

PILLAR 3 DISCLOSURE

UNAUDITED AS AT JUNE 30, 2022

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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 2022	Mar 2022	Dec 2021	Sep 2021	Jun 2021
		B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Available capital						
1	Tier 1	478,205	474,257	471,193	442,412	438,675
2	Total Capital	438,988	440,835	434,666	415,845	409,368
Risk-weighted assets						
3	Total risk-weighted assets (RWA)	2,142,132	1,990,817	1,965,690	2,021,753	1,918,468
Risk-based capital ratios as a percentage of RWA						
4	Tier 1 ratio (%)	22.32%	23.82%	23.97%	21.88%	22.87%
5	Total capital ratio (%)	20.49%	22.14%	22.11%	20.57%	21.34%

Group		Jun 2022	Mar 2022	Dec 2021	Sep 2021	Jun 2021
		B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Available capital						
1	Tier 1	580,180	575,329	571,373	540,054	535,281
2	Total Capital	598,743	599,810	589,388	568,141	561,537
Risk-weighted assets						
3	Total risk-weighted assets (RWA)	2,852,203	2,699,008	2,675,704	2,766,040	2,663,745
Risk-based capital ratios as a percentage of RWA						
4	Tier 1 ratio (%)	20.34%	21.32%	21.35%	19.52%	20.10%
5	Total capital ratio (%)	20.99%	22.22%	22.03%	20.54%	21.08%

2.2 Overview of Risk Weighted Assets (RWA)

		Risk-weighted Assets		Minimum Capital Requirements
		June 2022	Mar 2022	
		B\$'000	B\$'000	B\$'000
Bank				
1	Credit risk (Standardised)	1,886,540	1,735,627	188,654
2	Market risk (Standardised)	4,859	4,457	486
3	Operational risk (Basic indicator Approach)	250,733	250,733	25,073
4	Total	2,142,132	1,990,817	214,213
Group				
1	Credit risk (Standardised)	2,530,661	2,377,968	253,066
2	Market risk (Standardised)	4,795	4,293	480
3	Operational risk (Basic indicator Approach)	316,747	316,747	31,675
4	Total	2,852,203	2,699,008	285,220

3 COMPOSITION OF CAPITAL

3.1 Composition of Regulatory Capital as at June 30, 2022

	Bank	Group
	B\$'000	B\$'000
Tier 1 capital: Instruments and reserves	478,205	580,180
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	165,668	210,747
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	478,205	580,180
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	8,732	18,563
16 General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	8,732	18,563
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)	8,732	18,563
24 Allowable Supplementary Capital (Tier 2 Capital)	8,732	18,563
25 Sub-Total of Tier 1 and Tier 2 Capital	486,937	598,743
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 Re-securitisation Exposures (Rated B+ or Below and Unrated)	-	-
32 Total regulatory capital (TC = T1 + T2)	438,988	598,743
33 Total risk-weighted assets	2,142,132	2,852,203
Capital ratios		
34 Tier 1 (as a percentage of risk-weighted assets)	22.32%	20.34%
35 Total capital (as a percentage of risk-weighted assets)	20.49%	20.99%

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, 2022							
1	Loans	62,637	1,321,100	(48,968)	(40,539)	(8,429)	1,334,769
2	Debt Securities	-	1,032,677	(127)	(127)	-	1,032,550
3	Off-balance sheet exposures	498	597,415	(385)	(82)	(303)	597,528
4	Total	63,135	2,951,192	(49,480)	(40,748)	(8,732)	2,964,847
Group as at June 30, 2022							
1	Loans	70,672	2,147,626	(68,815)	(50,555)	(18,260)	2,149,483
2	Debt Securities	-	1,032,677	(127)	(127)	-	1,032,550
3	Off-balance sheet exposures	498	597,415	(385)	(82)	(303)	597,528
4	Total	71,170	3,777,718	(69,327)	(50,764)	(18,563)	3,779,561

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, 2022

	Bank B\$'000	Group B\$'000
1 Defaulted loans and debt securities at December 31, 2021	39,906	48,865
2 Loans and debt securities that have defaulted since December 31, 2021	32,353	37,346
3 Returned to non-defaulted status	(5,559)	(7,787)
4 Amounts written off	(3,044)	(6,625)
5 Other changes	(521)	(629)
6 Defaulted loans and debt securities at June 30, 2022	63,135	71,170

4.3 Overview of Credit Risk Mitigation (CRM) Techniques as at June 30, 2022

	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	592,266	742,503	742,503	-	-
2 Debt securities	1,032,550	-	-	-	-
Total	1,624,816	742,503	742,503	-	-
3 Of which defaulted	1,224	36,235	36,235		
Group					
1 Loans	664,691	1,484,792	1,484,792	-	-
2 Debt securities	1,032,550	-	-	-	-
Total	1,697,241	1,484,792	1,484,792	-	-
3 Of which defaulted	1,255	40,993	40,993	-	-

