Malayan Banking Berhad
Brunei Darussalam Branch

(Incorporated in Malaysia)
Registration No. RFC00000083

Financial Statements
For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Malayan Banking Berhad

Opinion

We have audited the financial statements of **Malayan Banking Berhad- Brunei Darussalam Branch** ("the Branch"), which comprise the statement of financial position as at 31 December 2023, and the statement of total comprehensive income, statement of changes in Head Office account and statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

The Branch is a segment of **Malayan Banking Berhad**, a company incorporated in Malaysia and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded herein.

In our opinion,

a) the accompanying financial statements give a true and fair view of the financial position of the Branch as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the provisions of the Brunei Darussalam Companies Act, Cap. 39 ("the Act") and the International Financial Reporting Standards ("IFRS"), according to the best of our information and the explanations given to us and as shown by the books of the Branch; and

b) we have obtained all the information and explanations we required.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent on the Branch in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Malayan Banking Berhad (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act and IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Malayan Banking Berhad (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Branch or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

ERNST & YOUNG
Public Accountants

KONG EE PIN
Registered Public Accountant

Brunei Darussalam
Date: 29 March 2024

Malayan Banking Berhad
Brunei Darussalam Branch

Statements of Financial Position
31 December 2023 and 2022
(In thousands of Brunei Dollar)

	Notes	2023	2022
ASSETS			
Cash and short-term funds	4	187,808	169,846
Balances with Brunei Darussalam Central Bank	5	37,039	37,171
Group balances receivable	6	9,526	10,942
Government sukuk	7	13,943	12,928
Loans and advances	8	131,718	144,560
Fixed assets	10	1,019	1,325
Intangible assets	11	685	887
Other assets		527	415
Total assets		**382,265**	**378,074**
LIABILITIES AND HEAD OFFICE ACCOUNT			
LIABILITIES			
Deposits from customers	12	284,507	293,108
Deposits from banks and other financial institutions	13	7,026	6,396
Group balances payable	14	5,244	4,469
Other liabilities	15	4,967	3,182
Provision for taxation		1,543	-
Total liabilities		**303,287**	**307,155**
HEAD OFFICE ACCOUNT			
Head office account	17	78,978	70,919
Total head office account		**78,978**	**70,919**
Total liabilities and head office account		**382,265**	**378,074**

The notes on pages 8 to 54 are integral part of these financial statements.

Certification

We certify that the financial statements give a true and fair view of the financial position of the Brunei Operations of Malayan Banking Berhad ("the Branch") as at 31 December 2023 and 2022 and the financial performance and cash flows of the Branch for the years ended 31 December 2023 and 2022 in accordance with the Companies Act. Cap 39, Banking Order, 2006 and International Financial Reporting Standards.

Sulaiman Isa

Sulaiman Bin Isa
General Manager

Noor Hajirah Saban
Head, Finance

Malayan Banking Berhad
Brunei Darussalam Branch

Statements of Total Comprehensive Income
For the years ended 31 December 2023 and 2022
(In thousands of Brunei Dollar)

	Notes	2023	2022
Interest income	20	13,198	9,903
Interest expense	20	(2,904)	(1,000)
Net interest income		**10,294**	**8,903**
Fee and commission income		913	819
Fee and commission expense		(29)	(40)
Net fee and commission income	21	**884**	**779**
Other income	22	7,163	1,531
Total operating income before credit impairment losses		**18,341**	**11,213**
Credit impairment losses	25	(1,880)	(4,753)
Net operating income		**16,461**	**6,460**
Operating expenses			
Personnel expenses	23	(3,709)	(3,667)
Depreciation and amortisation	10,11	(746)	(742)
Interest expense on lease liabilities	26	(24)	(32)
Other expenses	24	(2,380)	(1,888)
		(6,859)	(6,329)
PROFIT BEFORE INCOME TAX		**9,602**	**131**
Tax expense	16	(1,543)	64
PROFIT FOR THE YEAR		**8,059**	**195**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,059**	**195**

The notes on pages 8 to 54 are integral part of these financial statements.

Malayan Banking Berhad
Brunei Darussalam Branch

Statements of Changes in Head Office Account
For the years ended 31 December 2023 and 2022
(In thousands of Brunei Dollar)

	Assigned capital	Reserves (Note 17)	Retained profits	Total
BALANCE AS AT 1 JANUARY 2022	**30,000**	**18,800**	**21,924**	**70,724**
COMPREHENSIVE INCOME				
Net income for the year	-	-	195	195
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME	-	-	195	195
Transfers between reserves	-	(906)	906	-
BALANCE AS AT 31 DECEMBER 2022	**30,000**	**17,894**	**23,025**	**70,919**
BALANCE AS AT 1 JANUARY 2023	**30,000**	**17,894**	**23,025**	**70,919**
COMPREHENSIVE INCOME				
Net income for the year	-	-	8,059	8,059
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME	-	-	8,059	8,059
Transfers between reserves	-	2,109	(2,109)	-
BALANCE AS AT 31 DECEMBER 2023	**30,000**	**20,003**	**28,975**	**78,978**

The notes on pages 8 to 54 are integral part of these financial statements.

Malayan Banking Berhad
Brunei Darussalam Branch

Statements of Cash Flows
For the years ended 31 December 2023 and 2022
(In thousands of Brunei Dollar)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		9,601	131
Adjustments for:			
Reversal of credit impairment losses	25	(1,127)	(6,460)
Depreciation and amortisation	10,11	746	742
Interest income	20	(13,198)	(9,903)
Interest expense	20	2,904	1,000
Interest expense on lease liabilities	26	24	32
		(1,050)	(14,458)
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Group balances receivable		1,416	(4,472)
Balances with Brunei Darussalam Central Bank		132	719
Placements with banks (tenors more than 3 months)		(4,584)	16,612
Loans and advances		13,870	18,884
Other assets		(110)	20
Increase (decrease) in:			
Deposits from customers		(8,602)	(29,840)
Deposits from banks and other financial institutions		630	2,591
Group balances payable		775	(646)
Other liabilities		3,459	(610)
Cash (used in) generated from operations		5,936	(11,200)
Interest received		10,988	9,389
Interest paid		(4,288)	(1,252)
Income tax paid		-	(940)
Net cash (used in) generated from operating activities		12,636	(4,003)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Government sukuks		(18,680)	(17,866)
Proceeds from maturity of Government sukuks		18,000	18,000
Acquisition of fixed assets	10	(112)	(123)
Acquisition of intangible assets	11	(66)	(180)
Net cash used in investing activities		(858)	(169)
CASH FLOWS USED IN FINANCING ACTIVITY			
Payments of lease liabilities – principal portion		(351)	(344)
Payment of lease liabilities – interest portion		(24)	(32)
Net cash used in financing activities	26	(375)	(376)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		11,403	(4,548)
Cash and cash equivalents at 1 January		12,308	16,856
Cash and cash equivalents at 31 December	19	**23,711**	**12,308**

The notes on pages 8 to 54 are integral part of these financial statements.

1 General information

Malayan Banking Berhad, a bank incorporated in Malaysia, has the registered office of its Brunei Branch (the "Branch") at Unit 5-8, Simpang 22, Jalan Dato Ratna, Kiarong Sentral, Negara Brunei Darussalam.

The Branch is a segment of Malayan Banking Berhad (the "Head Office") and is not a separately incorporated legal entity.

The Branch is primarily involved in the business of banking and in the provision of financial services. There has been no significant change in the nature of this activity during the year ended 31 December 2023.

These financial statements have been approved by Management of the Branch on 29 March 2024.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the "Act") and the International Financial Reporting Standards ("IFRSs").

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis, except as disclosed in the accounting policies below.

2.3 Functional and presentation currency

These financial statements are presented in Brunei Dollar (BND or B$), which is the Branch's functional currency. All financial information presented in BND has been rounded to the nearest thousand, unless otherwise stated.

