www.pwc.com/ph/brunei

RHB Bank Berhad – Brunei Darussalam Branch

Financial Statements
As at and for the years ended 31 December 2022 and 2021

pwc

RHB Bank Berhad - Brunei Darussalam Branch
Financial Statements
As at and for the years ended 31 December 2022 and 2021

Contents

Independent Auditor's Report

To the Board of Directors and Management of
RHB Bank Berhad - Brunei Darussalam Branch
Units E, F and G, Lot 70516, Kampong Kiarong
Bandar Seri Begawan BS 8711, Brunei Darussalam

Report on the Audits of the Financial Statements

Opinion

In our opinion, the accompanying financial statements of RHB Bank Berhad - Brunei Darussalam Branch (the "Branch") give a true and fair view of the financial positions of the Branch as at 31 December 2022 and 2021, and of its financial performance, changes in Head Office account and cash flows for the years then ended in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the Act) and the International Financial Reporting Standards (IFRSs).

What we have audited

The financial statements of the Branch comprise:

- the statements of financial position as at 31 December 2022 and 2021;
- the statements of total comprehensive income for the years ended 31 December 2022 and 2021;
- the statements of changes in Head Office account for the years ended 31 December 2022 and 2021;
- the statements of cash flows for the years ended 31 December 2022 and 2021; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Branch in accordance with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the Code), together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

Other Information

Management is responsible for the other information. The other information comprises the Corporate Governance disclosures set out in Appendix 1, but does not include the financial statements of the Branch and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Branch or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act and the IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Branch to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Branch to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Branch have been properly kept in accordance with the provisions of the Act. We have obtained all the information and explanations that we required.

PricewaterhouseCoopers Services

Chai Xiang Yuin
Partner

Brunei Darussalam
31 March 2023

RHB Bank Berhad
Brunei Darussalam Branch

Statements of Financial Position
As at 31 December 2022 and 2021
(In thousands of Brunei Dollar)

	Notes	2022	2021
ASSETS			
Cash and short-term funds	4	117,763	116,529
Balances with Brunei Darussalam Central Bank (BDCB)	5	8,506	8,477
Group balances receivable	6	6,416	2,083
Government bonds	7	15,000	15,000
Loans and advances to customers, net	8	58,693	59,287
Right-of-use asset	9	525	739
Property and equipment	10	1,925	338
Other assets	11	1,817	1,043
Total assets		210,645	203,496
LIABILITIES AND HEAD OFFICE ACCOUNT			
LIABILITIES			
Deposits from customers	12	147,322	141,052
Deposits from banks and other financial institutions	13	417	673
Group balances payable	14	15,150	16,459
Other liabilities	15	2,166	726
Provision for taxation		208	260
Lease liabilities	16	537	745
Total liabilities		165,800	159,915
HEAD OFFICE ACCOUNT			
Head office account	17	44,845	43,581
Total head office account		44,845	43,581
Total liabilities and head office account		210,645	203,496

The notes on pages 8 to 45 are an integral part of these financial statements.

Certification

We certify that the financial statements give a true and fair view of the financial position of the Brunei operations of RHB Bank Berhad (the "Branch") as at 31 December 2022 and 2021 and the financial performance and cash flows of the Branch for the years ended 31 December 2022 and 2021 based on the provisions of the Brunei Darussalam Companies Act, Chapter 39 and the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ishak Bin Othman
Chief Executive Officer

Tunku Mohammad Firdaus bin Tunku Yahaya
Acting Deputy Chief Executive Officer

RHB Bank Berhad
Brunei Darussalam Branch

Statements of Total Comprehensive Income
For the years ended 31 December 2022 and 2021
(In thousands of Brunei Dollar)

	Notes	2022	2021
Interest income	19	4,324	3,579
Interest expense	19	(849)	(407)
Net interest income		3,475	3,172
Fee and commission income	20	527	548
Other income	21	324	418
Total operating income		4,326	4,138
Reversal of credit losses on financial assets, net	24	106	37
Net operating income		4,432	4,175
Operating expenses			
Personnel expenses	22	(1,549)	(1,463)
Depreciation of property and equipment	10	(231)	(85)
Depreciation of right-of-use asset	9	(214)	(197)
Operating lease expenses		(43)	(73)
Interest expense on leases	9,16	(26)	(15)
Other expenses	23	(897)	(830)
		(2,960)	(2,663)
PROFIT BEFORE TAXATION		**1,472**	**1,512**
Tax expense	25	(208)	(260)
NET PROFIT FOR THE YEAR		**1,264**	**1,252**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,264**	**1,252**

The notes on pages 8 to 45 are an integral part of these financial statements.

RHB Bank Berhad
Brunei Darussalam Branch

Statements of Changes in Head Office Account
For the years ended 31 December 2022 and 2021
(In thousands of Brunei Dollar)

	Note	Assigned capital	Reserves	Retained profits	Total
BALANCES AS AT 1 JANUARY 2021		**30,000**	**6,024**	**6,305**	**42,329**
COMPREHENSIVE INCOME					
Net profit for the year		-	-	1,252	1,252
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		-	-	1,252	1,252
Transfers between reserves	17	-	626	(626)	-
BALANCES AS AT 31 DECEMBER 2021		**30,000**	**6,650**	**6,931**	**43,581**
COMPREHENSIVE INCOME					
Net profit for the year		-	-	1,264	1,264
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		-	-	1,264	1,264
Transfers between reserves	17	-	632	(632)	-
BALANCES AS AT 31 DECEMBER 2022		**30,000**	**7,282**	**7,563**	**44,845**

The notes on pages 8 to 45 are an integral part of these financial statements.

