



**RHB Bank Berhad**  
**Brunei Darussalam Branch**

**Pillar 3 Disclosures**

**31<sup>st</sup> December 2024**

**RHB BANK BERHAD  
BRUNEI DARUSSALAM BRANCH  
PILLAR 3 DISCLOSURES AS AT 31ST DECEMBER 2024**

**Statement by Chief Executive Officer, RHB Bank Berhad Brunei Branch**

In accordance to Brunei Darussalam Central Bank (BDCB) Notice No. BU/N-1/2021/68 Pillar 3 – Public Disclosure Requirement. On behalf of the Management of RHB Bank Berhad Brunei Branch, I am pleased to provide an attestation that the Pillar 3 disclosures of RHB Bank Berhad Brunei Branch for the year ended 31<sup>st</sup> December 2024 are accurate and complete.



**Tunku Mohammad Firdaus Bin Tunku Yahaya  
Chief Executive Officer  
RHB Bank Berhad Brunei Branch**

**RHB BANK BERHAD**  
**BRUNEI DARUSSALAM BRANCH**  
**PILLAR 3 DISCLOSURES AS AT 31<sup>ST</sup> DECEMBER 2024**

<b>Contents</b>	<b>Page(s)</b>
<b>1.0 Scope of Application</b>	<b>1</b>
<b>2.0 Overview of key prudential metrics and RWA</b>	<b>2</b>
2.1 Key Metrics	2
2.2 Overview of Risk-Weighted Assets (RWA)	2
<b>3.0 Composition of Capital</b>	<b>3</b>
<b>4.0 Linkages between financial statements and regulatory exposures</b>	<b>5</b>
4.1 Explanations of differences between accounting and regulatory exposure amounts	5
4.2 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	5
4.3 Main sources of differences between regulatory exposure amounts and carrying values in financial statements	6
<b>5.0 Risk Management Approach</b>	<b>7</b>
<b>6.0 Liquidity Risk Management</b>	<b>13</b>
<b>7.0 Credit Risk</b>	<b>14</b>
7.1 General Qualitative Information about Credit Risk	14
7.2 Credit Quality of Assets	16
7.3 Changes in Stock of Defaulted Loans and Debt Securities	16
7.4 Additional disclosure related to the credit quality of assets	17
7.5 Qualitative disclosure requirements related to credit risk mitigation techniques	23
7.6 Overview of credit risk mitigation (CRM) techniques	24
7.7 Qualitative disclosure on banks' use of external credit ratings under the standardised approach for credit risk	25
7.8 Standardised approach for Credit risk exposure and credit risk mitigation (CRM) effects	25
7.9 Standardised approach for Exposures by asset classes and risk weights	26
<b>8.0 Counterparty Credit Risk</b>	<b>27</b>
8.1 Qualitative disclosure related to CCR	27
<b>9.0 Securitisation</b>	<b>28</b>
9.1 Qualitative disclosure requirements related to securitisation exposures	28

<b>10.0</b>	<b>Market Risk</b>	<b>28</b>
10.1	Qualitative disclosure requirements related to market risk	28
10.2	Market Risk under the <i>standardised approach</i>	29
<b>11.0</b>	<b>Interest Rate Risk in the Banking Book (IRRBB)</b>	<b>30</b>
<b>12.0</b>	<b>Operational Risk</b>	<b>31</b>
12.1	Qualitative disclosure requirements related to operational risk	31
<b>13.0</b>	<b>Reputational Risk</b>	<b>34</b>

## **1.0 Disclosure A: Scope of Application**

This document covers the quantitative information as at 31<sup>st</sup> December 2024. The annual disclosure prepared in compliance with the requirements set forth in Brunei Darussalam Central Bank (BDCB) Notification No. BU/N-3/2021/68 dated 2<sup>nd</sup> April 2021.

RHB Bank Berhad Brunei Darussalam branch (“the Bank”) is a branch office of RHB Bank Berhad and is part of RHB Banking Group (“Head Office” or the “Group”) with its Head Office in Malaysia. In operating the business, RHB Bank Berhad Brunei Darussalam branch is guided by BDCB’s Guidelines, Bank Negara Malaysia’s Guidelines and Group’s Policies. In the event where there are differing standards, the more stringent provision shall be adopted.

The Bank 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”)

## 2.0 Overview of key prudential metrics and RWA

### 2.1 Key Metrics

		December 2024	September 2024	June 2024	March 2024	December 2023
	<b>Available Capital (BND'000)</b>					
1	Tier 1	47,322.00	46,459.00	46,459.00	46,459.00	46,459.00
2	Total Capital	47,609.00	46,718.00	46,685.00	46,812.00	46,713.00
	<b>Risk-weighted assets (BND'000)</b>					
3	Total risk-weighted assets (RWA)	90,175.20	83,689.44	86,487.32	95,426.51	97,301.27
	<b>Risk-based capital ratios as a percentage of RWA</b>					
4	Tier 1 ratio (%)	52.48	55.51	53.72	48.69	47.75
5	Total capital ratio (%)	52.80	55.82	53.98	49.06	48.01

Total Risk-Weighted Assets (RWA) increased quarter-on-quarter attributed to higher Credit RWA from higher interbank placement. This resulted in lower Tier 1 Capital Ratio and Total Capital Ratio in December 2024. The reduction was further cushioned by higher retained earnings reported for 2024. RHB Berhad Brunei Branch have adequate capital buffer whereby TCR is above the minimum regulatory requirement of 10%.

### 2.2 Overview of Risk-Weighted Assets (RWA)

		RWA (BND'000)		Minimum capital requirements
		December 2024	September 2024	December 2024
1	Credit risk (Standardised)	80,806.23	74,802.83	8,080.62
2	Market risk (Standardised)	755.22	492.24	75.52
3	Operational risk (Basic Indicator Approach)	8,613.75	8,394.38	861.38
4	<b>Total</b>	<b>90,175.20</b>	<b>83,689.44</b>	<b>9,017.52</b>

The quarter-on-quarter increased on total RWA, was also attributed to higher Market Risk capital charge from higher Foreign Exchange Net Open Position (FX NOP) arising from higher Nostro balances in December 2024 whereas the Operational Risk capital charge also increased following higher average gross income for the past 3 years for December 2024.