2.4 Changes in accounting policies and disclosures

On 1 January 2023, the Branch adopted the following IFRSs, interpretations and amendments to existing IFRSs:

Description	**Effective for annual periods beginning on or after**
Amendments to IAS 1 *Presentation of Financial Statements - Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12 *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

New standards, interpretations, amendments not yet adopted by the Branch

The following amendments to existing standards are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Branch:

Description	**Effective for annual periods beginning on or after**
Amendments to IFRS 16 *Leases - Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 7 *Financial Instruments: Disclosures - Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 7 *Statement of Cash Flows: Disclosures - Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 1 *Presentation of Financial Statements - Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*	1 January 2025

2.5 Use of estimates and judgements

The preparation of financial statement in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Impairment losses on loans and advances (Note 25)

The Branch reviews their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of total comprehensive income. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Branch makes judgements about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

The Branch's expected credit loss (ECL) calculation under IFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) Internal credit grading model, which assigns probability of default (PD) to the individual grades;
- (ii) Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- (iii) The segmentation of financial assets when their ECL is assessed on a collective basis;
- (iv) Development of ECL models, including the various formulas and the choice of inputs;
- (v) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, exposure at default (EAD) and loss given default (LGD); and
- (vi) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

3 Summary of material accounting polices

The accounting policies set out below have been applied consistently to all the periods presented in the financial statements unless otherwise stated.

3.1 Fixed Assets

Items of fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. When the Branch has an obligation to remove the asset or restore the site, the estimated costs of dismantling and removing the item and restoring the site on which it is located is capitalised.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of fixed asset and is recognised within other income (expense) in profit or loss.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative year are as follows:

Categories	Estimated Useful Lives
Motor vehicles	5 years
Equipment/furniture	5 – 10 years
Renovation	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate at each reporting date. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

3.2 Intangible assets

Software acquired by the Branch is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use.

The estimated useful lives for the current and comparative year are as follows:

Category	Estimated Useful Lives
Software	4-10 years

An item of intangible assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and its relation amortisation is removed from the accounts. The gain or loss on derecognition is determined by comparing the proceeds from derecognition with the carrying amount of intangible asset and is recognised within other income (expense) in profit or loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Development costs of software are accumulated in the account and not amortised until these are completed and available for use.

3.3 Foreign currency transactions

On initial recognition, transactions in foreign currencies are recorded in the functional currency of the Branch at the exchange rate ruling at the transaction date. Subsequent to initial recognition, monetary assets and monetary liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at reporting date are recognised in profit or loss.

3.4 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Branch becomes a party to the contractual provisions of the instruments.

3.4.1 Financial assets

3.4.1.1 Initial recognition

All financial assets are initially recognised on the trade date (i.e., the date that the Branch becomes a party to the contractual provisions of the instrument). This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.4.1.2 Classification and measurement

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss (“FVTPL”). Transaction costs accounted for at FVTPL are recognised in profit of loss on initial recognition.

The Branch classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual cash flow characteristics, measured at either:

- Amortised cost;
- Fair value through other comprehensive income (“FVOCI”); and
- FVTPL

As at December 2023 and 2022, the Branch’s financial assets are classified and measured at amortised cost. The Branch does not hold financial assets at FVOCI and FVTPL as at 31 December 2023 and 2022.

The Branch measures financial assets at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The details of these conditions are outlined below:

The SPPI test

As a first step of its classification process the Branch assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Branch applies judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Business model assessment

The Branch determines its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Branch's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Branch's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Branch's original expectations, the Branch does not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

Included in financial assets at amortised cost are cash and short-term funds, balances with BDCB, group balances receivable, government sukuks and loans and advances as disclosed in the respective notes to the financial statements.

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and other financial institutions as well as highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments.

Balances with BDCB include the required minimum cash reserve and placements made with the latter.

Government sukuks relate to investments by the Branch in government bonds.

Loans and advances mainly include term loans, trust receipts and cash lines/overdrafts.
Financial assets are subsequently carried at amortised cost using the effective interest rate method, which represents the gross carrying amount less allowance for impairment loss, if any.

3.4.1.3 Derecognition

A financial asset is derecognised when there is a substantial modification of terms and conditions or factors other than substantial modification.

i. Derecognition due to substantial modification of terms and conditions

The Branch derecognises a financial asset, such as a loan and advances, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference between the carrying amounts after and prior to modification recognised as a gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired ("POCI"). If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Branch records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

ii. Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(1) The rights to receive cash flows from the financial asset have expired; or
(2) The transfer of financial asset is as set out below and the transfer qualifies for derecognition.

The Branch has transferred the financial asset if, and only if, either:

- The Branch has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Branch retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Branch has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Branch cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Branch has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Branch is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either the Branch has:

- Transferred substantially all the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Branch considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Branch has neither transferred nor retained substantially all the risks and rewards and have retained control of the asset, the asset continues to be recognised only to the extent of the Branch's continuing involvement, in which case, the Branch also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branch has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Branch could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Branch would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3.4.1.4 Impairment

The IFRS 9 impairment requirements are based on an ECL model. The ECL model applies to financial assets measured at amortised cost, which include loans and advances and debt instruments held by the Branch, or at FVOCI debt instruments, irrevocable loan commitments and financial guarantee contracts, if any.

The measurement of ECL involves increased complexity and judgement that include:

(i) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

The Branch applies a three-stage approach based on the change in credit quality since initial recognition:

3-Stage approach	**Stage 1**	**Stage 2**	**Stage 3**
	Performing	**Under-performing**	**Non-performing**
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of interest income	On gross carrying amount	On gross carrying amount	On net carrying amount

(ii) ECL measurement

There are three main components to measure ECL which are PD, LGD and EAD. The model leverages as much as possible the Branch's existing Basel II models and the Branch performs the required adjustments to produce an IFRS 9 compliant model.

IFRS 9 does not distinguish between individual and collective assessment. Therefore, the Branch has decided to continue measuring the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant, and collectively assess for other financial assets in accordance with the Branch's policy.

(iii) Expected life

Lifetime ECL must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayments, extensions, calls and similar options, except for certain revolver financial instruments such as credit cards and overdrafts. The expected life for these revolver facilities generally refers to their behavioral life.

(iv) Forward-looking information

ECL is the unbiased probability-weighted credit loss determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward-looking information is based on the Branch's research arm, Maybank Research Pte. Ltd ("Maybank IBG Research"). Maybank IBG Research assumptions and analysis are also based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Where applicable, the Branch incorporates forward-looking adjustments in credit risk factors of PD used in ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

- Gross Domestic Product ("GDP")
- Oil price

The Branch applies the following three alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

Base scenario: This scenario reflects that current macroeconomic conditions continue to prevail; and

Upside and Downside scenarios: These scenarios are set relative to the base scenario; reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgement from current economic conditions.

(v) Valuation of collateral held as security for financial assets

The Branch's accounting policy for collateral assigned to it through its lending arrangements are consistently applied for both reporting periods.

3.4.1.5 Modification of loans

The Branch sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Branch assesses whether or not the new terms are substantially different to the original terms. The Branch does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collaterals, other securities or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Branch derecognises the original financial asset and recognise a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Branch also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amounts are also recognised in the statement of total comprehensive income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Branch recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the statement of total comprehensive income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). For the year ended 31 December 2023, there were no modification of loans that resulted in gains or losses.

3.4.1.6 Reclassification

Reclassification of financial assets is permissible when and only when there is a change in business model for managing financial assets.

There were no reclassifications made during the years ended 31 December 2023 and 2022.

3.4.2 Financial liabilities

3.4.2.1 Date of recognition

All financial liabilities are initially recognised on trade date (i.e., the date that the Branch becomes a party to the contractual provisions of the instruments).

3.4.2.2 Classification and measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

As at 31 December 2023 and 2022, there are no financial liabilities at FVTPL.

