Maybank

Pillar 3 Disclosure
For Half Year Ended 30 June 2023
MALAYAN BANKING BERHAD, BRUNEI BRANCH

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1. OVERVIEW

The Pillar 3 Disclosures for the half year ended 30 June 2023 for Malayan Banking Berhad – Brunei Darussalam Branch ("Maybank" or the "Branch") are in accordance with Brunei Darussalam Central Bank ("BDCB") Guidelines on Pillar 3 Public Disclosure Requirements, which are the equivalent of that issued by the Basel Committee on Banking Supervision ("BCBS") entitled International Convergence of Capital Measurement and Capital Standards (commonly referred to as Basel II).

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

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

2. ATTESTATION STATEMENT

The Pillar 3 Disclosure as at 30 June 2023 has been prepared in accordance with the internal control process endorsed by the management of Malayan Banking Berhad, Brunei Branch.

Sulaiman bin Isa
General Manager

Noor Hajirah Saban
Head, Finance

3. OVERVIEW OF KEY PRUDENTIAL METRICS AND RWA

3.1 Key Metrics

The below table present the key prudential metrics for the current quarter and the 4 previous quarter ends.

B$'000	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
Available capital (amounts)					
Tier 1	70,919	70,919	70,919	70,724	70,724
Total capital	72,028	71,993	72,880	72,637	72,721
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	230,896	235,411	249,640	265,853	262,285
Risk-based capital ratios as a percentage of RWA					
Tier 1 ratio (%)	30.71	30.13	28.41	26.60	26.96
Total capital ratio (%)	31.19	30.58	29.19	27.32	27.73

Tier 1 ratio and total capital ratio as at 30 June 2023 stood at 30.71% and 31.19% respectively. The branch is poised to maintain healthy ratios above the minimum regulatory requirement of 5% and 10% respectively as stipulated in BDCB guideline under Notice BU/N-3/2017/38, a testament of the Branch's resilience and strength in meeting its obligations.

3.2 Overview of Risk Weighted Assets

The below table present the breakdown of the RWA for the current quarter and previous quarter ends and the capital requirements for the current quarter RWA.

B$'000	RWA		Minimum capital requirements
	Jun-23	Mar-23	Jun-23
Credit Risk (Standardised)	210,480	214,806	21,048
Market Risk (Standardised)	382	571	38
Operational Risk (Basic Indicator Approach)	20,034	20,034	2,003
Total	**230,896**	**235,411**	**23,090**

June 2023 shows a decrease in credit risk RWA from previous quarter mainly due to a decrease in claims secured by residential property. A decrease in market risk RWA is mainly from lower foreign currency exposure.

4. COMPOSITION OF CAPITAL

4.1 Composition of Regulatory Capital as of 30th June 2023

	B$'000
Tier 1 capital: instruments and reserves	
Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	30,000
Non-Cumulative, Non-Redeemable Preference Shares	-
Share Premium	-
Statutory Reserve Fund	17,551
Published Retained Profits/ (Accumulated Losses)	23,025
General Reserves	343
Fair Value Reserves	-
Tier 1 capital before regulatory adjustments	**70,919**
Tier 1 capital: regulatory adjustments	
Reciprocal cross-holdings of ordinary shares (as required by AMBD)	-
Goodwill	-
Other intangible assets	-
Advances/financing granted to employees of the bank for the purchase of shares of the bank under a share ownership plan	-
Minority Interests held by 3rd parties in Financial Subsidiary	-
Total Regulatory adjustments to Tier 1 Capital	**-**
Tier 1 capital	**70,919**
Tier 2 capital: instruments and provisions	
General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	1,109
Hybrid (debt/equity) Capital Instruments	-
Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	-
Tier 2 capital before regulatory adjustments	**1,109**
Tier 2 capital: regulatory adjustments	
Reciprocal Crossholdings of Tier 2 Capital Instruments	-
Minority Interests Arising from Holdings of Tier 2 Instruments in Financial Subsidiaries by 3rd Parties	-
Total regulatory adjustments to Tier 2 capital	**-**
Tier 2 capital (T2)	**1,109**
Allowable Supplementary Capital (Tier 2 Capital)	**1,109**
Sub-Total of Tier 1 and Tier 2 Capital	**72,028**
Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital	-
Significant Investments in Banking, Securities and Other Financial Entities	-
Significant Investments in Insurance Entities & Subsidiary	-
Significant Investments in Commercial Entities	-
Securitisation Exposures (Rated B+ or Below and Unrated)	-
Resecuritisation Exposures (Rated B+ or Below and Unrated)	-
Total regulatory capital (TC = T1 + T2)	**72,028**
Total risk-weighted assets	**230,896**
Capital ratios	
Tier 1 (as a percentage of risk-weighted assets)	**30.71%**
Total capital (as a percentage of risk-weighted assets)	**31.19%**

Total capital ratio increased from 30.58% in March 2023 to 31.19% in June 2023. This is mainly due to an increase in general credit loss reserved from B$1.074 mil in March 2023 to B$1.109mil in June 2023 and a decrease in total risk weighted assets from B$235mil in March 2023 to B$231mil in June 2023.

