

**BDCB Notice No. BU/N-1/2021/68**  
**Pillar 3 – Public Disclosure**  
**Requirements as of**  
**31 December 2024**

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## Overview

Bank of China (Hong Kong) Limited Brunei Branch (“The Branch”) has completed its Pillar 3 – Public disclosure requirements covering the overview of key prudential metrics and Risk-Weighted Assets (“RWA”) in respect of the year as of 31<sup>st</sup> December 2024. The report is prepared with reference to Brunei Darussalam Central Bank (“BDCB”)’s Pillar 3 – Specific Disclosure Requirements. The Branch conducts regular assessment on risk management status and risk governance based on regulatory requirements and assesses the Branch’s level of internal capital adequacy accordingly.

### 1. C1: OVERVIEW OF KEY PRUDENTIAL METRICS AND RWA

#### a. KM1: Key Metrics

	(a)	(b)	(c)	(d)	(e)
	31 December 2024	30 September 2024	30 June 2024	31 March 2024	31 December 2023
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b><u>Available capital (amounts)</u></b>					
1 Tier 1	130,153	118,726	118,722	118,718	118,714
2 Total capital	132,386	119,569	119,755	119,693	120,098
<b><u>Risk-weighted assets (amounts)</u></b>					
3 Total risk-weighted assets (RWA)	432,477	268,490	283,811	277,347	299,198
<b><u>Risk-based capital ratios as a percentage of RWA</u></b>					
4 Tier 1 ratio (%)	30.09%	44.22%	41.83%	42.80%	39.68%
5 Total capital ratio (%)	30.61%	44.53%	42.20%	43.16%	40.14%

The decrease of tier 1 ratio and total capital ratio in Q4 2024 compared to Q3 2024 was mainly due to increase of Loans and Group Balance Receivables which affected the credit risk RWA resulting with a total increase of B\$ 157,655,000.00. There is no change in the nature of business. However, it can be seen that the position of total CAR is sufficient to meet the Branch’s capital needs.

b. OV1: Overview of Risk Weighted Assets (RWA)

	(a)	(b)	(c)
	RWA		Minimum capital requirements
	31 December 2024	30 September 2024	31 December 2024
	B\$'000	B\$'000	B\$'000
1 Credit risk (Standardised)	396,428	238,773	39,643
2 Market risk (Standardised)	2,247	323	225
3 Operational risk (Basic Indicator Approach)	33,802	29,394	3,380
4 Total (Row 1 + 2 + 3)	432,477	268,490	43,248

In this table, the main driver of increase in credit risk RWA was due to increase of Loans and Group Balance Receivables in Q4 2024.

## 2. C2: COMPOSITION OF CAPITAL

### a. CC1: Composition of regulatory capital

	(a)
	31 December 2024
	B\$'000
<b>Tier 1 capital: instruments and reserves</b>	
1 Paid-up Ordinary Shares/Assigned Capital (after deduction of holdings of own capital)	100,037
2 Non-Cumulative, Non-Redeemable Preference Shares	-
3 Share Premium	-
4 Statutory Reserve Fund	16,921
5 Published Retained Profits/ (Accumulated Losses)	13,429
6 General Reserves	-
7 Fair Value Reserves	1
8 <b>Tier 1 capital before regulatory adjustments</b>	<b>130,388</b>
<b>Tier 1 capital: regulatory adjustments</b>	
9 Reciprocal cross-holdings of ordinary shares (as required by BDCB)	-
10 Goodwill	-
11 Other intangible assets	235
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 3rd parties in Financial Subsidiary	-
14 <b>Total Regulatory adjustments to Tier 1 Capital</b>	<b>130,153</b>
15 <b>Tier 1 capital</b>	<b>130,153</b>
<b>Tier 2 capital: instruments and provisions</b>	
16 General Credit Loss Reserves (Capped at 1.25% of Credit Risk)	2,233
17 Hybrid (debt/equity) Capital Instruments	-
18 Approved Subordinated Term Debt (Capped at 50% of Core Capital Element)	-
19 <b>Tier 2 capital before regulatory adjustments</b>	<b>2,233</b>
<b>Tier 2 capital: regulatory adjustments</b>	
20 Reciprocal Crossholdings of Tier 2 Capital Instruments	-
Minority Interests Arising from Holdings of Tier 2 Instruments in Financial Subsidiaries by Third Parties	-
22 <b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>
23 <b>Tier 2 capital (T2)</b>	<b>2,233</b>
24 <b>Allowable Supplementary Capital (Tier 2 Capital)</b>	<b>2,233</b>
25 <b>Sub-Total of Tier 1 and Tier 2 Capital</b>	<b>132,386</b>
26 <b>Deductions/Adjustments 3 to total Amount of Tier 1 and Tier 2 capital</b>	<b>-</b>
27 <b>Significant Investments in Banking, Securities and Other Financial Entities</b>	<b>-</b>
28 <b>Significant Investments in Insurance Entities &amp; Subsidiary</b>	<b>-</b>
29 <b>Significant Investments in Commercial Entities</b>	<b>-</b>
30 <b>Securitisation Exposures (Rated B+ or Below and Unrated)</b>	<b>-</b>
31 <b>Resecuritisation Exposures (Rated B+ or Below and Unrated)</b>	<b>-</b>
32 <b>Total regulatory capital</b>	<b>132,386</b>
33 <b>Total risk-weighted assets</b>	<b>432,477</b>
<b>Capital ratios</b>	
34 <b>Tier 1 (as a percentage of risk-weighted assets)</b>	<b>30.09%</b>
35 <b>Total capital (as a percentage of risk-weighted assets)</b>	<b>30.61%</b>

