Pillar 3 Disclosure
For the Year Ended 31 December 2023
MALAYAN BANKING BERHAD, BRUNEI BRANCH

Contents

1. OVERVIEW

The Pillar 3 Disclosures for the financial year ended 31 December 2023 for Malayan Banking Berhad – Brunei Darussalam Branch ("Maybank" or the "Branch") are in accordance with Brunei Darussalam Central Bank ("BDCB") Notice on Pillar 3 – Public Disclosure Requirements as specified in BDCB Notice No. BU/N-1/2021/68.

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:

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

2. FUNCTIONAL AND PRESENTATION CURRENCY

This Pillar 3 Disclosure Report is 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.

3. ADDITIONAL INFORMATION

Within some section in this document, a reference is made to Maybank Group Basel II Pillar 3 Disclosure 2023, which is available in the Group's website at https://www.maybank.com/en/investor-relations/financial-overview/annual-reports.page.

4. ATTESTATION STATEMENT

The Pillar 3 Disclosure as at 31 December 2023 has been prepared in accordance with the internal control process endorsed by the Management of Malayan Banking Berhad, Brunei Branch.

Sulaiman bin Isa	Noor Hajirah Saban
General Manager	Head, Finance
29 March 2024	29 March 2024

5. OVERVIEW OF KEY PRUDENTIAL METRICS AND RWA

5.1 Key Metrics

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

B$'000	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22
Available capital (amounts)					
Tier 1	78,978	70,919	70,919	70,919	70,919
Total capital	80,163	72,154	72,028	71,993	72,880
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	234,598	232,602	230,896	235,411	249,640
Risk-based capital ratios as a percentage of RWA					
Tier 1 ratio (%)	33.67	30.49	30.71	30.13	28.41
Total capital ratio (%)	34.17	31.02	31.19	30.58	29.19

Tier 1 capital as at 31 December 2023 increase from the previous financial year mainly from total comprehensive income earned by the Branch during the financial year 2023.

Tier 1 ratio and total capital ratio as at 31 December 2023 stood at 33.67% and 34.17% respectively, which is an increase from the previous year's ratio of 28.41% and 29.19% respectively. The Branch is poised to maintain healthy ratios above the minimum regulatory requirement 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.

5.2 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
	Dec-23	Sep-23	Dec-23
Credit Risk (Standardised)	214,062	212,311	21,406
Market Risk (Standardised)	541	257	54
Operational Risk (Basic Indicator Approach)	19,995	20,034	2,000
Total	**234,598**	**232,602**	**23,460**

December 2023 shows an increase in credit risk and market risk RWA from the previous quarter mainly due to an increase in interbranch-placement and higher foreign currency exposure respectively. A decrease in operational risk RWA is due to a decrease in average gross income.

6. COMPOSITION OF CAPITAL

6.1 Composition of Regulatory Capital as of 31st December 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	19,567
Published Retained Profits/ (Accumulated Losses)	28,975
General Reserves	436
Fair Value Reserves	-
Tier 1 capital before regulatory adjustments	**78,978**
Tier 1 capital: regulatory adjustments	
Reciprocal cross-holdings of ordinary shares (as required by BDCB)	-
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	**78,978**
Tier 2 capital: instruments and provisions	
General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	1,185
Hybrid (debt/equity) Capital Instruments	-
Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	-
Tier 2 capital before regulatory adjustments	
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)	**1,185**
Allowable Supplementary Capital (Tier 2 Capital)	**1,185**
Sub-Total of Tier 1 and Tier 2 Capital	**80,163**
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)	**80,163**
Total risk-weighted assets	**234,598**
Capital ratios	
Tier 1 (as a percentage of risk-weighted assets)	**33.67%**
Total capital (as a percentage of risk-weighted assets)	**34.17%**

7. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

7.1 Explanations of differences between accounting and regulatory exposure amounts

There are no differences between carrying values and amounts considered for regulatory purposes. General provisions are included under Tier 2 capital, capped at 1.25% of credit risk.

In accordance with the implementation of the guidance on prudent valuation, the Branch established procedures that support a robust and reliable valuation of the collateral, with assessment on the marketability as well as condition of the collateral. For credit applications with new or additional collateral, professional valuation reports from the Branch's panel valuer should be obtained. For annual review, the Branch may determine the acceptable type of valuation updates i.e. professional valuation report, desktop valuation or verbal valuation, depending on the maturity of the industry that the collateral is related to, for instance property industry or technology industry. A matured industry may accept desktop valuations whereas an emerging industry should require professional valuations.

