RHB Bank Berhad -
Brunei Darussalam Branch

Financial Statements
As at and for the years ended 31 December 2023 and 2022

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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 position of the Branch as at 31 December 2023 and 2022, 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 2023 and 2022;
- the statements of total comprehensive income for the years ended 31 December 2023 and 2022;
- the statements of changes in Head Office account for the years ended 31 December 2023 and 2022;
- the statements of cash flows for the years ended 31 December 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information.

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.

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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 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 or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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
25 March 2024

RHB Bank Berhad
Brunei Darussalam Branch

Statements of Financial Position
As at 31 December 2023 and 2022
(In thousands of Brunei Dollar)

	Notes	2023	2022
ASSETS			
Cash and short-term funds	4	74,328	117,763
Balances with Brunei Darussalam Central Bank (BDCB)	5	8,115	8,506
Group balances receivable	6	3,018	6,416
Government bonds	7	15,520	15,000
Loans and advances to customers, net	8	62,129	58,693
Right-of-use asset, net	9	379	525
Property and equipment, net	10	1,719	1,925
Other assets	11	2,970	1,817
Total assets		168,178	210,645
LIABILITIES AND HEAD OFFICE ACCOUNT			
LIABILITIES			
Deposits from customers	12	113,702	147,322
Deposits from banks and other financial institutions	13	740	417
Group balances payable	14	3,055	15,150
Other liabilities	15	3,585	2,166
Provision for taxation	25	243	208
Lease liabilities	16	394	537
Total liabilities		121,719	165,800
HEAD OFFICE ACCOUNT			
Head office account	17	46,459	44,845
Total head office account		46,459	44,845
Total liabilities and head office account		168,178	210,645

The notes on pages 9 to 46 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 2023 and 2022, and its financial performance and its cash flows for the years ended 31 December 2023 and 2022 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.

Tunku Mohammad Firdaus bin Tunku Yahaya
Chief Executive Officer
25 March 2024

Lee Yeh Mei
Head of Operations
25 March 2024

RHB Bank Berhad
Brunei Darussalam Branch

Statements of Total Comprehensive Income
For the years ended 31 December 2023 and 2022
(In thousands of Brunei Dollar)

	Notes	2023	2022
Interest income	19	6,538	4,324
Interest expense	19	(2,389)	(849)
Net interest income		4,149	3,475
Fee and commission income	20	509	527
Other income	21	369	324
Total operating income		5,027	4,326
(Provision for) reversal of credit losses on financial assets, net	24	(66)	106
Net operating income		4,961	4,432
Operating expenses			
Personnel expenses	22	(1,563)	(1,549)
Depreciation of property and equipment	10	(291)	(231)
Depreciation of right-of-use asset	9	(146)	(214)
Operating lease expenses		(17)	(43)
Interest expense on leases	9,16	(19)	(26)
Other expenses	23	(1,068)	(897)
		(3,104)	(2,960)
PROFIT BEFORE TAXATION		**1,857**	**1,472**
Tax expense	25	(243)	(208)
NET PROFIT FOR THE YEAR		**1,614**	**1,264**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,614**	**1,264**

The notes on pages 9 to 46 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 2023 and 2022
(In thousands of Brunei Dollar)

	Note	Assigned capital	Reserves	Retained profits	Total
BALANCES AS AT 1 JANUARY 2022		**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**
COMPREHENSIVE INCOME					
Net profit for the year		-	-	1,614	1,614
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		-	-	1,614	1,614
Transfers between reserves	17	-	807	(807)	-
BALANCES AS AT 31 DECEMBER 2023		**30,000**	**8,089**	**8,370**	**46,459**

The notes on pages 9 to 46 are an integral part of these financial statements.