The main decrease of tier 1 capital ratio and total capital ratio in H2 2024 compared to H1 2024 was mainly due to higher Loans and Group Balance Receivables resulting with higher RWA, as well as due to the transfer of net profit to statutory reserve and retained profits amounted to B\$ 5,807,055.15 and B\$ 5,807,055.15 respectively.

### 3. **C3: LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES**

#### a. LIA: Explanations of differences between accounting and regulatory exposure amounts

The main driver for the difference between accounting values and amounts considered for regulatory purposes is off-balance sheet amounts, which contribute to exposure amounts considered for regulatory purposes but not the carrying value amount under scope of regulatory consolidation.

The Branch has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices, which is fully backed by Bank of China (Hong Kong) Limited (“BOCHK”). Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Other specific controls include verification of observable pricing inputs; review and approval for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments. Significant issues are reported to senior management, Risk Management and Internal Control Committee (“RMICC”) and BOCHK.

The Branch chooses appropriate valuation methodologies in corresponding to the nature, position and complexity of treasury products. They can be classified into marking-to-market and marking-to-model. Marking-to-market is valuation of positions by adopting readily available and observable close out prices in the market. If market quotation is not available, marking-to-model should be adopted. Marking-to-model is valuation which has to be benchmarked, extrapolated or otherwise derived from market data inputs.

Control units independently verify the results of fair value measurements. They source observable data from external independent parties, and compare them to the pricing inputs used in valuation for the financial instruments measured at fair value. If the difference is within pre-set threshold, the selected input is considered as reasonable and can represent current market situation, which supports the conclusion that valuation is reliable.

On top of accounting valuation, the Branch conducts liquidity risk adjustments for risk management and regulatory capital adequacy purpose in order to arrive at a prudent value. The Branch has continued to consider the liquidity risk adjustment to valuation of less liquid product position.



b. L11: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

31 December 2024

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>Assets</b>							
Cash	2,865	2,865	2,865	-	-	-	-
Balances with Brunei Darussalam Central Bank	57,913	57,913	57,913	-	-	-	-
Deposits with banks and other financial institutions	684	684	684	-	-	-	-
Government sukuk	69,374	69,374	69,379	-	-	-	(5)
Group balances receivable	400,521	400,521	400,557	-	-	-	(36)
Loans and advances	295,667	295,667	297,357	-	-	-	(1,690)
Property and equipment	784	784	784	-	-	-	-
Intangible assets	235	235	235	-	-	-	-
Deferred tax assets	338	338	338	-	-	-	-
Other assets	975	975	976	-	-	-	(1)
<b>Total assets</b>	<b>829,356</b>	<b>829,356</b>	<b>831,088</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,732)</b>
<b>Liabilities</b>							
Deposits from customers	647,869	647,869	-	-	-	-	647,869
Deposits and balances from banks and other financial institutions	16,716	16,716	-	-	-	-	16,716
Group balances payable	7,390	7,390	-	-	-	-	7,390
Other liabilities	25,072	25,072	-	-	-	-	25,072
Provision for taxation	1,921	1,921	-	-	-	-	1,921
<b>Total liabilities</b>	<b>698,968</b>	<b>698,968</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>698,968</b>

The carrying values of items not subject to capital requirements or subject to deduction from capital are solely from impairment for allowances as it is not subject to credit risk framework.

c. LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	(a)	(b)	(c)	(d)	(e)
	Items subject to:				
	Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>31 December 2024</b>					
<b>Asset carrying value amount under scope of regulatory consolidation (as per template LI1)</b>	<b>831,088</b>	<b>831,088</b>	-	-	-
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>831,088</b>	<b>831,088</b>	-	-	-
Off-balance sheet amounts	<b>235,778</b>	<b>104,018</b>	-	-	-
<b>Exposure amounts considered for regulatory purposes</b>	<b>1,066,866</b>	<b>935,106</b>	-	-	-

#### 4. C4: OVERVIEW OF RISK MANAGEMENT

##### a. OVA: Risk Management Approach

The Branch conducts risk assessment in daily operations based on its business activities, sets up risk appetite and risk adjusted return targets as well as different levels of risk limits and Key Risk Indicators (“KRIs”) under the overall risk appetite framework. The risk appetite is cascaded to business units into corresponding performance indicators, so as to supervise business units to make proper adjustments to the Branch’s operations based on current risk status.

The Branch conducts regular assessment on risk management status and risk governance based on regulatory requirements and assesses the Branch’s level of internal capital adequacy accordingly. Key types of risk inherent in the Branch include: credit risk, market risk, interest rate risk, liquidity risk, operational risk, legal and compliance risk (including anti-money laundering risk), reputation risk and strategic risk.

