

**Bank Islam Brunei Darussalam Berhad
and its Subsidiaries**

Registration Number: RC00006420

Financial Statements
Year ended 31 December 2019

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Directors' Report

The directors have pleasure in presenting this report together with the audited financial statements of Bank Islam Brunei Darussalam Berhad (“the Bank”) and its subsidiaries (“the Group”) for the financial year ended 31 December 2019.

Principal activities

The Bank is principally engaged in the provision of Islamic banking business as allowed under the Islamic Banking Order, 2008 and Shariah principles.

The subsidiaries are principally engaged in the provision of investment banking, Islamic hire-purchase, stockbroking, asset and fund management, leasing and management services.

There were no significant changes in these activities during the financial year.

Results

	Group B\$'000	Bank B\$'000
Profit for the year		
Attributable to:		
Equity holders of the Bank	<u>155,367</u>	<u>153,810</u>

Dividends

The amount of dividends paid by the Bank since 31 December 2018 are as follows:

	B\$'000
In respect of the financial year ended 31 December 2018:	
Final dividend of 12.17 cents per ordinary share paid on 10 October 2019	88,202

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2019 of 18.38 cents on 724,749,512 number of ordinary shares, amounting to B\$133,208,960 will be proposed.

Directors

The names of directors of the Bank at the date of this report are:

Dato Seri Setia Dr Awang Haji Mohd Amin Liew
bin Abdullah

Dato Paduka Iqbal Ahmad Khan

Junaidi bin Hj Masri

Dr Jan Hendrik van Greuning

Mubashar Khokhar

Majed Nasser Alsubaei

Mozart bin Haji Brahim (Ceased as Alternate Director to Junaidi bin Hj Masri
effective 19 Mar 2020)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there exist any arrangements to which the Bank was a party, whereby the directors might acquire benefits by means of acquisition of shares in the Bank or any other corporate body.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of emoluments received or due receivable by directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 37 of the financial statements) by reason of a contract made by the Bank or a related corporation with any director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

The following directors who held office at the end of the financial year had, according to the register required to be kept under Section 95, of the Companies Act, Chapter 39, an interest in shares of the Bank, as stated below:

**Number of ordinary shares
of B\$0.70 each**

Name of directors	At beginning of the year	At end of the year
Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah	2	2
Dato Paduka Iqbal Ahmad Khan	1	1
Junaidi bin Hj Masri	1	1
Mubashar Khokhar	1	1

Other than as disclosed, none of the directors in office at the end of the financial year had any interest in shares and in options in the Bank or its related corporations during the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 March 2020

Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah
Chairman

Mubashar Khokhar
Managing Director

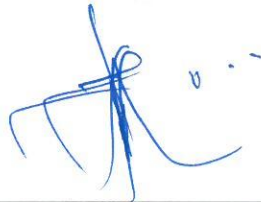
Junaidi bin Hj Masri
Director

Brunei Darussalam

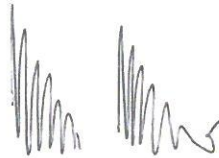
Statement by Directors

In the opinion of the Directors, the financial statements set out on pages FS1 to FS132 are drawn up in accordance with the Brunei Darussalam Companies Act, Cap. 39 (the "Act"), Islamic Banking Order, 2008 (the "Order") and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Group and the Bank as of 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and the Bank for the financial year ended 31 December 2019.


Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 19 March 2020:



Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah
Chairman



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam

Shariah Advisory Body Report

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ، وَالصَّلَاةُ وَالسَّلَامُ عَلَى سَيِّدِنَا مُحَمَّدٍ وَعَلَى آلِهِ وَصَحْبِهِ أَجْمَعِينَ

To the Shareholders of Bank Islam Brunei Darussalam Berhad,

السلام عليكم ورحمة الله وبركاته

To fulfil the terms of our appointment and in our capacity as members of Bank Islam Brunei Darussalam Berhad's Shariah Advisory Body, we are pleased to report as follows:

- a) We have reviewed the principles outlined in the contracts that relate to the transactions as well as the applications of these principles in the products and services introduced by Bank Islam Brunei Darussalam Berhad ("Bank") and its Group of Companies ("Group") during the financial year ended 31 December 2019 to ensure conformity with the rules and principles of Shariah.
- b) In ensuring the Bank and the Group has complied with the Shariah rules and principles and rulings issued by us, we have also performed oversight role through the Shariah review and Shariah audit functions carried out by the Shariah and Internal Audit Division.
- c) We have assessed the work carried out by Shariah Division and Shariah Audit and its effectiveness to implement the Shariah Governance Framework which included pre and post Shariah review and examination, on a test basis towards the business transaction, the relevant documentations and procedures adopted and/or entered into by the Bank.
- d) The Bank and the Group's management are responsible for ensuring that their business operations are conducted in accordance with Shariah rules and principles. It is our responsibility to present an independent opinion base on our review of the Bank and the Group's business operations and to subsequently report to you.
- e) We obtained all information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank and the Group has not violated the Shariah rules and principles in all transaction that had been presented to us.

On that note, we, the Shariah Advisory Body of Bank Islam Brunei Darussalam Berhad, are of the opinion and hereby confirm that:

- a. The products and services, contracts and dealings transactions entered into by the Bank and the Group during the financial year ended 31 December 2019. that we have reviewed are in compliance with Shariah rules and principles;
- b. The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with *Hukum Syarak*.
- c. In fulfilling with the Shariah compliancy, all tainted earnings that have been realised from sources or manner which have not fulfil the Shariah requirement have been separated and considered for disposal to *Maṣlahah 'Ammah* (public benefit); and
- d. The zakat of the Bank and the Group's business is in accordance with the calculation methodology approved by this Body.

This opinion is rendered based on what has been presented by the management of the Bank to us.

We pray to Allah *Subhanahu Wa Ta'ala* to assist everyone to act in accordance with the rulings of Islamic banking and to keep away from carrying out any transactions that are prohibited by Allah *Subhanahu Wa Ta'ala*. May Allah *Subhanahu Wa Ta'ala* bless us with the best *taufik* and *hidayah* to accomplish these cherished tasks, make us successful and forgive us in this world and in the hereafter.

والله ولي التوفيق

Signed on behalf of the Shariah Advisory Body in accordance with a resolution of the members,



Dato Seri Setia Dr Haji Mazanan bin Haji Yusof
Chairman

Brunei Darussalam
19 March 2020



KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent Auditors' Report

To the Members of Bank Islam Brunei Darussalam Berhad and its subsidiaries

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bank Islam Brunei Darussalam Berhad (the "Bank") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Bank as at 31 December 2019, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information as set out on pages FS1 to FS132.

In our opinion, the accompanying consolidated financial statements are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the "Act"), Islamic Banking Order, 2008 (the "Order") and International Financial Reporting Standards ("IFRSs"), so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019, and the financial performance, changes in equity and cash flows of the Group and of the Bank for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management and directors are responsible for the other information. The other information comprises Directors' Report, Statement by Directors and Shariah Advisory Body Report but does not include the consolidated financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Vision, Mission and Values, Management Insights, About Us, Corporate Governance, Business Review, Business Support and Corporate Milestones ("the Reports") which are expected to be made available to us after that date.



Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Responsibilities of management and directors for the consolidated financial statements

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

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

The directors are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 controls.
- Obtain an understanding of internal controls 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 Group's and the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and directors.
- Conclude on the appropriateness of management's and directors' 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 Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group and the Bank audit. We remain solely responsible for our audit opinion.



**Bank Islam Brunei Darussalam Berhad
and its Subsidiaries**
Independent auditors' report
Year ended 31 December 2019

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

A handwritten signature in blue ink that reads 'kpmg llp'.

KPMG LLP
Singapore Public Accountants and
Singapore Chartered Accountants

A handwritten signature in blue ink that reads 'David Jason Waller'.

David Jason Waller
Brunei Darussalam Public Accountant

Singapore
19 March 2020

Income Statements

Year ended 31 December 2019

	Note	Group		Bank	
		2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Profit from financing, leasing and investments	3	364,919	354,229	318,120	304,841
Profit paid/payable to depositors	4	(69,693)	(60,071)	(66,339)	(57,213)
Net profit margin		295,226	294,158	251,781	247,628
Fee and commission income	5	38,524	34,728	37,897	34,020
Fee and commission expense	5	(7,358)	(6,221)	(7,358)	(6,221)
Net fee and commission income		31,166	28,507	30,539	27,799
Gain/(loss) from derivative and investments	6	14,480	(108,961)	14,480	(108,961)
Net foreign exchange (loss)/gain	6	(21,771)	85,247	(21,771)	85,247
Other operating income	7	23,809	26,904	49,679	46,477
Total income		342,910	325,855	324,708	298,190
Less:					
Personnel expenses	8	(74,070)	(65,012)	(66,950)	(57,614)
Other expenses	9	(61,319)	(65,294)	(58,859)	(59,606)
Total operating expenses		(135,389)	(130,306)	(125,809)	(117,220)
Operating profit before allowances		207,521	195,549	198,899	180,970
Less:					
Allowance for impairment on financing and advances, net	10	(14,435)	(14,029)	(12,872)	(11,162)
Allowance for impairment on receivables		327	(413)	38	(413)
Allowance for impairment on investments, net		317	(167)	685	(640)
Operating profit		193,730	180,940	186,750	168,755
Share of profit of associate and joint ventures	25	1,819	4,803	-	-
Profit before zakat and tax		195,549	185,743	186,750	168,755
Less:					
Zakat	12	(3,112)	(2,927)	(3,112)	(2,927)
Income tax expense	13	(37,070)	(34,913)	(29,828)	(26,093)
Total zakat and income tax expense		(40,182)	(37,840)	(32,940)	(29,020)
Profit for the year		155,367	147,903	153,810	139,735
Profit for the year attributable to:					
Equity holders of the Bank		155,367	146,328	153,810	139,735
Non-controlling interests		-	1,575	-	-
Profit for the year		155,367	147,903	153,810	139,735
Earnings per share					
Basic earnings per share (dollars)	15	0.21	0.20		
Diluted earnings per share (dollars)	15	0.21	0.20		

The accompanying notes form an integral part of these financial statements.

**Statements of Comprehensive Income
Year ended 31 December 2019**

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Profit for the year	155,367	147,903	153,810	139,735
Other comprehensive income:				
<i>Items that are or may be reclassified to profit or loss</i>				
Fair value reserve:				
- Net change in fair value	11,706	(6,774)	11,750	(6,819)
- reclassified to profit or loss	(925)	(11)	(925)	(11)
Share of other comprehensive income of associate	2,925	1,369	-	-
Tax on other comprehensive income	(2,087)	709	(2,087)	709
Other comprehensive income for the year, net of tax	11,619	(4,707)	8,738	(6,121)
Total comprehensive income for the year	166,986	143,196	162,548	133,614
Attributable to:				
Equity holders of the Bank	166,986	141,621	162,548	133,614
Non-controlling interests	-	1,575	-	-
Total comprehensive income for the year	166,986	143,196	162,548	133,614

The accompanying notes form an integral part of these financial statements.

**Statements of Financial Position
As at 31 December 2019**

	Note	Group		Bank	
		2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Assets					
Cash and cash equivalents	16	3,732,366	2,497,449	3,731,579	2,503,325
Balances with Autoriti Monetari Brunei Darussalam	17	435,026	445,202	400,380	407,452
Placements with and financing and advances to banks	18	1,129,582	2,015,303	1,522,236	2,377,589
Government sukuk	19	9,897	20,414	9,897	20,414
Investments	20	1,048,863	1,182,348	1,048,863	1,182,348
Derivative financial assets	21	42,505	27,831	42,505	27,831
Financing and advances	22	3,997,148	3,682,451	3,290,992	2,974,352
Finance lease receivables	23	12,615	12,620	12,615	12,620
Investments in subsidiaries	24	-	-	32,844	27,489
Investment in associate and joint ventures	25	43,194	38,858	22,358	22,358
Other assets	26	101,763	41,113	127,122	70,227
Property and equipment	27	98,023	65,454	83,466	49,394
Investment property	28	24,038	24,630	24,038	24,630
Deferred tax assets	29	5,653	7,951	5,100	8,034
Total assets		10,680,673	10,061,624	10,353,995	9,708,063
Liabilities and equity					
Deposits from customers	30	8,451,495	7,621,133	8,352,247	7,512,448
Deposits from banks and other financial institutions	31	537,389	551,523	438,411	424,413
Placements from other financial institutions	32	121,469	498,875	121,469	498,875
Derivative financial liabilities	21	13,125	14,411	13,125	14,411
Other liabilities	33	214,620	117,753	200,193	109,245
Zakat	34	3,253	3,566	3,253	3,566
Provision for taxation	34	76,125	69,939	62,034	56,188
Total liabilities		9,417,476	8,877,200	9,190,732	8,619,146
Equity					
Share capital	35	507,325	507,325	507,325	507,325
Statutory reserves fund	36	555,475	534,433	513,627	493,429
Other reserves	36	200,397	142,666	142,311	88,163
Total equity attributable to equity holders of the Bank		1,263,197	1,184,424	1,163,263	1,088,917
Non-controlling interests		-	-	-	-
Total equity		1,263,197	1,184,424	1,163,263	1,088,917
Total liabilities and equity		10,680,673	10,061,624	10,353,995	9,708,063

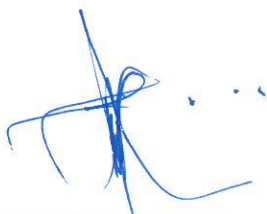
Certification

I certify that the above financial statements give a true and fair view of the financial position as at 31 December 2019 and the financial performance for the year ended 31 December 2019.

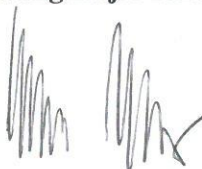


Mubashar Khokhar
Managing Director

The financial statements were approved by the Board of Directors and signed for and on its behalf of the Board.



Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah
Chairman



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam
19 March 2020

**Statement of Changes in Equity
Year ended 31 December 2019**

Group	Note	Share capital BS'000	Statutory reserve BS'000	Fair value reserve BS'000	-----Other reserves-----		Total shareholders' funds BS'000	Non-controlling interests BS'000	Total equity BS'000
					Foreign currency translation reserve BS'000	Retained profits BS'000			
At 31 December 2018		507,325	534,433	369	(30)	142,327	1,184,424	-	1,184,424
Profit for the year		-	-	-	-	155,367	155,367	-	155,367
Other comprehensive income		-	-	11,619	-	-	11,619	-	11,619
Total comprehensive income for the year		-	-	11,619	-	155,367	166,986	-	166,986
Transfers to statutory reserve	36	-	21,042	-	-	(21,042)	-	-	-
Foreign currency movement		-	-	-	(11)	-	(11)	-	(11)
Transactions with owners of the Bank									
Contributions and distributions									
Dividends paid on ordinary shares	14	-	-	-	-	(88,202)	(88,202)	-	(88,202)
Total contributions and distributions		-	-	-	-	(88,202)	(88,202)	-	(88,202)
At 31 December 2019		507,325	555,475	11,988	(41)	188,450	1,263,197	-	1,263,197

Statement of Changes in Equity (Cont'd)

Group	Note	Share capital BS'000	Statutory reserve BS'000	Fair value reserve BS'000	-----Other reserves-----		Total shareholders' funds BS'000	Non-controlling interests BS'000	Total equity BS'000
					Foreign currency translation reserve BS'000	Retained profits BS'000			
At 31 December 2017		507,325	497,499	2,406	(18)	82,195	1,089,407	21,176	1,110,583
Adjustment on initial application of IFRS 9		-	-	2,670	-	(11,183)	(8,513)	-	(8,513)
Restated balance at 1 January 2018		507,325	497,499	5,076	(18)	71,012	1,080,894	21,176	1,102,070
Profit for the year		-	-	-	-	146,328	146,328	1,575	147,903
Other comprehensive income		-	-	(4,707)	-	-	(4,707)	-	(4,707)
Total comprehensive income for the year		-	-	(4,707)	-	146,328	141,621	1,575	143,196
Transfers to statutory reserve	36	-	36,934	-	-	(36,934)	-	-	-
Foreign currency movement		-	-	-	(12)	-	(12)	-	(12)
Transactions with owners of the Bank									
Changes in ownership interest in subsidiaries									
Disposal of interest in subsidiaries		-	-	-	-	(1,298)	(1,298)	(22,751)	(24,049)
Contributions and distributions									
Dividends paid on ordinary shares	14	-	-	-	-	(36,781)	(36,781)	-	(36,781)
Total contributions and distributions		-	-	-	-	(36,781)	(36,781)	-	(36,781)
At 31 December 2018		507,325	534,433	369	(30)	142,327	1,184,424	-	1,184,424

**Statement of Changes in Equity
Year ended 31 December 2019**

	Note	Share capital B\$'000	Statutory reserve B\$'000	-----Other reserves-----		Total B\$'000
				Fair value reserve B\$'000	Retained profits B\$'000	
Bank						
At 31 December 2018		507,325	493,429	(3,119)	91,282	1,088,917
Profit for the year		-	-	-	153,810	153,810
Other comprehensive income		-	-	8,738	-	8,738
Total comprehensive income for the year		-	-	8,738	153,810	162,548
Transfers to statutory reserve	36	-	20,198	-	(20,198)	-
Transactions with owners of the Bank						
Contributions and distributions						
Dividends paid on ordinary shares	14	-	-	-	(88,202)	(88,202)
Total contributions and distributions		-	-	-	(88,202)	(88,202)
At 31 December 2019		507,325	513,627	5,619	136,692	1,163,263

Statement of Changes in Equity (cont'd)

Bank	Note	Share capital BS'000	Statutory reserve BS'000	-----Other reserves-----		Total BS'000
				Fair value reserve BS'000	Retained profits BS'000	
At 31 December 2017		507,325	458,495	377	37,504	1,003,701
Adjustment on initial application of IFRS 9		-	-	2,625	(14,242)	(11,617)
Restated balance at 1 January 2018		507,325	458,495	3,002	23,262	992,084
Profit for the year		-	-	-	139,735	139,735
Other comprehensive income		-	-	(6,121)	-	(6,121)
Total comprehensive income for the year		-	-	(6,121)	139,735	133,614
Transfers to statutory reserve	36	-	34,934	-	(34,934)	-
Transactions with owners of the Bank						
Contributions and distributions						
Dividends paid on ordinary shares	14	-	-	-	(36,781)	(36,781)
Total contributions and distributions		-	-	-	(36,781)	(36,781)
At 31 December 2018		507,325	493,429	(3,119)	91,282	1,088,917

**Statements of Cash Flows
Year ended 31 December 2019**

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Cash flows from operating activities				
Profit before zakat and tax	195,549	185,743	186,750	168,755
Adjustments for:				
Dividend income from subsidiaries	-	-	(27,040)	(30,000)
Dividend income from associate	-	-	(409)	-
Allowances for impairment on financing and advances	14,435	14,029	12,872	11,162
Allowances for impairment on receivables	(327)	413	(38)	413
Change in fair value of derivatives and investments	7,290	23,714	7,290	23,714
Depreciation of property and equipment and investment property	19,567	17,754	16,332	13,650
Allowance for impairment of investments, net	(317)	167	(685)	640
Loss on disposal of property and equipment	682	81	-	-
Share of profit of associate and joint ventures	(1,819)	(4,803)	-	-
	235,060	237,098	195,072	188,334
Change in:				
Deposits from customers	836,407	96,799	845,844	79,734
Deposits from banks and other financial institutions	(14,134)	30,090	13,998	30,305
Other liabilities	57,970	4,856	53,150	9,024
Balances with Autoriti Monetari Brunei Darussalam	10,176	11,731	7,072	12,461
Placements with and financing and advances to banks	878,353	(44,850)	848,353	(232,850)
Government sukuku	10,520	(4,218)	10,520	(4,218)
Investments	144,365	(16,143)	144,365	(16,188)
Placements from other financial institutions	(377,406)	258,159	(377,406)	258,159
Financing and advances	(331,998)	(398,485)	(332,378)	(360,060)
Other assets	(62,959)	(8,620)	(59,183)	(38,549)
	1,386,354	166,417	1,349,407	(73,848)
Zakat paid	(3,425)	(2,192)	(3,425)	(2,192)
Taxes paid	(30,295)	(13,235)	(22,759)	(5,612)
Net cash generated from/(used in) operating activities	1,352,634	150,990	1,323,223	(81,652)

Statements of Cash Flows (Cont'd)
Year ended 31 December 2019

	Group		Bank	
	2019	2018	2019	2018
	BS'000	BS'000	BS'000	BS'000
Cash flow from investing activities				
Purchase of property and equipment	(8,160)	(26,116)	(7,092)	(11,348)
Purchase of investment property	(715)	(47)	(715)	(47)
Investment in subsidiary	-	-	(5,644)	(2,963)
Dividend income from subsidiaries	-	-	27,040	30,000
Dividend income from associate	409	-	409	-
Loss of control over subsidiaries	-	(5,663)	-	-
Net cash (used in)/ from investing activities	(8,466)	(31,826)	13,998	15,642
Cash flow from financing activities				
Dividends paid	(88,202)	(36,781)	(88,202)	(36,781)
Payment from lease liabilities	(2,249)	-	(1,965)	-
Net cash used in financing activities	(90,451)	(36,781)	(90,167)	(36,781)
Net change in cash and cash equivalents	1,253,717	82,383	1,247,054	(102,791)
Cash and cash equivalents at 1 January	2,497,449	2,419,360	2,503,325	2,610,380
Effect of exchange rate fluctuations on cash and cash equivalents held	(18,800)	(4,294)	(18,800)	(4,264)
Cash and cash equivalents at 31 December	3,732,366	2,497,449	3,731,579	2,503,325

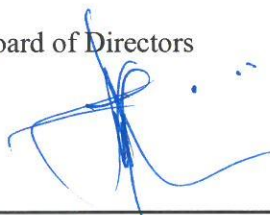
Statement pursuant to Section 125 of the Brunei Darussalam Companies Act

The consolidated profit for the financial year ended 31 December 2019 as shown in the consolidated financial statements of the Group includes the share of profit/(loss) from the following subsidiaries, for the financial year ended 31 December 2019:

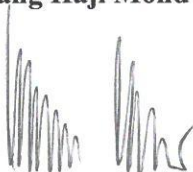
- (a) BIBD At-Tamwil Bhd
- (b) BIBD Securities Sdn Bhd
- (c) BIBD Management & Services Bhd
- (d) IBB Capital Asset Management Sdn Bhd
- (e) IBB Transport Sdn Bhd
- (f) Saujana Sdn Bhd
- (g) Better Sdn Bhd
- (h) BIBD Middle East Limited

During the year, no provision or impairment has been made by the Bank for its investments in subsidiaries. The profit/(loss) of the subsidiaries have been taken into account by the directors of the Bank in arriving at the profit of the Group as disclosed in the financial statements.

On behalf of the Board of Directors



Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah
Chairman



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam
19 March 2020

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Principal activities and general information

Bank Islam Brunei Darussalam Berhad (“the Bank”) is incorporated and domiciled in Negara Brunei Darussalam and the registered office of the Bank is Bangunan BIBD, Lot 159, Jalan Pemancha, Bandar Seri Begawan BS8711, Negara Brunei Darussalam.

The Bank is principally engaged in the provision of Islamic banking business in accordance with Shariah principles as allowed under the Islamic Banking Order, 2008.

The subsidiaries are principally engaged in the provision of Islamic hire-purchase, stockbroking, asset and fund management, leasing and management services. There were no significant changes in these activities during the financial year.

The consolidated financial statements of the Bank and its subsidiaries (together referred to as “the Group” and individually as “Group entities”) as at and for the year ended 31 December 2019 comprise the results and financial position of the Bank and its subsidiaries.

2 Summary of significant accounting policies

2.1 Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

(a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with the International Financial Reporting Standards (“IFRS”).

Standards adopted during the year 31 December 2019

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group’s financial statements.

The Group applied IFRS 16 using the modified retrospective approach, where the right-of-use asset at the date of initial application is recognised at an amount equal to the lease liability after adjusted for any prepayment made on leases. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2.8.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

The Group leases properties.

As a lessee, the Group leases many assets including property, production equipment and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

i. Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental profit rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental profit rate at the date of initial application: the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

ii. Leases classified as finance leases under IAS 17

The Group leases property. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases. The Group also sub-leases out land and a hotel building that it leased in 2014. The Group has classified these lease as finance leases.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as finance leases. The Group has classified the sub-leases as finance leases because the sub-leases are for the whole of the remaining term of the head lease. On transition to IFRS 16, the head lease and sub-lease contracts are classified as finance leases.

D. Impact on the financial statements

i. Impact on transition

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below.

	1 January 2019 Group and Bank B\$'000
Right-of-use assets presented in property and equipment	5,275
Lease liabilities on adoption of IFRS 16	5,275
Prepayment of lease rental	(2,425)
Lease liabilities recognised at 1 January 2019	2,850

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental profit rate at 1 January 2019. The average rate applied ranging from 2.72% to 4.50%.

	1 January 2019	
	Group B\$'000	Bank B\$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	3,795	3,715
Discounted using the incremental profit rate at 1 January 2019	(98)	(98)
Finance lease liabilities recognised as at 31 December 2018		
– Recognition exemption for leases of low-value assets	(292)	(259)
– Recognition exemption for leases with less than 12 months of lease term at transition	(555)	(508)
Lease liabilities recognised at 1 January 2019	2,850	2,850

Standards and interpretations issued but not yet adopted

There are no relevant standards, interpretations, and amendments that are effective for annual periods beginning 1 January 2019 that are expected to have a material impact on the Group's financial statements.

(b) Basis measurement

The financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial assets at fair value through profit or loss and financial assets at FVOCI, which have been measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Brunei dollars (B\$), which is the Bank's functional currency and all values are rounded to the nearest thousand (B\$'000), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the 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 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Impairment for non-financial assets
 - Investments in subsidiaries (Note 24)
 - Investments in associate and joint ventures (Note 25)
 - Property and equipment (Note 27)
- Financial instruments
 - Government sukuks (Note 19)
 - Investments (Note 20)
 - Financing and advances (Note 22)

2.2 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisition of non-controlling interest

The Group treats all changes in its ownership interest in subsidiary that do not result in loss of control as equity transactions between Group and its non-controlling interest holders. Any difference between Group's share of net assets before and after the change, and any consideration received or paid, is recognised in Group reserves.

Subsidiaries

Subsidiaries are entities controlled by the Bank. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are stated in the Bank's statement of financial position at cost less impairment losses, if any. Where there is indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee.

Associate

An associate is an entity in which the Group has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the associate but not the power to exercise control over the policies.

Investment in associate is accounted for in the Group's consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Bank's separate financial statements, the investment in associate is stated at cost less impairment losses, if any. The cost of the investment includes transaction costs.

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Bank, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Bank. Non-controlling interest in the results of the Group is presented in the consolidated profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and equity holders of the Bank.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2.3 Foreign currency

Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in foreign currencies are translated into the respective entity's functional currency at the exchange rate prevailing at the dates of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with banks and other financial institutions and money-at-call and short notice and interbank placements with original maturities not exceeding three months.

2.5 Financial instruments

Recognition and initial measurement

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

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

The Group categorises its financial instruments as follows:

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (“FVOCI”) – debt investment; or fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

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

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

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group 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 profit, maintaining a particular yield 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 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 management is 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. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' 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 profit, the Group 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 Group considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodic reset of yield rates).

