



**UNITED OVERSEAS BANK LIMITED,
BRUNEI BRANCH**

PILLAR 3 DISCLOSURES

June 2022

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CERTIFICATION

We, the undersigned, being the Country Manager and the Head of Finance and Administration of United Overseas Bank Limited (Brunei Darussalam Branch) do hereby state that, in our opinion, Pillar 3 Public Disclosure notes are prepared in accordance to the requirements of Brunei Darussalam Central Bank so as to give correct and complete public disclosure.



Howard Low Boon Keng
Country Manager
Date: 12 September 2022



Hajah Norsinah Haji Kamis
Head of Finance & Administration
Date: 12 September 2022

Notes:

- 1 The pillar 3 disclosure report is presented in Brunei Dollars (B\$'000).
- 2 Certain figures in this report may not add up to the respective totals due to rounding.

1. INTRODUCTION

Pillar 3 Disclosure Report (“The Report”) is prepared in accordance with the Brunei Darussalam Central Bank (“BDCB”) Notice to Banks No. BU/N-1/2021/68 on Pillar 3 – Public Disclosure Requirements issued on 02/04/2021.

This above Notice complements the minimum risk-based capital requirements and other quantitative requirements (Pillar 1) as per the Notice No BU/N-3/2017/38 – Maintenance of Capital Adequacy Ratio and the Supervisory Review of Evaluation Process (Pillar 2) as per Notice No BU/N-9/2018/59 – Amendment No 1 – Supervisory Review of Evaluation Process (SREP). It aims to facilitate and promote market discipline by requiring disclosures of meaningful regulatory information on a consistence and comparable basis.

In accordance with the Notice, the medium of disclosure is a standalone document (“standalone Pillar 3 report”).

The format of the Pillar 3 disclosure is presented based on the template and tables set out in the Annex 1 – Pillar 3 Disclosure Requirements dated 1 April 2021.

2. KEY PRUDENTIAL METRICS, RISK MANAGEMENT AND RWA

2.1 Template KMI: Key Metrics

Purpose: To provide an overview of a bank's prudential regulatory metrics.
Content: Key prudential metrics related to regulatory capital and other regulatory requirements.
Frequency: Quarterly.
Format: Fixed.
Accompanying narrative: There has been slight decrease in both Tier 1 and Total Capital Ratio as compared to Q1 2022 and 4Q2021. High utilization of Loans & Advances and Contingent Liabilities and increase in Inter-Branch placement in 2Q2022.

		(a)	(b)	(c)	(d)	(e)
		Jun 22	Mar 22	Dec 21	Sep 21	Jun 21
	Available capital (amounts)					
1	Tier 1	100,912	100,359	99,830	98,737	98,112
2	Total capital	101,501	100,987	100,403	99,701	98,928
	Risk-weighted assets (amounts)					
3	Total risk-weighted assets (RWA)	162,871	156,644	151,057	150,955	156,138
	Risk-based capital ratios as a percentage of RWA					
4	Tier 1 ratio (%)	61.96	64.07	66.09	65.41	62.84
5	Total capital ratio (%)	62.32	64.47	66.47	66.05	63.36

2.2 Template OVI: Overview of Risk Weighted Assets (RWA)

Purpose: To provide an overview of total RWA and further breakdowns of RWA
Content: RWA and capital requirements under Pillar 1 only. Pillar 2 requirements are excluded
Frequency: Quarterly.
Format: Fixed.
Accompanying narrative: The dropped in Market Risk is due to lower foreign currency transaction in Q2 2022. Increase in Credit Risk from high utilization of loans & advance and contingent liabilities and increased in inter-branch placement.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		Jun 2022	Mar 2022	Jun 2022
1	Credit risk (Standardised)	148,885	141,121	14,889
2	Market risk (Standardised)	658	2,196	66
3	Operational risk (Basic Indicator Approach)	13,328	13,328	1,333
4	Total (Row 1 + 2 + 3)	162,871	156,644	16,287

3. COMPOSITION OF CAPITAL

3.1. Template CC1: Composition of regulatory capital

Purpose: Provide a breakdown of the constituent elements of a bank's capital
Content: Breakdown of regulatory capital according to the scope of regulatory consolidation
Frequency: Semi-Annual.
Format: Fixed.
Accompanying narrative: No significant changes over the reporting period.