The risk governance structure of Bank of China (Hong Kong) Limited covers 3 layers: the Board of Directors and its subordinate committees, the senior management and the management level committees, the three lines of defence risk management functions. However, the risk governance structure of the Branch only covers the senior management and the three lines of defence risk management functions.

- Board of Directors: Being an overseas branch, the Branch does not have a dedicated Board of Directors. The Board of Directors for Bank of China (Hong Kong) Limited represents the interests of shareholders, and is the highest decision-making authority and has the ultimate responsibility for the oversight of risk management. The Board, with the assistance of its committees which includes a Risk Management and Internal Control Committee (“RMICC”), has the primary responsibilities for the determination of risk management strategies, risk appetite and risk culture.
- Senior management: The Branch’s senior management is responsible in implementing these risk management strategies and ensuring development of policies and procedures for identifying, measuring, monitoring and controlling risk arising from new businesses, products and operating environment, or in response to regulatory changes.
- Business unit: Acts as the first line of defence of risk management and is responsible for soliciting business in compliance with the risk management policies and procedures and within various risk limits, and for assessing and monitoring the risk of their business, and ensuring risk data is correctly entered, kept current and aligned with the data definitions.
- Risk management unit: Acts as the second line of defence of risk management, independent from the business unit, and responsible for day-to-day management of different kinds of risk. Primary responsibilities for providing

an independent due diligence through identifying, measuring, monitoring and controlling risk to ensure an effective check and balance, as well as drafting various risk management policies and procedures. In addition, responsible for reporting the implementation of risk management policies and risk profiles to the Senior Management and for providing support and recommendations for their decision-making.

- Supporting units: Responsible for providing proper day-to-day operations support to ensure that there are adequate human resources and systems to support risk management.
- Internal audit: Acts as the third line of defence of risk management is responsible for conducting independent checking, and reporting to the Board on the quality of risk management supervision, the adequacy and the compliance of internal policies and procedures.

The Branch develops various codes of conduct and has sound management systems in place to enforce them. The standards of conduct are laid down in its risk management policies, and other operating principles and guidelines. All staff are required to follow them when conducting business.

The Branch makes use of appropriate training programmes, remuneration, incentive, reward and penalty schemes, assessment and feedback mechanism to guide and drive staff to conduct business in a responsible, honest, practical and proper manner.

The Branch's risk management measurement system covers comprehensive quantitative and qualitative indicators of the 8 major risk categories as required by regulator.

Under such system, the Branch sets regularly reviews and monitors risk limits based on operating conditions and risk status, and report regularly to senior management and BOCHK.

Based on regulatory requirements, the Branch conducts a variety of stress tests on individual risks and integrated risks each year. Each stress testing scenario considers 3 levels of severity, i.e. mild, moderate, and severe, while different probabilities are applied based on level of severity. Impacts on macroeconomic and market will be evaluated under different scenarios, and impact on Branch's risk indicators are also assessed accordingly.

The Bank shall apply stress testing results to various management decisions, including decisions made on strategic businesses, preparation of the business and capital planning, setting and adjustment of the risk limit, inclusion in the Internal Capital Adequacy Assessment Process ("ICAAP"), performance of liquidity assessment, implementation of remedial actions and recovery plan, etc.

The strategies, and processes to manage, hedge and mitigate risks that arise from the Branch's business model include:

- i) Establishing clear risk management strategies and ensuring that a comprehensive risk management system is in place to identify, assess, monitor and control various kinds of risks.

- ii) Establishing risk management units with clear responsibilities to perform independent risk management and control.
- iii) Establishing effective communication system that enables the “tone of the top” on risk management are communicated to and understood by every employee so that they could comply with BOCHK’s risk management strategies.
- iv) Putting in place supporting policies and procedures as well as clear authority structure that guide employees’ behaviours and set clear boundaries for actions.
- v) Setting limits for quantifiable risks (including credit risk, market risk, interest rate risk and liquidity risk) to ensure that exposures to such risks are controlled within acceptable risk levels.
- vi) Establishing independent internal audit, review and accountability system so as to review and evaluate the implementation of the Branch’s risk management system.

The Branch has established various risk limits and early warning indicators of different types and different approval levels, and regularly monitors and reports implementation status to senior management and BOCHK. If such indicators approach or breach the early warning level or pre-set limits, timely assessment will be conducted by relevant function units and reports to corresponding approval level, and appropriate mitigation actions will be taken accordingly.

## 5. C5: LIQUIDITY RISK

### a. LIQA – Liquidity risk management

In accordance with the Branch's corporate governance principles in respect of risk management, the committees, senior management and functional departments/units perform their duties and responsibilities to manage the Branch's liquidity risk.

The Branch established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on a daily basis. These indicators and limits include, Minimum Cash Balance ("MCB"), Asset Maintenance Ratio ("AMR") and loan-to-deposit ratio. The Branch applies a cash flow analysis to assess the Branch's liquidity condition under normal conditions and also performs a liquidity stress test and other methods to assess the Branch's capability to withstand various severe liquidity crisis.

