

**BDCB Notice No. BU/N-1/2021/68**  
**Pillar 3 – Public Disclosure**  
**Requirements as of**  
**30 June 2022**

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## Overview

Bank of China (Hong Kong) Limited Brunei Branch (“The Branch”) has completed its Pillar 3 – Public disclosure requirements covering the overview of key prudential metrics and Risk-Weighted Assets (“RWA”) in respect of the year as of 30 June 2022. The report is prepared with reference to Brunei Darussalam Central Bank (“BDCB”)’s Pillar 3 – Specific Disclosure Requirements. The Branch conducts regular assessment on risk management status and risk governance based on regulatory requirements and assesses the Branch’s level of internal capital adequacy accordingly.

### 1. C1: OVERVIEW OF KEY PRUDENTIAL METRICS AND RWA

#### a. KM1: Key Metrics

	(a)	(b)	(c)	(d)	(e)
	30 June 2022	31 March 2022	31 December 2021	30 September 2021	30 June 2021
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b><u>Available capital (amounts)</u></b>					
1 Tier 1	103,513	103,513	103,457	99,656	99,601
2 Total capital	104,655	104,839	104,770	100,687	100,687
<b><u>Risk-weighted assets (amounts)</u></b>					
3 Total risk-weighted assets (RWA)	379,900	335,065	309,410	241,390	307,440
<b><u>Risk-based capital ratios as a percentage of RWA</u></b>					
4 Tier 1 ratio (%)	27.25%	30.89%	33.44%	41.28%	32.40%
5 Total capital ratio (%)	27.55%	31.29%	33.86%	41.71%	32.75%

The main decrease of tier 1 capital ratio and total capital ratio in Q2 2022 compared to Q1 2022 was mainly due to the increase of new loans from customers which affected the credit risk RWA resulted a total increase of B\$ 44,835,000.00. There is no change in the nature of business and business is improving gradually since the pandemic outbreak in March 2020. However, it can be seen that the position of total CAR is still sufficient to meet the Branch’s capital needs.

b. OV1: Overview of Risk Weighted Assets (RWA)

	(a)	(b)	(c)
	RWA		Minimum capital requirements
	30 June 2022	31 March 2022	30 June 2022
	B\$'000	B\$'000	B\$'000
1 Credit risk (Standardised)	359,527	316,190	35,953
2 Market risk (Standardised)	2,897	1,404	290
3 Operational risk (Basic Indicator Approach)	17,476	17,471	1,748
4 Total (Row 1 + 2 + 3)	379,900	335,065	37,990

In this table, the main driver of significant increase in credit risk RWA was due to new customer loans and other trade finances business in Q2 2022. Business is generally improving comparing Q1 2022 with Q2 2022 as the global economy is recovering.

## 2. C2: COMPOSITION OF CAPITAL

### a. CC1: Composition of regulatory capital

	(a)
	30 June 2022
	B\$'000
<b>Tier 1 capital: instruments and reserves</b>	
1 Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	100,037
2 Non-Cumulative, Non-Redeemable Preference Shares	-
3 Share Premium	-
4 Statutory Reserve Fund	3,484
5 Published Retained Profits/ (Accumulated Losses)	(8)
6 General Reserves	-
7 Fair Value Reserves	-
8 <b>Tier 1 capital before regulatory adjustments</b>	<b>103,513</b>
<b>Tier 1 capital: regulatory adjustments</b>	
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 <b>Total Regulatory adjustments to Tier 1 Capital</b>	<b>103,513</b>
15 <b>Tier 1 capital</b>	<b>103,513</b>
<b>Tier 2 capital: instruments and provisions</b>	
16 General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	1,142
17 Hybrid (debt/equity) Capital Instruments	-
18 Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	-
19 <b>Tier 2 capital before regulatory adjustments</b>	<b>1,142</b>
<b>Tier 2 capital: regulatory adjustments</b>	
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 <b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>
23 <b>Tier 2 capital (T2)</b>	<b>1,142</b>
24 <b>Allowable Supplementary Capital (Tier 2 Capital)</b>	<b>1,142</b>
25 <b>Sub-Total of Tier 1 and Tier 2 Capital</b>	<b>104,655</b>
26 <b>Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital</b>	<b>-</b>
27 <b>Significant Investments in Banking, Securities and Other Financial Entities</b>	<b>-</b>
28 <b>Significant Investments in Insurance Entities &amp; Subsidiary</b>	<b>-</b>
29 <b>Significant Investments in Commercial Entities</b>	<b>-</b>
30 <b>Securitisation Exposures (Rated B+ or Below and Unrated)</b>	<b>-</b>
31 <b>Resecuritisation Exposures (Rated B+ or Below and Unrated)</b>	<b>-</b>
32 <b>Total regulatory capital</b>	<b>104,655</b>
33 <b>Total risk-weighted assets</b>	<b>379,900</b>
<b>Capital ratios</b>	
34 <b>Tier 1 (as a percentage of risk-weighted assets)</b>	<b>27.25%</b>
35 <b>Total capital (as a percentage of risk-weighted assets)</b>	<b>27.55%</b>

No significant movement for tier 1 capital and total capital in H1 2022 compared to H2 2021.