RHB Bank Berhad
Brunei Darussalam Branch

Statements of Cash Flows
For the years ended 31 December 2022 and 2021
(In thousands of Brunei Dollar)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,472	1,512
Adjustments for:			
Depreciation of property and equipment	10	231	85
Depreciation of right-of-use asset	9	214	197
Gain on disposal of property and equipment	21	-	(22)
Provision for credit losses on financial assets	24	408	402
Net interest income	19	(3,475)	(3,172)
Interest expense on leases	16	26	15
Operating loss before changes in operating assets and liabilities		(1,124)	(983)
Changes in operating assets and liabilities			
Decrease/(increase) in:			
Loans and advances to customers		172	(3,298)
Group balances receivable		(4,333)	1,619
Balances with BDCB		(29)	(609)
Other assets		(160)	417
Increase/(decrease) in:			
Deposits from customers		6,270	17,137
Deposits from banks and other financial institutions		(256)	(92)
Group balances payable		(1,309)	75
Other liabilities		1,014	28
Cash generated from operations		245	14,294
Interest received		3,710	3,740
Interest expense paid		(423)	(639)
Income tax paid		(260)	(124)
Net cash generated from operating activities		3,272	17,271
CASH FLOWS FROM INVESTING ACTIVITIES			
Placements with banks		(31,450)	(17,646)
Purchase of property and equipment	10	(1,818)	(242)
Proceeds from disposal of property and equipment		-	22
Purchase of government bonds		(15,000)	(15,000)
Redemption of government bonds		15,000	10,000
Net cash used in investing activities		(33,268)	(22,866)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments of principal and interest portion of lease liabilities	16	(234)	(211)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(30,230)	(5,806)
At 1 January		67,980	73,786
At 31 December	18	37,750	67,980

The notes on pages 8 to 45 are an integral part of these financial statements.

1 General information

RHB Bank Berhad is a bank incorporated in Malaysia. In 2022, the Brunei Branch (the "Branch") changed its registered office address to Units E, F and G, Lot 70516, Kampong Kiarong, Bandar Seri Begawan BS 8711, Brunei Darussalam.

The Branch is a segment of RHB Bank Berhad (the "Head Office") and is not a separately incorporated legal entity. The Branch operates under a full banking license granted by the Brunei Darussalam Central Bank (BDCB).

The Branch is primarily involved in the business of banking and in the provision of financial services. There has been no significant change in the nature of this activity during the year ended 31 December 2022.

The financial statements were authorised for issue by the Branch's Management on 31 March 2023.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the "Act") and the International Financial Reporting Standards ("IFRSs").

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis.

2.3 Functional and presentation currency

These financial statements are presented in Brunei Dollar (BND or B$), which is the Branch's functional and presentation currency. All financial information presented in BND has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions, including management judgements, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Allowance for credit losses on loans and advances (Note 8)

The Branch's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements and estimates in determining expected credit loss include:

- The Branch's criteria for assessing if there has been a significant increase in credit risk; and
- Development of ECL models, including the choice of inputs relating to macroeconomic variables.

The calculation of ECL also includes expert credit judgement to be applied by credit risk management team based on counterparty information they receive from various sources including relationship managers and external market information.

Further information about key assumptions concerning future and other key sources of estimation uncertainty, are set out in Notes 3.5 and 31(i).

Allowance for credit losses on other financial assets

The Branch determines the recoverable amount of other financial assets based on assumptions about risk of default and expected loss rates. The Branch applies judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Branch's past history and existing market conditions as well as forward-looking estimates at the end of each reporting period.

Impairment of non-financial assets

The Branch assesses impairment of non-financial assets such as property and equipment and right-of-use asset whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the Branch's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. The factors that the Branch considers when assessing recoverability include significant under performance relative to expected historical or projected future operating results, significant negative industry or economic trends, or significant changes in the manner of use of the assets or strategy for the business. If any such indication exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount.

Management believes that no impairment is necessary to be recognised on the Branch's non-financial assets as at 31 December 2022 and 2021.

2.5 Changes in accounting policies and disclosures

(a) Amendments to the existing standards adopted by the Branch

The Branch has applied the following amendments to the existing standards for the first time for their annual reporting period commencing 1 January 2022:

- Amendment to IAS 16, 'Property, Plant and Equipment'

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to IFRSs 2018-2020

  The following improvements were finalised in May 2020:

  i. IFRS 9, 'Financial Instruments', clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

  ii. IFRS 16, 'Leases', amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments did not have a material impact on the financial statements of the Branch.

Other standards, amendments to standards and interpretations which are effective for the financial year beginning on 1 January 2022 are considered not relevant or material to the Branch's financial statements.

(b) Amendments to existing standards and interpretations not yet adopted by the Branch

The following amendments to existing standards are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Branch:

- Amendments to IAS 1, 'Presentation of Financial Statements'

  The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

  In addition, IAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to IAS 12, 'Income Taxes'

  The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

There are no other relevant standards, interpretations, and amendments that are effective beginning on or after 1 January 2023 that are expected to have a material impact on the Branch's financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to both years presented in the financial statements unless otherwise stated.

3.1 Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Branch at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in the statements of total comprehensive income.

3.2 Financial instruments

i. Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Branch becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus or less transaction costs that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss ("FVTPL"). A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Branch changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Branch makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Branch's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Branch's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

The Branch has no financial assets measured at FVTPL as at 31 December 2022 and 2021.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Branch considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Branch's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statements of total comprehensive income. Any gain or loss on derecognition is recognised in the statements of total comprehensive income.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in the statements of total comprehensive income as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

The Branch has no financial liabilities measured at FVTPL as at 31 December 2022 and 2021.

iii. Derecognition

Financial assets

The Branch derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Branch enters into transactions whereby it transfers assets recognised in its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Branch derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Branch also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statements of total comprehensive income.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Branch currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

As at 31 December 2022 and 2021, there are no financial assets and liabilities that have been offset.

v. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments. For the purpose of the statements of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Branch's cash management are included in cash and cash equivalents.

3.3 Property and equipment

i. Recognition and measurement

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in statements of total comprehensive income.

ii. Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Branch, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in statements of total comprehensive income as incurred.

iii. Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in statements of total comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of property and equipment unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the property and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

Renovation	10 years
Equipment and furniture	3 to 10 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.4 Leases

The Branch as the lessee

At commencement or on modification of a contract that contains a lease component, the Branch allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Branch recognises a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Branch by the end of the lease term or the cost of the ROU asset reflects that the Branch will exercise a purchase option. In that case the ROU asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Branch uses the lessee's incremental borrowing rate as the discount rate.

