



Humanising Financial Services.

**Pillar 3 Disclosure  
For Half Year Ended 30 June 2021  
Malayan Banking Berhad, Brunei Branch**

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## I. OVERVIEW

The Pillar 3 Disclosures for the half year ended 30 June 2021 for Malayan Banking Berhad - Brunei Darussalam Branch (“Maybank” or the “Branch”) are in accordance with Brunei Darussalam Central Bank (“BDCB”) Guidelines on Pillar 3 Public Disclosure Requirements, which are the equivalent of that issued by the Basel Committee on Banking Supervision (“BCBS”) entitled International Convergence of Capital Measurement and Capital Standards (commonly referred to as Basel II).

Following the methodology employed by Malayan Banking Berhad (“Head Office” or the “Group”), the Branch adopts the following approaches in determining the capital requirements of Pillar 1 in accordance with AMBD’s Guidelines on Capital Adequacy Framework (Basel II - Risk-Weighted Assets):

- Credit Risk -Standardised Approach (“SA”).
- Market Risk - Standardised Approach (“SA”).
- Operational Risk - Basic Indicator Approach (“BIA”)

## II. OVERVIEW OF KEY PRUDENTIAL METRICS AND RWA

Table 1 present the key prudential metrics for the current quarter and the 4 previous quarter ends.

**Table 1: Key Metrics**

B\$'000	Jun-21	Mar-21	Dec-20	Sep-20	Jun-20
<b>Available capital (amounts)</b>					
Tier 1	65,298	65,259	65,238	62,185	62,496
Total capital	67,569	67,333	67,266	65,364	65,684
<b>Risk-weighted assets (amounts)</b>					
Total risk-weighted assets (RWA)	275,244	281,823	278,063	278,912	279,228
<b>Risk-based capital ratios as a percentage of RWA</b>					
Tier 1 ratio (%)	23.72	23.16	23.46	22.30	22.38
Total capital ratio (%)	24.55	23.89	24.19	23.44	23.52

Total risk-weighted assets are higher in the first quarter 2021 as compared to the current quarter the previous 3 quarters in 2020 due to higher risk-weighted assets for market risk as a result of higher foreign exchange risk exposure.

Tier 1 ratio and total capital ratio remain well above the minimum requirement of 5% and 10% respectively as stipulated in BDCB guideline under Notice BU/N-3/2017/38.

Table 2 present the breakdown of the RWA for the current quarter and previous quarter ends and the capital requirements for the current quarter RWA.

**Table 2: Overview of Risk Weighted Assets**

B\$'000	RWA		Minimum capital requirements
	Jun-21	Mar-21	Jun-21
Credit Risk (Standardised)	252,082	254,571	25,208
Market Risk (Standardised)	1,199	5,289	120
Operational Risk (Basic Indicator Approach)	21,963	21,963	2,196
<b>Total</b>	<b>275,244</b>	<b>281,823</b>	<b>27,524</b>

### III. COMPOSITION OF CAPITAL

Table 3 present the composition of regulatory capital as of 30<sup>th</sup> June 2021.

**Table 3: Composition of Regulatory Capital**

	B\$'000
<b>Tier 1 capital: instruments and reserves</b>	
Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	30,000
Non-Cumulative, Non-Redeemable Preference Shares	-
Share Premium	-
Statutory Reserve Fund	16,321
Published Retained Profits/ (Accumulated Losses)	18,310
General Reserves	1,363
Fair Value Reserves	-
<b>Tier 1 capital before regulatory adjustments</b>	<b>65,994</b>
<b>Tier 1 capital: regulatory adjustments</b>	
Reciprocal cross-holdings of ordinary shares (as required by AMBD)	-
Goodwill	-
Other intangible assets	697
Advances/financing granted to employees of the bank for the purchase of shares of the bank under a share ownership plan	-
Minority Interests held by 3rd parties in Financial Subsidiary	-
<b>Total Regulatory adjustments to Tier 1 Capital</b>	<b>697</b>
<b>Tier 1 capital</b>	<b>65,297</b>
<b>Tier 2 capital: instruments and provisions</b>	
General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	2,272
<i>Hybrid (debt/equity) Capital Instruments</i>	-
Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	-
<b>Tier 2 capital before regulatory adjustments</b>	<b>2,272</b>
<b>Tier 2 capital: regulatory adjustments</b>	
Reciprocal Crossholdings of Tier 2 Capital Instruments	-
Minority Interests Arising from Holdings of Tier 2 Instruments in Financial Subsidiaries by 3 <sup>rd</sup> Parties	-
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>
<b>Tier 2 capital (T2)</b>	<b>2,272</b>
<b>Allowable Supplementary Capital (Tier 2 Capital)</b>	<b>2,272</b>
<b>Sub-Total of Tier 1 and Tier 2 Capital</b>	<b>67,569</b>
Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital	-
Significant Investments in Banking, Securities and Other Financial Entities	-
Significant Investments in Insurance Entities & Subsidiary	-
Significant Investments in Commercial Entities	-
Securitisation Exposures (Rated B+ or Below and Unrated)	-
Resecuritisation Exposures (Rated B+ or Below and Unrated)	-
<b>Total regulatory capital (TC = T1 + T2)</b>	<b>67,569</b>
<b>Total risk-weighted assets</b>	<b>275,244</b>
<b>Capital ratios</b>	
<b>Tier 1 (as a percentage of risk-weighted assets)</b>	<b>23.72%</b>
<b>Total capital (as a percentage of risk-weighted assets)</b>	<b>24.55%</b>

#### IV. CREDIT RISK

Table 4 provide details on the credit quality of the branch's on- and off- balance sheet assets as of 30<sup>th</sup> June 2021.

