance Sheet amount	Risk weighted Assets	Risk weighted Assets Density
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	%
Bank as at June 30, 2021						
1	787,728	-	787,728	-	-	0.00%
2	-	-	-	-	-	0.00%
3	-	-	-	-	-	0.00%
4	1,274,126	23,218	1,274,126	12,214	412,576	32.07%
5	-	-	-	-	-	0.00%
6	747,973	1,000,925	636,833	81,258	689,002	95.95%
7	203,860	-	199,762	-	151,558	75.87%
8	231,124	-	228,798	-	166,684	72.85%
9	142,043	-	134,498	-	134,498	100.00%
10	304	-	304	-	456	150.00%
11	21,765	-	21,542	-	25,918	120.31%
12	-	-	-	-	-	0.00%
13	98,656	-	98,656	-	63,911	64.78%
14	3,507,579	1,024,143	3,382,247	93,472	1,644,603	47.32%

	Exposures before CCF and CRM		Exposures post CCF and CRM		Risk weighted Assets and Risk weighted density	
	On-Balance Sheet amount	Off-Balance Sheet amount	On-Balance Sheet amount	Off-Balance Sheet amount	Risk weighted Assets	Risk weighted Assets Density
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	%
Group as at June 30, 2021						
1	854,094	-	854,094	-	-	0.00%
2	-	-	-	-	-	0.00%
3	-	-	-	-	-	0.00%
4	1,283,657	23,218	1,283,657	12,214	422,107	32.57%
5	-	-	-	-	-	0.00%
6	794,919	1,000,925	683,501	81,258	735,670	96.20%
7	997,324	-	993,152	-	746,601	75.17%
8	231,124	-	228,798	-	166,684	72.85%
9	142,043	-	134,498	-	134,498	100.00%
10	304	-	304	-	456	150.00%
11	26,292	-	26,069	-	30,445	116.79%
12	-	-	-	-	-	0.00%
13	135,028	-	135,028	-	97,981	72.56%
14	4,464,785	1,024,143	4,339,101	93,472	2,334,442	52.67%

4.5 Standardised Approach for Exposure by Asset Classes and Risk Weights

Bank as at June 30, 2021		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit exposures (post CCF and post CRM)
1	Sovereigns and their central banks	787,728	-	-	-	-	-	-	-	-	787,728
2	Non-central government public sector entity	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	850,664	-	384,957	-	50,719	-	-	1,286,340
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	25,092	-	18,031	-	674,968	-	-	718,091
7	Regulatory retail portfolios	-	-	-	-	-	192,815	6,947	-	-	199,762
8	Secured by residential property	-	-	-	12,975	-	214,720	1,103	-	-	228,798
9	Secured by commercial real estate	-	-	-	-	-	-	134,498	-	-	134,498
10	Equity	-	-	-	-	-	-	-	304	-	304
11	Past due Loans	-	-	-	-	-	-	12,790	8,752	-	21,542
12	Higher risk categories	-	-	-	-	-	-	-	-	-	-
13	Other Assets	34,745	-	-	-	-	-	63,911	-	-	98,656
14	Total	822,473	-	875,756	12,975	402,988	407,535	944,936	9,056	-	3,475,719

Group as at June 30, 2021		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit exposures (post CCF and post CRM)
1	Sovereigns and their central banks	854,094	-	-	-	-	-	-	-	-	854,094
2	Non-central government public sector entity	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	850,664	-	384,955	-	60,252	-	-	1,295,871
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	25,092	-	18,031	-	721,636	-	-	764,759
7	Regulatory retail portfolios	-	-	-	-	-	986,205	6,947	-	-	993,152
8	Secured by residential property	-	-	-	12,975	-	214,720	1,103	-	-	228,798
9	Secured by commercial real estate	-	-	-	-	-	-	134,498	-	-	134,498
10	Equity	-	-	-	-	-	-	-	304	-	304
11	Past due Loans	-	-	-	-	-	-	17,317	8,752	-	26,069
12	Higher risk categories	-	-	-	-	-	-	-	-	-	-
13	Other Assets	37,047	-	-	-	-	-	97,981	-	-	135,028
14	Total	891,141	-	875,756	12,975	402,986	1,200,925	1,039,734	9,056	-	4,432,573

5 MARKET RISK

5.1 Market Risk under Standardised Approach as at June 30, 2021

	Risk Weighted Assets	
	Bank	Group
	B\$'000	B\$,000
Interest/Profit Rate Risk	-	-
Equity Position Risk	-	-
Foreign Exchange Risk	6,718	7,091
Commodity Risk	-	-
Total	6,718	7,091