In accordance with the requirements of Section 45(1) of the Banking Order, 2006 to maintain minimum cash balance with BDCB, the Branch was fully complied as at 31 December 2024.

The Branch is committed to diversifying the sources, tenor and use of funding to avoid excessive concentration of assets and liabilities; and prevent triggering liquidity risk due to the break of funding strand resulting from over-concentration of sources and use of funding in a particular area where problems occur. The Branch could improve the liquidity position by taking mitigation actions including, but not limited to obtaining funding through interbank borrowings in the money market, selling bonds in the secondary market or retaining existing and attracting new customer deposits. Apart from increasing the funding, the Branch would maintain good communication with the counterparties, the parent bank and the regulators to enhance mutual confidence.

In the liquidity stress test, institution specific, general market crisis and combined crisis scenarios have been set up, a combined crisis scenario is a combination of institution specific and general market crisis to assess the Branch's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted.

A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of relevant departments.

The Branch has established a set of liquidity risk management policies which serve as standards and guidance to all the Branch's responsible parties for liquidity risk management. The Branch is required to report the respective liquidity positions on a regular basis to the RMD of BOCHK.

The following table shows cash flow analysis of the Branch's 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 from counterparties.

31 December 2024	Carrying amount	Gross nominal outflow	Up to 1 month	1-3 months	3-12 months	1-3 years	More than 3 years
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>Liabilities</b>							
Deposits from customers	647,869	650,970	463,931	20,964	161,673	4,402	-
Deposits and balances from banks and other financial institutions	16,716	16,720	16,720	-	-	-	-
Group balances payable	7,390	7,392	7,392	-	-	-	-
Other liabilities	24,591	24,591	2,330	59	21,745	64	393
Lease liabilities	481	481	15	32	134	300	-
Provision for taxation	1,921	1,921	-	1,000	921	-	-
	<b>698,968</b>	<b>702,075</b>	<b>490,388</b>	<b>22,055</b>	<b>184,473</b>	<b>4,766</b>	<b>393</b>

The maturity analysis based on the remaining period at balance sheet date to the contractual maturity date is as follows:

31 December 2024	Within one year	One to three years	Over three years	Total
	B\$'000	B\$'000	B\$'000	B\$'000
Total on-balance sheet assets	740,996	61,024	27,336	829,356
Total on-balance sheet liabilities	548,440	149,281	1,247	698,968
Net liquidity gap	192,556	(88,257)	26,089	130,388
Total off-balance sheet items	71,524	1	164,253	235,778

## 6. C6: CREDIT RISK

### a. CRA: General qualitative information about credit risk

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the banking book, as well as from on- and off-balance sheet transactions of the Branch. It arises principally from lending, trade finance and treasury businesses.

The Branch has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit limits to manage and control credit risk that may arise. These policies, procedures and credit limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Branch's organization structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits. BOCHK delegates credit approval authority to the Country General Manager ("GM") and no further delegation is allowed. BOCHK sets the limits of credit approval authority according to the credit business nature, rating, the level of transaction risk, and the extent of the credit exposure.

The Chief Risk Officer ("CRO") assist GM to oversee credit risk management. Various units of the Branch have their respective credit risk management responsibilities.

Business units act as the first line of defence in risk management.

The Risk and Compliance Department ("RCD"), which is independent from the business units, is responsible for the management of credit risks and provides an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. It is also responsible for the design, development and maintenance of the Branch's internal rating system and ensures the system complies with the relevant regulatory requirements.

Back offices are responsible for credit administration, providing operations support and supervision on the implementation of prerequisite terms and conditions of credit facilities.

The internal audit is responsible for conducting independent reviews on the adequacy and effectiveness of credit risk management framework, as well as the compliance to internal policies and procedures.

The RCD provides regular credit management information reports to the senior management, Risk Management and Internal Control Committee ("RMICC") and BOCHK to facilitate their continuous monitoring of credit risk.

In addition, the Branch identifies credit concentration risk by industry, geography, customer, or counterparty. The Branch monitors changes to every counterparties credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the senior management.



b. CR1: Credit quality of assets

	(a)	(b)	(c)	(d)	(e)	(f)
	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	
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>31 December 2024</b>						
1 Loans	-	297,357	(1,690)	-	(1,690)	295,667
2 Debt Securities	-	69,379	(5)	-	(5)	69,374
3 Off- balance sheet exposures	-	221,487	(501)	-	(501)	220,986
4 <b>Total</b>	-	588,223	(2,196)	-	(2,196)	586,027

The Branch identifies the exposures as “default” if the exposure is past due for more than 90 days or the borrower is unlikely to pay in full for its debt obligations to the Branch.

c. CR2: Changes in Stock of Defaulted Loans and Debt Securities

	(a)
	31 December 2024
	B\$'000
1 <b>Defaulted loans and debt securities at end of the previous reporting period</b>	-
2 Loans and debt securities that have defaulted since the last reporting period	-
3 Returned to non-defaulted status	-
4 Amounts written off	-
5 Other changes	-
6 <b>Defaulted loans and debt securities at end of the reporting period</b>	-

There was no defaulted loan and debt security for the Branch.

d. CRB: Additional disclosure related to the credit quality of assets

i) Past due

An asset is considered to be past due when any payment under the strict contractual terms have been missed or received late. The amount included as past due is the entire contractual balance, rather than the overdue portion.

ii) Past due but not impaired loans and advances

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Branch believes that impairment is not appropriate on the basis of the level of security/collateral available and/ or the stage of collection of amounts owed to the Branch.

iii) Impaired loans and advances

Advances are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Credit-impaired advances are classified as Stage 3 and lifetime expected credit losses will be recognised.