RHB Bank Berhad
Brunei Darussalam Branch

Statements of Cash Flows
For the years ended 31 December 2023 and 2022
(In thousands of Brunei Dollar)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,857	1,472
Adjustments for:			
Depreciation of property and equipment	10	291	231
Depreciation of right-of-use asset	9	146	214
Provision for credit losses on financial assets	24	106	408
Net interest income	19	(4,149)	(3,475)
Interest expense on leases	16	19	26
Operating loss before changes in operating assets and liabilities		(1,730)	(1,124)
Changes in operating assets and liabilities			
(Increase) decrease in:			
Loans and advances to customers		(3,569)	172
Group balances receivable		3,398	(4,333)
Balances with BDCB		391	(29)
Other assets		(856)	(160)
(Decrease) increase in:			
Deposits from customers		(33,620)	6,270
Deposits from banks and other financial institutions		323	(256)
Group balances payable		(12,095)	(1,309)
Other liabilities		1,034	1,014
Cash (used in) generated from operations		(46,724)	245
Interest received		6,241	3,710
Interest expense paid		(2,004)	(423)
Income tax paid		(208)	(260)
Net cash (used in) generated from operating activities		(42,695)	3,272
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from (placements of) balances with banks		22,505	(31,450)
Purchase of property and equipment	10	(85)	(1,818)
Purchase of government bonds		(15,520)	(15,000)
Redemption of government bonds		15,000	15,000
Net cash generated from (used in) investing activities		21,900	(33,268)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments of principal and interest portion of lease liabilities	16	(162)	(234)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(20,957)	(30,230)
At 1 January		37,750	67,980
At 31 December	18	16,793	37,750

The notes on pages 9 to 46 are an integral part of these financial statements.

1 General information

RHB Bank Berhad (the "Head Office") is a bank incorporated in Malaysia. RHB Bank Berhad Brunei Darussalam Branch (the "Branch") is a segment of RHB Bank Berhad 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 registered office address of the Branch is Units E, F and G, Lot 70516, Kampong Kiarong, Bandar Seri Begawan BS 8711, Brunei Darussalam.

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 2023.

The financial statements have been authorised for issue by the Branch's Management on 25 March 2024.

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 currency. All financial information presented in BND has been rounded off 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 judgement 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 2023 and 2022.

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 2023:

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

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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.

To support this amendment, IFRS Practice Statement 2, Making Materiality Judgements, was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- 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 new standards, interpretations and amendments to existing standards effective 1 January 2023 that are considered to be relevant or have a material impact on 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 2023 reporting period and have not been early adopted by the Branch:

- IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (effective 1 January 2024)

  Amendments made to IAS 1 Presentation of Financial Statements, in 2020 and 2022 clarified 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 entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

  The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

  - the carrying amount of the liability
  - information about the covenants, and
  - facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

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

There are no other relevant standards, interpretations, or amendments to existing standards that are effective beginning on or after 1 January 2024 that are expected to have a material impact on the Branch's financial statements.

3 Material 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 statement of total comprehensive income.

3.2 Financial instruments

i. Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt instruments 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"). Receivables, mainly comprising cash and short-term funds, balances with BDCB, and group balances receivable, without a significant financing component are initially measured at the transaction price.

ii. Classification and subsequent measurement

Non-derivative financial assets

The Branch's a financial assets are 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 2023 and 2022.

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

Financial 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 the statement of total comprehensive income. Any gain or loss on derecognition is recognised in the statement of total comprehensive income.

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

All of the Branch's financial liabilities are classified at amortised cost. These are initially measured at fair value less directly attributable transaction costs and subsequently remeasured at amortised cost using the effective interest rate method.

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.

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 statement of total comprehensive income.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement 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 2023 and 2022, there are no financial assets and liabilities that have been offset.

v. Cash and cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less and are readily convertible to known amount of cash and are subject to insignificant changes in value.

3.3 Property and equipment, net

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. 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 the statement of total comprehensive income.

ii. 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 statement 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:

Leasehold improvement	10 years
Office 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 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.

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 in its ECL calculation. ECL is assessed using an approach which classifies financial assets into three stages which reflect the change in credit quality of the financial assets since initial recognition:

(i) Stage 1: 12 month 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 default that has a detrimental impact on the estimated future cash flows of that asset has 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 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.

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.

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 ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD'). The changes in ECL between two-periods will be recognised in the statement of total comprehensive income.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the approach reverts from lifetime ECL to 12-month 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 allowance for credit losses for these financial assets is based on a 12-month ECL. When an asset is uncollectible, it is written-off against the related provision. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the statement of total comprehensive income.

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

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

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 statement 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 statement 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 amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in statement of total comprehensive income using the effective interest rate method.