### 3.0 Composition of Capital

#### 3.1 Composition of regulatory capital

December 2024

		Amounts (BND'000)
	<b>Tier 1 capital: instruments and reserves</b>	
1	Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	30,000.00
2	Non-Cumulative, Non-Redeemable Preference Shares	-
3	Share Premium	-
4	Statutory Reserve Fund	8,521.00
5	Published Retained Profits/(Accumulated Losses)	8,801.00
6	General Reserves	-
7	Fair Values Reserves	-
8	<b>Tier 1 capital before regulatory adjustments</b>	47,322.00
	<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 3 <sup>rd</sup> parties in Financial Subsidiary	-
14	Total Regulatory adjustments to Tier1 Capital	-
15	<b>Tier 1 capital</b>	47,322.00
	<b>Tier 2 capital: instruments and provision</b>	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	287.00
17	<i>Hybrid (debt/equity) Capital Instruments</i>	-
18	Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	-
19	<b>Tier 2 Capital before regulatory adjustments</b>	287.00
	<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>	-
23	<b>Tier 2 capital (T2)</b>	287.00
24	<b>Allowable Supplementary Capital (Tier 2 Capital)</b>	287.00
25	<b>Sub-Total of Tier 1 AND Tier 2 Capital</b>	47,609.00
26	<b>Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital</b>	-
27	<b>Significant Investments in Banking, Securities and Other Financial Entities</b>	-

		Amounts (BND'000)
28	<b>Significant Investments in Insurance Entities &amp; Subsidiary</b>	-
29	<b>Significant Investments in Commercial Entities</b>	-
30	<b>Securitisation Exposures (Rated B+ or Below and Unrated)</b>	-
31	<b>Resecuritisation Exposures (Rated B+ or Below and Unrated)</b>	-
32	<b>Total regulatory capital (TC = T1 + T2)</b>	47,609.00
33	<b>Total risk-weighted assets</b>	90,175.20
	<b>Capital ratios</b>	
34	<b>Tier 1 (as a percentage of risk-weighted assets)</b>	52.48
35	<b>Total capital (as a percentage of risk-weighted assets)</b>	52.80

Both Tier 1 Capital and Total Capital increased in December 2024 vis-à-vis September 2024 attributed to higher Statutory Fund Reserve and Published Retained Profits for 2024. Despite the foregoing, both Tier 1 Capital Ratio and Total Capital Ratio reduced in December 2024 relative to September 2024 following higher Total RWA for December 2024.



## 4.0 Linkages between financial statements and regulatory exposures

### 4.1 Explanations of differences between accounting and regulatory exposure amounts

For the financial year ending 2024, there are no differences reported in published financial statement and regulatory consolidation.

In accordance with the implementation of the guidance based on prudent valuation, the Bank 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, the bank shall obtain full professional report from the Bank's approved panel valuers. For annual review, the Bank may determine the acceptable type of valuation updates i.e. professional valuation report or check valuation report, depending on the maturity of the industry that the collateral is related to, e.g. property industry or technology industry.

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

BND'000	Carrying values as reported in published financial statements and regulatory consolidation	Carrying values of items				
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Cash and short-term funds	83,075	83,075	-	-	755	-
Balances with Brunei Darussalam Central Bank (BDCB)	8,289	8,289	-	-	-	-
Group balances receivable	1,732	-	-	-	-	1,732
Government bonds	16,100	16,100	-	-	-	-
Loan and advances to customer	57,728	57,728	-	-	-	-
Right-of-use asset	233	233	-	-	-	-
Property and equipment	1,581	1,581	-	-	-	-
Other assets	3,021	3,021	-	-	-	-
<b>Total assets</b>	<b>171,759</b>	<b>170,027</b>	<b>-</b>	<b>-</b>	<b>755</b>	<b>1,732</b>
<b>Liabilities</b>						
Deposits from customers	111,522	-	-	-	-	111,522
Deposits from banks and other financial institutions	407	-	-	-	-	407

Group balance payable	<b>8,365</b>	-	-	-	-	<b>8,365</b>
Other liabilities	<b>3,817</b>	-	-	-	-	<b>3,817</b>
Provision for taxation	<b>80</b>	-	-	-	-	<b>80</b>
Lease liability	<b>246</b>	-	-	-	-	<b>246</b>
Total liabilities	<b>124,437</b>	-	-	-	-	<b>124,437</b>

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

		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation	171,759	170,027	-	-	755
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	171,759	170,027	-	-	-
4	Off-balance sheet amounts	11,708	2,679	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Exposure amounts considered for regulatory purposes	183,467	172,706	-	-	755

## 5.0 Risk Management Approach

Risk is inherent in the Bank's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Bank is exposed to a range of other risk types such as market, liquidity, operational, legal, reputational, strategic and cross-border, as well as other forms of inherent to its strategy, product range and geographical coverage.

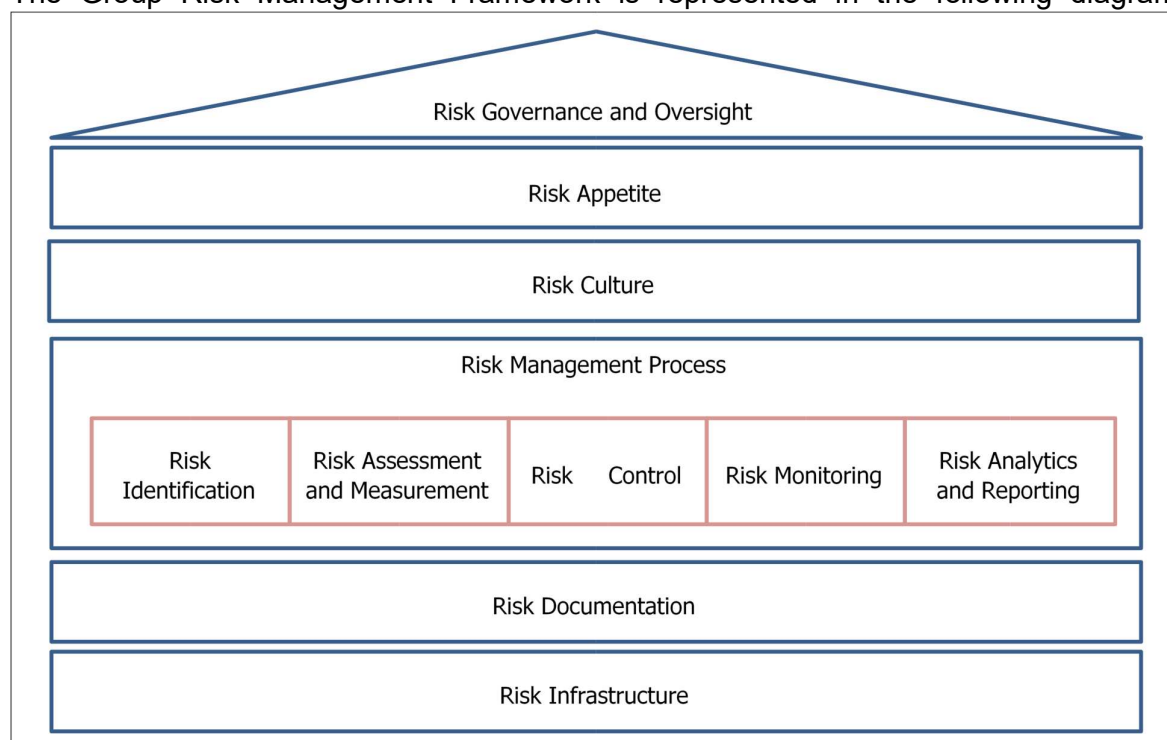
Effective risk management is fundamental to drive sustainable growth and shareholder value, while sustaining competitive advantage, and is thus part of the proactive risk management of the Bank.