The Branch identifies the advances as impaired if the exposure is past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations to the Branch. The impairment allowances were made after taking into account the value of collateral in respect of such advances.

ECL is assessed in three stages and the exposures are classified on one of the following three stages:

Stage 1: if the financial instruments are not credit-impaired during origination and their credit risk has not increased significantly since origination, and the impairment allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial instruments are not credit-impaired during origination but their credit risk has increased significantly since origination, and the impairment allowance is measured at an amount equal to the lifetime ECL;

Stage 3: if the financial instruments are credit-impaired and their future cash flows of that financial instruments are adversely affected by one or more events, and the impairment allowance is also measured at an amount equal to the lifetime ECL.

Restructured exposure are those advances that have been restructured and renegotiated between the bank and borrowers because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule, and the revised repayment terms, either of interest or the repayment period, are “non-commercial” to the Branch.

**(i) Exposures by geographical areas**

	Loans and advances	Contingencies and other commitments	Total
<b>31 December 2024</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>
Brunei Darussalam	191,892	235,778	427,670
Hong Kong	17,029	-	17,029
Chinese Mainland	65,276	-	65,276
Others	23,160	-	23,160
Total	297,357	235,778	533,135

**(ii) Exposures by industry**

	Loans and advances	Contingencies and other commitments	Total
<b>31 December 2024</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>
Agricultural	26,947	-	26,947
Financial	-	152	152
Manufacturing	191,138	69,665	260,803
Residential & Commercial Property	28,160	-	28,160
Services	20,266	165,959	186,225
Telecommunication and information technology	13,618	-	13,618
Traders	199	2	201
Transportation	17,029	-	17,029
Total	297,357	235,778	533,135

**(iii) Exposures by residual maturity**

	Loans and advances	Contingencies and other commitments	Total
<b>31 December 2024</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>
Within one year	217,021	71,524	288,545
One to three years	53,114	1	53,115
Over three years	27,222	164,253	191,475
Total	297,357	235,778	533,135

**(iv) Impaired exposures by geographical areas**

	Loans and advances	Contingencies and other commitments	Total
<b>31 December 2024</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>
Brunei Darussalam	-	-	-
Hong Kong	-	-	-
Chinese Mainland	-	-	-
Others	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(v) Impaired exposures by industry**

	Loans and advances	Contingencies and other commitments	Total
<b>31 December 2024</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>
Agricultural	-	-	-
Financial	-	-	-
Manufacturing	-	-	-
Residential & Commercial Property	-	-	-
Services	-	-	-
Telecommunication and information technology	-	-	-
Traders	-	-	-
Transportation	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(vi) Aging analysis of accounting past due exposures**

	Loans and advances B\$'000
<b>31 December 2024</b>	
Overdue for three months or less	-
Overdue for six months or less but over three months	-
Overdue for one year or less but over six months	-
Overdue for over one year	-
<b>Total</b>	<b>-</b>

**(vii) Restructured exposures**

	Loans and advances B\$'000
<b>31 December 2024</b>	
Impaired exposures	-
Not impaired exposures	-
<b>Total</b>	<b>-</b>

e. CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

The Branch's policies and procedures stipulated the counterparty credit risk management and the netting should only be applied where there is a legal right to do so.

The Branch has in place specific policies with respect to revaluation and management of collateral. These policies articulate the standards to monitor and manage the collateral's security as the secondary repayment source and recovery of obligation loss. All collaterals are revalued on a regular basis. More frequent revaluation is required for collaterals with higher volatility or deteriorated accounts.

The credit and market risk concentrations within the credit risk mitigation (recognized collateral and guarantees for capital calculation) used by the Branch are under a low level.

f. CR3: Overview of credit risk mitigation (CRM) techniques

	(a)	(b)	(c)	(d)	(e)
	Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>31 December 2024</b>					
1 Loans	105,766	189,901	27,199	162,702	-
2 Debt securities	69,374	-	-	-	-
3 <b>Total</b>	<b>175,140</b>	<b>189,901</b>	<b>27,199</b>	<b>162,702</b>	<b>-</b>
4 Of which defaulted	-	-	-	-	-

g. CRD: Qualitative disclosure on banks' use of external credit ratings under the standardised approach for credit risk

The ECAs recognised by the Branch include Standard & Poor's, Moody's and Fitch which is listed in the BDCB Capital Adequacy Framework.