The Group holds a portfolio of long-term fixed rate financing for which the Group has the option to propose to revise the yield rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the financing at par without penalty. The Group has determined that the contractual cash flows of these financing are solely payments of principal and profit because the option varies the yield rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-recourse financing

In some cases, financing made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse financing). The group applies judgment in assessing whether the non-recourse financing meet the SPPP criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the financing;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse financing;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

(b) Impairment

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- financing and advances
- placements with and financing and advances to banks
- financial instruments that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be BBB- or higher.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECLs

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective yield rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A financing that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail financing that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- the rating agencies' assessments of creditworthiness.
- the country's ability to access the capital markets for new debt issuance.
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financing and advances and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial liabilities

Financial liabilities are initially recognised on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument, at fair value, net of transaction cost incurred. Subsequent to initial recognition, these financial liabilities are carried at amortised cost, using the effective yield rate method, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss.

(a) Deposits and balances of banks and other financial institutions

Deposits and balances of banks and other financial institutions comprise of money market deposits and cash collateral received for the futures business. These deposits and balances are classified as financial liabilities held at amortised cost.

(b) Deposits of non-bank customers

Deposits of non-bank customers comprise of money market deposits placed with the Group. These deposits are classified as financial liabilities held at amortised cost.

The Group designates certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis, or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

As at financial year ended 31 December 2019, there are no financial liability that has been designated at FVTPL. A description of the basis for each designation is set out in the note for the relevant financial liability class.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and yield rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Non-integral financial guarantee contracts

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

Fair value measurement

The fair values of financial instruments traded in active markets (such as over-the-counter securities and derivatives) are based on quoted market prices at the reporting date derived from market prices. For unquoted financial instruments, fair value is determined using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the right 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 Group neither transfers nor retains substantially all of risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal 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.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2.6 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

When 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.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(b) Subsequent costs

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

(c) 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, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group or the Bank will obtain ownership by the end of the lease term. Land is not depreciated. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current period are as follows:

- | | |
|-------------------------------------|--|
| ● Leasehold improvements | Over the lease term and not more than 10 years |
| ● Equipment, furniture and fittings | 3-5 years |
| ● Motor vehicles | 7 years |
| ● Asset under lease | 4 years or lease terms which ever is shorter |
| ● Computer software | 5 years |

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period.

2.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. The Group holds investment property which has been acquired through the enforcement of security over financing and advances. Investment property is initially measured at cost and subsequently at cost less accumulated depreciation and impairment loss.

The cost of replacing a component of an item of investment property is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Bank, and its cost can be measured reliably.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Depreciation on investment property is recognised in profit or loss on a straight-line basis over the lease term and not more than 50 years.

2.8 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable after 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use 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 right-of-use 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 Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use 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 right-of-use 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 profit rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental profit rate. Generally, the Group uses its incremental profit rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining profit rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

The lease liability is measured at amortised cost using the effective interest 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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

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

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 23). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Policy applicable before 1 January 2019

Lease payments - Lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of profit on the remaining balance of the balance of the liability.

Lease assets - Lessee

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's and the Bank's statement of financial position.

Lease assets – Lessor

If the Group or the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised.

2.9 Impairment for non-financial assets

The carrying amount of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

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. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.10 Deposits, financing and other liabilities

Deposits and financing are the Group's sources of funding. When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

Deposits and financing are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective profit method.

Other liabilities are stated at cost which is the fair value of the amounts expected to be paid in future for the goods and services received or to transfer the liability.

2.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2.12 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.13 Contingent assets

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. The Group does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.14 Share capital

Ordinary shares and the golden share are classified as equity in the statement of financial position. Costs directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

2.15 Recognition of income and expense

Profit from financing and leasing and profit paid/payable to depositors

Profit from financing and leasing and profit paid/payable to depositors are recognised in the profit or loss using the effective yield rate method. The effective yield rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments.

When calculating the effective yield rate, the Group have considered the contractual terms of the financial instruments but do not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective yield rate, as well as premium or discounts.

Once a financial asset or a group of financial assets have been written down as a result of an impairment loss, income is recognised using the yield rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission

Fee and commission income and expense that are integral to the effective yield rate on a financial asset or financial liability are included in the measurement of the effective yield rate.

Other fee and commission income, including financing arrangements, participation fees, underwriting commissions and brokerage fees are recognised as income earned. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

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

Profit from placements and investments

Profit from deposit placements and investments are recognised on an effective yield basis.

Dividend income

Dividend income from subsidiaries and other investments are recognised when the Bank's rights to receive payment is established.

2.16 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Income Tax Act (Chapter 35) and amendments thereto.

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. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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. 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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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 income 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.

2.17 Zakat

This represents tithes payable by the Group to comply with the principles of Shariah and as approved by the Shariah Advisory Board.

2.18 Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave 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 Group 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.

Defined contribution plan

The Group contributes to the Tabung Amanah Pekerja (“TAP”) and the Supplemental Contributory Pension scheme (“SCP”), both defined contribution plans regulated and managed by the Government of Negara Brunei Darussalam, which applies to the majority of the employees. Obligations for contributions to defined contribution plans are recognised as an employee benefits expense in income statement in the period during which related services are rendered by employees.

The Bank operates an Employee Retirement Fund (“ERF”) with monthly contributions made to the pension fund based on a percentage of the gross emoluments excluding certain allowances. The Bank matches employees’ contributions up to a maximum of 12% (inclusive of TAP contribution) of contribution made by the employee. The contributions to TAP and ERF are charged to profit or loss in the period to which the contributions relate.

Other long-term employee benefits

The Group’s net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

2.19 Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3 Profit from financing, leasing and investments

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Financing and leasing	234,558	230,715	177,960	175,748
Securities				
- Profit from sukuk	39,320	41,507	39,320	41,507
- Dividend income	2,893	4,378	2,715	2,896
Balances and placements with banks and other financial institutions	88,148	77,629	98,125	84,690
Total	364,919	354,229	318,120	304,841

Financing and leasing profit comprise profit and expenses calculated using the effective yield method that relate to financial assets not carried at fair value through profit or loss.

During the year, the Group and Bank's profit from financing, leasing and investments is from financial assets at amortised cost with the exception of dividend income from investments at FVTPL of B\$2,715,000 (2018: B\$2,896,000) and profit from investments at FVOCI of B\$17,461,000 (2018: B\$20,721,000).

4 Profit paid/payable to depositors

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Deposits from customers:				
- Mudharabah fund	154	160	154	160
- Non-Mudharabah fund	63,690	54,336	62,436	53,615
	63,844	54,496	62,590	53,775
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	5,849	5,575	3,749	3,438
Total	69,693	60,071	66,339	57,213

During the year, the Group and Bank's profit paid/payable to depositors are fully from financial liabilities measured at amortised cost.

5 Net fee and commission income

	Group		Bank	
	2019	2018	2019	2018
	BS'000	BS'000	BS'000	BS'000
Fees and commission income:				
- Trade finance and Al-Kafalah (guarantee)	2,740	2,848	2,740	2,848
- Ar-Rahnu (pawn/pledge)	1,980	1,893	1,980	1,893
- Credit and debit cards	23,560	19,659	23,560	19,659
- Commission	4,680	4,198	4,405	3,928
- Others	5,564	6,130	5,212	5,692
Total fee and commission income	38,524	34,728	37,897	34,020
Fee and commission expense:				
- Credit cards	(7,358)	(6,221)	(7,358)	(6,221)
Total fee and commission expense	(7,358)	(6,221)	(7,358)	(6,221)
Net fee and commission income	31,166	28,507	30,539	27,799

The Group and Bank's net fee and commission income are fully from financial assets and liabilities measured at amortised cost. The net fee and commission income above were excluded in determining the effective yield rate on financial assets and financial liabilities that are not at fair value through profit or loss, but includes other income and expense relating to such financial assets and financial liabilities.

6 Gain/(loss) from derivative and investments

	Group		Bank	
	2019	2018	2019	2018
	BS'000	BS'000	BS'000	BS'000
Net fair value gain/(loss) on derivatives	5,791	(106,535)	5,791	(106,535)
Fair value gain/(loss) on investments designated at fair value through profit and loss	3,647	(2,415)	3,647	(2,415)
Gain/ (loss) from sale of investment securities at fair value through other comprehensive income	5,042	(11)	5,042	(11)
Total	14,480	(108,961)	14,480	(108,961)
Net fair value gain/(loss) on derivatives	5,791	(106,535)	5,791	(106,535)
Net foreign exchange (loss)/gain	(21,771)	85,247	(21,771)	85,247
Net effect from derivatives and foreign exchange loss	(15,980)	(21,288)	(15,980)	(21,288)

The foreign exchange risk exposure is managed through the use of foreign exchange forwards and swaps to hedge currency risk as set out in Note 38. The Bank does not adopt hedge accounting for such currency hedges, so in accordance with the accounting policies in Note 2, the foreign exchange gains or losses on assets are recognised in net foreign exchange (loss)/gain of the income statements and the fair value movements in the forward currency hedges are included in gain or loss from derivatives and investments.

7 Other operating income

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Dividend income from subsidiaries and associate	-	-	27,449	30,000
Rental income from investment property	2,881	2,843	2,881	2,843
Income from charter of vessels	-	7,230	-	-
Recovery of financing written off	19,788	13,889	18,287	12,375
Others	1,140	2,942	1,062	1,259
Total	23,809	26,904	49,679	46,477

Others include finance lease income of B\$694,336 (2018: B\$693,116) on finance lease receivables for the current financial year.

8 Personnel expenses

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Salaries and wages	41,045	39,753	36,656	35,082
Allowances and bonuses	22,956	17,881	20,475	15,356
Contributions to defined contribution plans	4,145	3,958	3,808	3,608
Others	5,924	3,420	6,011	3,568
Total	74,070	65,012	66,950	57,614

9 Other expenses

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Promotion				
Advertisement and publicity	1,644	2,412	1,537	2,338
Operational				
Office rental	2,492	5,404	2,709	5,022
Depreciation of property and equipment and investment property	19,567	17,754	16,332	13,650
Electronic data processing expenses	9,193	9,810	7,866	8,438
Office expenses	8,430	10,001	7,966	9,406
	39,682	42,969	34,873	36,516
General expenses				
Auditors' remuneration:				
- Statutory audit fees	642	706	550	610
- Audit related fees	36	91	36	91
- Non-audit services	188	18	178	10
Professional fees	6,904	5,569	6,829	6,161
Takaful, repair and maintenance	4,897	4,806	4,888	4,394
License	1,892	2,479	1,885	2,440
Others	5,434	6,244	8,083	7,046
	19,993	19,913	22,449	20,752
Total	61,319	65,294	58,859	59,606

10 Allowance for impairment on financing and advances (net)

	Note	Group		Bank	
		2019 B\$'000	2018 B\$'000	2019 B\$'000	2018 B\$'000
Allowance for impaired financing and advances	22(h)	14,435	14,029	12,872	11,162

Profit accrued during the year on impaired financing amounts to B\$2,058,907 (2018: B\$2,115,742).

11 Allowance for impairment on investments (net)

	Group		Bank	
	2019 B\$'000	2018 B\$'000	2019 B\$'000	2018 B\$'000
Allowance for impairment on investment:				
- Investment in quoted debt securities	(317)	167	(685)	640
Total	(317)	167	(685)	640

12 Zakat

	Group		Bank	
	2019 B\$'000	2018 B\$'000	2019 B\$'000	2018 B\$'000
Zakat				
Current zakat provision	3,112	2,927	3,112	2,927

The amount of zakat is determined by using 2.5775% based on the net invested fund method and is payable by the Bank to comply with the principles of Shariah.

13 Income tax expense

Tax recognised in profit or loss	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
<i>Current tax expense</i>				
Current year	36,859	32,450	28,981	24,258
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	211	2,463	847	1,835
Total tax expense recognised in profit or loss	37,070	34,913	29,828	26,093
Tax recognised in other comprehensive income				
Investment at fair value through other comprehensive income	2,087	(709)	2,087	(709)

A reconciliation of effective tax expense for the Group and Bank is as follows:

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Profit before zakat and taxation	195,549	185,743	186,750	168,755
Income tax using the domestic corporate tax rate of 18.5% (2018: 18.5%)	36,177	34,362	34,549	31,220
Tax effect of non-deductible expenses	313	1,347	313	728
Tax effect of non-taxable revenue	-	-	(5,078)	(5,550)
Tax incentives	(572)	(633)	(554)	(614)
Tax effect of zakat	(576)	(541)	(576)	(541)
Others	1,728	378	1,174	850
Total	37,070	34,913	29,828	26,093

14 Dividend per ordinary share

	Group and Bank	
	2019	2018
	B\$'000	B\$'000
On ordinary shares		
Net dividend paid on ordinary shares	88,202	36,781

	-----Group and Bank-----			
	2019		2018	
	Gross dividend per share	Dividend net of tax	Gross dividend per share	Dividend net of tax
	B\$	B\$'000	B\$	B\$'000
	Authorised:			
Final dividend paid	0.12170	88,202	0.050750	36,781

At the Annual General Meeting on 13 September 2019, a final dividend in respect of financial year ended 31 December 2018 of B\$0.12170 on 724,749,512 ordinary shares, amounting to B\$88,202,016 was approved and paid on 10 October 2019.

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2019 of B\$0.1838 on 724,749,512 ordinary shares, amounting to B\$133,208,960 will be proposed. The dividend will be recognised when approved as a distribution in the 2020 annual financial statements.

15 Earnings per share

Basic Earnings per Share (“EPS”)

The basic earnings per share of the Group has been calculated by dividing the net profit for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019	2018
Profit for the year attributable to equity holders of the Bank (B\$'000)	155,367	146,328
Weighted average number of ordinary shares ('000)	724,750	724,750
Basic EPS (B\$)	0.21	0.20

Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Bank divided by the weighted average number of ordinary shares in issue at the reporting date, after adjusting for the effects of all potentially dilutive ordinary shares.