		(a)
		Amounts
	Tier 1 capital: instruments and reserves	100,912
1	Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	30,000
2	Non-Cumulative , Non-Redeemable Preference Shares	-
3	Share Premium	-
4	Statutory Reserve Fund	33,236
5	Published Retained Profits/(Accumulated Losses)	37,676
6	General Reserves	-
7	Fair Value Reserves	-
8	Tier 1 capital before regulatory adjustments	-
	Tier 1 capital: regulatory adjustments	-
9	Reciprocal cross-holdings of ordinary shares (as required by BDCB)	
10	Goodwill	
11	Other intangible assets	
12	Advances/financing granted to employees of the bank for the purchase of shares of the bank under a share ownership plan	
13	Minority Interests held by 3rd parties in Financial Subsidiary	
14	Total Regulatory adjustments to Tier 1 Capital	
15	Tier 1 capital	
	Tier 2 capital: instruments and provisions	589
16	General Credit Loss Reserves (Capped at 125% of Credit Risk)	589
17	Hybrid (debt/equity) Capital Instruments	
18	Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	
19	Tier 2 capital before regulatory adjustments	
	Tier 2 capital: regulatory adjustments	589
20	Reciprocal Crossholdings of Tier 2 Capital Instruments	
21	Minority Interests Arising From Holdings of Tier 2 Instruments in Financial Subsidiaries by Third Parties	
22	Total regulatory adjustments to Tier 2 capital	589
23	Tier 2 capital (T2)	589
24	Allowable Supplementary Capital (Tier 2 Capital)	101,501
00	Sub-Total of Tier 1 and Tier 2 Capital	
26	Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital	
27	Significant Investments in Banking, Securities and Other Financial Entities	
28	Significant Investments in Insurance Entities & Subsidiary	
29	Significant Investments in Commercial Entities	
30	Securitisation Exposures (Rated B+ or Below and Unrated)	
31	Resecuritisation Exposures (Rated B+ or Below and Unrated)	
32	Total regulatory capital (TC = T1 + T2)	101,501
33	Total risk-weighted assets	162,871
	Capital ratios	
34	Tier 1 (as a percentage of risk-weighted assets)	61.96%
35	Total capital (as a percentage of risk-weighted assets)	62.32%

4. CREDIT RISK

4.1 Template CR1: Credit quality of assets

Purpose: Provide a comprehensive picture of the credit quality of a bank's (on- and off-balance sheet) assets.
Content: Carrying values (corresponding to the accounting values reported in financial statements but according to the scope of regulatory consolidation).
Frequency: Semi-Annual
Format: Fixed
Accompanying narrative: Definition of Defaults/Delinquent accounts <ul style="list-style-type: none"> • The principal and/or the interest or both are past due for more than 90 days • Inability of the borrower to meet contractual repayment terms of the credit facility <p>We adopt holistic approach towards assessing credit risk and ensure that managing credit risk is part of an integrated approach to enterprise risk management. Integral to the management of credit risk is a framework that clearly defines policies and processes relating to the identification, measurement and management of credit risk. We continually monitor the operating environment to identify emerging risks and to formulate appropriate mitigating actions</p> <p>Delinquency Monitoring</p> <p>We monitor closely the delinquency of borrowing accounts, a key indicator of credit quality. An account is considered delinquent when payment has not been received by the payment due date. All delinquent accounts, including revolving credit facilities (such as an overdraft) with limit excesses, are closely monitored and managed through a disciplined process by officers from business units and the risk management function. Where appropriate, such accounts are also subject to more frequent credit reviews.</p>

		(a)	(b)	(c)	(d)	(e)	(f)
		Gross carrying values of		Allowances/ impairments	Of which: ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Of which: specific allowances	Of which: general allowances	
1	Loans	5,398	96,686	4,216	767	3,449	97,868
2	Debt securities (SUKUK)	-	2,499	12	12	-	2,487
3	Off-balance sheet exposures	-	72,091	-	-	-	72,091
4	TOTAL	5,398	171,276	4,228	779	3,449	172,446

4.2 Template CR2: Changes in stock of defaulted loans and debt securities

Purpose: Identify the changes in a bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.
Content: Carrying values
Frequency: Semi-Annual
Format: Fixed
Accompanying narrative: There is no significant changes in the amounts of defaulted exposures from the previous reporting period.