The Group Risk Management Framework governs the management of risks in the RHB Banking Group (the Group) inclusive of RHB Bank Berhad Brunei Darussalam Branch as follow:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against unexpected losses which may occur through, principally, the failure of effective checks and balances in the organisation.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The Bank adopts and is guided by the Group Risk Management Framework in administration and implementation of its risk management activities.

The Group Risk Management Framework is represented in the following diagram:



Key features of the framework are:

### **Risk Governance and Oversight**

The Board of Directors sits at the apex of the risk governance structure and is ultimately responsible for the Group's/respective entities' risk management strategy, appetite, framework and oversight of risk management activities.

Group-level committees have been established to oversee the management of risks across all entities/subsidiaries on an integrated basis. These committees serve a critical function in setting strategic direction, establishing governance frameworks and promoting best practices. The Board of Directors (Board), through Board Risk Committee (BRC) provides oversight over the risk management activities for the Group including regional offices to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models. GCRC and the Group Risk and Credit Management function establishes the risk appetite and risk principles for the Group and relevant entities.

The responsibility for the supervision and the day-to-day management of enterprise risk and capital matters is delegated to the Group Capital and Risk Committee (GCRC) comprising senior management of the Group and which reports to the relevant board committees and the Group Management Committee. The Group Asset and Liability

Committee (Group ALCO) oversees market risk, liquidity risk and balance sheet management.

**Roles and Responsibilities for the risk management function:**

The Group Chief Risk Officer (GCRO) of the Group is responsible for the risk management function. The incumbent is independent from the business units and does not have any management or financial responsibility in respect of any business lines or revenue-generating functions.

GCRO reports directly to the Group Managing Director and has unimpeded access to the Board of Directors and the Board Level Risk Committees. The main roles and responsibilities of GCRO are as follows:

- Facilitating the setting of the strategic direction and overall policy on management and control of risks of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;
- Developing proactive, balanced and risk attuned culture within the Group; and
- Advising senior management, management level committees, board level risk committees and Board of Directors of the Group's entities on risk issues and their possible impact on the Group in the achievement of its objectives and strategies.

Risk Management Department of RHB Bank Berhad Brunei Branch's main function is to assess and manage the enterprise risk and liaise with regulators in Brunei. The team is supported by the risk management function from the Group, who specialise in the respective risks and oversight of Group-wide risk management function, such as Group Wholesale Credit Risk Management, Group Climate Risk Management, Group Community Banking Credit Risk Management, Group Market Risk Management, Group Asset and Liability Management, Group Non-Financial Risk Management, Group Technology and Cyber Risk Management, Group Shariah Risk Management, Risk Strategy & Transformation and Enterprise Risk Insights, Enterprise Risk Management, Group Wholesale Banking Credit Management, Group Community Banking Credit Management, Investment Banking & Regional Risk, and Insurance Risk Management.

**Risk Appetite**

The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group and each entity's overall business objectives and desired risk profile. It describes the types and level of risks the Group is prepared to accept in delivering its business strategies, and reported through various metrics that enable the Group to manage capital resources and shareholders' expectations.

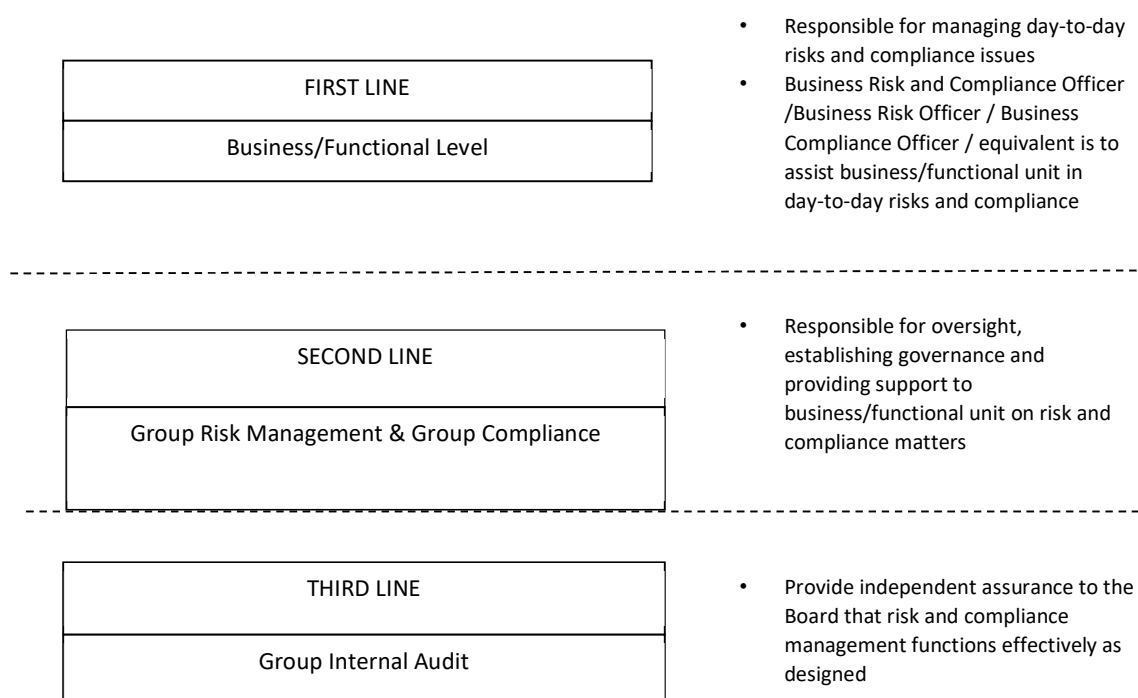
The defined risk appetite and risk tolerance are periodically reviewed by the Management and the Board in line with the Group's business strategies and operating environment. Such review includes identifying and setting new risk appetite metrics for the business entity or removal of risk appetite metrics that are no longer applicable as well as updates

on the risk appetite thresholds to be in line with the Group's business strategy and risk posture.

## Risk Culture

The Group including RHB Bank Berhad Brunei Darussalam Bank subscribes to the principle of 'Risk and Compliance is Everyone's Responsibility' and hence, risk management is one of the core responsibilities of the respective businesses and operating units.

The approach is based on the 'three lines of defence' model as depicted below:



In 2024, a differentiated approach was employed in cultivating the desired risk culture behaviours leveraging on behaviour analytics and insights. This equipped the Business Risk and Compliance Officer/Business Risk Officer/Business Compliance Officer with sharper monitoring of risk culture metrics and dashboards, enabling them to prevent and correct the undesired behaviours. Additionally, the Group has developed Machine Learning based behavioural analytics model with early warning capabilities to strengthen oversight of the second Line of Defence and overlay existing controls at the first line of defence. These were complimented by targeted messaging via trainings, awareness campaigns and roadshows to shape the desired risk culture behaviours.