The Branch determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Branch is reasonably certain to exercise, lease payments in an optional renewal period if the Branch is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Branch is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Branch's estimate of the amount expected to be payable under a residual value guarantee, if the Branch changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in statements of total comprehensive income if the carrying amount of the ROU asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Branch has elected not to recognise ROU assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Branch recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.5 Impairment of financial assets

The Branch recognises loss allowances for all financial assets, except for financial assets classified or designated as 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 Branch. 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 events 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 or more.

(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 Branch considers 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 Branch.

(2) Qualitative criteria

- Legal action has been initiated by the Branch for recovery purposes;
- Borrower is a bankrupt; and
- Borrower has been assigned to external collection agency.

Significant increase in credit risk ('SICR')

(1) The Branch 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 Branch 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; and
- 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 product 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 statements 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 Branch'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 statements 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 is more than 30 days past due on its contractual payments.

3.6 Impairment of non-financial assets

The carrying amounts of the Branch's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in the statements of total comprehensive income. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the statements of total comprehensive income in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.8 Provisions and contingencies

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

3.9 Interest income and expense

Interest income for financial assets held at FVOCI or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in statements of total comprehensive income using the effective interest rate method.

Interest income and expense on financial instruments held at FVTPL is recognised within net interest income.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instrument's original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

Interest income for financial assets that are either held at fair value through other comprehensive income or amortised cost that have become credit impaired subsequent to initial recognition (Stage 3) and have had amounts written off, is recognised using the credit adjusted effective interest rate. This rate is calculated in the same manner as the effective interest rate except that expected credit losses are included in the expected cash flows. Interest income is therefore recognised on the amortised cost of the financial asset including expected credit losses. Should the credit risk on a Stage 3 financial asset improve such that the financial asset is no longer considered credit impaired, interest income recognition reverts to a computation based on the rehabilitated gross carrying value of the financial asset.

3.10 Fees and commission

Other fees and commission income, including renewal fees, cancellation fees, commissions and service fees, are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, and are expensed as the services are received.

3.11 Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in statements of total comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Branch expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Branch. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

4 Cash and short-term funds

This account as at 31 December consists of:

	2022	2021
Cash on hand	6,078	3,434
Balances placed with BDCB (unrestricted balance)	16,383	31,645
Balances with banks and other financial institutions	95,302	81,450
	117,763	116,529

As at 31 December 2022, placements with maturity of three months or less from the date of acquisition amounting to B$15,289 (2021 - B$32,901) are classified as cash and cash equivalents in the statements of cash flows (Note 18).

Balances placed with BDCB and with banks and other financial institutions earn interest at prevailing annual rates ranging from 0.15% to 4.09% in 2022 (2021 - 0.14% to 0.57%).

5 Balances with BDCB

As at 31 December 2022, this account amounted to B$8,506 (2021 - B$8,477).

The minimum cash reserve is maintained as required by the provisions of Section 45 of the Brunei Darussalam Banking Order 2006. This is not available for use in the Branch's day to day operations. At 31 December 2022 and 2021, the minimum cash reserve requirement is 6% of the deposit liabilities and is not earning interest.

6 Group balances receivable

This account as at 31 December consists of:

Receivable from:	2022	2021
RHB Bank Berhad - Singapore Branch	6,412	2,079
RHB Bank Berhad - Bangkok Branch	4	4
	6,416	2,083

All group balances receivables are current, collectible on demand and bear annual interest rates ranging from 0.03% to 2.80% in 2022 (2021 - 0.13% to 5.50%).

7 Government bonds

This account as at 31 December consists of:

	2022	2021
Government bonds held		
Original maturity less than one year	15,000	15,000

The Branch classifies the Government bonds as financial assets at amortised cost. Government bonds bear annual interest rates ranging from 0.13% to 2.50% in 2022 (2021 - 0.11% to 0.31%).

8 Loans and advances to customers, net

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

	Note	2022	2021
Cash line/overdrafts		16,308	14,131
Term loans:			
Property loans		15,194	15,854
Other term loans		24,824	26,871
Trust receipts		2,999	2,741
Gross loans and advances		59,325	59,597
Less: Allowance for credit losses on loans and advances to customers	31(i)	(632)	(310)
		58,693	59,287

Maturity profile of the Branch's loans and advances to customers as at 31 December are as follows:

	2022	2021
Current	6,052	6,802
Non-current	52,641	52,485
	58,693	59,287

Temporary regulatory relief (the "Moratorium")

As a result of the COVID-19 situation, BDCB released a notice for a temporary regulatory relief or moratorium allowing loan customers to apply for temporary deferment or restructuring of their loan payments and accounts.

As at 31 December, certain customers availed of the said loan moratorium with aggregate amounts as follows:

	2022	2021
Corporate loans	-	1,769
Retail loans	-	4,725
Gross loans and advances	-	6,494

Staging of loans pertaining to the moratorium availed are as follows:

	2022	2021
Stage 1	-	6,228
Stage 2	-	266
Stage 3	-	-
	-	6,494

In 2022, the temporary regulatory relief granted to customer ended and the Branch did not receive any new temporary loan regulatory relief applications during the year. In 2021, the related loans above have an average maturity period of eight years.

Loan and advances to customers bear annual interest rates ranging from 4.50% to 7.50% in 2022 and 2021.

9 Right-of-use asset

The Branch leased an office and entered into a tenancy agreement in 2019, with a lease term of three years effective until 2021. The Branch is restricted from entering into any sub-lease arrangements and has an option to renew after three years. Lease payments are likewise renegotiated every three years to reflect market rentals. In 2021, the Branch did not renew the lease and entered into a tenancy agreement for its new office space for a lease term of five years effective until 31 July 2026, with options to renew.

The Branch leases office equipment with contract terms of one to two years. These leases are short-term and/or leases of low-value items; thus, the Branch has elected not to recognise right-of-use (ROU) asset and lease liability for these leases.