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, 2022							
1	Sovereigns and their central banks	947,734	-	947,734	-	0.00%	
2	Non-central government public sector entity	-	-	-	-	0.00%	
3	Multilateral development banks	-	-	-	-	0.00%	
4	Banks	1,253,384	27,000	1,253,384	13,500	530,643	41.89%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	857,948	995,638	727,447	102,382	809,758	97.58%
7	Regulatory retail portfolios	188,731	-	185,537	-	140,697	75.83%
8	Secured by residential property	234,628	-	232,865	-	168,774	72.48%
9	Secured by commercial real estate	137,223	-	130,596	-	130,596	100.00%
10	Equity	314	-	314	-	471	150.00%
11	Past due Loans	37,432	-	34,766	-	37,767	108.63%
12	Higher risk categories	-	-	-	-	-	0.00%
13	Other Assets	93,846	-	93,846	-	67,834	72.28%
14	Total	3,751,240	1,022,638	3,606,489	115,882	1,886,540	50.68%

	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, 2022							
1	Sovereigns and their central banks	1,013,627	-	1,013,627	-	0.00%	
2	Non-central government public sector entity	-	-	-	-	0.00%	
3	Multilateral development banks	-	-	-	-	0.00%	
4	Banks	1,264,583	27,000	1,264,583	13,500	541,843	42.39%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	901,775	995,638	771,190	102,382	853,502	97.70%
7	Regulatory retail portfolios	964,661	-	961,450	-	722,632	75.16%
8	Secured by residential property	234,628	-	232,865	-	168,775	72.48%
9	Secured by commercial real estate	137,223	-	130,596	-	130,596	100.00%
10	Equity	314	-	314	-	471	150.00%
11	Past due Loans	42,221	-	39,555	-	42,553	107.58%
12	Higher risk categories	-	-	-	-	-	0.00%
13	Other Assets	97,844	-	97,844	-	70,289	71.84%
14	Total	4,656,876	1,022,638	4,512,024	115,882	2,530,661	54.68%

4.5 Standardised Approach for Exposure by Asset Classes and Risk Weights

	Bank as at June 30, 2022	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit exposures (post CCF and post CRM)
1	Sovereigns and their central banks	947,734	-	-	-	-	-	-	-	-	947,734
2	Non-central government public sector entity	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	504,530	-	665,235	-	97,119	-	-	1,266,884
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	25,088	-	-	-	804,741	-	-	829,829
7	Regulatory retail portfolios	-	-	-	-	-	179,360	6,177	-	-	185,537
8	Secured by residential property	-	-	-	15,338	-	216,484	1,043	-	-	232,865
9	Secured by commercial real estate	-	-	-	-	-	-	130,596	-	-	130,596
10	Equity	-	-	-	-	-	-	-	314	-	314
11	Past due Loans	-	-	-	-	-	-	28,765	6,001	-	34,766
12	Higher risk categories	-	-	-	-	-	-	-	-	-	-
13	Other Assets	26,012	-	-	-	-	-	67,834	-	-	93,846
14	Total	973,746	-	529,618	15,338	665,235	395,844	1,136,275	6,315	-	3,722,371

	Group as at June 30, 2022	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit exposures (post CCF and post CRM)
1	Sovereigns and their central banks	1,013,627	-	-	-	-	-	-	-	-	1,013,627
2	Non-central government public sector entity	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	504,530	-	665,235	-	108,318	-	-	1,278,083
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	25,088	-	-	-	848,484	-	-	873,572
7	Regulatory retail portfolios	-	-	-	-	-	955,273	6,177	-	-	961,450
8	Secured by residential property	-	-	-	15,338	-	216,484	1,043	-	-	232,865
9	Secured by commercial real estate	-	-	-	-	-	-	130,596	-	-	130,596
10	Equity	-	-	-	-	-	-	-	314	-	314
11	Past due Loans	-	-	-	-	-	-	33,554	6,001	-	39,555
12	Higher risk categories	-	-	-	-	-	-	-	-	-	-
13	Other Assets	27,555	-	-	-	-	-	70,289	-	-	97,844
14	Total	1,041,182	-	529,618	15,338	665,235	1,171,757	1,198,461	6,315	-	4,627,906

5 MARKET RISK

5.1 Market Risk under Standardised Approach as at June 30, 2022

	Risk Weighted Assets	
	Bank	Group
	B\$'000	B\$,000
Interest/Profit Rate Risk	-	-
Equity Position Risk	-	-
Foreign Exchange Risk	4,859	4,795
Commodity Risk	-	-
Total	4,859	4,795