## **Risk Management Process**

The risk management process identifies, assesses and measures, controls, monitors and reports/analyses risk. This ensures that risk exposures are adequately managed and that the expected return compensates for the risk taken.

- **Identification:** The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and proactive and timely identification of risk within the Group's business operations, including emerging risks. This ensures that risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.
- **Assessment and Measurement:** Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.
- **Controlling:** Risks identified during the risk identification process must be adequately managed and mitigated to control the risk of loss. This is also to ensure risk exposures are managed within the Group's or entity's risk appetite.
- **Monitoring:** Effective monitoring process ensures that the Group is aware of the condition of its exposures vis-à-vis its approved appetite and to facilitate early identification of potential problem on a timely basis by using continuous and on-going monitoring of risk exposures and risk control/mitigation measures.
- **Analytics and Reporting:** Risk analysis and reports are prepared by the respective entities and at a consolidated level as well as business level and are regularly escalated to the senior management and relevant Boards of the Group's entities to ensure that the risks identified remain within the established appetite and to support an informed decision making process. Reporting and analytics are also being continuously enhanced to provide the necessary information to relevant stakeholders within the Group to facilitate more effective decision making.

In addition, risk management seeks to ensure that risk decisions are consistent with strategic business objectives and within the risk appetite.

## **Risk Documentation**

The Group recognises that effective implementation of its risk management system and process must be supported by a robust set of documentation and infrastructure. To this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are implemented consistently across the Group. Documents are subject to a robust review process to ensure they remain current.

## **Risk Infrastructure**

The Group has organised its resources and talents into specific functions, and invested in the technology, including data management to support the Group's risk management activities. Staff have clear roles and responsibilities, given access to relevant and up-to-date risk information, and the latitude to continuously enhance competency through learning and development programs.

Risk systems and tools are designed to provide accessibility of risk information that complement the risk management process. The availability of data for analytics and monitoring, and dashboards and reporting assists in continuously enhancing risk management capabilities. The Group's Risk Management Report has evolved to be more analytically driven with dashboards including elements of quantitative and qualitative forward looking projections.

Effective risk management requires the Group to continuously review its risk management capabilities to effectively manage risk and to improve risk management practices across the Group. Therefore, the Group has embarked on transformation journeys striving for improvements for better efficiency and effectiveness.

As part of its PROGRESS 27 effort, Group Risk & Credit Management has put in place a comprehensive three-year strategic plan and initiatives centred around resiliency, agility, regulatory demand, and RHB's three-year growth strategy aligned with multi-year cost optimisation efforts.

## **Stress Testing**

Stress testing is a collaborative effort between various business/function units within the Bank to assess the financial strength and the impact to the Bank's capital, solvency, liquidity and profitability under a particular defined set of alternative assumptions with outcomes that are adverse but plausible.

The Bank has adopted the Group's stress testing framework to determine the appropriate level of capital setting to withstand shocks under stressed conditions. The Group has established a stress test policy to ensure that all related stress test activities are regulated by strong governance where the Board and senior management of the Group and its entities exercise effective oversight of the stress test process and ensure that the requirements set out in the guideline are met.

Stress test scenarios that are developed is based on expectations of BDCB on how a bank would manage its business and capital to survive a recession/market disruption while meeting minimum regulatory standards.



## 6.0 Liquidity Risk Management

Liquidity risk is the risk of the Bank being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Bank is unable to efficiently meet both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Bank. Market liquidity risk is the risk that the Bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

Periodic reports are presented to the Bank's Management Committee (MANCO), Group Asset Liability Committee (ALCO) and GCRC. The Group ALCO and GCRC supports the BRC by performing the critical role in oversight of balance sheet risk. The Group ALCO meets regularly to review and assess potential risk arising from interest rate/rate of return risk in banking book, liquidity and market risk, deliberate business strategies and risk mitigation plans on the back of prevailing market condition and business landscape.

The Group's Liquidity Risk Policy sets out the framework for liquidity risk management and control, whereas the Group Liquidity Incident Management Plan Guideline stipulates guidance on managing liquidity crisis, covers contingency plans to address its liquidity incidents. Liquidity is managed both quantitatively and qualitatively, involving monitoring of large depositors, economic conditions, financial markets and competitive environments.

The Bank's funding management is centralized at Group Treasury. The Bank manages its excess funds via interbank placement with various financial institutions in Singapore.

For day-to-day liquidity management, the Bank's 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 include the following:

- To maintain sufficient amount of unencumbered high-quality liquid buffer to protect against any unforeseen interruption to cash flows.
- To manage short and long-term cash flows thru maturity mismatch report.
- To monitor depositor concentration of the bank to avoid undue reliance on top large depositors.
- To conduct liquidity stress testing under different scenarios to assess potential shortfall
- To participate in liquidity crisis simulation exercise (conducted by the Group) - to assess the effectiveness of controls, escalation process as well as remedial action plan.

- To conduct Recovery Plan (“RCP”) testing to examine on the effectiveness and robustness of the plans which can help avert any potential liquidity disasters that could affect the Bank’s liquidity and financial positions.

The Bank also manage and monitor liquidity through early warning indicators and trigger points to signal possible contingency situations such as Liquidity Coverage Ratio (LCR), massive or continuous withdrawals and Net Stable Funding Ratio (NSFR). These ratios are monitored at Bank and Bank Group level against Management Action Trigger (“MAT”) and Risk Appetite (“RA”), with established escalation and reporting process.

The following table shows cash flow analysis of the Bank’s financial assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as early withdrawal of deposits or loans.

31 December 2024	Less than 3 months	3 to 6 Months	6 to 12 months	Over 1 year	Total
<b>Assets</b>					
Cash and short-term funds	36,386	11,402	35,287	-	83,075
Balances with BDCB	8,289	-	-	-	8,289
Group balances receivables	1,732	-	-	-	1,732
Government sukuk	16,100	-	-	-	16,100
Loans and advances to customers	21,909	3,457	206	32,156	57,728
Other assets	2,197	220	132	-	2,549
<b>Total assets</b>	<b>86,613</b>	<b>15,079</b>	<b>35,625</b>	<b>32,156</b>	<b>169,473</b>
<b>Liabilities</b>					
Deposits from customers	24,629	19,447	54,585	12,861	111,522
Deposits from banks and other financial institutions	407	-	-	-	407
Group balances payable	8,365	-	-	-	8,365
Other liabilities	3,157	238	422	-	3,817
Lease liability	38	39	78	91	246
<b>Total liabilities</b>	<b>36,596</b>	<b>19,724</b>	<b>55,085</b>	<b>12,952</b>	<b>124,357</b>

## 7.0 Credit Risk

### 7.1 General qualitative information about credit risk

Credit risk is the risk of loss arising from customers’ or counterparties’ failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group’s and the Bank’s lending/financing, trade finance placement, underwriting, investment, hedging and trading activities from both on- and off-balance sheet transactions. Credit risk does not typically happen in isolation as depending on

certain risk events (e.g. fluctuation of interest rate, foreign exchange) presence of other risks may also arise.