The roll-forward analysis of ROU asset recognised in relation to IFRS 16 is shown below:

	Amount
Balance at 1 January 2021	204
Additions	732
Depreciation charge during the year	(197)
Balance at 31 December 2021	739
Depreciation charge during the year	(214)
Balance at 31 December 2022	525

The amounts recognised in the statements of total comprehensive income in relation to IFRS 16 is shown below:

	Note	2022	2021
Interest on lease liability	16	26	15
Expenses relating to short-term leases and low-value assets (included under Other expenses)		10	9

Extension options

The lease of office space contains an extension option exercisable by the Branch up to three years before the end of the non-cancellable contract period. Where practicable, the Branch seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Branch and not by the lessors. The Branch assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Branch reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Branch has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liabilities of B$208 (2021 - B$371).

10 Property and equipment

This account as at 31 December consists of:

At 31 December 2022	Renovation	Equipment and furniture	Motor vehicles	Total
Cost				
1 January	1,389	1,632	93	3,114
Additions	1,555	263	-	1,818
	2,944	1,895	93	4,932
Accumulated depreciation				
1 January	1,243	1,508	25	2,776
Depreciation	107	110	14	231
	1,350	1,618	39	3,007
Net book value	1,594	277	54	1,925

At 31 December 2021	Renovation	Equipment and furniture	Motor vehicles	Total
Cost				
1 January	1,237	1,615	106	2,958
Additions	152	17	73	242
Disposals	-	-	(86)	(86)
	1,389	1,632	93	3,114
Accumulated depreciation				
1 January	1,235	1,436	106	2,777
Depreciation	8	72	5	85
Disposals	-	-	(86)	(86)
	1,243	1,508	25	2,776
Net book value	146	124	68	338

11 Other assets

This account as at 31 December consists of:

	2022	2021
Accrued interest receivable	737	122
Prepayments	373	236
Deposits	35	87
Other receivables	672	598
	1,817	1,043

As at 31 December 2022 and 2021, other receivables pertain to postage, revenue stamps and service charges, cheque books and stationery stock.

12 Deposits from customers

The analysis of this account by type of deposits as at 31 December is as follows:

	2022	2021
Demand deposits	31,627	30,931
Savings deposits	6,741	7,806
Fixed deposits	108,755	102,115
Others	199	200
	147,322	141,052

Others pertain to unclaimed moneys and advance payment from customers.

The analysis of the account by type of customers as at 31 December is as follows:

	2022	2021
Business enterprises	58,585	56,573
Government	52,289	44,718
Individuals	36,249	39,561
Others	199	200
	147,322	141,052

Deposits from customers bear annual interest rates ranging from 0.15% to 0.20% in 2022 and 2021.

13 Deposits from banks and other financial institutions

This account as at 31 December consists of:

	2022	2021
Banks and financial institutions	417	673

Deposits from banks and other financial institutions are current in nature, unsecured and non-interest bearing.

14 Group balances payable

This account as at 31 December consists of:

Payable to:	2022	2021
RHB Bank Berhad - Head Office	15,090	16,399
RHB Bank Berhad - Singapore Branch	60	60
	15,150	16,459

As at 31 December 2022 and 2021, all group balances payable are unsecured and bear annual interest rates ranging from 1.05% to 4.00% (2021 - 0.03% to 1.05%) and are expected to be settled within 12 months after the reporting date.

15 Other liabilities

This account as at 31 December consists of:

	2022	2021
Creditors and accruals	1,590	575
Accrued interest payable	576	151
	2,166	726

As at 31 December 2022 and 2021, creditors and accruals consist of accounts payable and accrued expenses for bonuses and professional fees.

16 Lease liabilities

	Note	2022	2021
Balance at 1 January		745	209
Changes from financing cash flows			
Payment of principal portion		(208)	(196)
Interest paid		(26)	(15)
		(234)	(211)
Other changes			
Additions	9	-	732
Interest expense	19	26	15
		26	747
Balances at 31 December		537	745

17 Head Office account

The account comprises capital account with Head Office, and includes the profit for the year and reserves.

Reserves

The account as at 31 December consist of:

	2022	2021
Statutory reserve fund	7,282	6,650

The statutory reserve fund is maintained in accordance with Section 24 of the Banking Order, 2006. The Branch shall transfer a minimum of 50% of the profit for the financial year to the statutory reserve fund. The statutory reserve fund is not distributable as repatriation to the Head Office. In 2022, the Branch transferred B$632 from retained profits to reserves (2021 - B$626).

In accordance with Section 6 of the Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses, the Branch appropriates an amount equal to the accrued profit income on non-performing financial assets from retained profits to a non-distributable reserve in the prudential returns.

18 Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows for the years ended 31 December comprise the following amounts:

	Note	2022	2021
Cash on hand	4	6,078	3,434
Balances placed with BDCB	4	16,383	31,645
Balances with banks and other financial institutions	4	15,289	32,901
		37,750	67,980

19 Net interest income

This account for the years ended 31 December consists of:

	2022	2021
Interest income		
Loans and advances to customers	3,093	3,190
Deposits and placement with other banks	1,054	363
Government bonds	123	23
Group balances receivable	54	3
Total interest income	4,324	3,579
Interest expense		
Deposits from customers	755	403
Group balances payable	94	4
Total interest expense	849	407
Net interest income	3,475	3,172

20 Fee and commission income

This account for the years ended 31 December consists of:

	2022	2021
Fee income		
Commission	343	382
Service charges	91	78
Fees on loans and advances	79	76
Guarantee fees	11	10
Others	3	2
Total fee income	527	548

21 Other income

This account for the years ended 31 December consists of:

	2022	2021
Foreign exchange gain	324	396
Gain on disposal of property and equipment	-	22
	324	418

22 Personnel expenses

This account for the years ended 31 December consists of:

	2022	2021
Wages and salaries	986	957
Allowance and bonuses	322	284
Contributions to defined contribution plan	151	143
Others	90	79
	1,549	1,463

Key management personnel's compensation is disclosed in Note 29.

23 Other expenses

This account for the years ended 31 December consists of:

	2022	2021
Electronic data processing expenses	291	239
License fees	97	100
Legal and professional fees	55	50
Advertisement and publicity	11	9
Others	443	432
	897	830

Others pertain to expenses incurred for utilities, security services, office supplies, cable and telephone charges and transportation expenses.

