



RHB Bank Berhad
Brunei Darussalam Branch

Pillar 3 Disclosures

30th June 2021

**RHB BANK BERHAD
BRUNI DARUSSALAM BRANCH
PILLAR 3 DISCLOSURES AS AT 30th JUNE 2021**

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1.0 Disclosure A: Scope of Application

This document covers the quantitative information as at 30th June 2021. The annual disclosure prepared in compliance with the requirements set forth in Brunei Darussalam Central Bank (BDCB) Notification No. BU/N-3/2021/68 dated 02nd April 2021.

RHB Bank Berhad Brunei Darussalam branch (“the Bank”) is a branch office of RHB Bank Berhad and is part of RHB Banking Group with its Head Office in Malaysia. In operating the business, RHB Bank Berhad Brunei Darussalam branch is guided by the Group Policies, Bank Negara Malaysia’s Guidelines and BDCB’s Guidelines, whichever is more stringent.

Table 1: Key Metrics

		Jun 2021	Mar 2021	Dec 2020	Sep 2020	Jun 2020
	Available Capital (BND'000)					
1	Tier 1	42,330.00	42,453.00	42,330.00	41,521.00	41,521.00
2	Total Capital	42,402.00	42,476.00	42,360.00	41,639.00	41,659.00
	Risk-weighted assets (BND'000)					
3	Total risk-weighted assets (RWA)	93,230.50	92,168.19	82,652.96	83,378.82	82,443.35
	Risk-based capital ratios as a percentage of RWA					
4	Tier 1 ratio (%)	45.40	46.06	51.21	49.80	50.36
5	Total capital ratio (%)	45.48	46.09	51.25	49.94	50.53

Total risk-weighted assets (RWA) increased quarter-on-quarter from Dec 2020 to Jun 2021, mainly driven by higher loan growth and longer term in interbank placement which attract higher risk weights. Thus, Tier 1 ratio and Total capital ratio (TCR) decreased in the same period accordingly. However, both ratios remained healthy and the TCR is above the minimum regulatory requirement of 10%.

Table 2: Overview of Risk Weighted Assets (RWA)

		RWA (BND'000)		Minimum capital requirements
		Jun 2021	Mar 2021	Jun 2021
1	Credit risk (Standardised)	85,965.93	84,885.53	8,596.59
2	Market risk (Standardised)	128.33	146.41	12.83
3	Operational risk (Basic Indicator/Approach)	7,136.25	7,136.25	713.63
4	Total	93,230.50	92,168.19	9,323.05

Total RWA increased slightly in Jun 2021 as compared to Mar 2021, mainly driven by higher credit RWA arising from higher loans and advances as well as longer term in interbank placement. Market risk decreased slightly quarter-on-quarter due to lower foreign exchange net open position (FX NOP) arising from lower Nostro balances in Jun 2021.

Table 3: Composition of regulatory capital

Jun 2021

		Amounts (BND'000)
	Tier 1 capital: instruments and reserves	
1	Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	30,000.00
2	Non-Cumulative, Non-Redeemable Preference Shares	-
3	Share Premium	-
4	Statutory Reserve Fund	5,053.00
5	Published Retained Profits/(Accumulated Losses)	7,277.00
6	General Reserves	-
7	Fair Values Reserves	-
8	Tier 1 capital before regulatory adjustments	42,330.00
	Tier 1 capital: regulatory adjustments	
9	Reciprocal cross-holdings of ordinary shares (as required by BDCB)	-
10	Goodwill	-
11	Other intangible assets	-
12	Advances/financing granted to employees of the bank for the purchase of shares of the bank under a share ownership plan	-
13	Minority interests held by 3 rd parties in Financial Subsidiary	-
14	Total Regulatory adjustments to Tier1 Capital	-
15	Tier 1 capital	42,330.00
	Tier 2 capital: instruments and provision	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	72.00
17	<i>Hybrid (debt/equity) Capital Instruments</i>	-
18	Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	-
19	Tier 2 Capital before regulatory adjustments	72.00
	Tier 2 capital: regulatory adjustments	
20	Reciprocal Crossholdings of Tier 2 Capital Instruments	-
21	Minority Interests Arising From Holdings of Tier 2 Instruments in Financial Subsidiaries by Third Parties	-
22	Total regulatory adjustments to Tier 2 capital	-
23	Tier 2 capital (T2)	72.00
24	Allowable Supplementary Capital (Tier 2 Capital)	-
25	Sub-Total of Tier 1 AND Tier 2 Capital	42,402.00
26	Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital	-