The diluted earnings per share is the same as basic earnings per share.

16 Cash and cash equivalents

	Group		Bank	
	2019 B\$'000	2018 B\$'000	2019 B\$'000	2018 B\$'000
Cash in hand	60,119	59,297	59,804	59,023
Balances with banks and other financial institutions	562,780	377,919	562,308	384,069
Money at call and short notice and interbank placements with original maturity not exceeding three months	3,109,467	2,060,233	3,109,467	2,060,233
Cash and cash equivalents in the statements of financial position	3,732,366	2,497,449	3,731,579	2,503,325

17 Balances with Autoriti Monetari Brunei Darussalam

As required by the provisions of Section 45 of the Islamic Banking Order, 2008 and Section 13A of the Finance Companies Act, a cash balance is maintained with the Autoriti Monetari Brunei Darussalam (AMBD). At present, the minimum cash reserve requirement is 6% of the weighted average deposit liabilities as defined by the AMBD.

18 Placements with and financing and advances to banks

Money at call and short notice and interbank placements have original maturities greater than three months.

19 Government sukus

Government sukus are classified as fair value through other comprehensive income and have maturities less than one year.

20 Investments

	Note	Group		Bank	
		2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Investment at amortised cost	20.1	582,116	602,683	582,116	602,683
Investments at fair value through profit or loss	20.2	68,915	100,553	68,915	100,553
Investments at fair value through other comprehensive income	20.3	397,832	479,112	397,832	479,112
Total		1,048,863	1,182,348	1,048,863	1,182,348

20.1 Investments at amortised cost

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Quoted debt securities	582,730	603,333	582,730	603,333
Less : Expected Credit Losses	(614)	(650)	(614)	(650)
Total	582,116	602,683	582,116	602,683

20.2 Investment at fair value through profit or loss

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Unquoted fund	1,148	1,485	1,148	1,485
Structured deposits	67,767	99,068	67,767	99,068
Total	68,915	100,553	68,915	100,553

20.3 Investments at fair value through other comprehensive income

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Quoted debt securities	397,515	478,783	397,515	478,783
Unquoted security	317	329	317	329
Total	397,832	479,112	397,832	479,112

Equity investments designated as at FVOCI

The Group designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes.

	Group and Bank				
	Fair value at 31 December 2019 BS'000	Fair value at 31 December 2018 BS'000	Dividend income recognised during 2019 BS'000	Dividend income recognised during 2018 BS'000	
	Unquoted equity	317	329	-	-

21 Derivative financial assets/(liabilities)

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at the reporting date and do not necessarily represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

	Group and Bank			
	Principal / Nominal amount		Carrying amount	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Foreign exchange forward contracts:				
Derivative assets	4,865,075	4,657,254	42,505	27,831
Derivative liabilities	1,332,927	987,692	(13,125)	(14,411)
Total	6,198,002	5,644,946	29,380	13,420

The Group uses foreign exchange forward contracts to manage its foreign exchange risk as set out in Note 38.

22 Financing and advances

(a) By type of product

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Cash line/Naqad (overdrafts)	131,218	111,369	131,218	111,369
Mortgages	616,292	565,087	616,292	565,087
Syndicated financing	102,717	94,427	102,717	94,427
Hire purchase	653,569	647,087	-	-
Lease receivables	161,219	187,266	161,219	187,266
Other term financing	2,131,983	1,901,368	2,073,849	1,833,381
Bills receivable	181,204	147,854	181,204	147,854
Staff financing	23,087	24,611	23,087	24,611
Credit/charge cards	49,199	47,511	49,199	47,511
Others	16,249	28,322	15,229	26,841
Gross financing and advances	4,066,737	3,754,902	3,354,014	3,038,347
Less: Allowances for losses on financing and advances	(69,589)	(72,451)	(63,022)	(63,995)
Net financing and advances	3,997,148	3,682,451	3,290,992	2,974,352

(b) By contract

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Al-Kafalah bil Mal dan Al-Bai	1,558	1,398	1,558	1,398
Al-Wakalah bil Ujrah	47,641	46,113	47,641	46,113
Bal' Bithaman Ajil (<i>deferred payment sale</i>)	619,317	654,875	619,317	654,875
Ijarah (<i>lease</i>)	161,219	187,266	161,219	187,266
Ijarah Muntahiah Bittamlik/AITAB (<i>lease ended with ownership</i>)	712,723	716,555	-	-
Murabahah (<i>cost-plus</i>)	880,133	561,341	880,133	561,341
Musharakah (<i>profit and loss sharing</i>)	172,156	143,144	172,156	143,144
Qard (<i>benevolent loan</i>)	3	3	3	3
Tawarruq	1,456,759	1,417,366	1,456,759	1,417,366
Others	15,228	26,841	15,228	26,841
Total	4,066,737	3,754,902	3,354,014	3,038,347

(c) **By security**

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Unsecured	138,553	230,476	138,553	230,476
Credit enhanced by:				
- Assignment of salary or income	1,184,422	1,158,931	1,184,422	1,158,931
- Assignment of fixed or floating charge	61,962	25,571	61,962	25,571
Secured by:				
- Cash	303,201	219,326	303,201	219,326
- Properties	1,115,734	764,862	1,115,734	764,862
- Vessels	531,372	625,290	531,372	625,290
- Motor vehicles	669,806	662,184	3,802	851
- Others	61,687	68,262	14,968	13,040
Total	4,066,737	3,754,902	3,354,014	3,038,347

(d) **By sector**

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Agricultural	13,558	9,794	13,558	9,794
Financial	94,407	48,130	94,407	48,130
Manufacturing	82,524	85,525	82,524	85,525
Transportation	909,185	958,261	242,756	296,260
Infrastructure	29,727	29,054	29,612	28,292
Traders	108,198	112,963	108,198	112,963
Services	68,275	116,198	68,275	116,198
Residential property (personal)	772,226	734,988	772,226	734,988
Commercial (property development)	415,494	103,453	415,494	103,453
Tourism	8,726	6,042	8,726	6,042
Telecommunication and information technology	5,435	1,043	5,435	1,043
Personal and consumption financing	1,084,859	1,099,830	1,038,680	1,046,038
Oil and gas	474,123	449,621	474,123	449,621
Total	4,066,737	3,754,902	3,354,014	3,038,347

Included in Transportation sector is the Group's car financing portfolio.

(e) By type of customer

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Domestic business enterprise	912,316	903,266	912,316	903,266
Small and medium enterprise	196,140	208,891	190,388	201,867
Individuals	2,517,877	2,491,271	1,810,906	1,781,740
Foreign entities	440,404	151,474	440,404	151,474
Total	4,066,737	3,754,902	3,354,014	3,038,347

(f) Non-performing financing and advances

Movements in the non-performing financing and advances are as follows:

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
At 1 January	143,873	84,813	135,643	76,777
Impact on adoption of IFRS 9 on 1 January 2018	-	78,096	-	78,096
Classified as impaired during the year	73,494	90,169	71,334	86,706
Reclassified as performing	(5,089)	(28,662)	(4,372)	(27,484)
Amount received	(48,750)	(50,721)	(48,750)	(50,721)
Amount written off against allowances	(16,839)	(29,822)	(13,387)	(27,731)
At 31 December	146,689	143,873	140,468	135,643
Gross impaired financing as a percentage of gross financing and advances	3.6%	3.8%	4.2%	4.5%

The Group considers a financing as non-performing when the financing is credit impaired under IFRS 9.

(g) **Non-performing financing and advances by sector**

	Group		Bank	
	2019	2018	2019	2018
	BS'000	BS'000	BS'000	BS'000
Agricultural	4,067	4,061	4,067	4,061
Manufacturing	30,138	28,768	30,138	28,768
Transportation	7,755	8,541	2,763	2,779
Infrastructure	6,645	2,796	6,645	2,037
Traders	15,028	16,259	15,028	16,259
Services	4,336	5,363	4,336	5,363
Residential property (personal)	37,143	35,443	37,143	35,443
Commercial (property development)	10,815	10,264	10,815	10,264
Tourism	434	334	434	334
Personal and consumption financing	19,051	18,730	17,822	17,021
Oil and gas	11,277	13,314	11,277	13,314
Total	146,689	143,873	140,468	135,643

(h) **Movements in the allowances for losses on financing and advances**

	Note	Group	Bank
		BS'000	BS'000
As reported at 31 December 2017		77,243	67,702
Impact on adoption of IFRS 9 on 1 January 2018		11,001	12,862
Allowance made during the year	10	14,029	11,162
Amount written off during the year		(29,822)	(27,731)
At 31 December 2018		72,451	63,995
Allowance made during the year/ Reclassification of commitment to other liabilities	10	13,977	12,414
Amount written off during the year		(16,839)	(13,387)
At 31 December 2019		69,589	63,022

23 Finance lease receivables

The Bank was granted the lease of the land and a hotel building for a period of 40 years commencing 1 May 2014, for waiving and releasing its rights to enforce the judgment debt against one of its borrowers. The Bank then entered into a sub-lease agreement with a third party, leasing the land together with a hotel building for 40 years.

The finance lease receivables are as follows:

	-----Group and Bank -----		
	Future minimum lease payments	Profit	Present value of minimum lease payments
	BS'000	BS'000	BS'000
2019			
Within one year	720	21	699
Between one and five years	2,920	447	2,473
More than five years	25,580	16,137	9,443
Total	29,220	16,605	12,615

	-----Group and Bank -----		
	Future minimum lease payments BS'000	Profit BS'000	Present value of minimum lease payments BS'000
2018			
Within one year	700	21	679
Between one and five years	2,880	438	2,442
More than five years	26,340	16,841	9,499
Total	29,920	17,300	12,620

24 Investments in subsidiaries

	Bank	
	2019 BS'000	2018 BS'000
Unquoted equity investments, at cost	34,559	29,204
Less: Allowances for investment in subsidiary	(1,715)	(1,715)
	32,844	27,489

Details of the Group's subsidiaries are as follows:

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest	
			2019 %	2018 %
BIBD At-Tamwil Bhd	Lease financing	Negara Brunei Darussalam	100	100
- Better Sdn Bhd	Car rental	Negara Brunei Darussalam	100	100
BIBD Securities Sdn Bhd	Stockbrokers/ sharebrokers	Negara Brunei Darussalam	100	100
BIBD Management & Services Sdn Bhd	Management services	Negara Brunei Darussalam	100	100
IBB Capital Asset Management Sdn Bhd	Fund management	Negara Brunei Darussalam	100	100
IBB Transport Sdn Bhd	Vehicle leasing	Negara Brunei Darussalam	100	100
Saujana Sdn Bhd	Aircraft leasing	Negara Brunei Darussalam	100	52.5
BIBD Middle East Limited	Fund management	United Arab Emirates	100	100

25 Investment in associate and joint ventures

	Note	Group		Bank	
		2019 B\$'000	2018 B\$'000	2019 B\$'000	2018 B\$'000
Investment in associate	25.1	24,757	20,816	7,080	7,080
Investment in joint ventures	25.2	18,437	18,042	15,278	15,278
Total		43,194	38,858	22,358	22,358

25.1 Investment in associate

	Group		Bank	
	2019 B\$'000	2018 B\$'000	2019 B\$'000	2018 B\$'000
At cost				
Unquoted shares	7,080	7,080	7,080	7,080
Share of post-acquisition reserves	17,677	13,736	-	-
Investment in associate	24,757	20,816	7,080	7,080

Details of the associate, which is unquoted, are as follows:

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest	
			2019 %	2018 %
Syarikat Takaful Brunei Darussalam Sdn Bhd	Family and general takaful businesses	Negara Brunei Darussalam	31	31
Group's share in net assets of associate at the beginning of the year			2019 B\$'000	2018 B\$'000
			20,816	17,388
Group's share of:				
- profit from continuing operations			1,425	2,039
- dividend received			(409)	-
- other comprehensive income			2,925	1,389
Carrying amount of interest in associate at the end of the year			24,757	20,816

The summarised financial information of the associate, not adjusted for the percentage ownership held by the Group is as follows:

	2019	2018
	B\$'000	B\$'000
Current assets	286,966	280,936
Non-current assets	68,886	55,200
Current liabilities	(17,703)	(17,938)
Non-current liabilities	(258,303)	(251,229)
Net assets	79,846	66,969

	2019	2018
	B\$'000	B\$'000
Revenue	29,857	27,265
Profit from continuing operations	6,200	5,961
Other comprehensive income	-	4,480
Total comprehensive income	6,200	10,441

Included in balances above are the following amounts:

	2019	2018
	B\$'000	B\$'000
Cash and cash equivalents	270,623	262,182
Current financial liabilities excluding trade, other payables and provisions	(2,061)	(2,699)
Non-current financial liabilities excluding trade, other payables and provisions	(258,303)	(251,229)
Depreciation and amortisation	(557)	(573)
Income tax expense or income	(788)	(1,303)

The aggregate amounts of the Group's share in the associate are as follows:

	Group	
	2019	2018
	B\$'000	B\$'000
Profit from continuing operations	1,425	2,039
Dividend received	(409)	-
Other comprehensive income	2,925	1,389
Total comprehensive income	3,941	3,428

25.2 Investment in joint ventures

	Group		Bank	
	2019 B\$'000	2018 B\$'000	2019 B\$'000	2018 B\$'000
At cost				
Unquoted shares	15,278	15,278	15,278	15,278
Share of post-acquisition reserves	3,159	2,764	-	-
Investment in joint ventures	18,437	18,042	15,278	15,278

On 31 March 2018, the Bank sold 1 share of Belait CSS Sdn Bhd and 1 share of Belait Barakah Sdn Bhd each at a consideration of B\$1.00. The sale of shares resulted in a change in 0.01% and 0.01% effective ownership interest of Belait CSS Sdn Bhd and Belait Barakah Sdn Bhd (collectively known as “subsidiaries”). Accordingly, the Group assesses that it ceased control over the subsidiaries as the Group is no longer exposed to, or has rights to, variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

Upon the loss of control, the Group derecognised the NCI related to the subsidiaries amounting to B\$22,751,000. The total asset and total liabilities deconsolidated amounted to B\$133,421,000 and B\$94,196,000 respectively. The gain on deconsolidation of subsidiary amounting to B\$2 in profit or loss.