### 3. C6: CREDIT RISK

#### a. CR1: Credit quality of assets

	(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
	Defaulted exposures	Non-defaulted exposures		Of which: Specific Allowances	Of which: General Allowances	
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>30 June 2022</b>						
1 Loans	-	373,724	(1,052)	-	(1,052)	372,672
2 Debt Securities	-	17,663	(1)	-	(1)	17,662
3 Off- balance sheet exposures	-	164,524	(88)	-	(88)	164,436
4 <b>Total</b>	-	555,911	(1,141)	-	(1,141)	554,770

The Branch identifies the exposures as “default” if the exposure is past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations to the Branch.

#### b. CR2: Changes in Stock of Defaulted Loans and Debt Securities

	(a)
	30 June 2022
	B\$'000
1 <b>Defaulted loans and debt securities at end of the previous reporting period</b>	-
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	-
6 <b>Defaulted loans and debt securities at end of the reporting period</b>	-

There was no defaulted loan and debt security for the Branch.

c. CR3: Overview of credit risk mitigation (CRM) techniques

	(a)	(b)	(c)	(d)	(e)
	Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>30 June 2022</b>					
1 Loans	162,417	211,307	9,978	201,329	-
2 Debt securities	17,663	-	-	-	-
3 Total	180,080	211,307	9,978	201,329	-
4 Of which defaulted	-	-	-	-	-

The increase in debt securities in H1 2022 compared to H2 2021 solely due to increase in Government Sukuk.

d. CR4: Standardised approach for Credit risk exposure and credit risk mitigation (CRM) effects

	(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
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	%
<b>30 June 2022</b>						
1 Sovereigns and their central banks	69,259	-	69,259	-	-	0%
2 Non-central government public sector entities	-	-	-	-	-	0%
3 Multilateral development banks	-	-	-	-	-	0%
4 Banks	654,846	-	654,846	-	178,181	28%
5 Securities firm	-	-	-	-	-	0%
6 Corporates	213,560	164,524	154,923	20,655	175,578	100%
7 Regulatory retail portfolios	-	-	-	-	-	0%
8 Secured by residential property	2,200	-	2,200	-	770	35%
9 Secured by commercial real estate	3,878	-	3,638	-	3,638	100%
10 Equity	-	-	-	-	-	0%
11 Past-due loans	-	-	-	-	-	0%
12 Higher-risk categories	-	-	-	-	-	0%
13 Other assets	3,564	-	3,564	-	1,359	38%
14 Total	947,307	164,524	888,430	20,655	359,526	40%

The main increase in credit risk exposure in H1 2022 compared to H2 2021 mainly due to the increase in balances with banks.

e. CR5: Standardised approach for Exposures by asset classes and risk weights

Asset classes \ Risk Weight	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>30 June 2022</b>										
1 Sovereigns and their central banks	69,259	-	-	-	-	-	-	-	-	69,259
2 Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3 Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4 Banks	-	-	550,221	-	72,976	-	31,649	-	-	654,846
5 Securities firms	-	-	-	-	-	-	-	-	-	-
6 Corporates	-	-	-	-	-	-	175,578	-	-	175,578
7 Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
8 Secured by residential property	-	-	-	2,200	-	-	-	-	-	2,200
9 Secured by commercial real estate	-	-	-	-	-	-	3,638	-	-	3,638
10 Equity	-	-	-	-	-	-	-	-	-	-
11 Past-due loans	-	-	-	-	-	-	-	-	-	-
12 Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13 Other assets	2,205	-	-	-	-	-	1,359	-	-	3,564
14 Total	71,464	-	550,221	2,200	72,976	-	212,224	-	-	909,085

The main increase in credit exposure in H1 2022 compared to H2 2021 mainly due to the increase in balances with banks with 20% risk weight.



#### 4. C9: MARKET RISK

##### a. MR1: Market risk under standardised approach

	(a)
	<b>RWA</b>
	<b>30 June 2022</b>
	<b>B\$'000</b>
1 Interest / Profit rate risk (general and specific)	-
2 Equity risk (general and specific)	-
3 Foreign exchange risk	<b>2,897</b>
4 Commodity risk	-
<b>5 Total</b>	<b>2,897</b>