

PILLAR 3 DISCLOSURE

UNAUDITED AS AT JUNE 30, 2023

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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	Jun 2023 B\$'000	Mar 2023 B\$'000	Dec 2022 B\$'000	Sep 2022 B\$'000	Jun 2022 B\$'000
	<u>Available capital</u>					
1	Tier 1	525,604	520,049	514,831	482,961	478,205
2	Total Capital	491,478	484,740	477,548	444,545	438,988
	<u>Risk-weighted assets</u>					
3	Total risk-weighted assets (RWA)	2,309,211	2,215,620	2,085,444	2,048,365	2,142,132
	<u>Risk-based capital ratios as a percentage of RWA</u>					
4	Tier 1 ratio (%)	22.76%	23.47%	24.69%	23.58%	22.32%
5	Total capital ratio (%)	21.28%	21.88%	22.90%	21.70%	20.49%
	<u>Group</u>					
	<u>Available capital</u>					
1	Tier 1	634,012	628,167	622,664	585,848	580,180
2	Total Capital	657,555	651,275	639,396	606,904	598,743
	<u>Risk-weighted assets</u>					
3	Total risk-weighted assets (RWA)	3,067,633	2,972,137	2,836,810	2,769,012	2,852,203
	<u>Risk-based capital ratios as a percentage of RWA</u>					
4	Tier 1 ratio (%)	20.67%	21.14%	21.95%	21.16%	20.34%
5	Total capital ratio (%)	21.44%	21.91%	22.54%	21.92%	20.99%

2.2 Overview of Risk Weighted Assets (RWA)

	Risk-weighted Assets		Minimum Capital Requirements	
	Jun 2023 B\$'000	Mar 2023 B\$'000	B\$,000	
	<u>Bank</u>			
1	Credit risk (Standardised)	2,054,153	1,958,683	205,415
2	Market risk (Standardised)	2,580	4,459	258
3	Operational risk (Basic indicator Approach)	252,478	252,478	25,248
4	Total	2,309,211	2,215,620	230,921
	<u>Group</u>			
1	Credit risk (Standardised)	2,745,784	2,648,424	274,578
2	Market risk (Standardised)	2,559	4,423	256
3	Operational risk (Basic indicator Approach)	319,290	319,290	31,929
4	Total	3,067,633	2,972,137	306,763

3 COMPOSITION OF CAPITAL

3.1 Composition of Regulatory Capital as at Jun 30, 2023

	Bank	Group
	B\$'000	B\$'000
Tier 1 capital: Instruments and reserves	525,604	634,012
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	186,539	234,583
5 Published Retained Profits/(Accumulated Losses)	153,911	214,275
6 General Reserves	5,154	5,154
7 Fair Value Reserves	-	-
8 Tier 1 capital before regulatory adjustments	525,604	634,012
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 3 rd parties in Financial Subsidiary	-	-
14 Total Regulatory adjustments to Tier 1 Capital	-	-
15 Tier 1 capital	-	-
Tier 2 capital: instruments and provisions	13,823	23,543
16 General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	13,823	23,543
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)	13,823	23,543
24 Allowable Supplementary Capital (Tier 2 Capital)	13,823	23,543
25 Sub-Total of Tier 1 and Tier 2 Capital	539,427	657,555
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)	491,478	657,555
33 Total risk-weighted assets	2,309,211	3,067,633
Capital ratios		
34 Tier 1 (as a percentage of risk-weighted assets)	22.76%	20.67%
35 Total capital (as a percentage of risk-weighted assets)	21.28%	21.44%

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 Jun 30, 2023							
1	Loans	73,314	1,331,493	(44,314)	(31,210)	(13,104)	1,360,493
2	Debt securities	-	977,403	(138)	(138)	-	977,265
3	Off-balance sheet exposures	2,239	773,292	(758)	(39)	(719)	774,773
4	Total	75,553	3,082,188	(45,210)	(31,387)	(13,823)	3,112,531
Group as at Jun, 2023							
1	Loans	79,267	2,193,237	(64,270)	(41,445)	(22,825)	2,208,234
2	Debt securities	-	977,403	(138)	(138)	-	977,265
3	Off-balance sheet exposures	2,239	773,292	(758)	(39)	(719)	774,773
4	Total	81,506	3,943,932	(65,166)	(41,622)	(23,544)	3,960,272

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.