7.2 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

B$'000	Carrying Values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets	**382,265**		**383,090**	**-**	**-**	**541**	**(1,366)**
Cash and short-term funds	187,808		187,808	-	-	-	-
Balances with BDCB	37,039		37,039	-	-	-	-
Group balances receivable	9,526		8,985	-	-	541	-
Government sukuk	13,943		14,080	-	-	-	(137)
Loans and advances	131,718		132,947	-	-	-	(1,229)
Fixed Assets	1,019		1,019	-	-	-	-
Intangible Assets	685		685	-	-	-	-
Other Assets	527		527	-	-	-	-
Liabilities	**303,287**		**-**	**-**	**-**	**-**	**303,287**
Deposits from customers	284,507		-	-	-	-	284,507
Deposits from bank and other financial institutions	7,026		-	-	-	-	7,026
Group balances payable	5,244		-	-	-	-	5,244
Other liabilities	4,967		-	-	-	-	4,967
Provision for taxation	1,543		-	-	-	-	1,543

7.3 Main sources of differences between regulatory exposure amounts and carrying values in financial statements

B$'000	Total	Items subject to:			
		Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation	383,631	383,090	-	-	541
Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	-	-
Total net amount under regulatory scope of consolidation	383,631	383,090	-	-	541
Off-balance sheet amounts	60,328	60,328	-	-	-
Exposure amounts considered for regulatory purposes	**443,959**	**443,418**	**-**	**-**	**541**

8. OVERVIEW OF RISK MANAGEMENT

Maybank Brunei as a branch of Maybank Malaysia fully adopts the Head Office's risk management, procedures and processes.

RISK MANAGEMENT FRAMEWORK

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate level of risk taken to the desired level of returns. As risk management is a core discipline of the Group, it is underpinned by a set of building blocks which serves as the foundation in driving strong risk management culture, encompassing practices and processes:

Building Blocks	Description
Risk Culture	Risk culture is a vital component in strengthening risk governance and forms a fundamental principle of strong risk management.
Risk Coverage	The Branch must determine its business strategy and assesses the risk to ensure the appropriate risk strategies are put in place to give a greater level of assurance on achieving its business strategy.
Risk Appetite	The risk appetite defines the level of risk the Branch is willing to accept within its risk capacity in pursuit of its business and strategic goals.
Risk Response	Selection of the appropriate risk response is imperative to align the risks with Branch's risk tolerance and risk appetite.
Governance & Risk Oversight	There is a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility.
Risk Management Practices & Processes	Robust risk management processes are in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Branch.
Stress Test	Stress testing should be used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on the Branch's exposure.
Resources & System Infrastructure	Ensure sufficient resources, infrastructure and techniques are established to enable effective risk management.

RISK CULTURE

Risk culture is a vital component in strengthening risk governance and forms a fundamental tenet of strong risk management.

Risk culture stems from the conduct of staff, businesses and the Branch as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

Risk culture aligns business objectives and attitude towards risk taking and risk management through the risk appetite, by establishing the way in which risks are identified, measured, controlled, monitored and reported.

Risk culture is strengthened by having a strong tone from the top that establishes the expected risk behaviour and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired risk culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

In order to promote ongoing risk culture awareness in the Branch, staff are required to provide attestation on the Maybank code of ethics and conduct on an annual basis.

RISK APPETITE

The Group's risk appetite is an integral component of the Maybank Group's robust risk management framework and is driven by both top-down Board leadership and bottom-up involvement of management at all levels. Our risk appetite enables the Board and Senior Management to communicate and assess the types and levels of risk that the Group is willing to accept in pursuit of its business and strategic goals while taking into consideration the constraints under a stressed environment. The Group's risk appetite translates our risk capacity into risk limits and/or tolerances as guidance, which are then used to regularly measure and evaluate our risk profile.

The risk appetite is integrated into the strategic planning process, and remains dynamic and responsive to the changing internal and external drivers such as market conditions, stakeholder's expectations and internal capabilities. In addition, the budgeting process is aligned to the risk appetite in ensuring that projected revenues arising from business transactions are consistent with the risk profile established. Our risk appetite also provides a consistent structure in understanding risk and is embedded in day-to-day business activities and decisions throughout the Group.

RISK GOVERNANCE AND OVERSIGHT

The governance model adopted in the Group provides a formalised, transparent and effective governance structure that promotes active involvement from the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Maybank Group and the Branch.