24 Reversal of credit losses on financial assets, net

Movements in the reversal allowance for credit losses on loans and advances to customers and other financial assets for the years ended 31 December are as follows:

	2022	2021
Loans and advances to customers		
Net allowance provided	(322)	(351)
Bad debts recovered	514	439
Bad debts written-off	(100)	(31)
Other financial assets	14	(20)
	106	37

25 Tax expense

The tax charge recognised in profit or loss for the years ended 31 December comprises the following:

	2022	2021
Current year	208	259
Under provision in respect of prior financial year	-	1
	208	260

The tax expense on the results of the Branch differs from the amount that would arise using the Brunei Darussalam statutory rate of income tax for the years ended 31 December due to the following:

Reconciliation of effective tax rate	2022	2021
Profit before taxation	1,472	1,512
Tax calculated at a tax rate of 18.5%	272	280
Non-deductible expenses	26	37
Non-taxable income	(66)	(5)
Tax incentives	(24)	(53)
	208	259

26 Commitments and contingencies

In the normal course of business, the Branch makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. As the contingencies and commitments may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

	2022	2021
Contingencies		
Letters of credit	47	902
Guarantees and bonds	2,062	2,245
Others	620	357
	2,729	3,504
Commitments		
Undrawn credit lines	9,473	10,019
	12,202	13,523

27 Accounting classifications and fair values

The Branch's classification of its financial assets and liabilities is summarised in the table below:

31 December 2022

Financial assets	FVTPL	Designated at FVTPL	FVOCI	At amortised cost	Total
Cash and short-term funds	-	-	-	117,763	117,763
Balances with BDCB	-	-	-	8,506	8,506
Group balances receivable	-	-	-	6,416	6,416
Government bonds	-	-	-	15,000	15,000
Loans and advances to customers	-	-	-	58,693	58,693
Other assets*	-	-	-	1,444	1,444
	-	-	-	207,822	207,822

Financial liabilities	FVTPL	Designated at FVTPL	At amortised cost	Total
Deposits from customers	-	-	147,322	147,322
Deposits from banks and other financial institutions	-	-	417	417
Group balances payable	-	-	15,150	15,150
Lease liabilities	-	-	537	537
Other liabilities	-	-	2,166	2,166
	-	-	165,592	165,592

31 December 2021

Financial assets	FVTPL	Designated at FVTPL	FVOCI	At amortised cost	Total
Cash and short-term funds	-	-	-	116,529	116,529
Balances with BDCB	-	-	-	8,477	8,477
Group balances receivable	-	-	-	2,083	2,083
Government bonds	-	-	-	15,000	15,000
Loans and advances to customers	-	-	-	59,287	59,287
Other assets*	-	-	-	807	807
	-	-	-	202,183	202,183

Financial liabilities	FVTPL	Designated at FVTPL	At amortised cost	Total
Deposits from customers	-	-	141,052	141,052
Deposits from banks and other financial institutions	-	-	673	673
Group balances payable	-	-	16,459	16,459
Lease liabilities	-	-	745	745
Other liabilities	-	-	726	726
	-	-	159,655	159,655

** Excludes prepayments*

Fair value hierarchy

For disclosure purposes, the level in the hierarchy within which the instruments are classified in its entirety is based on the lowest level input that is significant to the instrument's fair value measurements:

- Level 1 - Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

There are no financial assets measured at fair value in the statements of financial position as at 31 December 2022 and 2021. There are also no non-financial assets or liabilities that would require disclosure of fair value hierarchy as at 31 December 2022 and 2021.

Determination of fair value

The methodologies and assumptions used in estimating fair values depend on the terms and risk characteristics of the various instruments and include the following:

Loans and advances

Fair value of loans and advances is estimated by discounting anticipated cash flows (including interest at contractual rates). Performing loans are grouped, to the extent possible, into homogenous pools segregated by maturity and the coupon rates of the loans within each pool. In general, cash flows are discounted using current market rates for instruments with similar maturity, repricing and credit risk characteristics.

For non-performing uncollateralised loans and advances, an estimate is made of the time period to realise these cash flows and the fair value is estimated by discounting these cash flows at the effective interest rate. For non-performing loans and advances where collateral exists, the fair value is the lesser of the carrying value of loans and advances, net of specific allowances, or the fair value of the collateral, discounted as appropriate.

Based on the methodology described above, the Branch has determined that the carrying values of loans and advances approximate their fair values.

Deposits by customers

Deposits by customer is calculated using discounted cash flow models, based on the deposit type and its related maturity, applying either market rates, where applicable or current rates offered for deposits of similar remaining maturities.

Based on the methodology described above, the Branch has determined that the carrying values of deposits by customers approximate fair values.

Other financial assets and liabilities

At the reporting date, the carrying amounts of other financial assets and liabilities (including cash and short-term funds, balances with BDCB, group balances receivable, government bonds, other assets, deposits from banks and other financial institutions, group balances payable, lease liabilities and other liabilities) approximate their fair values because of the short periods to maturity or the effect of discounting is immaterial.

28 Current and non-current assets and liabilities

31 December 2022

	Current	Non-current	Total
ASSETS			
Cash and short-term funds	117,763	-	117,763
Balances with BDCB	8,506	-	8,506
Group balances receivable	6,416	-	6,416
Government bonds	15,000	-	15,000
Loans and advances to customers	6,052	52,641	58,693
Right-of-use asset	-	525	525
Property and equipment	-	1,925	1,925
Other assets	1,183	634	1,817
Total assets	154,920	55,725	210,645
LIABILITIES			
Deposits from customers	147,322	-	147,322
Deposits from banks and other financial institutions	417	-	417
Group balances payable	15,150	-	15,150
Other liabilities	2,166	-	2,166
Provision for taxation	208	-	208
Lease liabilities	143	394	537
Total liabilities	165,406	394	165,800

