中國銀行(香港) 文萊分行
BANK OF CHINA (HONG KONG) BRUNEI BRANCH

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

30 June 2023

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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 30th June 2023. 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 2023	**31 March 2023**	**31 December 2022**	**30 September 2022**	**30 June 2022**
		B$'000	**B$'000**	**B$'000**	**B$'000**	**B$'000**
	Available capital (amounts)					
1	Tier 1	**110,499**	110,500	110,499	103,512	103,513
2	Total capital	**111,753**	111,691	112,079	104,873	104,655
	Risk-weighted assets (amounts)					
3	Total risk-weighted assets (RWA)	**297,416**	318,825	351,450	355,071	379,900
	Risk-based capital ratios as a percentage of RWA					
4	Tier 1 ratio (%)	**37.15%**	34.66%	31.44%	29.15%	27.25%
5	Total capital ratio (%)	**37.57%**	35.03%	31.89%	29.54%	27.55%

The main increase of tier 1 capital ratio and total capital ratio in Q2 2023 compared to Q1 2023 was mainly due to maturity of loans and other trade finances business from customers which affected the credit risk RWA resulted a total decrease of B$ 21,909,000.00. There is no change in the nature of business. However, it can be seen that the position of total CAR is 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 2023	31 March 2023	30 June 2023
		B$'000	B$'000	B$'000
1	Credit risk (Standardised)	**272,122**	294,031	**27,212**
2	Market risk (Standardised)	**1,555**	1,055	**156**
3	Operational risk (Basic Indicator Approach)	**23,739**	23,739	**2,374**
4	Total (Row 1 + 2 + 3)	**297,416**	318,825	**29,742**

In this table, the main driver of decrease in credit risk RWA was due to maturity of loans and other trade finances business in Q2 2023.

2. C2: COMPOSITION OF CAPITAL

a. CC1: Composition of regulatory capital

		(a) 30 June 2023 B$'000
	Tier 1 capital: instruments and reserves	
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	**6,978**
5	Published Retained Profits/ (Accumulated Losses)	**3,486**
6	General Reserves	**-**
7	Fair Value Reserves	**(2)**
8	**Tier 1 capital before regulatory adjustments**	**110,499**
	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	**110,499**
15	Tier 1 capital	**110,499**
	Tier 2 capital: instruments and provisions	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	**1,254**
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**	**1,254**
	Tier 2 capital: regulatory adjustments	
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**	**-**
23	**Tier 2 capital (T2)**	**1,254**
24	**Allowable Supplementary Capital (Tier 2 Capital)**	**1,254**
25	**Sub-Total of Tier 1 and Tier 2 Capital**	**111,753**
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**	**111,753**
33	**Total risk-weighted assets**	**297,416**
	Capital ratios	
34	**Tier 1 (as a percentage of risk-weighted assets)**	**37.15%**
35	**Total capital (as a percentage of risk-weighted assets)**	**37.57%**

No significant movement for tier 1 capital and total capital in H1 2023 compared to H2 2022.

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
	30 June 2023						
1	Loans	-	**312,456**	**(3,132)**	**(1,913)**	**(1,219)**	**309,324**
2	Debt Securities	-	**61,841**	**(9)**	-	**(9)**	**61,832**
3	Off- balance sheet exposures	-	**45,085**	**(26)**	-	**(26)**	**45,059**
4	**Total**	-	**419,382**	**(3,167)**	**(1,913)**	**(1,254)**	**416,215**

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 2023
		B$'000
1	**Defaulted loans and debt securities at end of the previous reporting period**	-
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	**Defaulted loans and debt securities at end of the reporting period**	-

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
	30 June 2023					
1	Loans	**133,910**	**178,546**	**10,051**	**168,495**	**-**
2	Debt securities	**61,841**	**-**	**-**	**-**	**-**
3	**Total**	**195,751**	**178,546**	**10,051**	**168,495**	**-**
4	Of which defaulted	**-**	**-**	**-**	**-**	**-**

The increase in debt securities in H1 2023 compared to H2 2022 solely due to increase in Government Sukuk and decrease in loans exposure mainly due to maturity of loans and other trade finances business

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	%
	30 June 2023						
1	Sovereigns and their central banks	**103,682**	**-**	**103,682**	**-**	**-**	**0%**
2	Non-central government public sector entities	**-**	**-**	**-**	**-**	**-**	**0%**
3	Multilateral development banks	**-**	**-**	**-**	**-**	**-**	**0%**
4	Banks	**257,523**	**1,140**	**257,523**	**570**	**63,934**	**26%**
5	Securities firm	**-**	**-**	**-**	**-**	**-**	**0%**
6	Corporates	**306,649**	**43,945**	**201,480**	**-**	**201,480**	**100%**
7	Regulatory retail portfolios	**-**	**-**	**-**	**-**	**-**	**0%**
8	Secured by residential property	**1,626**	**-**	**1,626**	**-**	**569**	**35%**
9	Secured by commercial real estate	**4,181**	**-**	**4,181**	**-**	**4,181**	**100%**
10	Equity	**-**	**-**	**-**	**-**	**-**	**0%**
11	Past-due loans	**-**	**-**	**-**	**-**	**-**	**0%**
12	Higher-risk categories	**-**	**-**	**-**	**-**	**-**	**0%**
13	Other assets	**3,595**	**-**	**3,595**	**-**	**1,959**	**54%**
14	**Total**	**677,256**	**45,085**	**572,087**	**570**	**272,123**	**48%**

The main decrease in credit risk exposure in H1 2023 compared to H2 2022 mainly due to the decrease in balances with banks and the maturity of loans and other trade finances business

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

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	Asset classes / **Risk Weight**	**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**
	30 June 2023										
1	Sovereigns and their central banks	**103,682**	-	-	-	-	-	-	-	-	**103,682**
2	Non-central government public sector entitles (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	**217,042**	-	**41,051**	-	-	-	-	**258,093**
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	**201,480**	-	-	**201,480**
7	Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
8	Secured by residential property	-	-	-	**1,626**	-	-	-	-	-	**1,626**
9	Secured by commercial real estate	-	-	-	-	-	-	**4,181**	-	-	**4,181**
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-	-	-	-	-
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	**1,636**	-	-	-	-	-	**1,959**	-	-	**3,595**
14	**Total**	**105,318**	-	**217,042**	**1,626**	**41,051**	-	**207,620**	-	-	**572,657**

The main decrease in credit exposure in H1 2023 compared to H2 2022 mainly due to the decrease in balances with banks with 50% risk weight and decrease in corporate credit exposure with 100% risk weight.

4. C9: MARKET RISK

a. MR1: Market risk under standardised approach

		(a)
		RWA
		30 June 2023 **B$'000**
1	Interest / Profit rate risk (general and specific)	**-**
2	Equity risk (general and specific)	**-**
3	Foreign exchange risk	**1,555**
4	Commodity risk	**-**
5	**Total**	**1,555**