		Amounts (BND'000)
27	Significant Investments in Banking, Securities and Other Financial Entities	-
28	Significant Investments in Insurance Entities & Subsidiary	-
29	Significant Investments in Commercial Entities	-
30	Securitisation Exposures (Rated B+ or Below and Unrated)	-
31	Resecuritisation Exposures (Rated B+ or Below and Unrated)	-
32	Total regulatory capital (TC = T1 + T2)	42,402.00
33	Total risk-weighted assets	93,230.50
	Capital ratios	
34	Tier 1 (as a percentage of risk-weighted assets)	45.40%
35	Total capital (as a percentage of risk-weighted assets)	45.48%

Dec 2020

		Amounts (BND'000)
	Tier 1 capital: instruments and reserves	
1	Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	30,000.00
2	Non-Cumulative, Non-Redeemable Preference Shares	-
3	Share Premium	-
4	Statutory Reserve Fund	6,024.00
5	Published Retained Profits/(Accumulated Losses)	6,306.00
6	General Reserves	-
7	Fair Values Reserves	-
8	Tier 1 capital before regulatory adjustments	42,330.00
	Tier 1 capital: regulatory adjustments	
9	Reciprocal cross-holdings of ordinary shares (as required by BDCB)	-
10	Goodwill	-
11	Other intangible assets	-
12	Advances/financing granted to employees of the bank for the purchase of shares of the bank under a share ownership plan	-
13	Minority interests held by 3 rd parties in Financial Subsidiary	-
14	Total Regulatory adjustments to Tier1 Capital	-
15	Tier 1 capital	42,330.00
	Tier 2 capital: instruments and provision	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	30.00

		Amounts (BND'000)
17	<i>Hybrid (debt/equity) Capital Instruments</i>	-
18	Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	-
19	Tier 2 Capital before regulatory adjustments	30.00
	Tier 2 capital: regulatory adjustments	
20	Reciprocal Crossholdings of Tier 2 Capital Instruments	-
21	Minority Interests Arising From Holdings of Tier 2 Instruments in Financial Subsidiaries by Third Parties	-
22	Total regulatory adjustments to Tier 2 capital	-
23	Tier 2 capital (T2)	30.00
24	Allowable Supplementary Capital (Tier 2 Capital)	-
25	Sub-Total of Tier 1 AND Tier 2 Capital	42,360.00
26	Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital	-
27	Significant Investments in Banking, Securities and Other Financial Entities	-
28	Significant Investments in Insurance Entities & Subsidiary	-
29	Significant Investments in Commercial Entities	-
30	Securitisation Exposures (Rated B+ or Below and Unrated)	-
31	Resecuritisation Exposures (Rated B+ or Below and Unrated)	-
32	Total regulatory capital (TC = T1 + T2)	42,360.00
33	Total risk-weighted assets	82,652.96
	Capital ratios	
34	Tier 1 (as a percentage of risk-weighted assets)	51.21%
35	Total capital (as a percentage of risk-weighted assets)	51.25%

No major changes for Tier 1 capital and Total regulatory capital in Jun 2021, as compared to Dec 2020.

Total RWA increased from BND 82,652,961 in Dec 2020 to BND 93,230,500 in Jun 2021, mainly due to higher loan growth and longer term in interbank placement. As a result, the TCR decreased from 51.25% to 45.48%, but is still well above the regulatory ratio of 10%. Tier 1 ratio decreased from 51.21% to 45.40% for the same period.

Table 4: Credit quality of assets

Jun 2021

(BND'000)		Gross carrying values of		Allowances/ impairments	Of which: ECL accounting provisions for credit losses on SA exposures		Net values
		Defaulted exposures	Non-defaulted exposures		Of which: Specific Allowances	Of which: General Allowances	
1	Loans	1,785	60,506	446	374	72	61,845
2	Debt Securities	-	9,989	-	-	-	9,989
3	Off-balance sheet exposures	-	3,081	-	-	-	3,081
4	Total	1,785	73,576	446	374	72	74,915

Dec 2020

(BND'000)		Gross carrying values of		Allowances/ impairments	Of which: ECL accounting provisions for credit losses on SA exposures		Net values
		Defaulted exposures	Non-defaulted exposures		Of which: Specific Allowances	Of which: General Allowances	
1	Loans	2,167	54,579	375.00	345.00	30.00	56,371
2	Debt Securities	-	9,999	-	-	-	9,999
3	Off-balance sheet exposures	-	2,833	0	0	0	2,833
4	Total	2,167	67,411	375	345	30	69,230

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

Table 5: Changes in stock of defaulted loans and debt securities

Jun 2021

		BND'000
1	Defaulted loans and debt securities at the end of the previous reporting period	2,167
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	(378)
4	Amounts written off	-
5	Other changes	(4)
6	Defaulted loans and debt securities at the end of reporting period	1,785

Dec 2020

		BND'000
1	Defaulted loans and debt securities at the end of the previous reporting period	2,367
2	Loans and debt securities that have defaulted since the last reporting period	243
3	Returned to non-defaulted status	-
4	Amounts written off	(193)
5	Other changes	(250)
6	Defaulted loans and debt securities at the end of reporting period	2,167

From Dec 2020 to Jun 2021, there was no newly defaulted loans, and no loans being written off. On another hand, a total of BND 377,556 defaulted loans were reclassified to non-defaulted status in the period due to loans recovery. This has resulted a lower defaulted loan of BND 1,784,954 in Jun 2021 as compared to BND 2,166,849 in Dec 2020.