The Branch adopt standardised credit risk approach based on external credit rating to determine the risk weight of the small residual credit exposures that was approved by the BDCB and the exposures are listed as below:

- Exposures to Sovereigns and Central Banks
- Exposures to Multilateral Development Banks (MDBs)
- Exposures to Banks
- Exposure to Corporates

The Branch determines the ECAI issuer ratings in banking book in a process consistent with Section E2, External Credit Assessment, of the BDCB Capital Adequacy Framework (CAF). All other exposure classes are assigned risk weightings as prescribed in the BDCB's CAF. However, as most obligors are not rated by ECAI, to align with best practices and BDCB's CAF, they are classified under unrated category.

h. CR4: Standardised approach for Credit risk exposure and credit risk mitigation (CRM) effects

Asset classes	(a)	(b)	(c)	(d)	(e)	(f)
	Exposures before CCF and CRM	Exposures post-CCF and CRM	Exposures post-CCF and CRM	Exposures post-CCF and CRM	RWA and RWA density	RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	%
<b>31 December 2024</b>						
1 Sovereigns and their central banks	127,292	-	127,292	-	-	0%
2 Non-central government public sector entities	-	-	-	-	-	0%
3 Multilateral development banks	-	-	-	-	-	0%
4 Banks	401,241	152	401,241	76	111,966	28%
5 Securities firm	-	-	-	-	-	0%
6 Corporates	296,592	235,626	192,582	96,088	281,861	98%
7 Regulatory retail portfolios	-	-	-	-	-	0%
8 Secured by residential property	765	-	765	-	268	35%
9 Secured by commercial real estate	-	-	-	-	-	0%
10 Equity	-	-	-	-	-	0%
11 Past-due loans	-	-	-	-	-	0%
12 Higher-risk categories	-	-	-	-	-	0%
13 Other assets	5,198	-	5,198	-	2,333	45%
14 <b>Total</b>	<b>831,088</b>	<b>235,778</b>	<b>727,078</b>	<b>96,164</b>	<b>396,428</b>	<b>48%</b>

i. CR5: Standardised approach for Exposures by asset classes and risk weights

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
<div>Risk Weight</div> <div>Asset classes</div>	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>31 December 2024</b>										
Sovereigns and their central banks	127,292	-	-	-	-	-	-	-	-	127,292
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	295,641	-	105,676	-	-	-	-	401,317
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	13,618	-	275,052	-	-	288,670
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	765	-	-	-	-	-	765
Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Other assets	2,865	-	-	-	-	-	2,333	-	-	5,198
<b>Total</b>	<b>130,157</b>	<b>-</b>	<b>295,641</b>	<b>765</b>	<b>119,294</b>	<b>-</b>	<b>277,385</b>	<b>-</b>	<b>-</b>	<b>823,242</b>

## **7. C7: COUNTERPARTY CREDIT RISK (CCR)**

### **a. CCRA: Qualitative disclosure related to CCR**

The Branch's management objective to counterparty credit risk is to ensure credit risk is properly managed and controlled with the general credit risk management framework. The Branch has also formulated "Counterparty Credit Risk Management Policy" which covers identification, measurement, control and monitoring of counterparty credit risk.

The Branch established credit limit through formal credit approval procedures to control the pre-settlement credit risk arising from derivative transactions and settlement limit to control the settlement risk arising from foreign exchange related transactions for counterparties including CCP in both the trading book and banking book. The Branch monitors the risk exposure due to market fluctuations by using the current exposure and the potential exposure value of the transactions.

In controlling and monitoring of wrong-way risk (risk of existence of positive correlation between the PD of a counterparty and credit exposures driven by mark-to-market value of the underlying transactions), specific wrong-way risk transactions are generally not allowed; monitoring measures have been formulated for those counterparties that would be exposed to potential general wrong-way risk being identified by making use of internal risk management tools.

Based on the existing ISDAs and CSAs signed with BOCHK's counterparties, there is no impact on collateral amount that BOCHK would be required to provide given a credit rating downgrade.



## **8. C8: SECURITISATION**

### **a. SECA: Qualitative disclosure requirements related to securitisation exposures**

The Branch has not sponsored or managed or provided implicit support to securitisation exposures and does not hold any re-securitisation exposures as at 31 December 2024.

## 9. C9: MARKET RISK

### a. MRA: Qualitative disclosure requirements related to market risk

Market risk refers to the risk of financial loss where the value of the Branch's assets and liabilities could be adversely affected by changes in market variables such as interest rates, securities prices and foreign exchange rates.

The Branch's market risk management is intended to ensure proper oversight of market risk, assure market risk taking activities are consistent with its risk tolerance levels while optimising risk and return. In accordance with the corporate governance principles in respect of risk management, the Risk Management and Internal Control Committee ("RMICC"), the senior management and functional departments/units perform their duties and responsibilities to manage the market risk. The Risk and Compliance Department is mainly responsible for managing market risk, assisting senior management to perform their duties, independently monitoring the market risk profile and compliance of management policies and limits and ensuring that the aggregate and individual market risks are within acceptable levels.