31 December 2021

	Current	Non-current	Total
ASSETS			
Cash and short-term funds	116,529	-	116,529
Balances with BDCB	8,477	-	8,477
Group balances receivable	2,083	-	2,083
Government bonds	15,000	-	15,000
Loans and advances to customers	6,802	52,485	59,287
Right-of-use asset	-	739	739
Property and equipment	-	338	338
Other assets	945	98	1,043
Total assets	149,836	53,660	203,496
LIABILITIES			
Deposits from customers	141,052	-	141,052
Deposits from banks and other financial institutions	673	-	673
Group balances payable	16,459	-	16,459
Other liabilities	726	-	726
Provision for taxation	260	-	260
Lease liabilities	208	537	745
Total liabilities	159,378	537	159,915

29 Related party transactions

Parties are considered to be related to the Branch if the Branch or its Head Office has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Branch and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In the normal course of its banking business, the Branch has carried out transactions with related parties, principally the Head Office, which is the ultimate controlling party of the Branch, and with other branches and related corporations on terms agreed between the parties. Material related party transactions are separately disclosed in Notes 6 and 14.

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation for the years ended 31 December comprises the following:

	2022	2021
Short-term employee benefits	207	199

Remuneration paid to key management personnel includes salary, bonus and other benefits-in-kind.

Key management personnel transactions

As at 31 December 2022 and 2021, there were no transactions or outstanding balances related to key management personnel.

30 Capital management

The Branch's approach to capital management is to ensure that the Branch maintains adequate level of capital necessary to support its business and growth, to meet regulatory capital requirements at all times and to maintain a good credit rating.

Head Office committees oversee the Branch's capital planning and assessment process. Any capital management plans, the contingency capital plans, and any capital management actions are submitted to Head Office senior management team and/or Head Office Board for approval.

As a branch of a foreign entity, the Head Office is the primary equity capital provider to the Branch, and this is done via the Head Office's own retained earnings and capital issuance. Capital generated by the Branch in excess of planned requirements is returned to the Head Office by way of repatriations.

Capital adequacy ratio ("CAR")

The Branch is required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by the BDCB. The Branch is in compliance with all prescribed capital ratios throughout the year.

	2022	2021
Regulatory capital		
Core capital (Tier I capital)	44,845	43,581
Supplementary capital (Tier II capital)	233	156
Adjustment to Tier II capital	-	-
Total capital base	45,078	43,737
Total risk-weighted amount		
Risk weighted amount for credit risk	92,902	84,946
Risk weighted amount for operational risk	7,614	7,296
Risk weighted amount for market risk	292	91
Total risk-weighted amount	100,808	92,333
Capital ratios	%	%
Core capital (Tier 1) ratio	44.49	47.20
Total capital ratio	44.72	47.37

31 Financial risk management

The RHB Group (the "Group") takes proactive measures to manage the various risks posed by the rapidly changing business environment. A dedicated Board Risk Committee ("BRC") provides risk oversight of all material risks across the Group. At the management level, the Group Capital and Risk Committee ("GCRC") and the Group Assets and Liability Committee ("Group ALCO") ensure all key risks are managed in line with their respective Terms of Reference. The oversight process of the Group extends to the Branch.

Group risk management framework

The Group Risk Management Framework governs the management of risks in the Group as follows:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls 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 Branch adopts and is guided by the Group Risk Management Framework in administration and implementation of its risk management activities.

Key features of the framework include the following:

Risk Governance and Oversight

The Board of Directors (the "Board") 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.

The Board, through the respective risk committees and the Group Risk and Credit Management function, establishes the risk appetite and risk principles for the Group and relevant entities. The Board Risk Committee is the principal Board Committee that provides oversight over the risk management activities for the Group 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, and risk issues relevant and unique to its business.

The responsibility for the supervision and the day-to-day management of enterprise risks and capital matters is delegated to the Group Capital and Risk Committee comprising senior management of the Group and which reports to the relevant board committees and the Group Management Committee. The 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 Brunei Operation'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 responsible for the active oversight of Group-wide functional risk management, such as Group Credit Risk Management, Group Asset and Liability Management, Group Operational Risk Management, Group Technology and Cyber Risk Management, Group Shariah Risk Management, Risk Strategy and Transformation, Enterprise Risk Management, Group Credit Management 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 alignment of the Group's business strategy with its risk strategy, and vice-versa is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk Culture

The Group subscribes to the principle of 'Risk and Compliance is Everyone's Responsibility' and risk management is managed via a 'three lines of defence' model. Business/functional units of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risk.

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 at the respective entities and consolidated level as well as business level 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 risk intelligence to relevant stakeholders within the Group to facilitate more effective decision making.

Risk Documentation

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are effected 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 and the Branch'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 program.

The main financial risks that the Branch is exposed to and how they are being managed are set out below.

(i) Credit risk

Credit risk arises as a result of customers' or counterparties' failure or unwillingness to fulfil their financial and contractual obligations as and when they arise.

Corporate and institutional credit risks are assessed by business units and approved by an independent party (Group Credit Management). Reviews are conducted at least once a year. A post-approval evaluation of credit facilities is emplaced and performed by the Credit Review team, with checks to ensure that credit facilities are properly appraised and approved. In addition, credit policies and product guidelines are continuously enhanced to ensure that they remain relevant in managing credit risks. A dedicated Credit Policy & Portfolio Management team designs strategies to achieve a desired ideal portfolio risk tolerance level.

The maximum exposure to credit risk is limited to the amounts on the statements of financial position, without taking into account the fair value of any collateral or master netting agreements.

As a fundamental credit principle, the Branch 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 service ability.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically to cover credit risk associated with the respective financial asset. The main type of collateral taken by the Branch is cash and properties. Policies and processes are in place to monitor collateral concentration.

Credit Exposure by Stage

Financial assets are classified into three stages as below:

Stages	Description
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 and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.
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.
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.

Write-off policy

The Branch write off financial assets, in whole or in part when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

(i) Ceasing enforcement activity, and

(ii) Where the Branch's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Branch may apply enforcement activities to financial assets written off. Recoveries resulting from the Branch's enforcement activities will be written back as bad debts recovered in the statements of total comprehensive income.

Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position date is the amount on the statements of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Branch would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

The table below shows the credit exposure of the Branch as at 31 December that are subject to impairment:

	2022	2021
Credit risk exposure relating to on-balance sheet assets:		
Short term funds (exclude cash on hand)	111,685	113,095
Balances with BDCB	8,506	8,477
Group balances receivable	6,416	2,083
Government bonds	15,000	15,000
Loans and advances to customers, net	58,693	59,287
Other financial assets	1,444	807
	201,744	198,749
Credit risk exposure relating to off-balance sheet items:		
- Commitments and contingencies	12,202	13,523
Total maximum credit risk exposure that are subject to impairment	213,946	212,272

Financial assets - credit quality

Loans and advances to customers analysed by stages as at 31 December 2022:

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Balance as at 1 January 2022	57,386	654	1,557	59,597
Changes due to financial assets recognised in the opening balance that have been:				
Transferred to 12-month ECL (Stage 1)	401	(396)	(5)	-
Transferred to Lifetime ECL not credit impaired (Stage 2)	(221)	221	-	-
Transferred to Lifetime ECL credit impaired (Stage 3)	(534)	-	534	-
Origination	6,007	-	-	6,007
Derecognition	(5,887)	(125)	(167)	(6,179)
Amount written-off	-	-	(100)	(100)
Gross loans and advances	57,152	354	1,819	59,325
Allowance for credit losses	(210)	(23)	(399)	(632)
Balances as at 31 December 2022	56,942	331	1,420	58,693

Loans and advances to customers analysed by stages as at 31 December 2021:

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Balance as at 1 January 2021	54,362	217	2,167	56,746
Changes due to financial assets recognised in the opening balance that have been:				
Transferred to 12-month ECL (Stage 1)	383	-	(383)	-
Transferred to Lifetime ECL not credit impaired (Stage 2)	(463)	463	-	-
Transferred to Lifetime ECL credit impaired (Stage 3)	(204)	-	204	-
Origination	8,898	-	14	8,912
Derecognition	(5,590)	(26)	(23)	(5,639)
Amount written-off	-	-	(422)	(422)
Gross loans and advances	57,386	654	1,557	59,597
Allowance for credit losses	(127)	(29)	(154)	(310)
Balances as at 31 December 2021	57,259	625	1,403	59,287

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
Balance as at 1 January 2022	127	29	154	310
Changes due to financial assets recognised in the opening balance that have been:				
Transferred to 12-month ECL (Stage 1)	18	(18)	-	-
Transferred to Lifetime ECL not credit impaired (Stage 2)	(1)	1	-	-
Transferred to Lifetime ECL credit impaired (Stage 3)	(1)	-	1	-
	143	12	155	310
Allowance provided during the financial year	67	11	244	322
Bad debts written-off	-	-	-	-
Balances as at 31 December 2022	210	23	399	632

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Balance as at 1 January 2021	21	9	345	375
Changes due to financial assets recognised in the opening balance that have been:				
Transferred to 12-month ECL (Stage 1)	-	-	-	-
Transferred to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transferred to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
	21	9	345	375
Allowance provided during the financial year	106	20	225	351
Bad debts written-off	-	-	(416)	(416)
Balances as at 31 December 2021	127	29	154	310

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

31 December 2022	Loans and advances	Letters of credit, guarantees, bonds and others	Undrawn credit lines
By industry sector:			
Agriculture	-	13	83
Manufacturing	521	4	21
Transportation	-	71	-
Traders	13,536	2,114	7,701
Services	4,655	436	264
Construction and property financing	35,084	-	1,046
Personal and consumption loans	3,030	4	99
Tourism	2,455	40	-
Telecommunication and IT	44	47	259
Gross loans and advances	59,325	2,729	9,473
Less: Allowance for credit losses	(632)	-	-
Balance as at 31 December 2022	58,693	2,729	9,473

31 December 2021	Loans and advances	Letters of credit, guarantees, bonds and others	Undrawn credit lines
By industry sector:			
Agriculture	238	14	34
Manufacturing	512	5	31
Transportation	-	21	-
Traders	11,253	2,350	8,121
Services	4,231	326	360
Construction and property financing	37,718	4	1,170
Personal and consumption loans	3,030	-	184
Tourism	2,478	138	56
Telecommunication and IT	137	646	63
Gross loans and advances	59,597	3,504	10,019
Less: Allowance for credit losses	(310)	-	-
Balance as at 31 December 2021	59,287	3,504	10,019

31 December 2022	Loans and advances	Letters of credit, guarantees, bonds and others	Undrawn credit lines
By customer type:			
Commercial	23,976	2,725	8,087
Retail	35,349	4	1,386
Gross loans and advances	59,325	2,729	9,473
Less: Allowance for credit losses	(632)	-	-
Balance as at 31 December 2022	58,693	2,729	9,473

31 December 2021	Loans and advances	Letters of credit, guarantees, bonds and others	Undrawn credit lines
By customer type:			
Commercial	21,196	3,500	7,676
Retail	38,401	4	2,343
Gross loans and advances	59,597	3,504	10,019
Less: Allowance for credit losses	(310)	-	-
Balance as at 31 December 2021	59,287	3,504	10,019

Collateral accepted as security for loans and advances

Collaterals and other security enhancements held against loans and advances as at 31 December are as follows:

	2022	2021
Secured loans and advances:		
Mortgage of properties	50,805	53,228
Cash	7,837	5,897
Guarantees	299	277
Unsecured loans and advances:		
Mortgage of properties	384	195
Gross loans and advances	59,325	59,597
Less: Allowance for credit losses	(632)	(310)
Balance as at 31 December	58,693	59,287

Security coverage of impaired loans and advances:

	2022	2021
Secured by cash / mortgage of properties	1,724	1,557

(ii) Market risk

Market risk is the risk of financial loss where the value of the Branch's assets and liabilities could be adversely affected by changes in market variables such as interest rates, securities prices and foreign exchange rates. Market liquidity risk is the risk of financial loss caused by inability to secure market transactions at the required volume or price levels as a result of market turbulence or lack of trading liquidity.

