



RHB Bank Berhad
Brunei Darussalam Branch

Pillar 3 Disclosures

30th June 2022

**RHB BANK BERHAD
BRUNEI DARUSSALAM BRANCH
PILLAR 3 DISCLOSURES AS AT 30th JUNE 2022**

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1.0 Disclosure A: Scope of Application

This document covers the quantitative information as at 30th June 2022. 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

		June 2022	March 2022	December 2021	September 2021	June 2021
Available Capital (BND'000)						
1	Tier 1	43,582.00	43,582.00	43,582.00	42,330.00	42,330.00
2	Total Capital	43,790.00	43,749.00	43,738.00	42,495.00	42,402.00
Risk-weighted assets (BND'000)						
3	Total risk-weighted assets (RWA)	97,016.07	92,885.44	92,333.35	89,032.96	93,230.50
Risk-based capital ratios as a percentage of RWA						
4	Tier 1 ratio (%)	44.92	46.92	47.20	47.54	45.40
5	Total capital ratio (%)	45.14	47.10	47.37	47.73	45.48

Total risk-weighted assets (RWA) increased quarter-on-quarter from September 2021 to June 2022, mainly driven by 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
		June 2022	March 2022	June 2022
1	Credit risk (Standardised)	89,608.68	85,411.38	8,960.87
2	Market risk (Standardised)	111.14	177.82	11.11
3	Operational risk (Basic Indicator/Approach)	7,296.25	7,296.25	729.63
4	Total	97,016.07	92,885.44	9,701.61

Total RWA increased in June 2022 as compared to March 2022, mainly driven by higher credit RWA arising from 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 June 2022.

Table 3: Composition of regulatory capital

June 2022

		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	6,650.00
5	Published Retained Profits/(Accumulated Losses)	6,932.00
6	General Reserves	-
7	Fair Values Reserves	-
8	Tier 1 capital before regulatory adjustments	43,582.00
	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	43,582.00
	Tier 2 capital: instruments and provision	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	208.00
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	208.00
	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)	208.00
24	Allowable Supplementary Capital (Tier 2 Capital)	-
25	Sub-Total of Tier 1 AND Tier 2 Capital	43,790.00

		Amounts (BND'000)
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)	43,790.00
33	Total risk-weighted assets	97,016.07
	Capital ratios	
34	Tier 1 (as a percentage of risk-weighted assets)	44.92%
35	Total capital (as a percentage of risk-weighted assets)	45.14%

December 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	6,650.00
5	Published Retained Profits/(Accumulated Losses)	6,932.00
6	General Reserves	-
7	Fair Values Reserves	-
8	Tier 1 capital before regulatory adjustments	43,582.00
	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	43,582.00

		Amounts (BND'000)
	Tier 2 capital: instruments and provision	
16	General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	156.00
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	156.00
	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)	156.00
24	Allowable Supplementary Capital (Tier 2 Capital)	-
25	Sub-Total of Tier 1 AND Tier 2 Capital	43,738.00
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)	43,738.00
33	Total risk-weighted assets	92,333.35
	Capital ratios	
34	Tier 1 (as a percentage of risk-weighted assets)	47.20%
35	Total capital (as a percentage of risk-weighted assets)	47.37%

No major changes for Tier 1 capital and Total regulatory capital in June 2022 as compared to December 2021.

Total RWA increased from BND 92,333,350 in December 2021 to BND 97,016,070 in June 2022, mainly due to higher loan growth and longer term in interbank placement. As a result, the TCR decreased from 47.37% to 45.14%, but is still well above the regulatory ratio of 10%. Tier 1 ratio decreased from 47.20% to 44.92% for the same period.

Table 4: Credit quality of assets

June 2022

(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	1,886	56,275	498	290	208	57,663
2	Debt Securities	-	14,971	-	-	-	14,971
3	Off-balance sheet exposures	-	2,670	-	-	-	2,670
4	Total	1,886	73,916	498	290	208	75,304

December 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	1,556	58,041	310	154	156	59,287
2	Debt Securities	-	14,997	-	-	-	14,997
3	Off-balance sheet exposures	-	3,079	-	-	-	3,079
4	Total	1,556	76,117	310	154	156	77,363

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

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

June 2022

		BND'000
1	Defaulted loans and debt securities at the end of the previous reporting period	1,556
2	Loans and debt securities that have defaulted since the last reporting period	423
3	Returned to non-defaulted status	-
4	Amounts written off	(100)
5	Other changes	7
6	Defaulted loans and debt securities at the end of reporting period	1,886

December 2021

		BND'000
1	Defaulted loans and debt securities at the end of the previous reporting period	1,785
2	Loans and debt securities that have defaulted since the last reporting period	230
3	Returned to non-defaulted status	-
4	Amounts written off	(447)
5	Other changes	(12)
6	Defaulted loans and debt securities at the end of reporting period	1,556

From December 2021 to June 2022, there was BND423k of newly defaulted loans, and BND100k of loans being written off. There was no defaulted loan being reclassified to non-default during the reporting period. This has resulted in higher defaulted loan of BND1.886m in June 2022 as compared to BND1.556m in December 2021.