### **Credit Risk Management Approach**

Credit Risk management is conducted in a holistic manner. Credit underwriting standards are articulated in an approved Group credit policy and guidelines which are developed for the assurance of asset quality that is in line with the Group's risk appetite. Industry best practices are instilled in the continual updating of the Group credit policy and guidelines including independent assessment of credit proposals, assignment of rating and adoption of multi-tiered delegated lending authorities spanning from individuals to credit approving committees.

Group Credit Committee ("GCC") is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC is the senior management committee empowered to approve or reject all financial investments, counterparty credit and lending/financing up to the defined threshold limits. The Board Credit Committee's (BCC) main functions are (i) affirming, vetoing or imposing more stringent conditions on credits of the Group which are duly approved by the GCC (ii) overseeing the management of impaired and high risk accounts and (iii) approving credit transactions to connected parties up to the defined threshold limits, (iv) approving Policy Loans/Financing.

The Bank also ensure that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are firstly assessed for its credit worthiness by the originating business units before being evaluated by an independent credit evaluator in Head Office and decided upon by the delegated lending/financing authority/relevant committees. For proper checks and controls, joint approval is required for all discretionary lending between business and independent credit underwriters. Loans/financing which are beyond the delegated lending authority limits will be escalated to the relevant committees for approval.

The analysis of any single large exposure and group of exposures is conducted regularly. The Strategic Business Units (SBUs) undertake regular account updates, monitoring and management of these exposures.

Credit reviews and rating are conducted on the credit exposures at least annually. Specific loans/financing may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Bank believes that heightened risk exists in a particular industry, or the borrower/customer exhibits early warning signals such as default on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Regular risk reporting is made to the MANCO and Asset Management Team (AMT). These reports include various credit risk aspects such as portfolio quality, and concentration risk exposures by industry and customer type. Such reporting allows

senior management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision-making. The Group also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

## 7.2 Credit quality of assets

December 2024

(BND'000)		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	
1	Loans	1,242	55,846	640	353	287	57,728
2	Debt Securities	-	16,100	-	-	-	16,100
3	Off-balance sheet exposures	-	12,159	-	-	-	12,159
4	<b>Total</b>	<b>1,242</b>	<b>84,105</b>	<b>640</b>	353	287	<b>85,987</b>

\*Default is defined as account that are classified under Stage 3 (Impaired).

## 7.3 Changes in stock of defaulted loans and debt securities

December 2024

		BND'000
1	<b>Defaulted loans and debt securities at the end of the previous reporting period</b>	<b>1,226</b>
2	Loans and debt securities that have defaulted since the last reporting period	563
3	Returned to non-defaulted status	(480)
4	Amounts written off	(67)
5	Other changes	-
6	<b>Defaulted loans and debt securities at the end of reporting period</b>	<b>1,242</b>

#### *7.4 Additional disclosure related to the credit quality of assets*

##### **Impairment**

The Bank recognises loss allowances for all financial assets, except for financial assets classified or designated as Fair Value Through Profit & Loss (FVTPL) and equity securities classified under Fair Value Through Other Comprehensive Income (FVOCI), which are not subject to impairment assessment. Off-balance sheet items that are subject to expected credit losses (ECL) include financial guarantees and undrawn loan commitments.

The general approach is adopted by the Bank. ECL is assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

(i) Stage 1: 12 months ECL – not credit impaired

For credit exposures where there has not been a significant increase in credit risk since initial recognition or which has low credit risk at reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default even occurring within the next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

(iii) Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised. Generally, all financial assets that are 90 days past due or more are classified under Stage 3.

The Bank consider the following as constituting an event of default:

(1) Quantitative criteria

- The borrower is past due more than 90 days on any material

credit obligation to the Bank

- (2) Qualitative criteria
- Legal action has been initiated by the Group and the Bank for recovery purposes;
  - Borrower is bankrupt; and
  - Borrower has been assigned to external collection agency.

Significant increase in credit risk ('SICR')

- (1) The Bank considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.
- (2) Among the indicators incorporated in ascertaining SICR are:
- Internal credit rating;
  - External credit rating (as far as available);
  - Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
  - Actual or expected significant changes in the operating results of the borrower;
  - Significant increase in credit risk on other financial instruments of the same borrower;
  - Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
  - Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The measurement of ECL is based on the discounted products of the Probability of Default model ('PD'), Loss Given Default model ('LGD')

and Exposure at Default model ('EAD'). The changes in ECL between two-periods will be recognised in statement of total comprehensive income.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Bank's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the statement of total comprehensive income.

Other relevant historical information, loss experience or proxies will be utilised if deemed feasible.

In determining the ECL, management will evaluate a range of possible outcomes, taking into account past events, current conditions/trends and economic outlooks. Additional considerations that are assessed to have been adequately addressed by the ECL model estimates a structured management overlay, which is subject to robust review and governance process, will be applied consistently.

Generally, all financial assets are considered to have experienced a significant increase in credit risk if the exposures are more than 30 days past due on its contractual payments.

#### Quantitative disclosure

Credit exposure of the Bank as at 31 December that are subject to impairment:

	2024	2023
Credit risk exposure relating to on-balance sheet assets:		
Cash and short-term funds	83,075	74,328
Balances with BDCB	8,289	8,115
Group balances receivable	1,732	3,018
Government bonds	16,100	15,520
Loans and advances to customers	57,728	62,129
Other financial assets	2,549	2,680
	169,473	165,790
Credit risk exposure relating to off-balance sheet items:		

- Commitments and contingencies	12,159	14,963
Total maximum credit risk exposure that are subject to impairment	181,632	180,753

Credit Risk Exposures by Geographical Areas:

<b>BND'000</b>	<b>Brunei</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Cash and short-term funds	11,518	70,807	750	83,075
Balances with BDCB	8,289	-	-	8,289
Group balances receivable	-	1,727	5	1,732
Government Sukuk	16,100	-	-	16,100
Loans and advances	57,728	-	-	57,728
Other financial assets	2,549	-	-	2,549
<b>Sub-Total</b>	<b>96,184</b>	<b>72,534</b>	<b>755</b>	<b>169,473</b>
Contingencies	12,159	-	-	12,159
<b>Total Credit Risk Exposures</b>	<b>108,343</b>	<b>72,534</b>	<b>755</b>	<b>181,632</b>

Credit risk exposure is also analysed by industry in respect of the Bank's financial assets, including off-balance sheet financial instruments as set out below:

<b>BND'000</b>	<b>Cash &amp; Short-term funds</b>	<b>Balances with BDCB</b>	<b>Group Balances Receivable</b>	<b>Government Sukuk</b>	<b>Loans &amp; Advances</b>	<b>Other financial assets</b>	<b>Contingencies</b>	<b>Total</b>
Construction & property financing	-	-	-	-	30,182	-	1,941	<b>32,123</b>
Traders	-	-	-	-	18,337	-	8,313	<b>26,650</b>
Services	-	-	-	-	2,393	-	868	<b>3,261</b>
Personal & consumption loans	-	-	-	-	3,112	-	166	<b>3,278</b>
Tourism	-	-	-	-	1,850	-	14	<b>1,864</b>
Manufacturing	-	-	-	-	1,190	-	72	<b>1,262</b>
Transportation	-	-	-	-	664	-	49	<b>713</b>
Telecommunication & IT	-	-	-	-	-	-	200	<b>200</b>
Agriculture	-	-	-	-	-	-	46	<b>46</b>
Financial	71,557	-	1,732	-	-	-	490	<b>73,779</b>
Others	11,518	8,289	-	16,100	-	2,549	-	<b>38,456</b>
<b>Total</b>	<b>83,075</b>	<b>8,289</b>	<b>1,732</b>	<b>16,100</b>	<b>57,728</b>	<b>2,549</b>	<b>12,159</b>	<b>181,632</b>



Credit Risk Exposures by Residual Maturity:

<b>BND'000</b>	<b>Less than 1 year</b>	<b>1year – 3years</b>	<b>More than 3 years</b>	<b>Total</b>
Cash and short-term funds	83,075	-	-	<b>83,075</b>
Balances with BDCB	8,289	-	-	<b>8,289</b>
Group balances receivables	1,732	-	-	<b>1,732</b>
Government sukuk	16,100	-	-	<b>16,100</b>
Loans and advances to customers	25,572	19,801	12,355	<b>57,728</b>
Contingencies	11,969	190	-	<b>12,159</b>
Other financial assets	2,549	-	-	<b>2,549</b>

Loans & advances impairment by industry

<b>BND'000</b>	<b>Impaired Loans &amp; Advances</b>	<b>Allowance for credit losses</b>
<b>As at 31<sup>st</sup> December 2024</b>		
Construction & property financing	497	(13)
Traders	125	(125)
Services	620	(215)
<b>Total</b>	<b>1,242</b>	<b>(353)</b>

Past-due loans analysis

<b>BND'000</b>	<b>Past-due Loans &amp; Advances</b>	<b>Allowance for credit losses</b>
<b>As at 31<sup>st</sup> December 2024</b>		
0-30 days	1,559	(239)
31-59 days	475	(48)
60-90 days	-	-
<b>Total</b>	<b>2,034</b>	<b>(287)</b>

Loans and advances to customers analysed by stages as at 31 December 2024:

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Balance as at 1 January 2024	59,392	1,928	1,163	62,483
Changes due to financial assets recognised in the opening balance that have been:				
Transferred to 12-month ECL (Stage 1)	522	(522)	-	-
Transferred to Lifetime ECL not credit impaired (Stage 2)	(1,085)	1,085	-	-
Transferred to Lifetime ECL credit impaired (Stage 3)	(592)	-	592	-
Origination	4,868	163	-	5,031
Derecognition	(8,010)	(623)	(446)	(9,079)
Amount written-off			(67)	(67)
Gross loans and advances	55,095	2,031	1,242	58,368
Allowance for credit losses	(239)	(48)	(353)	(640)
Balances as at 31 December 2024	54,856	1,983	889	57,728

Movement in allowance for credit losses included within loans and advances to customers is as follows:

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Loans and advances to customers				
Balance as at 1 January 2024	207	47	100	354
Changes due to financial assets recognised in the opening balance that have been:				
Transferred to 12-month ECL (Stage 1)	39	(39)	-	-

Transferred to Lifetime ECL not credit impaired (Stage 2)	(3)	3	-	-
Transferred to Lifetime ECL credit impaired (Stage 3)	(1)	-	1	-
	242	11	101	354
Allowance made during the financial year	(4)	37	320	353
Bad debts written-off	-	-	(67)	(67)
Derecognition				
Balances as at 31 December 2024	238	48	354	640

### *7.5 Qualitative disclosure requirements related to credit risk mitigation techniques*

The Bank generally does not grant credit facilities solely on the basis of collateral provided. All credit facilities are granted based on the credit standing of the borrower/customer, source of repayment and debt/financing servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to the Group's policies and guidelines that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor.

Collateral is valued in accordance with the Group's policy and guidelines on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically, analysed and updated concurrently with the annual/periodic renewal of facilities.

Recognised collaterals where relevant, include both financial and physical assets. Financial collaterals include cash deposits, while physical collateral includes land and buildings. Apart from financial collateral and physical collateral, the Group has defined standards on the acceptance of non-tangible securities as support, such as guarantees from individuals, corporates and institutions, debenture and assignment of contract proceeds, subject to internal guidelines on eligibility.

Currently, the Group does not employ the use of derivative credit instruments and On Balance sheet netting to mitigate its financing exposures.

## Credit Concentration Risk

Risk concentration refers to an exposure with the potential to produce losses that are substantial enough to threaten the financial condition of a banking institution. Risk concentrations can materialise from excessive exposures to a single counterparty or group of connected counterparties, a particular instrument or a particular market segment.

In line with the Group, the Bank manages the diversification of its portfolio to avoid undue credit concentration risk. Credit concentration risk exists in lending/financing to single customer groups, borrower/customers engaged in similar activities, or diverse groups of borrower/customers that could be affected by similar economic or other factors. To manage concentration risk, amongst others, exposure limits and lending/financing guidelines are established including but not limited to single borrowing/financing groups and Bank and Non-Bank Financial Institutions (NBFI).

Periodic reviews of the said limits and related lending/financing guidelines are performed, whereupon any emerging concentration risks are addressed accordingly. Any exception to the limits and lending/financing guidelines would be subject to approvals from relevant higher approving authorities. Analysis of any single large exposure and group of exposures is regularly conducted and the lending/financing units undertake regular account updates, monitoring and management of these exposures. In addition, the Group also continuously updates lending or financing guidelines based on periodic reviews of sector risk factors and economic outlook.

### 7.6 Overview of credit risk mitigation (CRM) techniques

December 2024

	(BND'000)	Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	380	58,051	58,051		-
2	Debt Securities	16,100	-	-		-
3	<b>Total</b>	<b>16,480</b>	<b>58,051</b>	<b>58,051</b>		-
4	Of which defaulted	266	976	976		-

\*Figures for exposure secured by collateral and financial guarantees are reported merged as some of the customers' loans are secured by multi-collateral including property, fixed deposit, machineries, motor vehicle and guarantees.