Our governance model places accountability and ownership in ensuring an appropriate level of independence and segregation of duties between the three lines of defense. The management of risk broadly takes place at different hierarchical levels and is emphasized through various levels of committees, business lines, control and reporting functions.

As part of its overall risk management framework, the Branch established different type of limits, in order to manage exposures resulting from changes in credit, liquidity, market and operational risks.

The respective Key Risk Indicators ("KRIs") are reported via the Enterprise Risk Dashboard ("ERD") and shared with the local Management Team and Group Stakeholders on a monthly basis. Risk & Control Self-Assessment ("RCSA"), and Incident Management & Data Collection ("IMDC") are also used for systematic identification of the causes of failures in the Bank's day-to-day operations, assessment of the risk of loss and taking appropriate actions to minimise the impact of operational lapses.

INDEPENDENT GROUP RISK FUNCTION

In 2023, we have continued to focus on value creation and supporting the Group in meeting its strategic and business objectives. Group Risk provides oversight of risk management on an enterprise-wide level through the establishment of the Group's risk strategies, frameworks and policies, with independent assessment and monitoring of all risks challenges.

The key pillars of Group Risk functions are as below:

- Provides close support and oversight within key businesses and countries in managing day-to-day risk;
- Drives and manages specific risk areas on an enterprise-wide level for a holistic risk view within the Group and the Branch; and
- Supports sustainable and quality asset growth with optimal returns.

STRESS TESTING

Stress testing is used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on the Branch's exposure. This involves an assessment of the Branch's capability to withstand such changes in relation to the capital and earnings to absorb potentially significant losses.

Stress Testing is conducted on a periodic basis or when required to better understand the risk profile, evaluate business risk and thus, taking appropriate measures to address these risks accordingly.

9. LIQUIDITY RISK

Liquidity risk is defined as the risk of an adverse impact to the financial condition or overall safety and soundness arising from the inability (or perceived inability) or unexpected higher cost to meet obligations.

It is also known as sequential risk, triggered by underlying problems which can be endogenous (e.g. credit risk deterioration, rating downgrade and operational risk events) or exogenous (e.g. market disruption, default in the banking payment system and deterioration of sovereign risk).

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).

For day-to-day liquidity management, the Branch operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

- Maintaining sufficient amount of encumbered high quality liquid buffer as a protection against any unforeseen interruption to cash flows;
- Managing short and long-term cash flows via maturity mismatch report and various indicators;
- Monitoring depositor concentration at the branch levels to avoid undue reliance on large depositors;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;

- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Recovery Plan ("RCP") testing to examine the effectiveness and robustness of the plans to avert any potential liquidity disasters affecting the Branch's liquidity soundness and financial solvency.

The funding strategy of the Branch is centralized at Group Corporate Treasury. The Branch manages its excess funds via placement with Maybank Singapore.

The Branch conducts a local stress test on liquidity annually to assess the vulnerability of cash flows under stressed market conditions.

The Branch has established the first Contingency Funding Plan ("CFP"), which was approved by Group Crisis Management Council ("GCMC') in December 2023. The CFP sets out the Branch's strategies for addressing liquidity shortfalls in emergency situations and encompasses strategies, decision-making authorities, internal and external communication, roles and responsibilities of affected parties as well as courses of actions to be taken under different liquidity stress environments. The purpose of the CFP is to provide a systematic approach in handling unexpected funding and/or liquidity disruptions. By doing so, the CFP aims:

- To provide liquidity early warning signals, monitoring and escalation process;
- To establish strategies and action plans for contingency funding planning;
- To establish roles and responsibilities of the person(s) and Committees accountable for managing liquidity during liquidity distress;
- To supplement the Maybank Brunei Recovery Plan (RCP) prior to the recovery threshold stage.

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.

B$'000	Less than 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
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**

10. CREDIT RISK

10.1 General qualitative information about credit risk

Credit risk is the risk that a counterparty fails to meet its obligations in accordance with the agreed terms of a credit facility. The exposures to credit risk are unilateral and only the lending bank faces the risk of loss.

REGULATORY CAPITAL REQUIREMENT

Amongst the various risk types the Branch engages in, credit risk continues to attract the largest regulatory capital requirement. The Branch adopts the Standardised Approach for measuring capital requirement for credit risk. The Branch credit risk stood at B$214,062 as at 31 December 2023 as compared to B$227,814 during the same period in prior year. The reduction in credit risk is mainly due to a negative loan growth as well as a decrease in non-performing exposures.