The Branch's financial liabilities at amortised cost include deposits from customers, deposits from banks and other financial institutions, group balances payable and other liabilities.

i. Deposits from customers and deposits from banks and other financial institutions

Deposits from customers, investment accounts of customers and deposits and placements from financial institutions are stated at placement values. Interest expense on deposits from customers, investment accounts of customers and deposits and placements from financial institutions measured at amortised cost are recognised as they accrue using the effective interest rate method.

ii. Group balances payable

Group balances payable are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

iii. Other liabilities

Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

3.4.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in the statement of total comprehensive income.

3.5. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position of the Branch if there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Branch does not have any master netting arrangements and none of the financial assets and financial liabilities have been offset in the statement of financial position as at 31 December 2023 and 2022.

3.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For unquoted financial instruments, fair value is determined using valuation technique based on recent arm's length transactions, referenced to other instruments that are substantially the same and applying discounted cash flow analysis.

3.7 Tax

Income tax

Income tax expense comprises current and deferred income tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in the Head Office account or in other comprehensive income, if any.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Income Tax Act (Chapter 35) and amendments thereto.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that affects either accounting or taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the repotting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Branch expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Branch intends to settle current tax assets and liabilities on a net basis or their current tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the repatriation of profits by the Branch to the Head Office are recognised at the same time as the liability to repatriate profits is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

3.8 Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest rate method.

3.9 Fees and commission

Fees and commission income, including renewal fees, cancellation fees, commissions, annual and service fees, are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

3.10 Employee benefits

Salaries, cash bonuses, allowances, commissions and defined contributions under regulations are recognised in the statement of total comprehensive income when incurred. Leave entitlements are recognised when they accrue to employees. Provision for leave entitlements is made based on contractual terms with adjustment for expected attrition.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Branch participates in the Tabung Amanah Pekerja ("TAP") and Supplemental Contributory Pension ("SCP") schemes as defined by the laws of Brunei Darussalam. Effective from July 2023, Skim Persaraan Kebangsaan ("SPK") has been introduced to replace TAP and SCP.

Contributions to Tabung Amanah Pekerja, Supplemental Contributory Pension and Skim Persaraan Kebangsaan are recognised as an expense in the period in which the related contributions have been made.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.11 Leases

The Branch recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use for all its long-term operating lease arrangements.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently amortised on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease term. The estimated useful life of the right-of-use asset is determined on the same basis as those of the property and equipment. In addition, the right-of-use asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the expected lease payments at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Branch's incremental borrowing rate. Generally, the Branch uses its incremental borrowing rate as the discount rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in the statement of total comprehensive income.

3.12 Impairment of non-financial assets

At each reporting date, the Branch reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows for other assets or cash generating units (CGUs).

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

For the assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.13 Assigned capital; Retained profits

Assigned capital represents contributions received as funding from the Head office.

Retained profits include current and prior years' result of operations, net of remittances to the Head office, if any.

3.14 Provision and contingencies

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

Contingencies are disclosed if material and if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

3.15 Subsequent events (or Events after the reporting date)

Post year-end events that provide additional information about the Branch's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4 Cash and short-term funds

This account as at 31 December consists of:

	Note	2023	2022
Cash on hand		3,732	3,695
Money at call and short notice and interbank placements with remaining maturity not exceeding one year		177,538	141,201
Interbank placements with remaining maturity exceeding one year		6,538	24,950
		187,808	169,846
Allowance for impairment loss	25	-	-
		187,808	169,846

As at 31 December 2023, money at call and short notice and interbank placements with maturity of three months or less from the date of acquisition amounting to B$19,979 (2022 - B$8,613) are classified as cash equivalents in the statement of cash flows (Note 19).

Interest income from these placements amounted to B$5,095 for the year ended 31 December 2023 (2022 - B$1,669) (Note 20).

5 Balances with Brunei Darussalam Central Bank

This account as at 31 December consists of:

	2023	2022
Minimum cash reserve	18,145	18,975
Balances placed with BDCB	18,894	18,196
	37,039	37,171

The minimum cash reserve is maintained as required by the provisions of Section 45 of the Brunei Darussalam Banking Order 2006. At 31 December 2023 and 2022, the minimum cash reserve requirement is 6% of the deposit liabilities and is not earning interest.

Balances placed with BDCB are classified as current assets.

6 Group balances receivable

This account as at 31 December consists of:

Receivable from:	2023	2022
Maybank Singapore	9,292	9,150
Maybank New York	-	1,711
Maybank Head Office	66	68
Maybank London	168	13
	9,526	10,942

All group balances receivable are current, collectible on demand and bear annual interest rates ranging from 0.125% to 4% in 2023 and 2022. Interest income on group balances receivable amounts to B$8 for the year ended 31 December 2023 (2022 - B$8) (Note 20).

7 Government sukuks

This account as at 31 December consists of:

	2023	2022
Government sukuks held		
Original maturity less than one year	8,954	7,943
Original maturity exceeding one year	5,000	5,000
Allowance for impairment loss	(11)	(15)
	13,943	12,928

The Branch classifies Government sukuks as financial asset held at amortised cost.

Government sukuks bear annual interest rates ranging from 0.744% to 3.6875% in 2023 (2022 – 0.125% to 2.5%). Interest income on government sukuks amounts to B$340 for the year ended 31 December 2023 (2022 - B$93) (Note 20).

8 Loans and advances

Loans and advances as at 31 December analysed by type:

	Note	2023	2022
Cash line/overdrafts		15,774	18,111
Term loans:			
Property loans		51,646	57,130
Other term loans		33,403	34,727
Trust receipts		35,019	37,543
Staff loans		716	788
Credit/charge cards		417	395
Gross loans and advances		136,975	148,694
Allowance for impairment loss on loans and advances			
Stage 1		(774)	(1,233)
Stage 2		(411)	(728)
Stage 3		(4,072)	(2,173)
	25	(5,257)	(4,134)
		131,718	144,560

Maturity profile of the Branch's loans and advances at 31 December follows:

	2023	2022
Current	55,570	56,484
Non-current	76,148	88,076
	131,718	144,560

Loans and advances bear annual interest rates ranging from 2% to 10.5% in 2023 (2022 - 2% to 9.567%). Interest income from loans and advances amounts to B$12,850 for the year ended 31 December 2023 (2022 - B$9,802) (Note 20).

9 Non-performing loans and advances

This account as at 31 December consists of:

	2023	2022
Loans and advances	4,334	6,032
Less: Allowance for impairment loss	(4,072)	(2,173)
	262	3,859

Movement in non-performing loans and advances for the years ended 31 December are as follows:

	2023	2022
At 1 January	6,032	19,694
Classified during the year	144	461
Repayment	(513)	(2,245)
Reclassified as performing	(566)	(243)
Write-offs	(763)	(11,635)
At 31 December	4,334	6,032

10 Fixed assets

This account as at 31 December and the movements in the account for the years ended 31 December are as follows:

2023	Renovation	Equipment/ Furniture	Motor vehicles	Right-of-use assets	Total
Cost					
1 January	1,217	1,328	115	2,514	5,174
Additions	-	112	-	63	175
Disposal	-	-	-	(55)	(55)
31 December	1,217	1,440	115	2,522	5,294
1 January	1,213	1,104	102	1,430	3,849
Depreciation	1	94	13	370	478
Disposal	-	-	-	(52)	(52)
31 December	1,214	1,198	115	1,748	4,275
Net book value	3	242	-	774	1,019

2022	Renovation	Equipment/ Furniture	Motor vehicles	Right-of-use assets	Total
Cost					
1 January	1,217	1,291	115	2,482	5,105
Additions	-	37	-	86	123
Disposal	-	-	-	(54)	(54)
31 December	1,217	1,328	115	2,514	5,174
1 January	1211	1,017	83	1,112	3,423
Depreciation	2	87	19	372	480
Disposal	-	-	-	(54)	(54)
31 December	1,213	1,104	102	1,430	3,849
Net book value	4	224	13	1,084	1,325

The Branch recognised right-of-use assets from its various long-term lease agreements for its office premises and equipment (Note 26). Fixed assets are classified as non-current assets.