As the Group continues to retain interest of 49.99% and 49.99% in Belait CSS Sdn Bhd and Belait Barakah Sdn Bhd. Subsequently, the Group accounted Belait CSS Sdn Bhd and Belait Barakah Sdn Bhd as equity accounted joint ventures. The fair value of these entity on derecognition is B\$22,751,000.

Details of the joint ventures, which are unquoted, are as follows:

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest	
			2019	2018
			%	%
Belait CSS Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	49.99	49.99
Belait Barakah Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	49.99	49.99
			2019 B\$'000	2018 B\$'000
Group's share in net assets of joint ventures at the beginning of the year			18,042	15,278
Group's share of:				
- profit from continuing operations			395	2,764
Carrying amount of interest in joint ventures at the end of the year			18,437	18,042

The summarised financial information of the joint ventures, not adjusted for the percentage ownership held by the Group is as follows:

	2019	2018
	B\$'000	B\$'000
Current assets	13,559	17,055
Non-current assets	113,414	116,024
Current liabilities	(19,341)	(10,691)
Non-current liabilities	(56,818)	(70,701)
Net assets	50,814	51,687

	2019	2018
	B\$'000	B\$'000
Revenue	20,142	18,641
Profit from continuing operations	790	5,363

Included in balances above are the following amounts:

	2019	2018
	B\$'000	B\$'000
Cash and cash equivalents	473	3,206
Current financial liabilities excluding trade, other payables and provisions	(13,111)	(5,453)
Non-current financial liabilities excluding trade, other payables and provisions	(50,597)	(66,781)
Depreciation and amortisation	(6,109)	(4,519)
Income tax expense or income	(488)	(1,210)

The aggregate amounts of the Group's share in the joint ventures are as follows:

	Group	
	2019	2018
	B\$'000	B\$'000
Profit from continuing operations	395	2,764

26 Other assets

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Receivables	17,419	12,305	16,492	11,691
Accrued income and bills receivable	10,725	15,616	11,062	15,681
Foreign acceptance receivables	66,671	4,325	66,671	4,325
Sundry debtors	2,597	2,340	1,967	1,233
Intercompany receivables	-	-	26,842	30,820
	<u>97,412</u>	<u>34,586</u>	<u>123,034</u>	<u>63,750</u>
Prepayments	4,351	6,527	4,088	6,477
Total	<u><u>101,763</u></u>	<u><u>41,113</u></u>	<u><u>127,122</u></u>	<u><u>70,227</u></u>

During the year, the Group and the Bank recognised a reduction in allowance for impairment of B\$133,000 (2018: B\$413,000) and B\$133,000 (2018: B\$413,000) respectively on its receivables in profit or loss.

27 Property and equipment

Group	Leasehold improvements	Equipment, furniture and fittings	Motor vehicles	Assets under lease	Work-in- progress	Computer software	Right-of-use assets	Total
	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
Cost								
At 1 January 2018	34,599	42,068	155	147,938	3,108	61,589	-	289,457
Additions	51	587	-	12,023	12,937	518	-	26,116
Disposals	(19)	(1,235)	(22)	-	-	(104)	-	(1,380)
Transfers	689	2,048	-	-	(7,409)	4,672	-	-
Disposal of interest in subsidiaries	-	(2,874)	-	(147,938)	-	-	-	(150,812)
At 31 December 2018	35,320	40,594	133	12,023	8,636	66,675	-	163,381
Adjustments due to remeasurement of lease liabilities	-	-	-	-	-	-	5,275	5,275
Additions	356	248	-	-	5,288	2,268	38,076	46,236
Disposals	-	(112)	-	(713)	-	-	-	(825)
Transfers	1,491	2,703	-	-	(8,336)	4,142	-	-
At 31 December 2019	37,167	43,433	133	11,310	5,588	73,085	43,351	214,067
Accumulated depreciation								
At 1 January 2018	15,233	29,074	113	27,976	-	42,591	-	114,987
Depreciation for the year	2,790	4,685	18	3,266	-	5,691	-	16,450
Disposals	(19)	(1,153)	(22)	-	-	(104)	-	(1,298)
Disposal of interest in subsidiaries	-	(2,790)	-	(29,422)	-	-	-	(32,212)
At 31 December 2018	18,004	29,816	109	1,820	-	48,178	-	97,927
Depreciation/ Amortisation for the year	2,817	4,576	9	1,326	-	7,353	2,179	18,260
Disposals	-	(101)	-	(42)	-	-	-	(143)
At 31 December 2019	20,821	34,291	118	3,104	-	55,531	2,179	116,044
Carrying amounts								
At 31 December 2018	17,316	10,778	24	10,203	8,636	18,497	-	65,454
At 31 December 2019	16,346	9,142	15	8,206	5,588	17,554	41,172	98,023

Asset under lease include motor vehicles under finance lease.

	Leasehold improvements BS'000	Equipment, furniture and fittings BS'000	Motor vehicles BS'000	Work-in- progress BS'000	Computer software BS'000	Right-of- use assets BS'000	Total BS'000
Bank							
Cost							
At 1 January 2018	32,822	31,226	160	3,108	61,528	-	128,844
Additions	51	808	-	9,971	518	-	11,348
Disposals	(19)	(20)	(22)	-	(104)	-	(165)
Transfers	689	2,048	-	(7,409)	4,672	-	-
At 31 December 2018	33,543	34,062	138	5,670	66,614	-	140,027
Adjustments due to remeasurement of lease liabilities	-	-	-	-	-	5,275	5,275
Additions	-	-	-	7,092	-	36,730	43,822
Transfers	1,486	2,294	-	(7,922)	4,142	-	-
At 31 December 2019	35,029	36,356	138	4,840	70,756	42,005	189,124
Accumulated depreciation							
At 1 January 2018	14,107	21,692	117	-	42,536	-	78,452
Depreciation for the year	2,709	3,927	18	-	5,692	-	12,346
Disposals	(19)	(20)	(22)	-	(104)	-	(165)
At 31 December 2018	16,797	25,599	113	-	48,124	-	90,633
Depreciation/ Amortisation for the year	2,699	3,771	9	-	6,678	1,868	15,025
At 31 December 2019	19,496	29,370	122	-	54,802	1,868	105,658
Carrying amounts							
At 31 December 2018	16,746	8,463	25	5,670	18,490	-	49,394
At 31 December 2019	15,533	6,986	16	4,840	15,954	40,137	83,466

28 Investment property

	Group and Bank B\$'000
Cost	
At 1 January 2018	32,445
Additions	47
At 31 December 2018	32,492
Additions	715
At 31 December 2019	33,207
 Accumulated amortisation	
At 1 January 2018	6,558
Charge for the year	1,304
At 31 December 2018	7,862
Charge for the year	1,307
At 31 December 2019	9,169
 Carrying amounts	
At 31 December 2018	24,630
At 31 December 2019	24,038

In 2011, the Bank entered into a lease agreement with a customer pursuant to which the Bank was granted rights to the lease with a remaining term of 49 years in consideration for the Bank agreeing to waive its right to repayment of a financing extended to the customer. As a result, the Bank recorded its interest in the investment property based on the carrying amount of the outstanding financing amount as at the date of the agreement. This amount also approximated the fair value of the investment property at that date.

Fair value hierarchy, valuation technique and unobservable inputs

Based on the latest valuation report, the fair value of the investment property is B\$36,100,000 (2018: B\$36,100,000). The fair value of the investment property was based on the valuation report provided by a firm of external, independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The valuation technique applied is the discounted cash flow approach (Level 3). Fair value of the investment property is derived from the potential cash flows from the building based on the remaining lease term. The key unobservable input includes estimated occupancy rate of 71.4% (2018: 70.0%).

29 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

Group	At 1 January 2018 BS'000	Impact on adoption of IFRS 9 BS'000	Recognised in profit or loss BS'000	Recognised in other comprehensive income BS'000	Deconsolidation BS'000	At 31 December 2018 BS'000	Recognised in profit or loss BS'000	Recognised in other comprehensive income BS'000	At 31 December 2019 BS'000
Deferred tax assets									
Allowance for financing and advances	10,268	2,380	(1,600)	-	-	11,048	496	-	11,544
Allowance for investment	-	197	43	-	-	240	(91)	-	149
Allowance for investment in subsidiary	317	-	-	-	-	317	-	-	317
Investments at fair value through other comprehensive income	-	-	-	855	-	855	-	(855)	-
Available-for-sale investments	-	231	-	(231)	-	-	-	-	-
Others	370	314	(219)	-	-	465	(465)	-	-
Total	10,955	3,122	(1,776)	624	-	12,925	(60)	(855)	12,010
Deferred tax liabilities									
Property and equipment	(14,241)	-	(687)	-	9,954	(4,974)	392	-	(4,582)
Investments at fair value through other comprehensive income	-	-	-	-	-	-	-	(1,232)	(1,232)
Available-for-sale investments	(85)	-	-	85	-	-	-	-	-
Others	-	-	-	-	-	-	(543)	-	(543)
Total	(14,326)	-	(687)	85	9,954	(4,974)	(151)	(1,232)	(6,357)
Total deferred tax assets/(liabilities)	(3,371)	3,122	(2,463)	709	9,954	7,951	(211)	(2,087)	5,653

Bank	At 1 January 2018 B\$'000	Impact on adoption of IFRS 9 B\$'000	Recognised in profit or loss B\$'000	Recognised in other comprehensive income B\$'000	At 31 December 2018 B\$'000	Recognised in profit or loss B\$'000	Recognised in other comprehensive income B\$'000	At 31 December 2019 B\$'000
Deferred tax assets								
Allowance for financing and advances	10,280	2,380	(2,002)	-	10,658	195	-	10,853
Allowance for investment	-	197	43	-	240	(91)	-	149
Allowance for investment in subsidiary	317	-	-	-	317	-	-	317
Investments at fair value through other comprehensive income	-	-	-	855	855	-	(855)	-
Available-for-sale investments	-	231	-	(231)	-	-	-	-
Others	-	314	151	-	465	(465)	-	-
Total	10,597	3,122	(1,808)	624	12,535	(361)	(855)	11,319
Deferred tax liabilities								
Property and equipment	(4,474)	-	(27)	-	(4,501)	461	-	(4,040)
Investments at fair value through other comprehensive income	-	-	-	-	-	-	(1,232)	(1,232)
Available-for-sale investments	(85)	-	-	85	-	-	-	-
Others	-	-	-	-	-	(947)	-	(947)
Total	(4,559)	-	(27)	85	(4,501)	(486)	(1,232)	(6,219)
Total deferred tax assets/(liabilities)	6,038	3,122	(1,835)	709	8,034	(847)	(2,087)	5,100

30 Deposits from customers

(a) By type of deposit

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Non-Mudharabah				
Demand deposits	2,552,793	1,521,620	2,554,238	1,524,369
Saving deposits	1,137,850	1,116,697	1,089,042	1,066,459
General investment deposits	4,586,120	4,797,937	4,534,235	4,736,741
	8,276,763	7,436,254	8,177,515	7,327,569
Mudharabah (profit sharing)				
Demand deposits	69,198	77,008	69,198	77,008
Savings deposits	105,534	107,871	105,534	107,871
	174,732	184,879	174,732	184,879
Total	8,451,495	7,621,133	8,352,247	7,512,448

(b) By type of customer

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Government and statutory bodies	3,637,685	3,157,134	3,637,685	3,157,134
Business enterprises	1,962,331	1,821,160	1,949,071	1,808,046
Individuals	2,851,479	2,642,839	2,765,491	2,547,268
Total	8,451,495	7,621,133	8,352,247	7,512,448

31 Deposits from banks and other financial institutions

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Non-Mudharabah				
Licensed conventional banks and financial institutions in Brunei Darussalam	-	192	-	192
Licensed Islamic banks and financial institutions in Brunei Darussalam	249,998	191,397	115,256	91,396
Licensed finance companies in Brunei Darussalam	2	2	76,930	121,438
Licensed insurance companies in Brunei Darussalam	990	897	990	897
Licensed Islamic insurance companies	272,718	333,003	231,554	184,458
Other banks and financial institutions abroad	11,730	23,453	11,730	23,453
Total	535,438	548,944	436,460	421,834

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Mudharabah (profit sharing)				
Licensed Islamic banks and financial institutions in Brunei Darussalam	1,143	1,100	1,143	1,100
Licensed insurance companies in Brunei Darussalam	34	50	34	50
Licensed Islamic insurance companies in Brunei Darussalam	774	1,429	774	1,429
Total	1,951	2,579	1,951	2,579
Total	537,389	551,523	438,411	424,413

32 Placements from other financial institutions

Short term interbank placements have original maturities less than three months.

