UOB

United Overseas Bank Limited
Brunei Branch

Pillar 3 Disclosure Report
30 June 2023

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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 total due to rounding

1. Certification

We, the undersigned, being the Country Manager and the Finance Manager 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: 25 September 2023

Hajah Norsinah Haji Kamis
Finance Manager
Date: 25 September 2023

2. 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

3. C1: Overview of Key Prudential metrics and RWA

3.1 KM1: 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: As indicated in the last 2 quarters submission, the significant increase in both Tier 1 and Total Capital Ratio **(2Q2023 vs 2Q2022 and 3Q2022)** is due to branch's review on the process for the computation of Risk Weighted Amount for Credit Risks, specifically the treatment/segregation of Loans & Advances by security.

		(a)	(b)	(c)	(d)	(e)
		Jun 23	Mar 23	Dec 22	Sep 22	Jun 22
	Available capital (amounts)					
1	Tier 1	106,493	105,175	103,893	102,032	100,912
2	Total capital	107,036	105,644	104,374	102,707	101,501
	Risk-weighted assets (amounts)					
3	Total risk-weighted assets (RWA)	137,617	140,232	139,468	167,274	162,871
	Risk-based capital ratios as a percentage of RWA					
4	Tier 1 ratio (%)	77.38	75.00	74.49	61.00	61.96
5	Total capital ratio (%)	77.78	75.34	74.84	61.40	62.32

3.2 OV1: 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: There is a slight decreased in Q2 2023 reporting due to reduction in inter-branch placement.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		Jun 2023	Mar 2023	Jun 2023
1	Credit risk (Standardised)	120,823	123,049	12,082
2	Market risk (Standardised)	3,466	3,855	347
3	Operational risk (Basic Indicator Approach)	13,328	13,328	1,333
4	Total (Row 1 + 2 + 3)	137,617	140,232	13,762

4 C2: Composition of Capital

4.1 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	106,493
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	35,268
5	Published Retained Profits/(Accumulated Losses)	41,225
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	542
16	General Credit Loss Reserves (Capped at 125% of Credit Risk)	542
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	542
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**	542
23	**Tier 2 capital (T2)**	542
24	**Allowable Supplementary Capital (Tier 2 Capital)**	
25	**Sub-Total of Tier 1 and Tier 2 Capital**	107,035
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)**	107,035
33	**Total risk-weighted assets**	137,617
	Capital ratios	
34	**Tier 1 (as a percentage of risk-weighted assets)**	77.38
35	**Total capital (as a percentage of risk-weighted assets)**	77.78

5 C6 Credit Risks

5.1 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 • 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 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 Delinquency Monitoring 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.

		(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	3,258	96,084	1,478	950	528	97,864
2	Debt securities	-	-	-	-	-	-
3	Off- balance sheet exposures	-	68,503	-	-	-	68,503
4	TOTAL	3,258	164,587	1,478	950	528	166,367

5.2 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 an increased in defaulted exposures due to new downgrade of 2 NPL accounts in the month of May 2023.

		(a)
1	Defaulted loans and debt securities at end of the previous reporting period	2,467
2	Loans and debt securities that have defaulted since the last reporting period	755
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	36
6	Defaulted loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 ± 5)	3,258

5.3 CR3: Overview of credit risk mitigation (CRM) techniques

Purpose: Disclose the extent of use of CRM techniques.
Content: Carrying values. Banks must include all CRM techniques used to reduce capital requirements and disclose all secured exposures.
Frequency: Semi-Annual
Format: Fixed.
Accompanying narrative: Potential credit losses are mitigated using a variety of instruments such as collateral and guarantees. As a fundamental credit principle, the Branch generally 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 servicing ability. Collateral is taken whenever possible to mitigate the credit risk assumed and the value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Branch are cash, marketable securities, real estate, equipment, inventory and receivables. Collateral taken by the bank has to fulfil certain eligibility criteria (such as legal certainty across relevant jurisdictions) in order to be Internal Ratings-Based (IRB) purposes

		(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	28,362	69,502	69,502	-	-
2	Debt securities	-	-	-	-	-
3	**Total**	28,362	69,502	69,502	-	-
4	Of which defaulted	-	2,730	2,730	-	-

5.4 CR4: Standardised approach for 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	27,517	-	-	-	-	0%
2	Non-central government public sector entities						-
3	Multilateral development banks						-
4	Banks	240,146	-	48,029	-	48,029	100%
5	Securities firms						-
6	Corporates	60,052	6,178	29,750	3,902	33,652	100%
7	Regulatory retail portfolios						-
8	Secured by residential property	4,393	-	2,777	-	2,777	100%
9	Secured by commercial real estate	30,686	-	30,686	-	30,686	100%
10	Equity						-
11	Past-due loans	2,450	-	3,675	-	3,675	100%
12	Higher-risk categories						-
13	Other assets	2,597	-	2,004	-	2,004	100%
14	**Total**	367,842	6,178	116,922	3,902	120,823	100%

5.5 CR5: Standardised approach for 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* / Asset classes	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks										
2	Non-central government public sector entities (PSEs)										
3	Multilateral development banks (MDBs)										
4	Banks			48,029							48,029
5	Securities firms										
6	Corporates							29,750		3,902	33,652
7	Regulatory retail portfolios										
8	Secured by residential property				454		2,323				2,777
9	Secured by commercial real estate							30,686			30,686
10	Equity										
11	Past-due loans								3,675		3,675
12	Higher-risk categories										
13	Other assets							2,004			2,004
14	Total			48,029	454		2,323	62,440	3,675	3,902	120,823

6 MR1: Market risk under standardised approach

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

		(a)
		RWA
1	interest/ Proft rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	3,466
4	Commodity risk	-
5	**Total**	3,466