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 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 ECL are included in the expected cash flows. Interest income is therefore recognised on the amortised cost of the financial asset including ECL. 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 the statement 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.

3.12 Subsequent events

Post year-end events that provide additional information about the Branch's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4 Cash and short-term funds

This account as at 31 December consists of:

	2023	2022
Cash on hand	3,805	6,078
Balances placed with BDCB (unrestricted balance)	4,988	16,383
Balances with banks and other financial institutions	65,535	95,302
	74,328	117,763

As at 31 December 2023, placements with maturity of three months or less from the date of acquisition amounting to B$8,000 (2022 - B$15,289) are classified as cash and cash equivalents in the statement of cash flows (Note 18).

Balances placed with BDCB and with banks and other financial institutions earn interest at prevailing annual rates ranging from 0.82% to 4.09% in 2023 (2022 - 0.15% to 4.09%).

5 Balances with BDCB

As at 31 December 2023, this account amounted to B$8,115 (2022 - B$8,506).

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 2023 and 2022, 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:

Receivables from:	2023	2022
RHB Bank Berhad - Singapore Branch	3,014	6,412
RHB Bank Berhad - Bangkok Branch	4	4
	3,018	6,416

All group balances receivables are current, collectible at gross amount on demand and bear annual interest rates ranging from 0.03% to 3.80% in 2023 (2022 - 0.03% to 2.80%).

7 Government bonds

This account as at 31 December consists of:

	2023	2022
Government bonds held		
Original maturity of less than one year	15,520	15,000

The Branch classifies the Government bonds as financial assets at amortised cost. Government bonds bear annual interest rates ranging from 3.31% to 3.69% in 2023 (2022 - 0.13% to 2.50%).

8 Loans and advances to customers, net

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

	Note	2023	2022
Cash line/overdrafts		18,610	16,308
Term loans:			
Property loans		13,808	15,194
Other term loans		22,666	24,824
Trust receipts		7,399	2,999
Gross loans and advances		62,483	59,325
Less: Allowance for credit losses on loans and advances to customers	31(i)	(354)	(632)
		62,129	58,693

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

	2023	2022
Current	11,083	6,052
Non-current	51,046	52,641
	62,129	58,693

In June 2022, the temporary regulatory relief granted to customers ended and the Branch did not receive any new temporary loan regulatory relief application in 2022. As at 31 December 2023 and 2022, the Branch does not have any loans and advances under temporary regulatory relief.

Loan and advances to customers bear annual interest rates ranging from 4.00% to 7.50% in 2023 and 2022.

9 Right-of-use asset, net

In 2021, the Branch entered into a tenancy agreement for its office space for a lease term of five years effective until 31 July 2026, with option to renew.

The Branch also leases office equipment with contract term of up to one year. These leases are short-term and/or leases of low-value items; thus, the Branch has elected not to ROU asset and lease liability for these leases.

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

	Amount
Balance at 1 January 2022	739
Depreciation charge during the year	(214)
Balance at 31 December 2022	525
Depreciation charge during the year	(146)
Balance at 31 December 2023	379

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

	Note	2023	2022
Interest on lease liability	16	19	26
Depreciation on ROU asset		146	214
Expenses relating to short-term leases and low-value assets (included under Other expenses)		15	10

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$143 (2022 - B$208).

10 Property and equipment, net

This account as at 31 December consists of:

At 31 December 2023	Leasehold improvements	Office equipment and furniture	Motor vehicles	Total
Cost				
1 January	2,944	1,895	93	4,932
Additions	14	71	-	85
	2,958	1,966	93	5,017
Accumulated depreciation				
1 January	1,350	1,618	39	3,007
Depreciation	172	104	15	291
	1,522	1,722	54	3,298
Net book value	1,436	244	39	1,719

At 31 December 2022	Leasehold improvements	Office 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

11 Other assets

This account as at 31 December consists of:

	2023	2022
Accrued interest receivable	1,034	737
Prepayments	290	373
Deposits	33	35
Miscellaneous	1,613	672
	2,970	1,817

As at 31 December 2023 and 2022, miscellaneous assets 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:

	2023	2022
Demand deposits	28,423	31,627
Savings deposits	5,928	6,741
Fixed deposits	79,145	108,755
Others	206	199
	113,702	147,322

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:

	2023	2022
Individuals	38,580	36,249
Government	38,000	52,289
Business enterprises	36,916	58,585
Others	206	199
	113,702	147,322

Deposits from customers bear annual interest rates ranging from 0.20% to 3.52% in 2023 (2022 - 0.15% to 3.65%).