		(a)
1	Defaulted loans and debt securities at end of the previous reporting period	5,277
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	121
6	Defaulted loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 ± 5)	5,398

4.3 Template CR3: Overview of credit risk mitigation (CRM) techniques

Purpose: Disclose the extent of use of CRM techniques.
Content: Carrying values. All CRM techniques used to reduce capital requirements and disclose all secured exposures.
Frequency: Semi-Annual
Format: Fixed.
Accompanying narrative: With high utilization of Loans & Advances in 2Q2022, there has been an increased in unsecured exposures. The unsecured exposures were collateralized by Corporate/Personal/Joint & Several Guarantee and Assignment of Debentures.

		(a)	(b)	(c)	(d)	(e)
		Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	27,641	70,227	70,227	-	-
2	Debt securities (SUKUK)	2,487	-	-	-	-
3	Total	30,128	70,227	70,227	-	-
4	Of which defaulted	-	1,030	1,030	-	-

4.4 Template CR4: Standardised approach — credit risk exposure and Credit Risk Mitigation (CRM) effects

Purpose: Illustrate the effect of CRM on standardised approach capital requirements' calculations. The RWA density provides a synthetic metric on riskiness of each portfolio.
Content: Regulatory exposure amounts.
Frequency: Semi-Annual.
Format: Fixed.
Accompanying narrative: There is no significant changes over the reporting period.

		(a)	(b)	(c)	(d)	(e)	(f)
		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
1	Sovereigns and their central banks	23,490	-	-	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	198,318	-	39,664	-	39,664	100%
5	Securities firms	-	-	-	-	-	0%
6	Corporates	95,918	5,776	65,253	3,162	68,414	100%
7	Regulatory retail portfolios	-	-	-	-	-	0%
8	Secured by residential property	4,772	-	2,722	-	2,722	100%
9	Secured by commercial real estate	33,532	-	33,532	-	33,532	100%
10	Equity	-	-	-	-	-	0%
11	Past-due loans	1,744	-	2,616	-	2,616	100%
12	Higher-risk categories	-	-	-	-	-	0%
13	Other assets	2,945	-	1,938	-	1,938	100%
14	Total	360,718	5,776	145,723	3,162	148,885	100%

4.5 Template CR5: Standardised Approach — Exposures by asset classes and risk weights

Purpose: Present the breakdown of credit risk exposures under the standardised approach by asset class and risk weight (corresponding to the level of risks attributed to the exposure).
Content: Regulatory exposure amounts.
Frequency: Semi-Annual.
Format: Fixed.
Accompanying narrative: There is no significant changes over the reporting period.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	Risk Weight*	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes											
1	Sovereigns and their central banks										
2	Non-central government public sector entities (PSEs)										
3	Multilateral development banks (MDBs)										
4	Banks			39,664							39,664
5	Securities firms										
6	Corporates							65,252		3,162	68,414
7	Regulatory retail portfolios										
8	Secured by residential property				750		1,973				2,722
9	Secured by commercial real estate							33,532			33,532
10	Equity										
11	Past-due loans								2,616		2,616
12	Higher-risk categories										
13	Other assets							1,938			1,938
14	Total			39,664	750		1,973	100,721	2,616	3,162	148,885

5. MARKET RISK

5.1 Template MRI: Market risk under the Standardised Approach

Purpose: To provide the components of the capital charge under the <i>Standardised Approach</i> for market risk.
Content: RWA
Frequency: Semi-Annual.
Format: Fixed.

		(a)
		RWA
1	Interest/ Profit rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	658
4	Commodity risk	-
5	Total	658