MANAGEMENT OF CREDIT RISK

The Branch manages its credit risk at both the counterparty and portfolio levels to ensure that they remain within the boundaries of the Branch's approved credit risk appetite.

Non-retail credit risks are assessed by business units, where each customer is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors, including the counterparty's financial position, future cash flows, types of facilities and collateral offered. These credits are then evaluated by the credit team, and approved jointly by authorised Business and Credit personnel.

Reviews on non-retail counterparties are conducted at least once a year with updated information on the counterparty's financial position, market position, industry and economic conditions, as well as conduct of account. On top of these reviews, these counterparties are subject to regular periodic credit classification and impairment assessment to determine if any early intervention is required. Appropriate corrective actions are taken when the counterparties show signs of credit deterioration.

Retail credits are predicated on data analytics and are programme-driven by the Product Development Assessment ("PDA") or Universal Product Development Assessment ("UPDA"). Credit programmes are assessed jointly by the business units and credit teams. Reviews for retail credits are generally conducted at the portfolio level where the PDAs or UPDAs of each retail product are reviewed at a minimum, on an annual basis.

Credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently throughout the Group and Branch level.

The Branch is guided by Group policy in managing its credit risk and further details on credit risk can be found on page 16 of Maybank Group Basel II Pillar 3 Disclosure 2023.

10.2 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 31st December 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	4,334	132,641	(5,257)	(4,072)	(1,185)	131,718
Debt Securities	-	13,954	(11)	-	(11)	13,943
Off-balance sheet exposures	-	60,366	(61)	-	(61)	60,305
Total	**4,334**	**206,961**	**(5,329)**	**(4,072)**	**(1,257)**	**205,966**

10.3 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 31st December 2023 is mainly due to write-offs, loans reclassified as performing and recoveries.

	B$'000
Defaulted loans and debt securities at 31 December 2022	**6,032**
Loans and debt securities that have defaulted since 31 December 2022	144
Returned to non-defaulted status	(566)
Amounts written off	(763)
Other changes	(513)
Defaulted loans and debt securities at 31 December 2023	**4,334**

10.4 Additional disclosure related to the credit quality of assets

The Branch has outlined the definition of days past due ("DPD") and months-in-arrears ("MIA"), which refer to exposures with repayments which are due, principal or interest, under contractual terms, that are:

- Received after the contractual due date; or
- Repayments received are partial, not made in full.

The Branch assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one (1) or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event(s) have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers experiencing significant financial difficulty, the probability that they will enter bankruptcy or other reorganisation, default or delinquency in interest/profit or principal payments or where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

The Branch's provisioning calculation under IFRS9 are based on an Expected Credit Loss ("ECL") model. Further details on the Branch's accounting policies and accounting estimates on impairment assessment for loans, advances and financing can be found in Note 2.5 of the Financial Statements.

Disclosure on Credit Risk Exposures by Geographical Areas

B$'000	Brunei	Singapore	Malaysia	Others	Total
Cash and short-term funds	3,732	184,076	-	-	187,808
Balances with BDCB	37,039	-	-	-	37,039
Group balances receivables	-	66	166	9,294	9,526
Government sukuk	13,943	-	-	-	13,943
Loans and advances	131,718	-	-	-	131,718
Sub-Total	**186,432**	**184,142**	**166**	**9,294**	**380,034**
Contingencies	14,790	-	-	-	14,790
Total Credit Risk Exposures	**201,222**	**184,142**	**166**	**9,294**	**394,824**

Disclosure on Credit Risk Exposures by Industry

B$'000	Cash & short-term funds	Balances with BDCB	Group balances receivables	Government sukuks	Loans & Advances	Contingencies	Total
Agriculture		-	-	-	6,478	246	**6,724**
Financial	184,076	-	9,526	-	-	1,069	**194,671**
Manufacturing	-	-	-	-	3,232	2,716	**5,948**
Transportation	-	-	-	-	3,658	-	**3,658**
Infrastructure	-	-	-	-	7,015	-	**7,015**
Traders	-	-	-	-	30,641	10,449	**41,090**
Services	-	-	-	-	9,606	196	**9,802**
Constructions & property financing	-	-	-	-	65,471	114	**65,585**
Tourism	-	-	-	-	3,790	-	**3,790**
Personal & consumption loans	-	-	-	-	1,827	-	**1,827**
Others	3,732	37,039	-	13,943	-	-	**54,714**
Total	**187,808**	**37,039**	**9,526**	**13,943**	**131,718**	**14,790**	**394,824**