13 Deposits from banks and other financial institutions

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:

Payables to:	2023	2022
RHB Bank Berhad - Head Office	2,999	15,090
RHB Bank Berhad - Singapore Branch	56	60
	3,055	15,150

All group balances payable are unsecured and bear annual interest rates ranging from 4.00% to 4.80% in 2023 (2022 - 1.05% to 4.00%) and are expected to be settled within 12 months after the reporting date.

15 Other liabilities

This account as at 31 December consists of:

	2023	2022
Account payables and accruals	2,624	1,590
Accrued interest payable	961	576
	3,585	2,166

As at 31 December 2023 and 2022, account payables and accruals consist of balances payable to third parties and accrued expenses for bonuses and professional fees.

16 Lease liabilities

	Note	2023	2022
Balance at 1 January		537	745
Changes from financing cash flows			
Payment of principal portion		(143)	(208)
Interest paid		(19)	(26)
		(162)	(234)
Other changes			
Interest expense	9	19	26
		19	26
Balances at 31 December		394	537

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:

	2023	2022
Statutory reserve fund	8,089	7,282

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 2023, the Branch transferred B$807 from retained profits to reserves (2022 - B$632).

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 statement of cash flows for the years ended 31 December comprise the following amounts:

	Note	2023	2022
Cash on hand	4	3,805	6,078
Balances placed with BDCB	4	4,988	16,383
Balances with banks and other financial institutions	4	8,000	15,289
		16,793	37,750

19 Net interest income

This account for the years ended 31 December consists of:

	2023	2022
Interest income		
Loans and advances to customers	3,251	3,093
Deposits and placement with other banks	2,687	1,054
Government bonds	433	123
Group balances receivable	167	54
Total interest income	6,538	4,324
Interest expense		
Deposits from customers	2,087	755
Group balances payable	302	94
Total interest expense	2,389	849
Net interest income	4,149	3,475

20 Fee and commission income

This account for the years ended 31 December consists of:

	2023	2022
Fee income		
Commission	334	343
Fees on loans and advances	87	79
Service charges	73	91
Guarantee fees	14	11
Others	1	3
Total fee income	509	527

21 Other income

This account for the years ended 31 December consists of:

	2023	2022
Foreign exchange gain	369	324

22 Personnel expenses

This account for the years ended 31 December consists of:

	2023	2022
Wages and salaries	1,028	986
Allowance and bonuses	257	322
Contributions to defined contribution plan	157	151
Others	121	90
	1,563	1,549

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

23 Other expenses

This account for the years ended 31 December consists of:

	2023	2022
Electronic data processing expenses	274	291
Management fees charged by Head Office	179	-
License fees	100	97
Insurance	72	62
Legal and professional fees	53	55
Advertisement and publicity	10	11
Others	380	381
	1,068	897

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

24 (Provision for) reversal of credit losses on financial assets, net

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

	Note	2023	2022
Loans and advances to customers			
Net allowance provided	31 (i)	(133)	(322)
Bad debts recovered		40	514
Bad debts written-off directly in profit or loss		-	(100)
Other financial assets - reversal of allowance		27	14
		(66)	106

25 Tax expense

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

	2023	2022
Current year	243	208

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	2023	2022
Profit before taxation	1,857	1,472
Tax calculated at a tax rate of 18.5%	344	272
Non-deductible expenses	35	26
Non-taxable income	(109)	(66)
Tax incentives	(27)	(24)
	243	208

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.