33 Other liabilities

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Accrued expenditure	24,136	30,121	15,092	27,013
Provisions for defined contribution plan	220	791	125	670
Liability for long service award	4,717	2,769	4,668	2,721
Short-term employee benefit	14,234	12,343	12,256	10,017
Cashier's order payable	7,745	5,162	7,745	5,162
Profit payable to depositors	18,643	20,644	16,966	18,658
Foreign acceptance payable	66,671	4,325	66,671	4,325
Merchant payable	2,381	7,196	2,381	7,196
Share dividend payable	3,512	3,376	3,512	3,376
Sundry creditors	7,482	8,887	6,482	7,442
Financing deposits related liabilities	5,721	6,061	5,721	6,061
Intercompany payables	-	-	1,994	1,639
Lease liabilities	39,134	-	38,098	-
Others	20,024	16,078	18,482	14,965
Total	214,620	117,753	200,193	109,245

Reconciliation of movement of liabilities of cash flows arising from lease liabilities

	2019 Lease liabilities BS'000
Group	
Restated balance at 1 January 2019	2,850
Changes from financing cash flow	
Payment of lease liabilities	(2,249)
Other changes - Liability-related	
New leases	37,998
Profit expense on leases	535
Balance at 31 December 2019	39,134

	2019 Lease liabilities BS'000
Bank	
Restated balance at 1 January 2019	2,850
Changes from financing cash flow	
Payment of lease liabilities	(1,965)
Other changes - Liability-related	
New leases	36,729
Profit expense on leases	484
Balance at 31 December 2019	38,098

34 Provision for zakat and provision for taxation

	Group		Bank	
	2019 BS'000	2018 BS'000	2019 BS'000	2018 BS'000
Provision for zakat	3,253	3,566	3,253	3,566
Provision for taxation	76,125	69,939	62,034	56,188
Total	79,378	73,505	65,287	59,754

35 Share capital

Group and Bank	Number of shares		Amount	
	2019	2018	2019 B\$	2018 B\$
Authorised:				
Ordinary shares of B\$0.70 each	1,428,571,429	1,428,571,429	1,000,000,000	1,000,000,000
Total	1,428,571,429	1,428,571,429	1,000,000,000	1,000,000,000
Issued and fully paid:				
Ordinary shares of B\$0.70 each	724,749,512	724,749,512	507,324,659	507,324,659
Total	724,749,512	724,749,512	507,324,659	507,324,659

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

36 Statutory and other reserves

Statutory reserves

Group	Total B\$'000
At 1 January 2018	497,499
Transfer in respect of current year's profit	36,934
At 31 December 2018	534,433
Transfer in respect of current year's profit	21,042
At 31 December 2019	555,475

Bank	Total B\$'000
At 1 January 2018	458,495
Transfer in respect of current year's profit	34,934
At 31 December 2018	493,429
Transfer in respect of current year's profit	20,198
At 31 December 2019	513,627

The statutory reserves are maintained in compliance with Section 24(1) of the Islamic Banking Order, 2008, and Section 13 of the Finance Companies Act, Chapter 89 and are not distributable as dividend.

Other reserves

	Fair value reserve BS'000	Foreign currency translation reserve BS'000	Retained profits BS'000	Total BS'000
Group				
At 1 January 2018	2,406	(18)	82,195	84,583
Impact of adopting IFRS 9	2,670	-	(11,183)	(8,513)
Total comprehensive income for the year	(4,707)	-	146,328	141,621
Disposal of interest in subsidiaries	-	-	(1,298)	(1,298)
Foreign currency movement	-	(12)	-	(12)
Transfer to statutory reserves	-	-	(36,934)	(36,934)
Dividends paid on ordinary shares	-	-	(36,781)	(36,781)
At 31 December 2018	369	(30)	142,327	142,666
Total comprehensive income for the year	11,619	-	155,367	166,986
Foreign currency movement	-	(11)	-	(11)
Transfer to statutory reserves	-	-	(21,042)	(21,042)
Dividends paid on ordinary shares	-	-	(88,202)	(88,202)
At 31 December 2019	11,988	(41)	188,450	200,397
Distributable retained profits			184,969	184,969
Non-distributable retained profits for PRCL			3,481	3,481
At 31 December 2019			188,450	188,450

	Fair value reserve BS'000	Retained earnings BS'000	Total BS'000
Bank			
At 1 January 2018	377	37,504	37,881
Impact of adopting IFRS 9	2,625	(14,242)	(11,617)
Total comprehensive income for the year	(6,121)	139,735	133,614
Transfer to statutory reserves	-	(34,934)	(34,934)
Dividends paid on ordinary shares	-	(36,781)	(36,781)
At 31 December 2018	(3,119)	91,282	88,163
Total comprehensive income for the year	8,738	153,810	162,548
Transfer to statutory reserve	-	(20,198)	(20,198)
Dividends paid on ordinary shares	-	(88,202)	(88,202)
At 31 December 2019	5,619	136,692	142,311
Distributable retained profits		133,255	133,255
Non-distributable retained profits for PRCL		3,437	3,437
At 31 December 2019		136,692	136,692

The fair value reserve includes the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income, including impairment losses, until the financial asset is derecognised.

Non-distributable retained profits comprise of prudential reserve for credit losses (PRCL) which relates to accrued profit income on non-performing financing and advances. In compliance with AMBD regulations, the reserves are not distributable until they are collected.

37 Related party transactions

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

The Group and Bank have related party relationships with its subsidiaries, substantial shareholders, associate and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain senior management members of the Group.

Key management have banking relationships with Group entities which are entered into in the normal course of business and on substantially the same terms, including profit rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

- (a) The significant outstanding balances of the Group and the Bank with related parties are as follows:

	Group	
	2019	2018
	B\$'000	B\$'000
Joint Ventures		
<i>Amount due from</i>		
Financing	63,162	71,697
Others	-	131
<hr/>		
<i>Amount due to</i>		
Others	715	2,695
<hr/>		

	Group	
	2019	2018
	B\$'000	B\$'000
Associate		
<i>Amount due to</i>		
Deposits	291,466	277,487
Others	3,268	2,562
<hr/> <hr/>		
Key management personnel		
<i>Amount due from</i>		
Financing (ex. Credit cards)	2,761	2,571
Credit cards	72	71
<hr/> <hr/>		
<i>Amount due to</i>		
Deposits	3,629	4,066
<hr/> <hr/>		
Other related parties		
<i>Amount due to</i>		
Deposits	2,261,230	1,398,088
<hr/> <hr/>		
	Bank	
	2019	2018
	B\$'000	B\$'000
Joint Ventures		
<i>Amount due from</i>		
Financing	63,162	71,697
Others	-	131
<hr/> <hr/>		
<i>Amount due to</i>		
Deposits	715	2,695
<hr/> <hr/>		
Subsidiaries		
<i>Amount due from</i>		
Placements	394,000	364,000
Others	27,176	728
<hr/> <hr/>		
<i>Amount due to</i>		
Deposits	79,287	125,700
Others	2,136	1,450
<hr/> <hr/>		
Associate		
<i>Amount due to</i>		
Deposits	203,725	171,087
Others	2,056	1,045
<hr/> <hr/>		

	Bank	
	2019	2018
	B\$'000	B\$'000
Key management personnel		
<i>Amount due from</i>		
Financing (ex. Credit cards)	2,335	1,515
Credit cards	72	71
<hr/> <hr/>		
Key management personnel		
<i>Amount due to</i>		
Deposits	2,241	1,571
<hr/> <hr/>		
Other related parties		
<i>Amount due to</i>		
Deposits	2,261,230	1,398,088
<hr/> <hr/>		

(b) The significant related party transactions of the Group and the Bank are as follows:

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Subsidiaries				
<i>Income</i>				
Income on financing	-	-	-	1,263
Other income	-	-	9,877	35,614
<hr/> <hr/>				
<i>Expenditure</i>				
Profit paid/payable to depositors	-	-	146	1,448
Other expenditure	-	-	3,437	1,185
<hr/> <hr/>				
Joint ventures				
<i>Income</i>				
Income on financing	4,030	3,656	4,030	3,656
<hr/> <hr/>				
Associate				
<i>Income</i>				
Fees and commission	275	270	-	-
<hr/> <hr/>				

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
<i>Expenditure</i>				
Profit paid/payable to depositors	3,229	4,565	2,105	1,334
Other expenditure	95	93	-	-

Key management personnel

Income

Income on financing	62	41	37	29
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Expenditure

Profit paid/payable to depositors	132	6	13	6
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Other related parties

Expenditure

Profit paid/payable to depositors	14,693	16,141	14,693	16,141
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Key management personnel

Key management personnel compensation including Directors' remuneration is as follows:

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Directors' fees and other remuneration	1,184	1,136	1,184	1,136
Other key management personnel:				
- Salary and employee benefits	6,080	6,151	5,690	5,647
Withholding tax paid	407	435	407	435

Number of shares held by key management personnel is as follows:

	Group	
	2019	2018
Number of shares held ('000)	49	49

Interest held by associate

The number of shares of the Bank held by the associate as at 31 December 2019 is 11,707,000 (2018: 11,707,000).

Interest held by the government and government controlled entities

The government of Brunei Darussalam through its various ministries and statutory boards has control over the Group via the shareholdings. As a result, the government of Brunei Darussalam and other government controlled bodies are related parties of the Group.

The Group enters into transactions with many of these bodies on an arm's length basis. The principal transactions undertaken with these entities are disclosed below.

Individually significant transactions

Transactions include the payment of Brunei Darussalam corporation tax (Note 12, 13 and 34) and banking transactions such as financing and deposits undertaken in the normal course of banker-customer relationships.

38 Financial risk management

As the Group's statements of financial position, income statements, statements of comprehensive income, changes in equity and cash flows comprise mainly the Bank and a material subsidiary, the financial risk management policies disclosed relates to the Bank, unless otherwise stated.

Overview of risk management

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

Risk management functional and governance structure

The Bank has aligned its risk organisational responsibilities with the objective of ensuring a common view of risks across the Bank. As a matter of good business practice and prudence, the Bank's core risk management functions, which report to the Audit, Finance and Risk Committee ("AFRC") through its Credit Risk Committee ("CRC"), Asset Liability Committee ("ALCO") and Enterprise Risk Committee ("ERC"), are independent and clearly segregated from the business divisions.

(a) Credit risk

Overview of credit risk of the Bank

Credit risk arises as a result of customers' or counterparties' to a financial instruments failure to meet their contractual obligations when they fall due. These obligations arise from the Bank's direct financing operations, trade finance and investments undertaken by the Bank. The Bank's exposure to credit risk is primarily from its financing activities to retail, corporate borrowers', including small & medium enterprises ("SMEs") and financial institutions.

Management of credit risk

The Board of Directors of the Bank has delegated responsibility for oversight of credit risk to its Credit Risk Committee. A separate Risk Management Division, reporting to the Credit Risk Committee, is responsible for managing the Bank's credit risk, including the following:

- To support management in building a healthy credit portfolio in line with the Bank's overall strategy and risk appetite;

- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk issues; and
- To conform with statutory, regulatory and internal credit requirements.

Corporate credit risks are assessed by business units and evaluated and approved in accordance to the Bank's Credit Risk Governance. Each borrower is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors including a borrower's financial position, types of facilities and proposed securities or collateral. Bank wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently within the Bank.

Reviews are conducted on a regular basis with updated information on a borrower's financial position, market position, industry and economic condition and conduct of account. Corrective actions are taken when there are signs of credit deterioration.

Retail credit exposures are managed on a programme basis. Credit programmes are assessed jointly between credit risk and business units. Reviews on credit programmes are conducted on a regular basis to assess the performance of the portfolio.

Counterparty credit risk exposures are managed via counterparty limits either on a single name basis or counterparty group basis which adheres to the Guidance on Single Borrowing Limit issued by AMBD. The Bank monitors and manages its exposures to counterparties on a day-today basis.

To avoid concentration of credit risk in its financing and advances portfolio, the Bank imposes limits and related lending guidelines on:

- Sovereign;
- Business segments;
- Economic sectors;
- Single customer groups;
- Banks and non-bank financial institutions;
- Counterparties; and
- Collaterals.

The Bank has established a dedicated team of Collections and Recovery to effectively manage vulnerable borrowers. Special attention is given to vulnerable borrowers where frequent and intensive monitoring are performed to accelerate remedial action.

Internal credit rating reviews

Internal credit rating reviews are an integral part of the Bank's credit risk management, decision making process, adequacy of provision and capital assessment.

The credit risk grades for Corporates, SMEs, Financial Institutions and Banks are assessed using the Standard & Poor's ("S&P") rating methodology. The ratings are linked to the Bank's risk appetite and allow the Bank to map the ratings to default statistics.

Overview of credit risk of the subsidiary

Credit risk arises as a result of customers' or counterparties' to a financial instruments failure to settle their, financial or non-financial, contractual obligations. During the reporting period, the subsidiary's highest credit risks exposures are from its hire-purchase financing activities followed by its cash placements with the Bank and the regulator, and to lesser extent, its other accounts receivables.

(a) Business rules committee

To manage its most significant credit risk, the subsidiary board, through the business rules committee, has established a sales policy, with business rules and approval authority matrix operationalised by the use of a decision support system, which ensure consistency and compliance in its credit underwriting process. The performance of the decision support system is monitored, monthly, by the committee and policies adjustments are made as necessary.

(b) Internal credit rating scorecard

Internal credit rating scorecard models are an integral part of the subsidiary's credit risk management, decision making process, adequacy of provision and capital assessment. Retail exposure is assigned a rating utilising customised application and behavioural scorecard model, based on assessment of relevant predictive characteristics. The predictive performance of the two scorecards are validated monthly by the business rules committee using established methods, including rank ordering, PSI statistics, K factor and Gini coefficient.

(c) Recovery department

The subsidiary has established a dedicated recovery department function comprising of three units to deal with the different stages of default; the front-end negotiation team, the repossession and collateral disposal team and the litigation team. The teams report to the Head of Recovery who, in turn, report to the business rules committee its performance to minimise the incurred credit losses.

Maximum exposure to credit risk

The following table presents the Group's and Bank's maximum exposure to credit risk of recognised assets and unrecognised financial instruments, without taking into account of any collateral held or other credit enhancements. For recognised assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and Bank 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.