Disclosure on Credit Risk Exposures by Residual Maturity

B$'000	One year or less	Over one year to five years	Over five years	Total
Cash and short-term funds	181,271	6,537	-	187,808
Balances with BDCB	37,039	-	-	37,039
Group balances receivables	9,526	-	-	9,526
Government sukuk	13,943	-	-	13,943
Loans and advances	50,861	21,012	59,845	131,718
Sub-Total	**292,640**	**27,549**	**59,845**	**380,034**
Contingencies	13,700	1,090	-	14,790
Grand Total	**306,340**	**28,639**	**59,845**	**394,824**

Impaired loans, advances and financing and allowances by industry

B$'000	Impaired Loans, Advances and Financing	Allowance for credit losses
As at 31 December 2023		
Constructions and property financing	2,974	(2,712)
Traders	1,356	(1,356)
Personal and consumption loans	4	(4)
Total	**4,334**	**(4,072)**

Ageing analysis of past-due loans

B$'000	Past-due Loans, Advances and Financing	Allowance for credit losses
As at 31 December 2023		
Month-in-arrear 1	313	(1)
Month-in-arrear 2	1,315	(84)
Month-in-arrear 3	557	(85)
Total	**2,185**	**(170)**

10.5 Qualitative disclosure requirements related to credit risk mitigation techniques

The Branch takes a holistic approach when granting credit facilities, and credit assessment is based on the repayment capacity of the borrower, and not the credit risk mitigation, as a primary source of repayment. As a fundamental credit principle, the Branch generally does not grant facilities solely on the basis of collaterals provided. Credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Depending on a borrower's credit standing and the type of product, facilities may be granted on an unsecured basis. Nevertheless, collateral is taken whenever possible to mitigate the credit risk assumed. The Branch's general requirement is to promote the use of credit risk mitigation, justified by commercial prudence and good practice as well as capital efficiency. The value of collateral taken is also monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of acceptable collaterals for the Branch include cash/deposits and properties.

Corporate guarantees are often obtained when the borrower's credit worthiness is inadequate to accommodate an extension of credit. To recognise the effects of guarantees under the Foundation Internal Ratings-Based ("FIRB") approach, the Branch adopts the Probability of Default ("PD") substitution approach whereby exposures guaranteed by an eligible guarantor will utilise the PD of the guarantor in the computation of its capital requirement.

As a general rule-of-thumb, the following eligibility criteria must be met before the collateral can be accepted for IRB purposes:

- **Legal Certainty**
  The documentation must be legally binding and enforceable in all relevant jurisdictions.

- **Material Positive Correlation**
  The value of the collateral must not be significantly affected by the deterioration of the borrower's credit worthiness.

- **Third-party Custodian**
  The collateral that is held by a third-party custodian must be segregated from the custodian's own assets.

10.6 Overview of credit risk mitigation (CRM) techniques

B$'000	Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Loans	17,413	114,305	80,325	-	-
Debt securities	13,943	-	-	-	-
Total	**31,356**	**114,305**	**80,325**	**-**	**-**
Of which defaulted	-	262	-	-	-

10.7 External Credit Assessment Institutions ("ECAI")

The Standardised Approach measures credit risk pursuant to fixed risk-weights and is the least sophisticated of the capital calculation methodologies. The risk-weights applied under Standardised Approach are prescribed by BDCB and is based on the asset class to which the exposure is assigned. For exposures subject to Standardised Approach, approved External Credit Assessment Institutions ("ECAI") ratings and the prescribed risk-weights based on asset classes are used in the computation of regulatory capital.

The ECAI used by the Branch include Moody's, Standard & Poor's and Fitch Ratings. Assessments provided by approved ECAIs are mapped to credit quality grades prescribed by the regulator.

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

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	51,119	-	51,119	-	-	0.0%
Non-central government public sector entities	-	-	-	-	-	0.0%
Multilateral development banks	-	-	-	-	-	0.0%
Banks	193,060	-	193,060	-	86,143	44.6%
Securities firms	-	-	-	-	-	0.0%
Corporates	60,692	56,675	60,692	14,389	75,081	100.0%
Regulatory retail portfolios	2,215	2,055	2,215	-	1,661	75.0%
Secured by residential property	37,905	354	37,905	177	16,188	42.5%
Secured by commercial real estate	31,873	1,244	31,873	622	32,495	100.0%
Equity	-	-	-	-	-	0.0%
Past-due loans	262	-	262	-	262	100.0%
Higher-risk categories	-	-	-	-	-	0.0%
Other assets	5,964	-	5,964	-	2,232	37.4%
Total	**383,090**	**60,328**	**383,090**	**15,188**	**214,062**	**53.7%**