11 Intangible assets

This account as at 31 December and the movements in the account for the years ended 31 December are as follows:

2023	Development costs	Software	Total
Cost			
1 January	-	1,692	1,692
Additions	36	30	66
Transfers	(19)	19	-
31 December	17	1,741	1,758
Accumulated amortisation			
1 January	-	805	805
Amortisation	-	268	268
31 December	-	1,073	1,073
Net book value	17	668	685

2022	Development costs	Software	Total
Cost			
1 January	79	1,433	1,512
Additions	116	64	180
Transfers	(195)	195	-
31 December	-	1,692	1,692
Accumulated amortisation			
1 January	-	543	543
Amortisation	-	262	262
31 December	-	805	805
Net book value	-	887	887

Intangible assets are classified as non-current assets.

12 Deposits from customers

Analysed by type of deposits as at 31 December:

	2023	2022
Fixed deposits	174,812	164,720
Demand deposits	73,335	84,428
Savings deposits	36,155	43,539
Others	205	421
	284,507	293,108

Analysed by type of customers as at 31 December:

	2023	2022
Individuals	118,879	135,897
Business enterprises	165,542	157,158
Others	86	53
	284,507	293,108

Analysed by contractual maturities of deposits as at 31 December:

	2023	2022
Current	209,597	215,446
Non-current	74,910	77,662
	284,507	293,108

Included in deposits from customers are amounts pledged as loan collaterals totalling B$22,093 as at 31 December 2023 (2022 - B$24,822).

Deposits from customers bear annual interest rates ranging from 0.1% to 3.58% in 2023 (2022 - 0.1% to 2.5%). Interest expense on deposits from customers amounts to B$2,896 for the year ended 31 December 2023 (2022 - B$994) (Note 20).

13 Deposits from banks and other financial institutions

	2023	2022
Banks and financial institutions	7,026	6,396

Deposits from banks and other financial institutions are classified as current, unsecured and non-interest bearing.

14 Group balances payable

This account as at 31 December consists of:

Payable to:	2023	2022
Maybank Head Office	4,034	3,145
Maybank Singapore	657	1,312
Maybank New York	541	-
Maybank Hong Kong	12	12
	5,244	4,469

As at 31 December 2023 and 2022, all group balances payable are unsecured and bear annual interest rate at 0.125% in 2023 and 2022 and are expected to be settled within 12 months after the reporting date.

Interest expense on group balances payable amounts to B$8 for the year ended 31 December 2023 (2022 - B$6) (Note 20).

15 Other liabilities

This account as at 31 December consists of:

	Note	2023	2022
Creditors and accruals		3,951	1,877
Lease liabilities	26	724	1,015
Allowance for impairment loss (other off balance sheet item)	25	61	59
Others		231	231
		4,967	3,182

Allowance for impairment loss on off-balance sheet items relate to the ECL from letters of credit, guarantees and bonds (excluding performance guarantees), and acceptances, as required by IFRS 9.

Other liabilities are classified as follows:

	2023	2022
Current	4,337	2,266
Non-current	630	916
	4,967	3,182

16 Tax expense

The tax charge recognised in profit or loss for the years ended 31 December comprises the following:

	2023	2022
Current tax	1,543	-
Overprovision of taxation in prior years	-	(64)
	1,543	(64)

The tax expense on the results of the Branch differs from the amount that would arise using the Brunei Darussalam statutory rate of income tax for the years ended 31 December due to reconciling items as follows:

Reconciliation of effective tax rate	2023	2022
Profit before income tax	9,601	131
Tax calculated at a tax rate of 18.5%	1,776	24
Tax effect on non-taxation revenue (net off non-deductible expenses)	105	217
Tax incentives and others	(338)	(241)
Overprovision of taxation in prior years	-	(64)
	1,543	(64)

17 Head Office Account

The account comprises capital and current accounts with the Head Office, and includes the profit for the year and reserves.

Reserves

The movement in the account for the years ended 31 December consists of:

	2023	2022
Statutory reserve fund	2,015	48
Addition to / (Reduction in) prudential reserve for credit losses	94	(954)
	2,109	(906)

The statutory reserve fund is maintained in accordance with Section 24 of the Banking Order, 2006. So long as the reserve fund is 50% or more but less than 100% of the paid-up capital, the sum transferred shall not be less than 25% of the profit for the financial year. Otherwise, the Branch shall transfer a minimum of 50% of the profit to the statutory reserve fund. In 2023, the Branch has transferred 25% (2022 -25%) of its profit to the statutory reserve fund. The statutory reserve fund is not distributable as repatriation to the Head Office.

The prudential reserve for credit losses (PRCL) was appropriated in accordance with Section 6 of the Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses which took effect in 2018. The Branch shall appropriate an amount equal to the accrued profit income on non-performing financial assets from retained profits to a non-distributable reserve in both the financial statements and prudential returns.

18 Commitments and contingencies

In the normal course of business, the Branch makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. As the contingencies and commitments may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

	2023	2022
Contingencies		
Letters of credit	6,220	2,694
Guarantees and bonds	8,352	8,522
Acceptances	279	73
	14,851	11,289
Commitments		
Undrawn credit lines and other commitments to extend credit	45,515	51,531
	60,366	62,820

As at 31 December 2023, B$6,999 (2022 – B$7,116) of contingencies and commitments had contractual maturities of more than 12 months after the reporting date.

19 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows for the years ended 31 December comprise the following amounts:

	Note	2023	2022
Cash on hand		3,732	3,695
Money at call and short notice and interbank placements	4	19,979	8,613
		23,711	12,308

20 Net interest income

This account for the years ended 31 December consists of:

	Notes	2023	2022
Interest income			
Loans and advances to customers	8	7,755	8,133
Loans and advances to banks	8	5,095	1,669
Government sukuks	7	340	93
Group balances receivable	6	8	8
Total interest income		13,198	9,903
Interest expense			
Deposits from customers	12	2,896	994
Group balances payable	14	8	6
Total interest expense		2,904	1,000
Net interest income		10,294	8,903

21 Net fee and commission income

This account for the years ended 31 December consists of:

	2023	2022
Fee income		
Bank services charges and fees	582	485
Commissions on trade product	262	272
Fees related to cards	42	38
Others	27	24
Total fee income	913	819
Fee and commission expense	(29)	(40)
Net fee and commission income	884	779

22 Other income

This account for the years ended 31 December consists of:

	2023	2022
Bad debt recoveries	6,648	974
Foreign exchange gain	515	557
	7,163	1,531

23 Personnel expenses

This account for the years ended 31 December consists of:

	2023	2022
Wages and salaries	2,656	2,655
Allowance and bonuses	693	687
Contributions to defined contribution plan	267	267
Others	93	58
	3,709	3,667

Key management personnel's compensation is disclosed in Note 27.

24 Other expenses

This account for the years ended 31 December consists of:

	2023	2022
Administration and general expenses	1,497	1,137
Fees and brokerage	634	445
Enterprise data processing expenses	134	164
Advertisement and publicity	15	15
Others	100	127
	2,380	1,888

25 Allowances for impairment on loans and advances and other financial assets

Credit impairment loss on loans and advances and other financial assets recognised in the statement of total comprehensive income amounts to B$1,880 for the year ended 31 December 2023 (2022 - B$4,753).