5. CREDIT RISK

5.1 Credit Quality of Assets

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

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

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

The below table provide details on the credit quality of the branch's on- and off- balance sheet assets as of 30th June 2023.

	Gross carrying values of		Allowances / impairments	Of which: ECL accounting provisions for credit losses on SA exposures		Net values
B$'000	**Defaulted exposures**	**Non-defaulted exposures**		**Of which: Specific Allowances**	**Of which: General Allowances**	
Loans	5,055	136,088	(2,715)	(1,606)	(1,109)	138,428
Debt Securities	-	12,620	(10)	-	(10)	12,610
Off-balance sheet exposures	-	60,479	(75)	-	(75)	60,404
Total	**5,055**	**209,187**	**(2,800)**	**(1,606)**	**(1,194)**	**211,442**

5.2 Changes in Stock of Defaulted Loans and Debt Securities

The below table present the changes in the branch's stock of defaulted exposures. Reductions in the stock of defaulted exposures as of 30th June 2023 is mainly due to write-offs and settlement of accounts.

	B$'000
Defaulted loans and debt securities at 31 December 2022	**6,032**
Loans and debt securities that have defaulted since 31 December 2022	18
Returned to non-defaulted status	0
Amounts written off	(344)
Other changes	(651)
Defaulted loans and debt securities at 30 June 2023	**5,055**

5.3 Overview of Credit Risk Mitigation (CRM) Technique

The below table present the overview of credit risk management technique as of 30th June 2023.

B$'000	Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Loans	12,187	126,241	85,610	-	-
Debt securities	12,610	-	-	-	-
Total	**24,797**	**126,241**	**85,610**	**-**	**-**
Of which defaulted	53	3,396	3,089	-	-

5.4 Standardised Approach – Credit Risk Exposure and Credit Risk Mitigation (CRM) effects

The below table present the standardized approach for credit risk exposure and credit risk mitigation effects as of 30th June 2023.

B$'000	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	54,761	-	54,761	-	-	0.0%
Non-central government public sector entities	-	-	-	-	-	0.0%
Multilateral development banks	-	-	-	-	-	0.0%
Banks	183,552	-	183,552	-	77,134	42.0%
Securities firms	-	-	-	-	-	0.0%
Corporates	62,304	55,839	62,304	11,624	73,928	100.0%
Regulatory retail portfolios	2,262	2,098	2,262	-	1,697	75.0%
Secured by residential property	37,147	118	37,147	59	16,806	45.2%
Secured by commercial real estate	33,866	2,424	33,866	1,212	35,078	100.0%
Equity	-	-	-	-	-	0.0%
Past-due loans	3,449	-	3,449	-	3,449	100.0%
Higher-risk categories	-	-	-	-	-	0.0%
Other assets	5,647	-	5,647	-	2,388	42.3%
Total	**382,988**	**60,479**	**382,988**	**12,895**	**210,480**	**53.2%**

5.5 Standardised Approach – Exposures by Asset Classes and Risk Weights

The below table present the standardised approach for exposures by asset classes and risk weights as at 30th June 2023.

Asset classes \ Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	54,761	-	-	-	-	-	-	-	-	54,761
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	48,806	-	134,746	-	-	-	-	183,552
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	73,928	-	-	73,928
Regulatory retail portfolios	-	-	-	-	-	2,262	-	-	-	2,262
Secured by residential property	-	-	-	28,733	-	6,895	1,578	-	-	37,206
Secured by commercial real estate	-	-	-	-	-	-	35,078	-	-	35,078
Equity	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	3,449	-		3,449
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Other assets	3,259	-	-	-	-	-	2,388	-	-	5,647
Total	**58,020**	**-**	**48,806**	**28,733**	**134,746**	**9,157**	**116,421**	**-**	**-**	**395,883**

6. MARKET RISK

6.1 Market Risk under the Standardised Approach

The below table present the market risk under standardized approach as at 30th June 2023.

B$'000	RWA
Interest/Profit rate risk (general and specific)	-
Equity risk (general and specific)	-
Foreign exchange risk	382
Commodity risk	-
Total	**382**