	2023	2022
Contingencies		
Letters of credit	1,747	47
Guarantees and bonds	3,208	2,062
Others	-	620
	4,955	2,729
Commitments		
Undrawn credit lines	10,008	9,473
	14,963	12,202

27 Accounting classification and fair values

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

31 December 2023

Financial assets	At amortised cost	Total
Cash and short-term funds	74,328	74,328
Balances with BDCB	8,115	8,115
Group balances receivable	3,018	3,018
Government bonds	15,520	15,520
Loans and advances to customers, net	62,129	62,129
Other assets*	2,680	2,680
	165,790	165,790

Financial liabilities	At amortised cost	Total
Deposits from customers	113,702	113,702
Deposits from banks and other financial institutions	740	740
Group balances payable	3,055	3,055
Lease liabilities	394	394
Other liabilities	3,585	3,585
	121,476	121,476

31 December 2022

Financial assets	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	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

** 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 statement of financial position as at 31 December 2023 and 2022. There are also no non-financial assets or liabilities that would require disclosure of fair value hierarchy as at 31 December 2023 and 2022.

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 generally short periods to maturity or the effect of discounting is immaterial.

28 Current and non-current assets and liabilities

31 December 2023

	Current	Non-current	Total
ASSETS			
Cash and short-term funds	74,328	-	74,328
Balances with BDCB	8,115	-	8,115
Group balances receivable	3,018	-	3,018
Government bonds	15,520	-	15,520
Loans and advances to customers, net	11,083	51,046	62,129
Right-of-use asset, net	-	379	379
Property and equipment, net	-	1,719	1,719
Other assets	2,970	-	2,970
Total assets	115,034	53,144	168,178
LIABILITIES			
Deposits from customers	113,702	-	113,702
Deposits from banks and other financial institutions	740	-	740
Group balances payable	3,055	-	3,055
Other liabilities	3,585	-	3,585
Provision for taxation	243	-	243
Lease liabilities	149	245	394
Total liabilities	121,474	245	121,719

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, net	-	525	525
Property and equipment, net	-	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

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 other party or exercises 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 and balances are separately disclosed in Notes 6, 14 and 23.

Transactions with key management personnel

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

	2023	2022
Short-term employee benefits	111	207

Remuneration paid to key management personnel includes salary, bonus and other benefits-in-kind. There are no long-term benefits attributable to key management personnel.

Key management personnel transactions

As at 31 December 2023 and 2022, there were no other 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 profits and capital issuance. Capital generated by the Branch in excess of planned requirements is returned to the Head Office by way of repatriation.

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.

	2023	2022
Regulatory capital		
Core capital (Tier I capital)	46,459	44,845
Supplementary capital (Tier II capital)	254	233
Total capital base	46,713	45,078
Total risk-weighted amount		
Risk weighted amount for credit risk	88,538	92,902
Risk weighted amount for operational risk	8,394	7,614
Risk weighted amount for market risk	369	292
Total risk-weighted amount	97,301	100,808
Capital ratios	%	%
Core capital (Tier 1) ratio	47.75	44.49
Total capital ratio	48.01	44.72

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") 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.

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

The 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 function, such as Group Credit Risk Management, Group Market Risk Management, Group Asset and Liability Management, Group Operational Risk Management, Group Technology and Cyber Risk Management, Group Shariah Risk Management, Risk Strategy & Transformation and Enterprise Risk Management, Group Credit Management, Investment Banking and Regional Risk and Insurance Risk Management.

Risk Appetite

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

The 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 a 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 entities, 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 at a Group level as well as business level; and are regularly escalated to the senior management and relevant Boards of the Group's entities to ensure that the risks identified remain within the established appetite and to support an informed decision-making process. Reporting and analytics are also being continuously enhanced to provide risk intelligence to relevant stakeholders within the Group to facilitate more effective decision making.

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

Risk Documentation

The Group recognises that effective implementation of 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.

Risk systems and tools are designed to provide accessibility of risk information that complement the risk management process. The availability of data for analytics and monitoring, and dashboards and reporting assists in continuously enhancing risk management capabilities.

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

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 is the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contracture obligations in accordance with the agreed terms. It stems primarily from the Bank's lending/financing, trade finance, placement, investment, hedging and trading activities from both on- and off-balance sheet transactions.

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

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

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

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

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

Regular risk reporting is made to the MANCO and Asset Management Committee (AMT). These reports include various credit risk aspects such as portfolio quality, and concentration risk exposures by industry and customer type. Such reporting allows senior management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision-making. The Group also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

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 default that has a detrimental impact on the estimated future cash flows of that asset has 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 statement of total comprehensive income.