Movements in the allowance for impairment loss on loans and advances for the years ended 31 December follow:

	2023	2022
At 1 January	4,193	10,477
Allowance provided (reversed) during the year		
Stage 1	(495)	255
Stage 2	(278)	(44)
Stage 3	2,649	5,427
Write-offs	(751)	(11,922)
At 31 December	5,318	4,193

Allowance for impairment loss at 31 December is broken down as follows:

	Note	2023	2022
Allowance for impairment loss on loans and advances including undrawn credit lines	8	5,257	4,134
Allowance for impairment loss on other off-balance sheet items	15	61	59
		5,318	4,193

Movements in allowance for impairment loss on other financial assets for the years ended 31 December are as follows:

	2023	
	Cash and short-term funds	Government sukuks
At 1 January	-	15
Allowance reversed during the year	-	(4)
	-	11

	2022	
	Cash and short-term funds	Government sukuks
At 1 January	192	-
Allowance (reversed) / provided during the year	(192)	15
	-	15

26 Leases

The Branch leases office premises and equipment under operating leases. The leases typically run for a period of three to ten years, with an option to renew the lease after that date. Lease payments are increased every three to five years to reflect market rentals.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the Branch's right-of-use assets follow:

At December 31, 2023	Building and improvements	Equipment	Total
Cost	2,441	81	2,522
Accumulated depreciation	(1,721)	(27)	(1,748)
	720	54	774

At December 31, 2022	Building and improvements	Equipment	Total
Cost	2,428	86	2,514
Accumulated depreciation	(1,418)	(11)	(1,429)
	1,010	75	1,085

Movements in lease liabilities for the years ended 31 December follow:

	2023	2022
At 1 January	1,015	1,273
Lease payments during the year	(375)	(376)
Additions	63	86
Termination	(3)	-
Interest expense	24	32
At 31 December	724	1,015

The statement of total comprehensive income shows the following amounts relating to leases for the years ended 31 December:

	2023	2022
Depreciation expense on right-of-use assets (Note 10)	371	372
Interest expense on lease liabilities	24	32
	395	404

The total cash outflow for leases as at 31 December 2023 amounts to B$375 (2022 - B$376).

27 Related party transactions

Parties are considered to be related to the Branch if the Branch or its Head Office has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Branch and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In the normal course of its banking business, the Branch has carried out transactions with related parties, principally the Head Office which is the ultimate controlling party of the Branch and with other branches and related corporations on terms agreed between the parties. Material related party transactions are separately disclosed in Notes 6 and 14.

Transactions with key management personnel

Key management personnel transactions

Income Statement

	2023	2022
Income		
Interest income	10	8
Total	10	8
Expense		
Short-term employee benefits	1,152	1,248
Post- employment benefits	91	92
Interest expense	9	4
Total	1,252	1,344

Balance Sheet

	2023	2022
Assets		
Loans and advances	406	227
Total	406	227
Liabilities		
Deposits	1,164	697
	1,164	697

Interest rates charged on balances outstanding from key management personnel are of similar rate in an arm's length transaction. The mortgages and secured loans granted are secured by properties of the respective borrowers.

28 Capital management

The Branch's approach to capital management is to ensure that the Branch maintains adequate level of capital necessary to support its business and growth, to meet regulatory capital requirements at all times and to maintain a good credit rating.

The Head Office committees oversee the Branch's capital planning and assessment process. Any capital management plans, the contingency capital plans, and any capital management actions are submitted to the Head Office senior management team and/or the Head Office board for approval.

As a branch of a foreign entity, the Head Office is the primary capital provider to the Branch, and this is done via the Head Office's own retained profits and capital issuance.

28.1 Capital Adequacy

The capital adequacy ratios of the Branch are computed in accordance with BDCB’s guidelines on Capital Adequacy Framework. As stipulated in BDCB guideline under Notice BU/N-3/2017/38, a bank shall, at any time, maintain the minimum Capital Adequacy Ratio (CAR) in relation to its total Risk Weighted Assets (RWA) a minimum ratio of 5% for Tier 1 capital ratio and a minimum ratio of 10% for total capital ratio.

Regulatory Capital	2023	2022
Tier 1 Capital	78,978	70,919
Total Capital	80,163	72,880
Risk-weighted assets		
Risk-weighted assets for credit risk	214,062	227,814
Risk-weighted assets for market risk	541	1,792
Risk-weighted assets for operational risk	19,995	20,034
Total risk-weighted assets	234,598	249,640
Capital ratios		
Tier 1 ratio	33.67%	28.41%
Total capital ratio	34.17%	29.19%

29 Financial risk management

29.1 Financial risk management overview

The Maybank Group takes proactive measures to manage the various risks posed by the rapidly changing business environment. A dedicated Board-level Risk Management Committee (RMC) provides risk oversight of all material risks across the Maybank Group. At the management level, the Executive Risk Committee (ERC) and the Asset and Liability Management Committee (ALCO) ensure all key risks are managed in line with their respective Terms of Reference.

The main financial risks that the Branch is exposed to and how they are being managed are set out below.

29.2 Impairment assessment

29.2.1 Definition of default and cure

The Branch considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when:

- Principal or interest or both are past due for more than 90 days; or
- Account less than 90 days past due which exhibits indications of credit weaknesses; or
- In case of impaired loans that have been rescheduled and restructured, the loans will continue to be classified as impaired until repayments based on rescheduled or restructured terms have been observed continuously for a period of six (6) months; or
- Default occurs for repayments scheduled on intervals of three (3) months or longer.
- The Branch considers interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Branch also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Branch carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- significant deterioration in borrower's credit rating from initial recognition or last reviewed date;
- breach of covenant not waived by the Branch;
- borrower is insolvent;
- it is becoming probable that the borrower will enter bankruptcy; and
- debtor’s listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties.

It is the Branch’s policy to consider a financial instrument as ‘cured’ and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated indicators at the time of the cure, and the asset no longer showing significant increase in credit risk compared to initial recognition.

29.2.2 Significant increase in credit risk

The Branch continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Branch assesses whether there has been a significant increase in credit risk since initial recognition.

The Branch also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Branch may also consider that events explained in Note 29.2.1 as indications of significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly.

When estimating ECL on a collective basis for a group of similar assets (as set out in Note 29.2.3), the Branch applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

29.2.3 Grouping financial assets measured on a collective basis

As explained in Note 3.4.1.4, depending on the factors below, the Branch calculates ECL either on a collective or an individual basis.

Financial assets subject to ECL that have been assessed individually but for which no impairment is required and all individually insignificant exposure are then assessed collectively, in groups of assets with similar credit risk characteristics.

The Branch groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans.

29.3 Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 3 – Summary of material accounting policies and in Note 2.5 - Use of estimates and judgments. To ensure completeness and accuracy, the Branch obtains the data used from Maybank Group Economist, Maybank Kim Eng, including determining the weights attributable to the multiple scenarios as at every year end to apply on next financial year's ECL computation.

The following table shows the forecast of the key forward-looking economic variables used in each of the economic scenarios for the ECL calculations. The figures for “Subsequent years” represent a long-term average and the same are applied each scenario.

As at and for the year ended 31 December 2023

Key variables	ECL scenario	Assigned probabilities (%)	2023	2024	2025	2026	Subsequent years
Real GDP (%)	Base scenario	60	0.8	3.0	3.0	3.0	3.0
	Upside	10	0.8	3.0	3.0	3.0	3.0
	Downside	30	0.8	3.0	3.0	3.0	3.0
Oil prices (USD)	Base scenario	60	85.0	80.0	75.0	75.0	75.0
	Upside	10	85.0	75.0	70.0	70.0	70.0
	Downside	30	85.0	92.5	90.0	87.5	87.5

As at and for the year ended 31 December 2022

Key variables	ECL scenario	Assigned probabilities (%)	2022	2023	2024	2025	Subsequent years
Real GDP (%)	Base scenario	65	3.0	3.0	3.0	3.0	3.0
	Upside	10	3.0	3.0	3.0	3.0	3.0
	Downside	25	3.0	3.0	3.0	3.0	3.0
Oil prices (USD)	Base scenario	65	100.0	80.0	80.0	80.0	80.0
	Upside	10	90.0	70.0	70.0	70.0	70.0
	Downside	25	110.0	90.0	90.0	90.0	90.0

29.4 Financial instrument by category

At 31 December 2023

Financial assets	FVTPL	Designated at FVTPL	FVOCI	At amortised cost	Total
Cash and short-term funds	-	-	-	187,808	187,808
Balances with BDCB	-	-	-	37,039	37,039
Group balances receivable	-	-	-	9,526	9,526
Government sukuks	-	-	-	13,943	13,943
Loans and advances	-	-	-	131,718	131,718
	-	-	-	380,034	380,034