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

June 2022

	(BND'000)	Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	168	57,993	57,993		-
2	Debt securities	14,971	-	-		-
3	Total	15,139	57,993	57,993		-
4	Of which defaulted	126	1,760	1,760		-

December 2021

	(BND'000)	Exposures unsecured	Exposures secured	Exposures secured by collateral [#]	Exposures secured by financial guarantees [#]	Exposures secured by credit derivatives
1	Loans	195	59,402	59,402		-
2	Debt securities	14,997	-	-		-
3	Total	15,192	59,402	59,402		-
4	Of which defaulted	0	1,556	1,556		-

[#]Figures for exposure secured by collateral and financial guarantees are reported as merged (i.e. Loans and Debt Securities combined) as some of the customers' loans are secured by multi-collateral including property, fixed deposit and guarantees.

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

June 2022

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 sheet amount	Off- balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	37,161	-	37,161	-	0	0%
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	77,155	-	77,155	-	34,866	45.19%
5	Securities firms	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-
7	Regulatory retail portfolios	40,693	11,470	40,693	2,670	40,624	93.68%
8	Secured by residential property	15,584	-	15,584	-	9,975	64.01%
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-
11	Past-due loans	1,886	-	1,721	-	1,721	100%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	8,245	-	8,245	-	2,422	29.38%
14	Total	180,724	11,470	180,559	2,670	89,608	48.90%

December 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 sheet amount	Off- balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	58,281	-	58,281	-	0	0%
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	77,612	-	77,612	-	28,895	37.23%
5	Securities firms	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-
7	Regulatory retail portfolios	42,015	12,603	42,015	3,079	42,003	93.15%
8	Secured by residential property	16,028	-	16,028	-	10,286	64.18%
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-
11	Past-due loans	1,556	-	1,414	-	1,414	100%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	5,790	-	5,790	-	1,084	18.72%
14	Total	201,282	12,603	201,140	3,079	83,682	40.98%

Lower sovereign and their central banks' exposure due to lower balance in clearing account with Brunei Darussalam Central Bank (BDCB). 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, thus resulting in higher credit risk RWA

RWA under Regulatory retail portfolios decreased due to lower loans and advances balances.

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

June 2022

	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	37,161	-	-	-	-	-	-	-	-	37,161
2	Non-central government public sectors entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	12,532	-	64,526	-	97	-	-	77,155
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-	-

	Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post CCF and post CRM)
	Asset classes (BND'000)										
7	Regulatory retail portfolios	-	-	-	-	-	8,285	32,408	-	-	40,693
8	Secured by residential property	-	-	-	4,282	-	11,302	-	-	-	15,584
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-	1,721	-	-	1,721
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	5,285	-	673	-	-	-	2,287	-	-	8,245
14	Total	42,446	-	13,205	4,282	64,526	19,587	36,513	-	-	180,559

December 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	58,281	-	-	-	-	-	-	-	-	58,281
2	Non-central government public sectors entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	33,018	-	44,605	-	(11)	-	-	77,612
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-	-
7	Regulatory retail portfolios	-	-	-	-	-	12,364	32,730	-	-	45,094
8	Secured by residential property	-	-	-	4,338	-	11,690	-	-	-	16,028
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	-	-	-	-	-	-	1,414	-	-	1,414
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	3,434	-	1,590	-	-	-	766	-	-	5,790
14	Total	61,715	-	34,608	4,338	44,605	24,054	34,899	-	-	204,219

As per Table 7, the significant movement were under exposure in Banks where the increase in 50% risk weight exposure was due to longer term interbank placement.

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

Table 9: Market Risk under the *Standardised Approach*

June 2022

		RWA (BND'000)
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	111.14
4	Commodity risk	-
5	Total	111.14

December 2021

		RWA (BND'000)
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	90.68
4	Commodity risk	-
5	Total	90.68