### 7.7 Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

External credit assessments (or external ratings) on the counterparty (borrower) or specific securities issued by the counterparty (the issuer) are the basis for the determination of risk weights under the Standardised Approach for exposures to sovereigns, central banks, public sector entities, banks, corporates as well as certain other specific portfolios.

In accordance with the rules and principles laid down by the Basel Committee, the BDCB has identified the following international rating agencies as External Credit Assessment Institutions (ECAIs) for the purposes of risk weighting exposures for capital adequacy purposes:

1. Moody's
2. Standard and Poor's ("S&P")
3. Fitch Rating

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose.

### 7.8 Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects

December 2024

Asset classes (BND'000)		Exposures before CCF and CRM		Exposures post- CCF and CFM		RWA and RWA density	
		On- balance sheet amount	Off- balance sheet amount	On- balance amount	Off- balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	29,820	-	29,820	-	0	0%
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	71,557	-	71,557	-	24,164	33.77%
5	Securities firms	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-

7	Regulatory retail portfolios	43,657	11,708	43,657	2,679	44,176	95.34%
8	Secured by residential property	13,532	-	13,532	-	8,636	63.82%
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-
11	Past-due loans	1,242	-	1,173	-	1,173	100%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	9,862	-	9,862	-	2,656	26.93%
14	<b>Total</b>	<b>169,670</b>	<b>11,708</b>	<b>169,601</b>	<b>2,679</b>	<b>80,805</b>	<b>46.90%</b>

*7.9 Standardised Approach – Exposures by asset classes and risk weights*

December 2024

	Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post CCF and post CRM)
	Asset classes (BND'000)										
1	Sovereign and their central banks	29,820	-	-	-	-	-	-	-	-	29,820
2	Non-central government public sectors entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	39,964	-	30,843	-	750	-	-	71,557
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-	-

	Risk weight Asset classes (BND'000)	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post CCF and post CRM)
7	Regulatory retail portfolios	-	-	-	-	-	8,639	37,697	-	-	46,336
8	Secured by residential property	-	-	-	3,781	-	9,751	-	-	-	13,532
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-	1,173	-	-	1,173
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	5,858	-	1,685	-	-	-	2,319	-	-	9,862
14	<b>Total</b>	<b>35,678</b>	<b>-</b>	<b>41,649</b>	<b>3,781</b>	<b>30,843</b>	<b>18,390</b>	<b>41,939</b>	<b>-</b>	<b>-</b>	<b>172,280</b>

## 8.0 Counterparty Credit Risk (CCR)

### 8.1 Qualitative disclosure related to CCR

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Unlike a firm's exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss. CCR creates a bilateral risk of loss; the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

Counterparty risk is typically defined as arising from two broad classes of financial products:

- Over-the-counter derivatives such as interest rate/profit rate swaps, FX forwards and credit default swaps.
- Securities financing transactions such as repos and reverse repos; and securities borrowing and lending.

Derivative financial instruments are entered into for hedging or proprietary trading purposes governed by Board approved limits and internal controls.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the differences between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices.

All outstanding financial derivative positions are marked-to-market on a daily basis. The Bank monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

## **9.0 Securitisation**

### *9.1 Qualitative disclosure requirements related to securitisation exposures*

The Bank does not carry any securitisation exposures over the reporting period.

## **10.0 Market Risk**

### *10.1 Qualitative disclosure requirements related to market risk*

Market risk is the risk of losses arising from adverse movements in market drivers, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:

- The interest/profit rate and equity risks pertaining to financial instruments in the trading book; and
- Foreign exchange risk and commodities risk in the trading and banking books.

The Group Market Risk Management within Group Risk Management is the working level that forms a centralised function to support senior management in the development of market risk framework, risk limits, operationalise the processes and implement measurement methodologies to ensure adequate risk control and oversight are in place. The main responsibility of managing market risk as the first line of defence remains at the respective business units.

The Group Asset and Liability Committee (Group ALCO) and GCRC perform a critical role in the management of market risk and support the board committees in the overall market risk management. The management committees meet regularly and serve as the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Group's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.



The Group has established Group Trading Book Policy Statement, frameworks and risk limits as guidance for market risk management. These documents are reviewed regularly and/or upon change in significant event that has a material impact on policy compliance or regulatory changes.

### Foreign exchange risk

Foreign exchange risk is the risk of holding or taking positions in foreign currencies, including gold and silver. The Bank's foreign exchange exposures comprise non-trading foreign exchange exposure principally derived from inter-branch nostro accounts. As most of the foreign exchange exposure is to Singapore Dollar (SGD), the Bank is not exposed to significant foreign exchange risk due to the currency interchanges Agreement between Singapore and Brunei which interchange the two currencies at par.

The Bank is not exposed to significant market risk.

#### 10.2 Market Risk under the Standardised Approach

		RWA (BND'000)
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	755.22
4	Commodity risk	-
5	<b>Total</b>	<b>755.22</b>

## **11.0 Interest Rate Risk in the Banking Book (IRRBB)**

Interest rate risk in the banking book refers to the risk to Group's earnings and economic value of equity due to the adverse movements in interest rate. The risk may arise from the mismatches in the timing of repricing of assets and liabilities from both on and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess IRRBB. RHB Bank Berhad – Brunei Darussalam Branch adopted Head Office's (The Group) methodology in measuring EaR and EVE. The Group compute based on the repricing gap profile of the banking book using Bank Negara Malaysia's (BNM) standard template. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. The non-maturing fixed rate loans balances are slotted in more than 1 week to 1 month (5%) and in more than 1 to 2 years (95%) time buckets. 33% of the non-maturing deposits (NMD) are slotted in more than 1 week to 1 month as non-core balance, and 67% of the NMD balances are slotted in more than 1 to 2 years' time bucket as core balances. The measurement of EaR and EVE is conducted on a monthly basis.

The Group ALCO supports the Board committees by performing the critical role in oversight of balance sheet risk, liquidity risk and market risk. Group ALCO meets regularly to review and assess potential risk arising from IRRBB, liquidity and market risk, deliberate business strategies and risk mitigation plans on the back of prevailing market condition and business landscape. Guided by Group Interest Rate Risk/Rate of Return Risk in the Banking Book Policy, the Bank manages IRRBB in adherence to established governance structure and process. Monthly EaR and EVE are measured, controlled and monitored against risk limits set. These are supplemented with projections to assess potential risk arising from changes in balance sheet structure and market environment.

In order to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest rate, interest rate risk to earnings is monitored against Management Action Triggers (MATs) and Risk Appetite ("RA") with established escalation procedures. Stress testing is also performed to determine the adequacy of capital in meeting the impact of extreme interest movements on the balance sheet. Such tests are performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate risk in the banking book in an environment of rapid financial market changes.