10.9 Standardised Approach – Exposures by Asset Classes and Risk Weights

Risk Weights / Asset classes	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	51,119	-	-	-	-	-	-	-	-	51,119
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	34,624	-	158,436	-	-	-	-	193,060
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	75,081	-	-	75,081
Regulatory retail portfolios	-	-	-	-	-	2,215	-	-	-	2,215
Secured by residential property	-	-	-	30,935	-	7,147	-	-	-	38,082
Secured by commercial real estate	-	-	-	-	-	-	32,495	-	-	32,495
Equity	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	262	-	-	262
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Other assets	3,732	-	-	-	-	-	2,232	-	-	5,964
Total	**54,851**	**-**	**34,624**	**30,935**	**158,436**	**9,362**	**110,070**	**-**	**-**	**398,278**

11. COUNTERPARTY CREDIT RISK (CCR)

Counterparty credit risk is the risk arising from the possibility that a counterparty may default on current and future payments.

Counterparty credit risk originates from the Branch's lending business. Further information on Counterparty Credit Risk can be found on Page 72 of Maybank Group Basel II Pillar 3 Disclosure 2023.

12. SECURITISATION

The Branch does not have any securitization portfolio for the year ended 31 December 2023.

13. MARKET RISK

Market risk is defined as the risk of loss or adverse impact on earnings or capital arising from movements of market rates or prices such as interest rates/profit rates, foreign exchange rates, commodity prices and equity prices.

The Branch manages market risk of its banking book by using a variety of measurement techniques and controls. The Branch is guided by the Group policy in managing its market risk.

The Branch adopts the Standardised Approach to compute minimum capital requirement for market risk as per BDCB Guidelines on Capital Adequacy Framework.

Further details on market risk can be found on page 78 of Maybank Group Basel II Pillar 3 Disclosure 2023.

13.1 Market risk under the Standardised Approach

B$'000	RWA
Interest/Profit rate risk (general and specific)	-
Equity risk (general and specific)	-
Foreign exchange risk	541
Commodity risk	-
Total	541

14. INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book ("IRRBB") is defined as risk of loss in earnings or economic value on banking book exposures arising from movements in interest rates. Sources of IRRBB include repricing risk, basis risk, yield curve risk and option risk.

The Branch is guided by the Group's policy on the management of interest rate risk in the banking book. Further details can be found on page 78 of Maybank Group Basel II Pillar 3 Disclosure 2023.

15. OPERATIONAL RISK

Operational risk is one of the principal risks in the overall Risk Management Framework and defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (this includes legal risk, but excludes strategic and reputational risk).

The table below outlines the definition of the four (4) casual categories of operational risk:

Casual Categories	Definition
People	Risks resulting from staff defaulting in expected behavior or the organization being ineffective/inefficient in the management of its human capital.
Process	Risks resulting from inadequate/failed internal business processes or transaction process flows.
System	Risks resulting from inadequate or defaulting IT/communication systems, or the unavailability or integrity of data.
External Events	Risks resulting from events and actions from outside the organisation's immediate control having negative impact on the business.

Operational risk incidents that occurred may have different financial impact as illustrated below:

Impact Type	Definition
Actual Loss	Financial loss is incurred (either by a third part cost, or by writing-off a provision) and/or provision for loss is made, impacting the profit or loss account.
Potential Loss	Potential loss is a conservative estimate of the loss amount but the actual loss has yet to be determined.
Near Miss	Financial loss was averted by controls or mitigating actions for an operational risk incident.

Group Operational Risk Management strategy provides the overall principles, philosophy, objectives and goals for the management of operational risk.

The key components of the Group's ORM strategy are as follows:

(i) ORM Methodology Design Principles
(ii) Operational Risk Appetite

Under the Basel II rules, the Branch has adopted the Basic Indicator Approach to operational risk in which the charge for operational risk may be expressed as follows:

$\boldsymbol{KBIA} = [\ \Sigma \boldsymbol{GI1 \ldots n} \times \boldsymbol{\alpha}\ ]/\boldsymbol{n}$

where:

$KBIA$ = the capital charge under the Basic Indicator Approach
GI = annual gross income, where positive, over the previous three years
N = number of the previous three years for which gross income is positive
α = 15%