Table 6: Overview of credit risk mitigation (CRM) techniques

Jun 2021

	(BND'000)	Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	254	61,591	61,591		-
2	Debt securities	9,989	-	-		-
3	Total	10,243	61,591	61,591		-
4	Of which defaulted	254	1,531	1,531		-

Dec 2020

	(BND'000)	Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	246	56,125	56,125		-
2	Debt securities	9,999	-	-		-
3	Total	10,245	56,125	56,125		-
4	Of which defaulted	246	1,921.	1,921		-

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

Table 7: Standard approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

Jun 2021

Asset classes (BND'000)		Exposures before CCF and CRM		Exposures post- CCF and CFM		RWA and RWA density	
		On- balance sheet amount	Off- balance sheet amount	On- balance amount	Off- balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	41,911	-	41,911	-	0	0%
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	77,073	-	77,073	-	29,326	38.05%
5	Securities firms	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-
7	Regulatory retail portfolios	43,700	3,081	43,700	3,081	43,521	93.03%
8	Secured by residential property	16,807	-	16,807	-	10,739	63.90%
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-
11	Past-due loans	1,785	-	1,644	-	1,644	100%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	7,894	-	7,894	-	736	9.32%
14	Total	189,170	3,081	189,029	3,081	85,966	44.75%

Dec 2020

Asset classes (BND'000)		Exposures before CCF and CRM		Exposures post- CCF and CFM		RWA and RWA density	
		On- balance sheet amount	Off- balance sheet amount	On- balance amount	Off- balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	34,896	-	34,896	-	0	0%
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	77,967	-	77,967	-	24,868	31.90%
5	Securities firms	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-
7	Regulatory retail portfolios	37,426	2,833	37,426	2,833	36,606	90.93%
8	Secured by residential property	17,155	-	17,155	-	11,093	64.66%
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-
11	Past-due loans	2,167	-	2,042	-	2,042	100%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	7,037	-	7,037	-	754	10.71%
14	Total	176,648	2,833	176,523	2,833	75,363	42.02%

Higher sovereign and their central banks' exposure due to higher balance in clearing account with Brunei Darussalam Central Bank (BDCB). However, this exposure is with 0% risk weight.

The increase in RWA for exposure under Bank was due to the switch to longer term interbank placement which attracts higher risk weight.

RWA under Regulatory retail portfolios increased as loans and advances balances grew, thus, resulting in higher credit risk RWA.

Table 8: Standardised Approach – Exposures by asset classes and risk weights

Jun 2021

	Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post CCF and post CRM)
	Asset classes (BND'000)										
1	Sovereign and their central banks	41,911	-	-	-	-	-	-	-	-	41,911
2	Non-central government public sectors entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	30,781	-	46,245	-	47	-	-	77,073

	Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post CCF and post CRM)
	Asset classes (BND'000)										
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-	-
7	Regulatory retail portfolios	-	-	-	-	-	9,956	33,744	-	-	43,700
8	Secured by residential property	-	-	-	4,666	-	12,141	-	-	-	16,807
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-	1,644	-	-	1,644
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	6,622	-	670	-	-	-	602	-	-	7,894
14	Total	48,533	-	31,451	4,666	46,245	22,097	33,037	-	-	189,029

Dec 2020

	Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post CCF and post CRM)
	Asset classes (BND'000)										
1	Sovereign and their central banks	34,896	-	-	-	-	-	-	-	-	34,896
2	Non-central government public sectors entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	46,993	-	31,009	-	(35)	-	-	77,967
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-	-
7	Regulatory retail portfolios	-	-	-	-	-	11,776	25,650	-	-	37,426
8	Secured by residential property	-	-	-	4,433	-	12,722	-	-	-	17,155
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-

	Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post CCF and post CRM)
	Asset classes (BND'000)										
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-	2,042	-	-	2,042
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	5,657	-	782	-	-	-	598	-	-	7,037
14	Total	40,553	-	47,775	4.433	31,009	24,498	28,255	-	-	176,523

As per Table 8, the significant movement were under exposure in Banks and Regulatory retail portfolios where the increase was due to longer term interbank placement and growth in loan and advances balance respectively.

These have resulted in higher credit-risk RWA and thus, contributed to lower TCR ratio.

Table 9: Market Risk under the *Standardised Approach*

	RWA (BND'000)
1 Interest rate risk (general and specific)	-
2 Equity risk (general and specific)	-
3 Foreign exchange risk	128.33
4 Commodity risk	-
5 Total	128.33