The Branch has also formulated "Market Risk Management Policy" which covers identification, measurement, control and monitoring of Market Risk. The policy sets up market risk indicators and limits to identify, measure, monitor and control market risk. However, based on the current arrangement, no proprietary trading is allowed and no market risk exposure is granted to the Branch where all position is transferred to or squared with the BOCHK.

### b. MR1: Market risk under standardised approach

(a)	
RWA	
31 December 2024	
B\$'000	
1 Interest / Profit rate risk (general and specific)	-
2 Equity risk (general and specific)	-
3 Foreign exchange risk	2,247
4 Commodity risk	-
5 Total	2,247

## 10. C10: INTEREST RATE RISK IN THE BANKING BOOK

### a. IRRBB: Interest Rate Risk in the Banking Book (IRRBB) risk management objective and policies

Interest rate risk means the risks to a Branch's earnings and economic value arising from movements in interest rate and term structures of the Branch's asset and liabilities positions. The Branch's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are:

- Gap risk: mismatches in the maturity or repricing periods of assets and liabilities and off-balance sheet instruments that may affect net interest income and economic value;
- Basis risk: different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same repricing period;
- Option risk: exercise of the options embedded in assets, liabilities or off-balance sheet items that can cause a change in the cash flows of assets and liabilities.

The Branch's risk management framework applies also to interest rate risk management. The Risk Management and Internal Control Committee ("RMICC") exercises its oversight of interest rate risk in accordance with the "Banking Book Interest Rate Risk Management Policy of Bank of China (Hong Kong), Brunei Branch" approved by Senior Management. Risk and Compliance Department is responsible for monitoring of the execution and management of interest rate risk. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, monitoring of the compliance with policies and limits, report to senior management and RMICC timely etc. Finance and Accounting Department assist with providing the data needs for day-to-day interest rate risk management.

The Branch has also formulated "Banking Book Interest Rate Risk Management Policy" which covers identification, measurement, control and monitoring of IRRBB. The policy sets out interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk. The indicators and limits are classified into different levels, which are approved by the BOCHK and senior management accordingly. The Branch is required to conduct their business within the boundary of the interest rate risk limits as stipulated by BOCHK as well as local regulatory guidelines.

Net Interest Income ("NII") and Economic Value ("EV") assess the impact of interest rate movement on the Branch's net interest income and capital base. They are the Branch's key interest rate risk indicators. The former assesses the impact of interest rate movement on net interest income as a percentage to the projected net interest income for the year. The latter assesses the impact of interest rate movement on economic value (i.e. the net present value of cash flows of assets, liabilities and off-balance sheet items discounted using market interest rate) as a percentage to the latest capital base.

The Branch has no modelling for non-maturity deposits (“NMDs”). The average and the longest repricing maturity for NMDs in 2024 was next day.

	Impact on net interest income over the next twelve months at		Impact on reserves at	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	B\$'M	B\$'M	B\$'M	B\$'M
Total	2.10	1.73	(0.27)	(0.69)

## 11. C11: OPERATIONAL RISK

### a. ORA: Qualitative disclosure requirements related to operational risk

Bank of China (Hong Kong) Limited – Brunei Branch (the Branch) as part of Bank of China (Hong Kong) Limited (BOCHK) Group is committed to ensuring that the Branch can continuously and effectively develop its business by maintaining an effective operational risk management infrastructure by the abilities to identify, assess, monitor, report, control and mitigate its operational risk.

This is achievable through:

- (i) improving operational risk governance framework including management policies, procedures, organisational division of functions, accountability and responsibility as well as reporting system;
- (ii) promoting the operational risk management culture, strengthening the awareness and expertise of the management and staff towards operational risk management; and
- (iii) establishing operational risk management processes, methodologies and modelling techniques to enhance the Branch's operational risk management capabilities.

Pursuant to Operational Risk definition of Bank of China Limited and BDCB Guidelines on Operational Risk Management for Banks, and taking into account of the relevant definition of the Basel Committee on Banking Supervision (BCBS), the HKMA and the practical situation of the BOCHK, the definition of Operational Risk as:

The risk of loss resulting from inadequate or failed internal process, people and systems, or from external events. It includes legal risk but excludes strategic and reputation risk. Operational risk is inherent in all banking products, activities, processes and systems and confronted by the Bank in its day to day operational activities. Where appropriate, strategic and reputational risks should be considered under operational risk management framework.

The Branch has implemented the “Three Lines of Defence” system for the operational risk management at the departmental/ functional level:

#### First line of defence

- All departments, being the frontline unit directly exposed to operational risk and responsible for executing the various risk management policies and business operations and procedures, as the first line of defense of the Branch. The first line of defense is the first party responsible for operational risk management and carries out the duties and functions of managing and controlling their business operation through self assessment, self checking, self correction and self development.
- responsible handle day-to-day management and reporting of operational risk issues in their units.

- ensure all the information made available and reported in connection with operational risk management are complete, correct and timely.
- ensure their internal control measures and operating procedures and operational risk management tools are in accordance with the requirements and management procedure and properly executed.
- ensure all their major products, business and process are in compliance with the appropriate implementation rules and equipped with proper staffing and training.