As at 31 December 2022 and 2021, the Branch is not exposed to significant market risk due to the nature and classification of its financial instruments.

Foreign exchange risk

Foreign exchange risk is the risk to earnings and economic value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates.

The Branch's foreign exchange exposures comprise non-trading foreign exchange exposure principally derived from interbranch nostro accounts. As the majority of foreign exchange exposure is to Singapore Dollar (SGD), the Branch is not exposed to significant foreign exchange risk due to the Currency Interchangeability Agreement between Singapore and Brunei which interchange the two currencies at par.

Interest rate risk

Interest rate risk is the risk to both earnings and capital arising from adverse movement in interest rates.

At the reporting date, the interest rate profile of the Branch's interest-bearing financial instruments is as follows:

	2022	2021
Fixed-rate assets	109,950	96,499
Floating-rate assets	59,325	59,597
Fixed-rate liabilities	(115,496)	(109,921)
	53,779	46,175

Interest rate sensitivity analysis

The Branch does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting dates would not affect profit or loss for fixed rate financial instruments.

At the reporting date, an increase of 100 basis points in interest rates would have increased profit or loss by B$593 (2021 - B$596) for variable rate financial instruments. A decrease of 100 basis points in interest rates would have the opposite effect on profit or loss. This analysis assumes that all other variables remain constant.

(iii) Liquidity risk

Liquidity risk is the inability of the Branch to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses.

Liquidity risk is addressed through various measurement techniques such as liquidity gap analysis, early warning signals and stress testing that are controlled using approved limits and benchmarks. Periodic reports are presented to various operating and management level, including the Assets Liability Committee, Risk Management Committee and Board of Directors. In addition, the Branch reviews and enhances its Contingency Funding Plan to address probable circumstances that could cause liquidity distress to the Branch.

The following table shows cash flow analysis of the Branch'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 2022	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets					
Cash and short-term funds	49,802	31,823	36,138	-	117,763
Balances with BDCB	8,506	-	-	-	8,506
Group balances receivables	6,416	-	-	-	6,416
Government bonds	10,000	-	5,000	-	15,000
Loans and advances to customers	3,768	1,947	337	52,641	58,693
Other assets	840	371	233	-	1,444
Total assets	79,332	34,141	41,708	52,641	207,822
Liabilities					
Deposits from customers	39,665	27,800	62,576	17,281	147,322
Deposits from banks and other financial institutions	417	-	-	-	417
Group balances payable	15,150	-	-	-	15,150
Other liabilities	1,753	203	210	-	2,166
Lease liabilities	35	36	72	394	537
Total liabilities	57,020	28,039	62,858	17,675	165,592

31 December 2021	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets					
Cash and short-term funds	71,981	14,315	30,233	-	116,529
Balances with BDCB	8,477	-	-	-	8,477
Group balances receivables	2,083	-	-	-	2,083
Government bonds	15,000	-	-	-	15,000
Loans and advances to customers	6,180	549	73	52,485	59,287
Other assets	750	30	27	-	807
Total assets	104,471	14,894	30,333	52,485	202,183
Liabilities					
Deposits from customers	44,034	31,890	47,567	17,561	141,052
Deposits from banks and other financial institutions	673	-	-	-	673
Group balances payable	16,459	-	-	-	16,459
Other liabilities	654	48	24	-	726
Lease liabilities	70	69	69	537	745
	61,890	32,007	47,660	18,098	159,655

32 Impact of COVID-19 pandemic

As the Brunei economy fully reopens and society shifts into its new normal, the Branch's business model and operating environment have now fully integrated various business continuity plans enacted during the pandemic. These include, but are not limited to, changes in the workforce arrangements, and the skeletal operations working set-up, all duly supported by the use of mobility tools and virtual communications. The Branch's accelerated digital transformation has also ensured continuous client service through its various distribution platforms while maintaining back-office efficiency. The Branch's risk management, with the support from its Head Office, continues to guard against increasing cybersecurity risks heightened by remote and virtual work arrangements.

The Branch upholds a stringent credit process while also enhancing aspects of its underwriting, monitoring, and collections, in consideration of the changes in regulatory, economic, and competitive environment, and customer behaviors post-crisis. Monitoring vulnerable industries and sectors that have been affected by COVID-19 and having regular conversations with clients also continues. In a collective effort to assist and reduce the burden of all customers (business and individuals) following the second wave of COVID-19 pandemic in 2021, BDCB has also extended the temporary regulatory reliefs to assist and reduce the financial burden of all customers (businesses and individuals) until 30 June 2022. There were certain number of customers of the Branch which have applied and approved for the deferment of their loan repayments whose business or income is affected by the second wave of COVID-19 pandemic. The outstanding balance of the loans of the customers who have applied for the deferment of loan repayments are disclosed in Note 8.

The Branch has considered the implications of the pandemic to its results of operations to the extent of the existing conditions as at reporting date. The Branch will continue to make further assessment in the future considering that the COVID-19 pandemic is still an evolving situation with continued uncertainties.

Appendix I: BDCB Notice No. BUN-1/2017/36 Disclosure of Corporate Governance Arrangements

Corporate Governance

The Branch is headed by its Chief Executive Officer (CEO), as authorised by the Head Office, which assume the responsibility for the Branch's leadership and is collectively responsible for meeting the objectives and goals of the Branch.

The Head Office, through its Board of Directors (BOD), sets the RHB Group's strategic aims, ensures that the necessary resources are in place for the RHB Group to meet its objectives and reviews management performance. The BOD should set the RHB Group's, including the Branch's, values and standards, and ensures that its obligations to its shareholders and other stakeholders are understood and met.

The Corporate governance of the RHB Banking Group can be found in the RHB Banking Group's website through the link below:

https://www.rhbgroup.com/others/about-us/corporate-governance.html

Corporate Governance Overview Statement

https://www.rhbgroup.com/files/others/about-us/corporate-governance/rhb-bank-berhad/corporate-governance-overview-statement.pdf

Corporate Governance Report

https://www.rhbgroup.com/files/others/about-us/corporate-governance/rhb-bank-berhad/corporate-governance-report.pdf