	Group		Bank	
	2019	2018	2019	2018
	BS'000	BS'000	BS'000	BS'000
<i>Credit risk exposure of recognised assets:</i>				
Cash and cash equivalents	3,732,366	2,497,449	3,731,579	2,503,325
Balances with Autoriti Monetari Brunei Darussalam	435,026	445,202	400,380	407,452
Placements with and financing and advances to banks	1,129,582	2,015,303	1,522,236	2,377,589
Government sukus	9,897	20,414	9,897	20,414
Investments	1,047,398	1,180,534	1,047,398	1,180,534
Derivative financial assets	42,505	27,831	42,505	27,831
Financing and advances	3,997,148	3,682,451	3,290,992	2,974,352
Finance lease receivables	12,615	12,620	12,615	12,620
Other assets	97,412	34,586	123,034	63,750
Sub-total	10,503,949	9,916,390	10,180,636	9,567,867
<i>Credit risk exposure of unrecognised financial instruments:</i>				
Credit commitments	773,129	153,057	773,129	153,057
Contingent liabilities	334,637	373,507	334,637	373,507
Sub-total	1,107,766	526,564	1,107,766	526,564
Total credit exposures	11,611,715	10,442,954	11,288,402	10,094,431

Investments excludes equity investments which comprise of unquoted security and unquoted fund.
Other assets exclude prepayments.

(i) **Concentration of credit risk for Group and Bank**

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from the assets is shown below:

Group	Cash and short-term funds and deposits and placements with financial institutions	Balances with Autoriti Monetari Brunei Darussalam	Government sukuku	Investments	Derivative financial assets	Financing and advances	Financing lease receivables	Other assets	On-balance sheet total	Commitments and contingencies
	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
2019										
Agricultural	-	-	-	-	-	12,517	-	-	12,517	10,471
Financial	4,861,948	-	-	516,353	42,505	94,379	-	-	5,515,185	144,973
Manufacturing	-	-	-	-	-	74,081	-	-	74,081	19,619
Transportation	-	-	-	34,571	-	902,219	-	-	936,790	24,653
Infrastructure	-	-	-	-	-	27,874	-	-	27,874	92,151
Traders	-	-	-	-	-	102,744	-	-	102,744	31,990
Services	-	-	-	25,859	-	65,672	12,615	-	104,146	29,570
Residential property (personal)	-	-	-	-	-	759,106	-	-	759,106	23,189
Commercial (property development)	-	-	-	25,585	-	412,617	-	-	438,202	24,159
Tourism	-	-	-	-	-	8,714	-	-	8,714	3,502
Telecommunication and information technology	-	-	-	-	-	5,429	-	-	5,429	7,730
Personal and consumption financing	-	-	-	-	-	1,062,910	-	-	1,062,910	65,912
Oil and gas	-	-	-	-	-	468,886	-	-	468,886	17,847
Others	-	435,026	9,897	445,030	-	-	-	97,412	987,365	612,000
Total	4,861,948	435,026	9,897	1,047,398	42,505	3,997,148	12,615	97,412	10,503,949	1,107,766

Investments excludes equity investments which comprise of unquoted security and unquoted fund.

Other assets exclude prepayments.

Group	Cash and short-term funds and deposits and placements with financial institutions	Balances with Autoriti Monetari Brunei Darussalam			Derivative financial assets	Financing and advances	Financing lease receivables	Other assets	On-balance sheet total	Commitments and contingencies
	BS'000	BS'000	Government sukuku	Investments						
	BS'000	BS'000	BS'000	BS'000						
2018										
Agricultural	-	-	-	-	-	8,770	-	-	8,770	3,471
Financial	4,512,752	-	-	537,412	27,831	48,053	-	-	5,126,048	156,278
Manufacturing	-	-	-	-	-	76,359	-	-	76,359	4,793
Transportation	-	-	-	71,062	-	949,107	-	-	1,020,169	19,951
Infrastructure	-	-	-	-	-	28,368	-	-	28,368	114,052
Traders	-	-	-	-	-	106,217	-	-	106,217	29,794
Services	-	-	-	75,092	-	113,120	12,620	-	200,832	30,647
Residential property (personal)	-	-	-	-	-	722,491	-	-	722,491	20,830
Commercial (property development)	-	-	-	63,260	-	101,094	-	-	164,354	20,835
Tourism	-	-	-	-	-	6,006	-	-	6,006	3,713
Telecommunication and information technology	-	-	-	-	-	1,024	-	-	1,024	4,525
Personal and consumption financing	-	-	-	-	-	1,079,406	-	-	1,079,406	62,978
Oil and gas	-	-	-	-	-	442,436	-	-	442,436	54,697
Others	-	445,202	20,414	433,708	-	-	-	34,586	933,910	-
Total	4,512,752	445,202	20,414	1,180,534	27,831	3,682,451	12,620	34,586	9,916,390	526,564

Investments excludes equity investments which comprise of unquoted security and unquoted fund.

Other assets exclude prepayments.

	Cash and short- term funds and deposits and placements with financial institutions BS'000	Balances with Autoriti Monetari Brunei Darussalam BS'000	Government sukuks BS'000	Investments BS'000	Derivative financial assets BS'000	Financing and advances BS'000	Financing lease receivables BS'000	Other assets BS'000	On-balance sheet total BS'000	Commitments and contingencies BS'000
Bank										
2019										
Agricultural	-	-	-	-	-	12,517	-	-	12,517	10,471
Financial	5,253,815	-	-	516,353	42,505	94,379	-	-	5,907,052	144,973
Manufacturing	-	-	-	-	-	74,081	-	-	74,081	19,619
Transportation	-	-	-	34,571	-	242,357	-	-	276,928	24,653
Infrastructure	-	-	-	-	-	27,759	-	-	27,759	92,151
Traders	-	-	-	-	-	102,744	-	-	102,744	31,990
Services	-	-	-	25,859	-	65,672	12,615	-	104,146	29,570
Residential property (personal)	-	-	-	-	-	759,106	-	-	759,106	23,189
Commercial (property development)	-	-	-	25,585	-	412,617	-	-	438,202	24,159
Tourism	-	-	-	-	-	8,714	-	-	8,714	3,502
Telecommunication and information technology	-	-	-	-	-	5,429	-	-	5,429	7,730
Personal and consumption financing	-	-	-	-	-	1,016,731	-	-	1,016,731	65,912
Oil and gas	-	-	-	-	-	468,886	-	-	468,886	17,847
Others	-	400,380	9,897	445,030	-	-	-	123,034	978,341	612,000
Total	5,253,815	400,380	9,897	1,047,398	42,505	3,290,992	12,615	123,034	10,180,636	1,107,766

Investments excludes equity investments which comprise of unquoted security and unquoted fund.

Other assets exclude prepayments.

	Cash and short-term funds and deposits and placements with financial institutions BS'000	Balances with Autoriti Monetari			Derivative financial assets BS'000	Financing and advances BS'000	Financing lease receivables BS'000	Other assets BS'000	On-balance sheet total BS'000	Commitments and contingencies BS'000
		Brunei Darussalam BS'000	Government sukuku BS'000	Investments BS'000						
Bank										
2018										
Agricultural	-	-	-	-	-	8,770	-	-	8,770	3,471
Financial	4,880,914	-	-	537,412	27,831	48,053	-	-	5,494,210	156,278
Manufacturing	-	-	-	-	-	76,359	-	-	76,359	4,793
Transportation	-	-	-	71,062	-	295,561	-	-	366,623	19,951
Infrastructure	-	-	-	-	-	27,607	-	-	27,607	114,052
Traders	-	-	-	-	-	106,216	-	-	106,216	29,794
Services	-	-	-	75,092	-	113,120	12,620	-	200,832	30,647
Residential property (personal)	-	-	-	-	-	722,491	-	-	722,491	20,830
Commercial (property development)	-	-	-	63,260	-	101,094	-	-	164,354	20,835
Tourism	-	-	-	-	-	6,006	-	-	6,006	3,713
Telecommunication and information technology	-	-	-	-	-	1,024	-	-	1,024	4,525
Personal and consumption financing	-	-	-	-	-	1,025,615	-	-	1,025,615	62,978
Oil and gas	-	-	-	-	-	442,436	-	-	442,436	54,697
Others	-	407,452	20,414	433,708	-	-	-	63,750	925,324	-
Total	4,880,914	407,452	20,414	1,180,534	27,831	2,974,352	12,620	63,750	9,567,867	526,564

Investments excludes equity investments which comprise of unquoted security and unquoted fund.

Other assets exclude prepayments.

(ii) Collateral

The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- For programme lending – assignment of income;
- For mortgages – charges over residential properties;
- For auto financing – ownership claims over the vehicles financed;
- For commercial property financing – charges over the properties financed; and
- For other financing – charges over business assets such as premises, inventories, assignment of receivables or under lien deposits.

Based on the secured financings, the fair values of collaterals held by the Group and Bank for which they are entitled to sell or pledge in the event of default is as follows: (Refer to Note 22 for the breakdown of financings by security)

Group	2019		2018	
	Carrying amount of financing and advances	Fair value of collateral	Carrying amount of financing and advances	Fair value of collateral
	BS'000	BS'000	BS'000	BS'000
Type of collateral				
Cash	303,201	303,201	219,326	219,326
Properties	1,115,734	1,059,661	764,862	703,746
Vessels	531,372	526,054	625,290	624,199
Motor vehicles and others	732,419	649,409	730,446	608,751
Total	2,682,726	2,538,325	2,339,924	2,156,022

Bank	2019		2018	
	Carrying amount of financing and advances	Fair value of collateral	Carrying amount of financing and advances	Fair value of collateral
	BS'000	BS'000	BS'000	BS'000
Type of collateral				
Cash	303,201	303,201	219,326	219,326
Properties	1,115,734	1,059,661	764,862	703,746
Vessels	531,372	526,054	625,290	624,199
Motor vehicles and others	18,770	18,770	13,891	13,891
Total	1,969,077	1,907,686	1,623,369	1,561,162

The fair value of collateral excludes the effect of over-collateralisation.

The carrying amount of properties and motor vehicles that have been repossessed during the year amount to B\$8,614,839 for the Group (2018: B\$10,034,600) and B\$5,722,243 for the Bank (2018: B\$6,504,600).

(iii) Credit quality of gross financing and advances

Gross financing and advances are classified by the following internal risk category as described below:

Excellent to good	Obligors rated in this category have an excellent to good capacity to meet financial commitments with very low credit risk.
Fair	Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
Past due but not impaired	Obligors rated in this category have financial commitments that are past due but no objective evidence of impairment.
Impaired	Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated.

The table below summarises the credit quality of the Group's and the Bank's gross financing according to the above classifications.

	Group		Bank	
	2019 B\$'000	2018 B\$'000	2019 B\$'000	2018 B\$'000
Neither past due nor impaired	3,681,263	3,519,888	3,001,975	2,844,078
Past due but not impaired	238,785	91,141	211,571	58,626
Impaired	146,689	143,873	140,468	135,643
	4,066,737	3,754,902	3,354,014	3,038,347
Allowance for impaired financing and advances	(69,589)	(72,451)	(63,022)	(63,995)
Total	3,997,148	3,682,451	3,290,992	2,974,352

Credit quality analysis

	2019			
	12-month ECL BS'000	Lifetime ECL – not credit- impaired BS'000	Lifetime ECL – credit- impaired BS'000	Total BS'000
Group				
Neither past due nor impaired				
Excellent to good	2,960,326	45,799	-	3,006,125
Fair	655,818	19,320	-	675,138
Past due but not impaired	175,878	62,907	-	238,785
Impaired	-	-	146,689	146,689
Total	3,792,022	128,026	146,689	4,066,737
Allowance for impaired financing and advances	(12,933)	(3,776)	(52,880)	(69,589)
Total	3,779,089	124,250	93,809	3,997,148

	2018			
	12-month ECL BS'000	Lifetime ECL – not credit- impaired BS'000	Lifetime ECL – credit- impaired BS'000	Total BS'000
Group				
Neither past due nor impaired				
Excellent to good	2,669,898	19,406	-	2,689,304
Fair	826,011	4,573	-	830,584
Past due but not impaired	30,925	60,216	-	91,141
Impaired	-	-	143,873	143,873
Total	3,526,834	84,195	143,873	3,754,902
Allowance for impaired financing and advances	(17,833)	(5,076)	(49,542)	(72,451)
Total	3,509,001	79,119	94,331	3,682,451

The following table sets out information about the ageing status of gross financing and advances facilities for obligors categorised as past due but not impaired:

	2019		
	12-month ECL BS'000	Lifetime ECL – not credit- impaired BS'000	Total BS'000
Group			
By ageing:			
Current	75,582	9,453	85,035
1 month-in-arrears (1 to 30 days)	100,296	31,243	131,539
2 months-in-arrears (31 to 60 days)	-	17,341	17,341
3 months-in-arrears (61 to 90 days)	-	4,870	4,870
Total	175,878	62,907	238,785

	2018		
	12-month ECL BS'000	Lifetime ECL – not credit- impaired BS'000	Total BS'000
Group			
By ageing:			
Current	1,041	8,636	9,677
1 month-in-arrears (1 to 30 days)	29,884	37,320	67,204
2 months-in-arrears (31 to 60 days)	-	10,873	10,873
3 months-in-arrears (61 to 90 days)	-	3,387	3,387
Total	30,925	60,216	91,141

	2019			
	12-month ECL B\$'000	Lifetime ECL – not credit- impaired B\$'000	Lifetime ECL – credit- impaired B\$'000	Total B\$'000
Bank				
Neither past due nor impaired				
Excellent to good	2,429,772	45,799	-	2,475,571
Fair	507,084	19,320	-	526,404
Past due but not impaired	175,878	35,693	-	211,571
Impaired	-	-	140,468	140,468
Total	3,112,734	100,812	140,468	3,354,014
Allowance for impaired financing and advances	(11,955)	(3,361)	(47,706)	(63,022)
Total	3,100,779	97,451	92,762	3,290,992