#### Second line of defence

The second line of defense of operational risk management of the Branch composed of the Risk and Compliance Department which is independent from business units, and other specialist functional units, such as Finance and Accounting Department & Administrative Department.

In addition to managing the operational risk of their own unit, the specialist functional units of the second line of defense for operational risk shall also be responsible for the specific aspects of operational risk and its related issues of the Branch. The specialist functional units shall meet the management requirements of the Risk and Compliance Department. These units, apart from taking charge of operational risk management in their own units, are also required to provide other units with professional advice / training in respect of certain operational risk categories, and monitor the relevant risk status, including:

Department	Responsibilities
Risk and Compliance	<ul style="list-style-type: none"> <li>- leading unit of operational risk management, being independent from the various business units;</li> <li>- leads the management of legal and compliance risk, money laundering risk, the management of fraud risk;</li> <li>- responsible for assisting management in managing the Branch's operational risk. Its main responsibilities are to: <ul style="list-style-type: none"> <li>a) propose the relevant operational risk management policy and submit it to the Country Head/General Manager for approval;</li> <li>b) design the operational risk assessment methodologies, tools and the reporting mechanism (including operational risk events loss data capturing);</li> <li>c) monitor the implementation status of policies and operational procedures in the departments of the first line of defense through operational risk</li> </ul> </li> </ul>

	<p>management tools (including Risk &amp; Control Assessment and Key Risk Indicators), and checking, etc;</p> <p>d) analyze Operational Risk and Control Self-Assessment, Key Risk Indicators and loss events to study trends in the branch's operational risk exposure, and suggest changes in processes and control measures, if necessary, to control the level of operational risk;</p> <p>e) report risk events and operational losses, and monitor corrective and remedial actions, including any new processes and procedures introduced;</p> <p>f) monitor the specialist functional units at the second line of defense on carrying out their duties to manage relevant operational risk that is / are under their responsibilities;</p> <p>g) assess and report the Branch's overall operational risk position to Branch Management and Country Head/General Manager.</p> <p>h) work alongside other relevant functions responsible for managing and addressing any risks that threaten the delivery of critical operations and for coordinating business continuity planning, third-party dependency management, recovery and resolution planning and other relevant risk management frameworks to strengthen operational resilience across the Bank.</p> <p>i) design and provide operational risk management training, including to instill risk awareness, and advising the departments of the first line of defence on operational risk management issues.</p> <p>j) liaise with internal and external audits for matters in relation to operational risk management.</p>
Administrative	<p>Leads the management of people risk, information and technology risk (including cyber security risk), "Three preventions" and security risk;</p>
Finance & Accounting	<ul style="list-style-type: none"> <li>- Leads the management of financial and accounting risk.</li> <li>- In respect of the calculation of operational risk, Finance &amp; Accounting Department is responsible for reallocating net interest income amongst business lines in accordance with the results from adopting the transfer pricing mechanism as stipulated by BOCHK Treasury; as well as using the compiled data to calculate capital charge for</li> </ul>

	operational risk in strict accordance with Basic Indicator Approach (BIA)., ensuring the calculation accuracy and to prepare the related statutory returns to the local regulatory and other relevant statutory bodies (if any).
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Through using appropriate operational risk management methods and tools, they shall assist the first line of defense to assess and control the operational risk, provide guidance and inspect the operational risk management of the first line of defense, report the operational risk status to Risk and Compliance Department, risk issues identified and follow-up arrangement. The Risk and Compliance Department shall monitor their managerial duties of the second line of defense with respect to specific aspects of operational risk and its related issues.

### Third line of defence

Group Audit is the third line of defence which provides independent assessment to the effectiveness and adequacy of the operational risk management framework and is required to conduct periodic audit of the operational risk management activities within the Branch regarding their compliance and effectiveness and to put forward recommendations on corrective action.

All departments within the Brunei Branch are exposed to operational risk. To ensure operational risk management is effectively controlled, Brunei Branch applies locally the three lines of defence in accordance to BOCHK model. Brunei Branch's Risk & Compliance Department is the second line of defence to lead operational risk management and report operation risk situation to its management and BOCHK Legal & Compliance and Operational Risk Management Department ("LCO"). Senior Management of Brunei Branch has direct responsibilities for operational risk management.

BOCHK Group adopts various operational risk management tools or methodologies such as KRI, operational risk and control assessment (RACA), operational risk events reporting and review to identify, assess, monitor and control the risks inherent in business activities and products.

Brunei Branch has developed and implemented the KRI and operational risk events reporting under the guidance of BOCHK LCO to assess the operational risk situations. KRIs results are reported regularly to its management and BOCHK LCO. The scope of reporting covers Operational Loss, Customer Complaints, Staff Turnover, Audit Findings, Compliance, Security & Fraud Risk, New Product & Services, Technology Risks & Information Security.

Brunei Branch has established business continuity plans to support business operations in the event of an emergency or disaster. Adequate backup facilities are maintained and periodic drills are conducted. Under the guidance of BOCHK LCO, Brunei Branch continues to improve its business continuity planning, such



as business impact analysis, and back-up facilities. In addition, insurance is purchased to mitigate unforeseeable operational risks.