Maximum exposure to credit risk

The maximum exposure to credit risk at the statement of financial position date is the amount on the statement of financial position as well as off-balance sheet financial instruments, without taking into account 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:

	2023	2022
Credit risk exposure relating to on-balance sheet assets:		
Short term funds (exclude cash on hand)	70,523	111,685
Balances with BDCB	8,115	8,506
Group balances receivable	3,018	6,416
Government bonds	15,520	15,000
Loans and advances to customers, net	62,129	58,693
Other financial assets	2,680	1,444
	161,985	201,744
Credit risk exposure relating to off-balance sheet items:		
- Commitments and contingencies	14,963	12,202
Total maximum credit risk exposure that are subject to impairment	176,948	213,946

Financial assets - credit quality

Loans and advances to customers analysed by stages as at 31 December 2023:

	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Balance as at 1 January 2023	57,152	354	1,819	59,325
Changes due to financial assets recognised in the opening balance that have been:				
Transferred to 12-month ECL (Stage 1)	276	(211)	(65)	-
Transferred to Lifetime ECL not credit impaired (Stage 2)	(1,978)	1,978	-	-
Transferred to Lifetime ECL credit impaired (Stage 3)	(148)	-	148	-
Origination	10,340		1	10,341
Derecognition	(6,250)	(193)	(329)	(6,772)
Amount written-off	-	-	(411)	(411)
Gross loans and advances	59,392	1,928	1,163	62,483
Allowance for credit losses	(207)	(47)	(100)	(354)
Balances as at 31 December 2023	59,185	1,881	1,063	62,129

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

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 2023	210	23	399	632
Changes due to financial assets recognised in the opening balance that have been:				
Transferred to 12-month ECL (Stage 1)	15	(15)	-	-
Transferred to Lifetime ECL not credit impaired (Stage 2)	(4)	4	-	-
Transferred to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
	221	12	399	632
Allowance provided (reversal) during the financial year	(14)	35	112	133
Bad debts written-off	-	-	(411)	(411)
Balances as at 31 December 2023	207	47	100	354

	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

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 2023	Loans and advances	Letters of credit, guarantees, bonds and others	Undrawn credit lines
By industry sector:			
Construction and property financing	32,033	-	1,566
Traders	19,570	4,353	7,276
Services	3,749	2	362
Personal and consumption loans	3,277	-	257
Tourism	2,253	10	56
Manufacturing	841	3	56
Transportation	618	50	132
Telecommunication and IT	142	47	161
Agriculture	-	10	87
Financial	-	480	55
Gross loans and advances	62,483	4,955	10,008
Less: Allowance for credit losses	(354)	-	-
Balance as at 31 December 2023	62,129	4,955	10,008

31 December 2022	Loans and advances	Letters of credit, guarantees, bonds and others	Undrawn credit lines
By industry sector:			
Construction and property financing	35,084	-	1,046
Traders	13,536	2,114	7,701
Services	4,655	436	264
Personal and consumption loans	3,030	4	99
Tourism	2,455	40	-
Manufacturing	521	4	21
Telecommunication and IT	44	47	259
Agriculture	-	13	83
Transportation	-	71	-
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 2023	Loans and advances	Letters of credit, guarantees, bonds and others	Undrawn credit lines
By customer type:			
Commercial	43,916	4,955	8,168
Retail	18,567	-	1,840
Gross loans and advances	62,483	4,955	10,008
Less: Allowance for credit losses	(354)	-	-
Balance as at 31 December 2023	62,129	4,955	10,008

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

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:

	2023	2022
Secured loans and advances:		
Mortgage of properties	45,182	50,805
Cash	16,018	7,837
Guarantees	207	299
Machineries	158	-
Motor vehicles	618	-
Unsecured loans and advances:		
Mortgage of properties	300	384
Gross loans and advances	62,483	59,325
Less: Allowance for credit losses	(354)	(632)
Balance as at 31 December	62,129	58,693

Security coverage of impaired loans and advances:

	2023	2022
Secured by cash / mortgage of properties	1,088	1,724

The Branch's accounting policy for the valuation of collateral related to loans and advances is consistent with IFRS 9. For secured financing products, the collaterals are valued primarily based on type and is determined by a qualified management expert looking at the recent sale prices of similar assets.