Maybank Brunei considers a financial instrument as default when the following occurs:

- Borrower is past due for more than 90 days either for principal or interest or both.
- Borrower exhibit an increase in their credit risk.

Both qualitative and quantitative assessment are being taken into account in identifying the likelihood of borrower's ability to pay. The assessment may differ from borrower to borrower depending on their credit risk.

**Table 4: Credit Quality of Assets**

B\$'000	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	
Loans	22,769	150,680	11,749	9,591	2,158	161,700
Debt Securities	-	17,987	-	-	-	17,987
Off-balance sheet exposures	65	70,975	148	34	114	70,892
<b>Total</b>	<b>22,834</b>	<b>239,643</b>	<b>11,897</b>	<b>9,625</b>	<b>2,272</b>	<b>250,579</b>

Table 5 present the changes in the branch's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs as of 30<sup>th</sup> June 2021.

**Table 5: Changes in Stock of Defaulted Loans and Debt Securities**

	B\$'000
<b>Defaulted loans and debt securities at 31 December 2020</b>	<b>21,230</b>
Loans and debt securities that have defaulted since 31 December 2020	2,936
Returned to non-defaulted status	-
Amounts written off	(558)
Other changes	(774)
<b>Defaulted loans and debt securities at 30 June 2021</b>	<b>22,834</b>

Table 6 present the overview of credit risk management technique as of 30<sup>th</sup> June 2021.

**Table 6: Overview of Credit Risk Mitigation (CRM) Technique**

B\$'000	Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Loans	43,612	118,088	103,214	-	-
Debt securities	17,987	-	-	-	-
<b>Total</b>	<b>61,599</b>	<b>118,088</b>	<b>103,214</b>	-	-
Of which defaulted	68	13,408	13,405	-	-

Table 7 present the standardized approach for credit risk exposure and credit risk mitigation effects as of 30<sup>th</sup> June 2021.

**Table 7: Standardised Approach - Credit Risk Exposure and Credit Risk Mitigation (CRM) effects**

BŞ'000	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
Sovereigns and their central banks	50,733	-	50,733	-	-	0.0%
Non-central government public sector entities	-	-	-	-	-	0.0%
Multilateral development banks	-	-	-	-	-	0.0%
Banks	193,697	-	193,697	-	84,964	43.9%
Securities firms	-	-	-	-	-	0.0%
Corporates	66,861	73,661	66,861	14,705	81,566	100.0%
Regulatory retail portfolios	4,474	2,217	4,474	-	3,356	75.0%
Secured by residential property	41,294	176	41,294	88	28,856	69.7%
Secured by commercial real estate	35,727	2,942	35,727	1,471	37,198	100.0%
Equity	-	-	-	-	-	0.0%
Past-due loans	13,174	-	13,174	-	13,025	98.9%
Higher-risk categories	-	-	-	-	-	0.0%
Other assets	7,082	-	7,082	-	3,118	44.0%
<b>Total</b>	<b>413,042</b>	<b>78,996</b>	<b>413,042</b>	<b>16,263</b>	<b>252,082</b>	<b>58.7%</b>



Table 8 present the standardised approach for exposures by asset classes and risk weights as at 30<sup>th</sup> June 2021.

**Table 8: Standardised Approach - Exposures by Asset Classes and Risk Weights**

Asset classes	Risk Weights										Total credit exposures amount (post CCF and post-CRM)
	0%	10%	20%	35%	50%	75%	100%	150%	Others		
Sovereigns and their central banks	50,733	-	-	-	-	-	-	-	-	-	50,733
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-	-
Banks	-	-	39,614	-	154,082	-	-	-	-	-	193,697
Securities firms	-	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	81,566	-	-	-	81,566
Regulatory retail portfolios	-	-	-	-	-	4,474	-	-	-	-	4,474
Secured by residential property	-	-	-	6,518	-	33,157	1,707	-	-	-	41,382
Secured by commercial real estate	-	-	-	-	-	-	37,198	-	-	-	37,198
Equity	-	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	13,473	(299)	-	-	13,174
Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-
Other assets	3,964	-	-	-	-	-	3,118	-	-	-	7,082
<b>Total</b>	<b>54,697</b>	<b>-</b>	<b>39,614</b>	<b>6,518</b>	<b>154,082</b>	<b>37,631</b>	<b>137,062</b>	<b>(299)</b>	<b>-</b>	<b>-</b>	<b>429,306</b>

**V. MARKET RISK**

Table 9 present the market risk under standardized approach as at 30<sup>th</sup> June 2021.

**Table 9: Market Risk under the Standardised Approach**

<b>B\$'000</b>	<b>RWA</b>
Interest/Profit rate risk (general and specific)	-
Equity risk (general and specific)	-
Foreign exchange risk	1,199
Commodity risk	-
<b>Total</b>	<b>1,199</b>