Financial liabilities	FVTPL	Designated at FVTPL	Other financial liabilities	Total
Deposits from customers	-	-	284,507	284,507
Deposits from banks and other financial institutions	-	-	7,026	7,026
Group balances payable	-	-	5,244	5,244
Other liabilities	-	-	2,788	2,788
	-	-	299,565	299,565

At 31 December 2022

Financial assets	FVTPL	Designated at FVTPL	FVOCI	At amortised cost	Total
Cash and short-term funds	-	-	-	169,846	169,846
Balances with BDCB	-	-	-	37,171	37,171
Group balances receivable	-	-	-	10,942	10,942
Government sukuks	-	-	-	12,928	12,928
Loans and advances	-	-	-	144,560	144,560
	-	-	-	375,447	375,447

Financial liabilities	FVTPL	Designated at FVTPL	Other financial liabilities	Total
Deposits from customers	-	-	293,108	293,108
Deposits from banks and other financial institutions	-	-	6,396	6,396
Group balances payable	-	-	4,469	4,469
Other liabilities	-	-	1,587	1,587
	-	-	305,560	305,560

29.5 Credit risk management

29.5.1 Credit risk management overview

Credit risk definition

Credit risk arises as a result of customers' or counterparties' failure or unwillingness to fulfill their financial and contractual obligations as and when they arise.

Corporate and institutional credit risks are assessed by business units and approved by an independent party (Group Credit Management) where each customer is assigned a credit rating. Reviews are conducted at least once a year. A post-approval evaluation of credit facilities is in place and performed by the Credit Review team, with checks to ensure that credit facilities are properly appraised and approved. In addition, credit policies and product guidelines are continuously enhanced to ensure that they remain relevant in managing credit risks. A dedicated Credit Policy & Portfolio Management team designs the strategies to achieve a desired ideal portfolio risk tolerance level.

The maximum exposure to credit risk is limited to the amounts on the statement of financial position, without taking into account the fair value of any collateral or master netting agreements.
Maybank Group has dedicated teams at the Head Office and Regional Offices to effectively manage vulnerable corporate, institutional and consumer credits. Special attention is given to these vulnerable credits where more frequent and intensive reviews are performed in order to prevent further deterioration or to accelerate remedial action.

Maybank Group’s credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. Group Risk is responsible for developing, enhancing and communicating an effective and consistent credit risk management policies, tools and methodologies across the Group to ensure appropriate standards are in place to identify, measure, control, monitor and report such risks.

In view that authority limits are directly related to the risk levels of the borrower and transactions, a Risk-Based Authority Limit structure was implemented based on the Expected Loss ("EL") principles and internally developed Credit Risk Rating System ("CRRS").

Credit risk measurement

The Branch’s retail portfolios are under Basel II Advanced Internal Ratings-Based ("AIRB") Approach. This approach calls for more extensive reliance on the Branch’s own internal experience whereby estimations for all the three components of Risk-Weighted Assets ("RWA") calculation namely PD, LGD and EAD are based on its own historical data. Separate PD, EAD and LGD statistical models were developed at the respective retail portfolio level; each model covering borrowers with fundamentally similar risk profiles in a portfolio. The estimates derived from the models are used as input for RWA calculations.

For non-retail portfolios, the Branch uses internal credit models for evaluating the majority of its credit risk exposures. For corporate portfolios, the Branch has adopted the Foundation Internal Ratings-Based ("FIRB") Approach, which allows the Branch to use its internal PD estimates to determine an asset risk weighting and apply supervisory estimates for LGD and EAD.

CRRS is developed to allow the Branch to identify, assess and measure corporate, commercial and small business borrowers' credit risk. CRRS is a statistical default prediction model. The model was developed and recalibrated to suit the Branch's banking environment using internal data. The model development process was conducted and documented in line with specific criteria for model development in accordance with Basel II. The EL principles employed in the Branch enables the calculation of EL using PD estimates (facilitated by the CRRS), LGD and EAD.

To account for differences in risk due to industry and size, CRRS is designed to rate all corporate and commercial borrowers by their respective industry segments (i.e., manufacturing, services, trading, contractors, property developers (single project) and property investors (single property)).

29.5.2 Maximum exposure to credit risk

The following analysis represents the Branch's maximum exposure to credit risk pertaining to on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements at 31 December. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Branch would have to pay if the obligations or the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers/borrowers.

	2023	2022
On-balance sheet financial assets		
Cash and short-term funds	184,076	166,151
Balances with BDCB	37,039	37,171
Group balances receivable	9,526	10,942
Government sukuks	13,943	12,928
Loans and advances	131,718	144,560
	376,302	371,752
Off-balance sheet exposure		
Contingencies		
Letters of credit	6,220	2,694
Guarantees and bonds	8,352	8,522
Acceptances	279	73
Commitments		
Undrawn credit lines and other commitments to extend credit	45,515	51,531
	60,366	62,820
	315,936	308,932

29.5.3 Credit risk concentration profile

Credit risk exposure is also analysed by industry in respect of the Branch's on-balance sheet financial assets at 31 December as set out below:

2023	Cash and short-term funds	Balances with BDCB	Group balances receivable	Government sukuks	Loans and advances	Total
By industry sector:						
Sovereigns	-	37,039	-	13,943	-	50,982
Agriculture	-	-	-	-	6,478	6,478
Financial	184,076	-	9,526	-	-	193,602
Manufacturing	-	-	-	-	3,232	3,232
Transportation	-	-	-	-	3,658	3,658
Infrastructure	-	-	-	-	7,015	7,015
Traders	-	-	-	-	30,641	30,641
Services	-	-	-	-	9,606	9,606
Constructions and property financing	-	-	-	-	65,471	65,471
Tourism	-	-	-	-	3,790	3,790
Personal and consumption loans	-	-	-	-	1,827	1,827
	184,076	37,039	9,526	13,943	131,718	376,302

2022	Cash and short-term funds	Balances with BDCB	Group balances receivable	Government sukuks	Loans and advances	Total
By industry sector:						
Sovereigns	-	37,171	-	12,928	-	50,099
Agriculture	-	-	-	-	7,502	7,502
Financial	166,151	-	10,942	-	-	177,093
Manufacturing	-	-	-	-	3,846	3,846
Transportation	-	-	-	-	263	263
Infrastructure	-	-	-	-	7,689	7,689
Traders	-	-	-	-	36,423	36,423
Services	-	-	-	-	9,479	9,479
Constructions and property financing	-	-	-	-	73,695	73,695
Tourism	-	-	-	-	4,267	4,267
Personal and consumption loans	-	-	-	-	1,396	1,396
	166,151	37,171	10,942	12,928	144,560	371,752

29.5.4 Collateral

The main types of collateral obtained by the Branch to mitigate credit risk are as follows:
- For mortgages - charges over residential properties;
- For commercial property loans and financing - charges over the properties financed; and
- For other loans and financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The Branch holds collaterals and other credit enhancements against loans and advances to non-bank customers. Estimates of the fair value of collateral and credit enhancements are initially based on the value of collateral assessed at the time of borrowing and subsequently updated during the collateral valuation monitoring process (including credit reviews). Generally, collaterals are not held in relation to loans and placements to banks.

As a fundamental credit principle, the Branch does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt service ability. Collateral is taken whenever possible to mitigate the credit risk assumed.

The following table quantifies the extent to which collateral and other credit enhancements help to mitigate the credit risk of loans and advances to non-bank customers:

	Lower of fair value of collateral/other credit enhancements and carrying amount of loans and advances to non-bank customers	
	2023	2022
Property	73,563	84,299
Fixed deposits	6,762	8,762
	80,325	93,061

29.5.5 Credit quality of financial assets

The four (4) risk categories are as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Branch's lending, which is consistent with the risk categories of Maybank Head Office. These classifications encompass a range of more granular, internal gradings assigned to loans, advances and financing whilst external gradings are applied to financial investments. There is no direct correlation between the internal and external ratings at a granular level, except to the extent that each fall within a single credit quality band.