(ii) Market risk

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

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

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 2023 and 2022, 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 of holding or taking positions in foreign currencies, including gold and silver. The Branch's foreign exchange exposures comprise non-trading foreign exchange exposure principally derived from inter-branch nostro accounts. As most of the foreign exchange exposure is to Singapore Dollar (SGD), the Bank is not exposed to significant foreign exchange risk due to the Currency Interchangeability Agreement between Singapore and Brunei which interchange the two currencies at par.

Interest Rate Risk in the Banking Book (IRRBB)

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

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk in the banking book. RHB Bank Berhad – Brunei Darussalam Branch adopted Head Office's) methodology in measuring EaR and EVE. They are computed based on the repricing gap profile of the banking book using Bank Negara Malaysia's (BNM) standard template. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. The non-maturing fixed rate loans balances are slotted in more than 1 week to 1 month (5%) and in more than 1 to 2 years (95%) time buckets. 33% of the non-maturing deposits (NMD) are slotted in more 1 week to 1 month as non-core balance and 67% of the NMD balances are slotted in more than 1 to 2 years' time bucket as core balances. The measurement of EaR and EVE is conducted on a monthly basis. The Group ALCO supports the Board Committees by performing the critical role in oversight of balance sheet risk, liquidity risk and market risk. Group ALCO meets regularly to review and assess potential risk arising from interest rate/rate of return risk in banking book, liquidity and market risk, deliberate business strategies and risk mitigation plans on the back of prevailing market condition and business landscape. Guided by Group Interest Rate Risk/Rate of Return Risk in the Banking Book Policy, Group Asset and Liability Management (Group ALM) manages interest rate/rate of return risk in banking book in adherence to established governance structure and process. Monthly EaR and EVE are measured, controlled and monitored against risk limits set. These are supplemented with projections to assess potential risk arising from changes in balance sheet structure and market environment.

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

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

	2023	2022
Fixed-rate assets	80,561	109,950
Floating-rate assets	62,483	59,325
Fixed-rate liabilities	(85,073)	(115,496)
	57,971	53,779

The tables below set out the effect on future net interest income of a parallel movement of plus or minus 100 basis points (bps) in all yield curves to (a) net profit; and (b) economic value, assuming no management actions as at 31 December:

	2023			
Change in projected net interest income arising from a shift in the yield curves of:	Increase (decrease) in net profit		Increase (decrease) in economic value	
	+100 bps	- 100 bps	+100 bps	- 100 bps
BND - Brunei Dollar	(295)	295	825	(825)
SGD - Singapore Dollar	408	(408)	286	(286)
Others	(1)	1	-	-
Total	112	(112)	1,111	(1,111)

	2022			
Change in projected net interest income arising from a shift in the yield curves of:	Increase (decrease) in net profit		Increase (decrease) in economic value	
	+100 bps	- 100 bps	+100 bps	- 100 bps
BND - Brunei Dollar	(512)	512	866	(866)
SGD - Singapore Dollar	625	(625)	398	(398)
Others	3	(3)	-	-
Total	116	(116)	1,264	(1,264)

(iii) Liquidity risk

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

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

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

The 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 2023	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets					
Cash and short-term funds	25,692	27,600	21,036	-	74,328
Balances with BDCB	8,115	-	-	-	8,115
Group balances receivables	3,018	-	-	-	3,018
Government bonds	11,500	-	4,020	-	15,520
Loans and advances to customers	4,870	5,818	395	51,046	62,129
Other assets	1,822	666	192	-	2,680
Total assets	55,017	34,084	25,643	51,046	165,790
Liabilities					
Deposits from customers	29,887	25,211	43,117	15,487	113,702
Deposits from banks and other financial institutions	740	-	-	-	740
Group balances payable	3,055	-	-	-	3,055
Other liabilities	2,948	399	238	-	3,585
Lease liabilities	37	37	75	245	394
Total liabilities	36,667	25,647	43,430	15,732	121,476

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

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, who assumes the responsibility for the Branch's leadership and, together with its management team, 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 sets 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