## Interest Rate Risk in the Banking Book as at 31 December 2024

Currency	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase / (Decline) in Earnings		Increase/(Decline) in Economic Value	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
	BND'000	BND'000	BND'000	BND'000
BND - Brunei Dollar	177	(177)	(694)	694
SGD - Singapore Dollar	398	(398)	337	(337)
Others	7	(7)	0	(0)
<b>Total</b>	<b>582</b>	<b>(582)</b>	<b>(357)</b>	<b>357</b>

*Note: Revision in profiling loans as floating rate loans.*

## 12.0 Operational Risk

### 12.1 Qualitative disclosure requirements related to operational risk

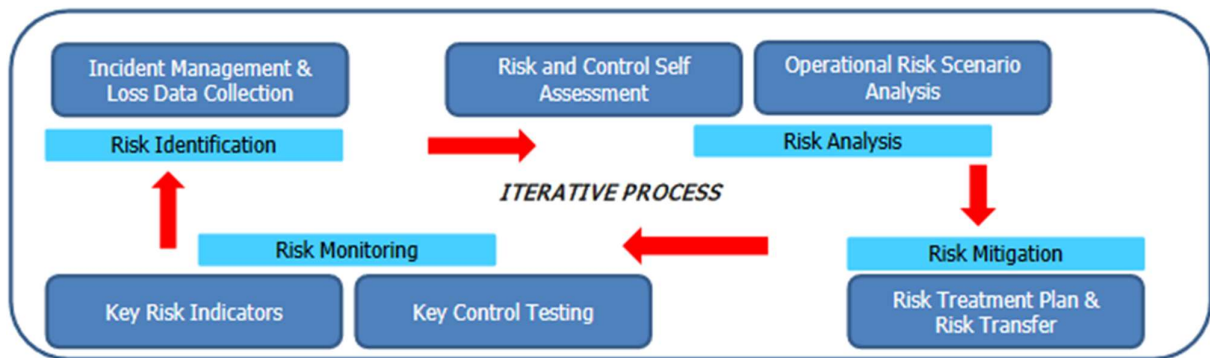
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, system and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk. Operational risk may result in direct financial losses as well as indirect financial losses (e.g. loss of business and market share) due to reputational damage.

### Operational Risk Management Processes and Tools

The Bank applies a defined operational risk management process in managing operational risk to enable an institutional and transparent operational risk management practice. The five (5) processes are as follows: -

1. Establish the context,
2. Risk identification,
3. Risk analysis,
4. Risk mitigating and
5. Risk monitoring

The Bank uses relevant operational risk tools and methodologies to support and ensure an effective operational risk management process. The following tools are being used:



## Risk Mitigation and Controls

Risk mitigation strategies are used to minimise risk to an acceptable level and aim to decrease the likelihood of an undesirable event and the impact on the business, should it occur. The control tools and techniques, amongst others, are as follows:

- **Strengthening internal controls**

Internal controls (i.e. control environment, risk assessment, control activities, information and communication, and monitoring) are designed to commensurate operational risk exposures faced by the Group. The Group monitors and regularly evaluates its internal control systems to ensure that they are operating effectively and to take account of changing internal and external conditions.

- **Business Resilience and Continuity**

To mitigate the impact of unforeseen operational risk events, the Group has ongoing and actively managed Business Continuity Management (BCM) programme for its major critical business operations and activities at the Head Office, data centre, and branches' locations. There are ongoing continuous improvement initiatives to build operational resilience to ensure sustainability of critical services. The BCM programme is subject to regular testing to validate the adequacy and preparedness of all resources to support critical and essential services in the event of disruption. BCM Programme is under the responsibility of the Group Business Continuity Management Department. The Board of Directors has an oversight function through the BRC and GCRC. The Group Business Continuity Committee, which reports to GCRC, is the committee that oversees the Group's business continuity framework, policies, budget and plans

- **Fraud Risk Management**

Robust fraud risk management processes to manage threats from external sources and internally, are in place guided by the Group Fraud Risk

Management Policy. The Group constantly assesses and monitors fraud risk to ensure consistent organizational behavior through the development, implementation, and regular review of fraud prevention, detection, and response strategies. To help protect our customers against fraud, the Group invest on continuous fraud awareness briefings and fraud risk management training for our frontline employees while also promoting greater customers awareness of prevailing fraud scheme through frequent customer communications via email, our website, mobile banking app, automated teller machines and social media channels.

- **Outsourcing**

Due to the need to outsource for cost and operational efficiency, policy and guidelines are put in place to ensure that the risks arising from outsourcing activities are adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- **Insurance**

The Bank has a programme of insurance designed to reduce its exposure to liability and to protect its assets. The Bank purchases insurance from leading insurers in the market covering fixed assets, Group term life and Group personal accident for the bank's employee. These are provided by third-party insurers providers and will financially mitigate the economic consequences of risks. The insurance arrangement is used to complement the management of operational risk and not as a substitute for a sound internal control environment.

Monthly operational risk reporting is made to the MANCO and regional risk management. These reports include various operational risk aspects such as reporting of significant operational loss events. Such reporting enables the MANCO to identify adverse operational lapse, take prompt corrective actions, and ensure appropriate risk mitigation decision making and action plans.

## **Technology Risk**

Technology Risk refers to the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Group.

The Bank recognises the risk arising from the advancement and reliance upon information technology to support business operations through the deployment of advance technology and online systems to provide customers with convenient and reliable products and services. The Group's Technology and Cyber Risk Management Framework ensures that a governance structure is in place for the identification, assessment and management of technology risks within existing IT operations as well as prior to deployment of applications and systems for internal as well as external customers. To ensure that the residual risk is acceptable, the Group has established

Technology and Cloud Risk Assessment processes to comprehensively identify and assess relevant risks and corresponding controls for IT and digitalisation initiatives.

### **Cyber Risk**

Cyber Risk refers to threats or vulnerabilities emanating from the connectivity of internal infrastructure to external networks such as the internet.

This is an inherent risk associated with the industry moving towards the internet as a channel for the delivery of banking services. The Group recognises the risks associated to cyber and as part of the mitigation shall continuously identify suitable security devices to be deployed and ensure sufficient resources with the right skill sets were allocated to manage this risk. The Group also subscribes to various threat intelligence services to obtain latest information on cyber threat and incidence which can be used for risk mitigation. To further provide assurance that the internet facing application system are secured, the Group engages reputable IT security service providers to perform periodic penetration testing where weakness detected shall be duly resolved with attestation from external consultants. To further strengthen the controls, Red Team and compromise assessment activities are performed regularly to test the effectiveness of the implemented safeguards. Phishing simulation exercises are also carried out periodically to maintain staff vigilance and increase awareness on such social engineering cyberattacks.

### **Legal Risk**

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Group's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

## **13.0 Reputational Risk**

Reputational risk is defined as the risk that negative publicity regarding the conduct of the Bank or any of the entities within the Group, and its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures. It also undermines public confidence in the Bank and the Group, affecting the share price.

Reputational risk in the Bank is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. The Group has developed and implemented the Group Reputational Risk Management Policy which outlines the core principles to manage reputational risk.