Risk category	Probability of default (“PD”) grade	External credit ratings based on S&P’s ratings	External credit ratings based on RAM’s ratings
Very low	1 - 5	AAA to BBB+	AAA to AA1
Low	6 - 10	BBB+ to BB+	AA1 to A3
Medium	11 - 15	BB+ to B+	A3 to BB1
High	16 -21	B+ to C	BB1 to C

Risk category is as described below:

Very low:	Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.
Low:	Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.
Medium:	Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
High:	Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/default:	Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 29.2.1.
Unrated:	Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.
Sovereign:	Refer to obligors which are governments and/or government-related agencies.

The following table sets out information about the credit quality of financial assets measured at amortised cost as at 31 December. Unless otherwise stated, for financial assets, the amounts in the table represent the gross carrying amount.

Credit quality of loans and advances

		2023			
		ECL Staging			
	Notes	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Risk category					
Unrated		52,304	4,386	-	56,690
Very low		-	-	-	-
Low		9,569	-	-	9,569
Medium		53,216	10,339	-	63,555
High		2,325	502	-	2,827
Impaired		-	-	4,334	4,334
Gross carrying amount	8	117,414	15,227	4,334	136,975
Less: ECL	8,25	(774)	(411)	(4,072)	(5,257)
		116,640	14,816	262	131,718

		2022			
		ECL Staging			
	Notes	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Risk category					
Unrated		77,319	6,845	-	84,164
Very low		-	-	-	-
Low		11,096	-	-	11,096
Medium		40,760	3,695	-	44,455
High		2,229	718	-	2,947
Impaired		-	-	6,032	6,032
Gross carrying amount	8	131,404	11,258	6,032	148,694
Less: ECL	8,25	(1,233)	(728)	(2,173)	(4,134)
		130,171	10,530	3,859	144,560

Credit quality of other financial assets measured at amortised cost

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless otherwise stated, the amounts in the table represent the gross carrying amount.

2023	Cash and short-term funds (Note 4)	Balances with BDCB (Note 5)	Group balances receivable (Note 6)	Government sukuks (Note 7)	Total
Stage 1					
Sovereign	-	37,039	-	13,954	50,993
Very low	187,808	-	9,526	-	197,334
Low	-	-	-	-	-
Medium	-	-	-	-	-
High	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	187,808	37,039	9,526	13,954	248,327
Less: ECL	-	-	-	(11)	(11)
	187,808	37,039	9,526	13,943	248,316

2022	Cash and short-term funds (Note 4)	Balances with BDCB (Note 5)	Group balances receivable (Note 6)	Government sukuks (Note 7)	Total
Stage 1					
Sovereign	-	37,171	-	12,943	50,114
Very low	169,846	-	10,942	-	180,788
Low	-	-	-	-	-
Medium	-	-	-	-	-
High	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	169,846	37,171	10,942	12,943	230,902
Less: ECL	-	-	-	(15)	(15)
	169,846	37,171	10,942	12,928	230,887

Credit quality of financial guarantees

The Branch issues financial guarantees and loan commitments to its customers. The following table sets out information about the credit quality of letters of credit, guarantees and bonds, and acceptances. Unless otherwise stated, the amounts in the table represent the gross carrying amounts at 31 December.

	2023			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Risk category				
Low	2,841	-	-	2,841
Medium	5,677	4,544	-	10,221
High	53	212	-	265
Unrated	1,524	-	-	1,524
Impaired	-	-	-	-
Gross carrying amount	10,095	4,756	-	14,851
Less: ECL	(24)	(37)	-	(61)
	10,071	4,719	-	14,790

	2022			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Risk category				
Low	1,054	-	-	1,054
Medium	8,639	361	-	9,000
High	220	5	-	225
Unrated	1,010	-	-	1,010
Impaired	-	-	-	-
Gross carrying amount	10,923	366	-	11,289
Less: ECL	(59)	-	-	(59)
	10,864	366	-	11,230

Guarantees and bonds, as summarised in Note 18, include non-financial guarantees amounting to B$1,064 (2022 - B$2,128) which is not subject to ECL provisioning.

29.5.6 Loss allowance

The loss allowance recognised in the period is affected by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period;
- Impacts on the measurement of ECL due to changes made to models and assumptions;

- Foreign exchange translations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following table summarises the changes in the loss allowance for loans and advances between the beginning and the end of the annual periods:

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	1,293	728	2,172	4,193
Transferred in (out of) Stage 1	(66)	64	2	-
Transferred in (out of) Stage 2	449	(450)	1	-
Transferred in (out of) Stage 3	-	159	(159)	-
New financial assets originated or purchased	174	47	1,185	1,406
Financial assets derecognised	(246)	(15)	(720)	(981)
Changes due to change in credit risk	(407)	(5)	34	(378)
Amount written-off/realised	-	-	(751)	(751)
Changes in models	(2)	-	-	(2)
Changes in risk parameters	(397)	(79)	2,308	1,832
Modification to contractual cashflows	(1)	-	-	(1)
At 31 December 2023	797	449	4,072	5,318

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	1,037	771	8,669	10,477
Transferred in (out of) Stage 1	(71)	69	2	-
Transferred in (out of) Stage 2	576	(577)	1	-
Transferred in (out of) Stage 3	-	91	(91)	-
New financial assets originated or purchased	435	2	-	437
Financial assets derecognised	(342)	(14)	(34)	(390)
Amount written-off/realised	-	-	(11,922)	(11,922)
Changes in risk parameters	(342)	386	5,547	5,591
At 31 December 2022	1,293	728	2,172	4,193

While cash and short-term funds, balances with BDCB, government sukuks and group balances receivables are also subject to the impairment requirements of IFRS 9, the identified impairment as at 31 December 2023 and 2022 is considered immaterial.

29.5.7 Credit quality of impaired financial assets

Credit-impaired loans and advances refer to non-performing loans and advances for which the Branch determines that it is possible that it will be unable to collect all principal and interest due according to the contractual terms of the loans.

Financial assets that are credit-impaired at 31 December are shown below:

	2023	2022
Gross exposure	4,334	6,032
Allowance for impairment loss	(4,072)	(2,173)
	262	3,859
Fair value of collateral	3,703	8,148

29.6 Market risk

Market risk is the risk of financial loss where the value of the Branch's assets and liabilities could be adversely affected by changes in market variables such as interest rates, securities prices and foreign exchange rates. Market liquidity risk is the risk of financial loss caused by inability to secure market transactions at the required volume or price levels as a result of market turbulence or lack of trading liquidity.

The Branch is not exposed to significant market risk in 2023 and 2022.

29.6.1 Foreign exchange risk

Foreign exchange risk is the risk to earnings and economic value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates.

The Branch's foreign exchange exposures comprise non-trading foreign exchange exposure principally derived from interbranch nostro accounts. The Branch is not exposed to foreign exchange risk on Singapore Dollar (SGD) due to the currency Interchange Agreement between Singapore and Brunei which interchange the two currencies at par.

Foreign exchange risk is managed through policies and risk limits approved by the Asset and Liability Committee (ALCO). The limits, such as exposure by currency are independently monitored by Middle Office (MO).

A summary of quantitative data about the Branch's net exposure to major foreign currencies is provided below, followed by a sensitivity analysis (assuming all other risk variables remain constant):

	GBP	USD	Others	Total
As at 31 December 2023				
Financial assets				
Group balances				
receivable/(payable)	166	(541)	66	(309)
As at 31 December 2022				
Financial assets				
Group balances receivable	12	1,711	69	1,792

A 10% strengthening of BND against the foreign currencies as at year end would have increased (decreased) profit or loss and equity by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Amounts
At 31 December 2023	
10% Strengthening	(31)
At 31 December 2022	
10% Strengthening	179

A 10% weakening of BND against the foreign currencies as at year end would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

29.6.2 Interest rate risk

Interest rate risk is the risk to both earnings and capital arising from adverse movement in interest rates.