The Group ensures its list of Unlikely to Pay ("UTP") criteria reflect the current UTP indicators that are evident from borrowers' non-payment behaviour in the current economic environment. 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 Jun 30, 2023

	Bank B\$'000	Group B\$'000
1	64,925	69,052
2	13,688	20,023
3	(2,226)	(4,212)
4	(9,383)	(12,033)
5	8,549	8,676
6	75,553	81,506

4.3 Overview of Credit Risk Mitigation (CRM) Techniques as at Jun 30, 2023

	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	617,505	742,988	742,988	-	-
2	977,265	-	-	-	-
3 Total	1,594,770	742,988	742,988	-	-
4	1,327	48,030	48,030		
Group					
1	697,439	1,510,795	1,510,795	-	-
2	977,265	-	-	-	-
3 Total	1,674,704	1,510,795	1,510,795	-	-
4	1,344	51,362	51,362	-	-

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

		Bank as at Jun 30, 2023					
Asset Classes		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
		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	661,285	-	661,285	-	-	0.00%
2	Non-central government public sector entities	-	-	-	-	-	0.00%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	1,375,334	191,643	1,375,334	95,822	685,481	46.59%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	816,030	1,166,855	686,609	103,090	764,562	96.82%
7	Regulatory retail portfolios	202,492	-	199,120	-	153,286	76.98%
8	Secured by residential property	239,864	-	237,764	-	172,039	72.36%
9	Secured by commercial real estate	178,381	-	173,882	-	173,882	100.00%
10	Equity	305	-	305	-	2,291	751.15%
11	Past due loans	49,350	-	37,210	-	39,137	105.18%
12	Higher-risk categories	-	-	-	-	-	0.00%
13	Other assets	373,099	-	373,099	-	63,475	17.01%
14	Total	3,896,140	1,358,498	3,744,608	198,912	2,054,153	52.09%

Group as at Jun 30, 2023

Asset Classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	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	661,285	-	661,285	-	-	0.00%
2 Non-central government public sector entities	-	-	-	-	-	0.00%
3 Multilateral development banks	-	-	-	-	-	0.00%
4 Banks	1,336,127	191,643	1,336,127	95,822	671,284	46.88%
5 Securities firms	-	-	-	-	-	0.00%
6 Corporates	859,283	1,166,855	729,704	103,090	807,658	96.98%
7 Regulatory retail portfolios	1,013,351	-	1,009,968	-	761,422	75.39%
8 Secured by residential property	239,864	-	237,764	-	172,039	72.36%
9 Secured by commercial real estate	178,381	-	173,882	-	173,882	100.00%
10 Equity	305	-	305	-	2,291	751.15%
11 Past due loans	52,699	-	40,559	-	42,486	104.75%
12 Higher-risk categories	-	-	-	-	-	0.00%
13 Other assets	481,003	-	481,003	-	114,722	23.85%
14 Total	4,822,298	1,358,498	4,670,597	198,912	2,745,784	56.39%

4.5 Standardised Approach for Exposure by Asset Classes and Risk Weights

Bank as at Jun 30, 2023	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit exposures (post CCF and post CRM)
1 Sovereigns and their central banks	661,285	-	-	-	-	-	-	-	-	661,285
2 Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-
3 Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4 Banks	-	-	334,110	-	1,036,774	-	100,272	-	-	1,471,156
5 Securities firms	-	-	-	-	-	-	-	-	-	-
6 Corporates	-	-	25,084	-	10,138	-	754,477	-	-	789,699
7 Regulatory retail portfolios	-	-	-	-	-	183,335	15,785	-	-	199,120
8 Secured by residential property	-	-	-	15,709	-	222,055	-	-	-	237,764
9 Secured by commercial real estate	-	-	-	-	-	-	173,882	-	-	173,882
10 Equity	-	-	-	-	-	-	-	305	-	305
11 Past due loans	-	-	-	-	-	-	33,357	3,853	-	37,210
12 Higher risk categories	-	-	-	-	-	-	-	-	-	-
13 Other assets	308,402	-	-	-	-	-	63,475	1,222	-	373,099
14 Total	969,687	-	359,194	15,709	1,046,912	405,390	1,141,248	5,380	-	3,943,520

Group as at Jun 30, 2023	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit exposures (post CCF and post CRM)
1 Sovereigns and their central banks	661,285	-	-	-	-	-	-	-	-	661,285
2 Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-
3 Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4 Banks	-	-	334,110	-	986,753	-	111,086	-	-	1,431,949
5 Securities firms	-	-	-	-	-	-	-	-	-	-
6 Corporates	-	-	25,084	-	10,138	-	797,572	-	-	832,794
7 Regulatory retail portfolios	-	-	-	-	-	994,183	15,785	-	-	1,009,968
8 Secured by residential property	-	-	-	15,709	-	222,055	-	-	-	237,764
9 Secured by commercial real estate	-	-	-	-	-	-	173,882	-	-	173,882
10 Equity	-	-	-	-	-	-	-	305	-	305
11 Past due loans	-	-	-	-	-	-	36,706	3,853	-	40,559
12 Higher risk categories	-	-	-	-	-	-	-	-	-	-
13 Other assets	365,059	-	-	-	-	-	114,722	1,222	-	481,003
14 Total	1,026,344	-	359,194	15,709	996,891	1,216,238	1,249,753	5,380	-	4,869,509

5 MARKET RISK

5.1 Market Risk under Standardised Approach as at Jun 30, 2023

	Risk Weighted Assets	
	Bank	Group
	B\$'000	B\$,000
Interest/Profit Rate Risk	-	-
Equity Position Risk	-	-
Foreign Exchange Risk	2,580	2,559
Commodity Risk	-	-
Total	2,580	2,559