At 31 December, the interest rate profile of the Branch's interest-bearing financial instruments is as follows:

	2023	2022
Fixed-rate assets	198,988	194,455
Floating-rate assets	131,421	144,260
Fixed-rate liabilities	(216,416)	(213,149)
	113,993	125,566

Interest rate sensitivity analysis

The Branch does not account for any fixed rate financial assets and liabilities at FVTPL. Therefore, a change in interest rates at the reporting dates would not affect profit or loss for fixed rate financial instruments.

At 31 December 2023, an increase of 100 basis points in interest rates would have increased profit or loss by B$1,140 (2022 - B$1,255) for variable rate financial instruments. A decrease of 100 basis points in interest rates would have the opposite effect on profit or loss. This analysis assumes that all other variables remain constant.

29.7 Liquidity risk

Liquidity risk is the inability of the Branch to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses.

Liquidity risk is addressed through various measurement techniques such as liquidity gap analysis, early warning signals and stress testing that are controlled using approved limits and benchmarks. Periodic reports are presented to various operating and management level, including the ALCO and Risk Management Committee (RMC).

The following table shows cash flow analysis of the Branch's liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioral patterns such as early withdrawal of deposits or loans from counterparties.

	Less than 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
As at 31 December 2023							
Financial liabilities							
Deposits from customers	82,389	55,570	74,804	76,189	-	-	288,952
Deposits from banks and other financial institutions	7,026	-	-	-	-	-	7,026
Group balances payable	5,244	-	-	-	-	-	5,244
Other liabilities							
Lease liabilities	94	94	187	368	30	5	778
Banker’s cheque	123	-	-	-	-	-	123
Total financial liabilities	94,876	55,664	74,991	76,557	30	5	302,123
Off-balance sheet items							
Letters of credit	2,684	600	2,936	-	-	-	6,220
Guarantees and bonds	1,246	644	1,434	4,872	156	-	8,352
Acceptances	279	-	-	-	-	-	279
Undrawn credit lines and other commitments to extend credit	5,761	2,815	34,968	1,971	-	-	45,515
Total off-balance sheet items	9,970	4,059	39,338	6,843	156	-	60,366

	Less than 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
As at 31 December 2022							
Financial liabilities							
Deposits from customers	92,676	50,731	73,170	78,282	50	-	294,909
Deposits from banks and other financial institutions	6,396	-	-	-	-	-	6,396
Group balances payable	4,469	-	-	-	-	-	4,469
Other liabilities							
Lease liabilities	94	93	185	709	6	-	1,087
Banker's cheque	15	-	-	-	-	-	15
Total financial liabilities	103,650	50,824	73,355	78,991	56	-	306,876
Off-balance sheet items							
Letters of credit	260	2,434	-	-	-	-	2,694
Guarantees and bonds	4,731	950	1,123	682	36	1,000	8,522
Acceptances	73	-	-	-	-	-	73
Undrawn credit lines and other commitments to extend credit	5,175	2,530	38,428	5,398	-	-	51,531
Total off-balance sheet items	10,239	5,914	39,551	6,080	36	1,000	62,820

29.8 Non-financial risk management

Non-financial risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. In Maybank, the management of operational risk has evolved to encompass a wider range of non-financial risks such as business continuity risk and outsourcing risk.

The Branch's Non-Financial Risk ("NFR") management is premised on the three lines of defence concept. Risk-taking units, as first line of defence are primarily responsible for the day-to-day management of non-financial risks within their respective business operations. They are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Group's NFR framework.

The Branch risk team, as a second line of defence, is responsible for the implementation of non-financial risk management policy within the Branch, which encompasses the non-financial risk management strategy and governance structure. The Branch risk team is also responsible for the implementation of non-financial risk management tools and methodologies to identify, measure, control, report and monitor non-financial risks.

The Group's Audit plays the third line of defence by providing independent assurance in respect of the overall effectiveness of the non-financial risk management process.

30 Internal Audit

The Internal Audit (IA) function is organised on a group basis, mainly carried out at the Head Office. The IA function is established to undertake independent review and assessment on the adequacy, efficiency and effectiveness of risk management, control and governance process implemented by management. The IA function is independent of the activities or operations of other operating units in the Group. To maintain its impartiality, proficiency and due professional care, the Audit Charter is approved by those charged with governance.

31 Compliance review

The Compliance Unit of the Branch has a direct reporting line to Group Chief Compliance Officer and is required to report to the Group Compliance any instances of non-conformance with obligations and the remedial action taken to address them including continuing non-compliance issues.

Compliance Officers are responsible to provide regular update to Group Compliance Governance and closely monitor the matter until completely resolved. Regular reporting of these items will be presented to the senior management.

Compliance Officers have the responsibility as a second line of defense who set the standards, provide governance, oversight and advice and perform periodic control reviews in relation to regulatory and compliance risk.

32 Corporate governance

The Branch is headed by its General Manager, as authorised by the Head Office, which assumes the responsibility for the Branch's leadership and is collectively responsible for meeting the objectives and goals of the Branch.

The Head Office, through its Board of Directors, sets the Group's strategic aims, ensures that necessary resources are in place to meet its objectives and reviews management performance. The

Board sets the Group’s values and standards and ensure that its obligations to its shareholders are understood and met.

The Corporate governance report of the Maybank Group can be found in the Maybank Group’s website through the link below:

https://www.maybank.com/en/investor-relations/financial-overview/annual-reports.page

33 Recovery plan

Pursuant to BDCB Notice No. BU/N-3/2019/63 on Banks’ Recovery Plan, the Branch has completed and submitted its second recovery plan to BDCB in September 2022. Subsequently, submission of an updated recovery plan are to be made every two years with the next submission to be made no later than 30 September 2024.

The Branch’ Recovery Plan (RCP) is a holistic planning document covering all financial and non-financial related events ranging from normal stress to extreme stress levels. The RCP holistically integrates the Branch’s Contingency Funding Plan and Crisis Communication Plan so that triggers and stress events can be monitored proactively to enable the Branch to respond swiftly to the crisis. The RCP is developed to identify credible options to recover from a crisis which may impact the Branch’s financial strength, liquidity position, operational capability and reputation.

34 Fair values

Fair value hierarchy

For disclosure purposes, the level in the hierarchy within which the instruments are classified in its entirety is based on the lowest level input that is significant to the position’s fair value measurements:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

There are no financial assets measured at fair value in the statement of financial position as at 31 December 2023 and 2022. There are also no non-financial assets or liabilities that would require disclosure of fair value hierarchy as at 31 December 2023 and 2022.

Determination of fair value

The methodologies and assumptions in estimating fair values depend on the terms and risk characteristics of the various instruments and include the following:

(i) Loans and advances

Fair value of loans and advances is estimated by discounting anticipated cash (including interest at contractual rates). Performing loans are grouped, to the extent possible, into homogenous pools segregated by maturity and the coupon rates of the loans within each pool. In general, cash flows are discounted using current market rates for instruments with similar maturity, repricing and risk characteristics.

For non-performing loans and advances, an estimate is made of the time period to realise these cash flows and the fair value is estimated by discounting these cash flows at the effective interest rate. For non-performing loans and advances where collateral exists, the fair value is the lesser of the carrying value of the loans and advances, net of specific allowances, or the fair value of the collateral, discounted as appropriate.

Based on the methodology described above, the Branch has determined that the carrying values of loans and advances approximate fair values.

(ii) Deposits by customers

Deposits by customer is calculated using discounted cash flow models, based on the deposit type and its related maturity, applying either market rates, where applicable or current rates offered for deposits of similar remaining maturities.

Based on the described above, the Branch has determined that the carrying values of deposits by customers approximate fair values.

(iii) Other financial assets and liabilities

At 31 December 2023 and 2022, the carrying amounts of the other financial assets and liabilities (including cash and short-term funds, balances with BDCB, group balances receivable, government sukuks, other assets, deposits from banks and other financial institutions, group balances payable and other liabilities) approximate their fair value because of the short periods to maturity.