	2018			
	12-month ECL B\$'000	Lifetime ECL – not credit- impaired B\$'000	Lifetime ECL – credit- impaired B\$'000	Total B\$'000
Bank				
Neither past due nor impaired				
Excellent to good	2,255,219	19,406	-	2,274,625
Fair	564,880	4,573	-	569,453
Past due but not impaired	30,925	27,701	-	58,626
Impaired	-	-	135,643	135,643
Total	2,851,024	51,680	135,643	3,038,347
Allowance for impaired financing and advances	(16,674)	(4,586)	(42,735)	(63,995)
Total	2,834,350	47,094	92,908	2,974,352

The following table sets out information about the ageing status of gross financing and advances facilities for obligors categorised as past due but not impaired:

	2019		
	12-month ECL BS'000	Lifetime ECL – not credit- impaired BS'000	Total BS'000
Bank			
By ageing:			
Current	75,582	4,858	80,440
1 month-in-arrears (1 to 30 days)	100,296	8,998	109,294
2 months-in-arrears (31 to 60 days)	-	16,967	16,967
3 months-in-arrears (61 to 90 days)	-	4,870	4,870
Total	175,878	35,693	211,571

	2018		
	12-month ECL BS'000	Lifetime ECL – not credit- impaired BS'000	Total BS'000
Bank			
By ageing:			
Current	1,041	8,636	9,677
1 month-in-arrears (1 to 30 days)	29,884	4,838	34,722
2 months-in-arrears (31 to 60 days)	-	10,840	10,840
3 months-in-arrears (61 to 90 days)	-	3,387	3,387
Total	30,925	27,701	58,626

A table showing a reconciliation between the movement of ECL/ IFRS9 staging is disclosed as per below:

	2019			
	Stage 1	Stage 2	Stage 3	Total
	B\$'000	B\$'000	B\$'000	B\$'000
Group				
Balance at 1 January	17,833	5,076	49,542	72,451
Transfer from Stage 1	(580)	2,499	5,510	7,429
Transfer from Stage 2	95	(1,709)	1,947	333
Transfer from Stage 3	-	117	(1,174)	(1,057)
Net remeasurement of loss allowance	(4,004)	(725)	11,596	6,867
New financial assets originated or purchased	2,575	469	18,311	21,355
Financial assets that have been derecognised	(2,734)	(742)	(17,474)	(20,950)
Write-offs	(252)	(1,209)	(15,378)	(16,839)
Balance at 31 December	12,933	3,776	52,880	69,589

	2018			
	Stage 1	Stage 2	Stage 3	Total
	B\$'000	B\$'000	B\$'000	B\$'000
Group				
Balance at 1 January	19,515	8,769	59,960	88,244
Transfer from Stage 1	(897)	3,041	17,695	19,839
Transfer from Stage 2	36	(4,838)	2,001	(2,801)
Transfer from Stage 3	18	40	(1,902)	(1,844)
Net remeasurement of loss allowance	(1,795)	(673)	6,305	3,837
New financial assets originated or purchased	4,052	774	1,184	6,010
Financial assets that have been derecognised	(2,818)	(598)	(7,596)	(11,012)
Write-offs	(278)	(1,439)	(28,105)	(29,822)
Balance at 31 December	17,833	5,076	49,542	72,451

	2019			
	Stage 1	Stage 2	Stage 3	Total
	B\$'000	B\$'000	B\$'000	B\$'000
Bank				
Balance at 1 January	16,674	4,586	42,735	63,995
Transfer from Stage 1	(506)	2,351	4,866	6,711
Transfer from Stage 2	42	(1,519)	1,353	(124)
Transfer from Stage 3	-	113	(1,016)	(903)
Net remeasurement of loss allowance	(3,798)	(645)	8,843	4,400
New financial assets originated or purchased	2,263	375	18,267	20,905
Financial assets that have been derecognised	(2,662)	(708)	(15,205)	(18,575)
Write-offs	(58)	(1,192)	(12,137)	(13,387)
Balance at 31 December	11,955	3,361	47,706	63,022

	2018			
	Stage 1	Stage 2	Stage 3	Total
	BS'000	BS'000	BS'000	BS'000
Bank				
Balance at 1 January	18,385	8,118	54,061	80,564
Transfer from Stage 1	(862)	3,041	16,862	19,041
Transfer from Stage 2	36	(4,776)	762	(3,978)
Transfer from Stage 3	18	40	(1,887)	(1,829)
Net remeasurement of loss allowance	(1,753)	(563)	5,403	3,087
New financial assets originated or purchased	3,608	664	1,004	5,276
Financial assets that have been derecognised	(2,705)	(535)	(7,195)	(10,435)
Write-offs	(53)	(1,403)	(26,275)	(27,731)
Balance at 31 December	16,674	4,586	42,735	63,995

Transfers from Stage 1, Stage 2 or Stage 3 are due to financial instruments experiencing significant increases or decreases of credit risk or becoming credit-impaired in the period, and the subsequent increase or decrease in the ECL as financial assets move from one stage to another.

(iv) Credit quality of other financial assets (excluding equity securities)

The Group managed its exposure to credit risk by investing only in liquid debt securities majority with counterparties that have a credit rating of at least BBB- or its rating equivalent from AMBD approved External Credit Assessment Institution (ECAI), and a small portion to below investment grade or unrated Sukuk. If no such ECAI is unavailable, the Sukuk (obligor) will be assessed using internal model and at least be rated BBB-.

The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and, where available, credit default swap (CDS) prices together with available press and regulatory information about issuers which include quarterly earning updates, and the operating environment.

12-month and lifetime probabilities of default are based on historical data supplied by Moody's Investor Service for each credit rating and are recalibrated based on current bond yields. Loss given default (LGD) parameters generally reflect recovery rate depending the type of asset and sukuk feature which ranging between 28.1% to 50% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective yield rate.

The following table presents an analysis of the credit quality of debt securities at amortised cost, FVOCI and FVTPL. It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

Credit quality of other financial assets (excluding equity securities) due from external parties are as follows:

Amortised cost

	Gross carrying amount BS'000	12-month ECL BS'000	Lifetime ECL- not credit impaired BS'000	Lifetime ECL- credit impaired BS'000	Total BS'000
Group and Bank					
2019					
Islamic debt securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	-	-	-	-	-
Rate A+ to A-	271,149	(95)	-	-	271,054
Rated BBB+ to BBB-	183,777	(132)	-	-	183,645
Rated BB+ or below	126,909	(387)	-	-	126,522
Unrated-Quasi-government	895	-	-	-	895
Unrated-Others	-	-	-	-	-
Other investments	-	-	-	-	-
Total	582,730	(614)	-	-	582,116

	Gross carrying amount BS'000	12-month ECL BS'000	Lifetime ECL- not credit impaired BS'000	Lifetime ECL- credit impaired BS'000	Total BS'000
2018					
Islamic debt securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	-	-	-	-	-
Rate A+ to A-	258,532	(91)	-	-	258,441
Rated BBB+ to BBB-	189,420	(164)	-	-	189,256
Rated BB+ or below	154,216	(393)	-	-	153,823
Unrated-Quasi-government	1,165	(2)	-	-	1,163
Unrated-Others	-	-	-	-	-
Other investments	-	-	-	-	-
Total	603,333	(650)	-	-	602,683

Fair value through profit and loss

	Gross carrying amount BS'000	12-month ECL BS'000	Lifetime ECL- not credit impaired BS'000	Lifetime ECL- credit impaired BS'000	Total BS'000
Group and Bank					
2019					
Islamic debt securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	-	-	-	-	-
Rate A+ to A-	-	-	-	-	-
Rated BBB+ to BBB-	-	-	-	-	-
Rated BB+ or below	-	-	-	-	-
Unrated-Quasi-government	-	-	-	-	-
Unrated-Others	-	-	-	-	-
Other investments	67,767	-	-	-	67,767
Total	67,767	-	-	-	67,767

	Gross carrying amount BS'000	12-month ECL BS'000	Lifetime ECL- not credit impaired BS'000	Lifetime ECL- credit impaired BS'000	Total BS'000
2018					
Islamic debt securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	-	-	-	-	-
Rate A+ to A-	-	-	-	-	-
Rated BBB+ to BBB-	-	-	-	-	-
Rated BB+ or below	-	-	-	-	-
Unrated-Quasi-government	-	-	-	-	-
Unrated-Others	-	-	-	-	-
Other investments	99,068	-	-	-	99,068
Total	99,068	-	-	-	99,068

Fair value through other comprehensive income

	Gross carrying amount BS'000	12-month ECL BS'000	Lifetime ECL- not credit impaired BS'000	Lifetime ECL- credit impaired BS'000	Total BS'000
Group and Bank					
2019					
Islamic debt securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	54,874	(11)	-	-	54,863
Rate A+ to A-	192,284	(66)	-	-	192,218
Rated BBB+ to BBB-	-	-	-	-	-
Rated BB+ or below	-	-	-	-	-
Unrated-Quasi-government	51,662	(18)	-	-	51,644
Unrated-Others	98,695	(58)	-	-	98,637
Other investments	-	-	-	-	-
Total	397,515	(153)	-	-	397,362

	Gross carrying amount BS'000	12-month ECL BS'000	Lifetime ECL- not credit impaired BS'000	Lifetime ECL- credit impaired BS'000	Total BS'000
2018					
Islamic debt securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	107,095	(29)	-	-	107,066
Rate A+ to A-	126,359	(63)	-	-	126,296
Rated BBB+ to BBB-	-	-	-	-	-
Rated BB+ or below	19,592	(299)	-	-	19,293
Unrated-Quasi-government	76,426	(143)	-	-	76,283
Unrated-Others	149,311	(53)	-	-	149,258
Other investments	-	-	-	-	-
Total	478,783	(587)	-	-	478,196

Government sukuk held by the Group (refer to Note 19) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 21) are generally above the rating of A-. For other assets, impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

(v) Offsetting financial assets and financial liabilities

The disclosures set out in the table below include financial assets and liabilities that:

- are offset in the statements of financial position of the Group and Bank; or
- are subject to an enforceable master netting arrangement, irrespective of whether are offset in the statements of financial position.

Financial instruments such as financing and advances, deposits, other assets and other liabilities do not offset in the statements of financial position of the Group and Bank.

The derivative transactions of the Group and Bank that are not transacted on an exchange are entered into under Master Agreement for Islamic Transactions. In general, under such agreement the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above agreement does not meet the criteria for offsetting in the statements of financial position. This is because they create a right of set-off recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group and Bank or the counterparties. In addition, the Group and Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities subject to offsetting, enforceable master agreement for Islamic transactions

	Gross amounts of recognised financial instruments B\$'000	Gross amounts of recognised financial instruments offset in the statements of financial position B\$'000	Net amounts of financial instruments presented in the statements of financial position B\$'000	Related amounts not offset in the statements of financial position		Net amount B\$'000
				Financing instruments B\$'000	Financing collateral B\$'000	
Group and Bank						
2019						
Derivative financial assets	42,505	-	42,505	(10,564)	-	31,941
Derivative financial liabilities	13,125	-	13,125	(10,564)	-	2,561
2018						
Derivative financial assets	27,831	-	27,831	(11,313)	-	16,518
Derivative financial liabilities	14,411	-	14,411	(11,313)	-	3,098

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position that are disclosed in the above tables are measured in the statements of financial position on fair value.

(b) Market risk

Overview of the Bank's market risk

Market risk is defined as the uncertainty of market value and earnings from changes in yield rates, exchange rates, market prices and volatilities. The Bank assumes market risk from trading and investment activities and from retail and corporate financings.

The Bank's asset and liability profile can be characterised as that of a standard retail bank. Trading activities are negligible, with an investment portfolio of no more than 15% of the Bank's total assets. Stress testing and sensitivity analysis are performed to assess the impact from changes in the yield curve for income on a monthly basis and for market value on a quarterly basis.

Management of market risk

Market risk of the Bank is managed by the Market Risk unit of the Risk Management Division. Market risk report is presented monthly to the Bank's ALCO and quarterly to the AFRC committee. ALCO provides general guidelines to the parameters and limits applied in deriving the report's outcome. ALCO maintains the policy and procedures with regards to the market risk framework that are consistent and in-line with the short and long-term strategic goals and directions of the Board of Directors.

The objective of the Bank's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Bank's approved risk appetite.

The Bank is exposed to the following risks:

Profit Rate Risk: Changes in the market wide yield rate i.e. yield curve will have an impact on the income of the Bank. This depends on how quickly the Bank can absorb the change in yield rate and price this in the composition of assets and liabilities. Stress test and sensitivity analysis is performed at 1%, 3% and 8% parallel shift in market yield rates and the resulting change in 1 year net income position of the Bank.

Fair Value/Duration Risk: The fair value of assets and liabilities changes as the discount factor i.e. the yield curve moves up or down. The composition and duration of the assets and liabilities will determine the net change in net asset value. The base discount factor is the market SGD yield curve, to which a premium is added to reflect the market perception of the Bank's credit standing. The changes in fair value will not have a material impact on the financial statements of the Group and the Bank.

Foreign Exchange Risk: The Bank has substantial exposure in foreign exchange denominated assets, particularly the United States Dollar (“USD”). This foreign exchange risk is managed through foreign exchange forward currency hedges, whereby all foreign exchange assets are required to be covered by either liabilities in the same currency and/or foreign exchange forward hedge with a reputable international counterparty. The Bank’s Executive Committee has given approval for only B\$10 million equivalent in total aggregate of foreign currency open position.

Overview of the subsidiary’s market risk

All the subsidiary’s financing assets are fixed rate and is not subject to future movement. However, the subsidiary’s deposit from customers are subject to future repricing risk and the risk that prices and rates will move, resulting in profit or loss to the subsidiary.

The subsidiary is exposed to the following risks:

Rate of return or profit risk: risk that changes in prevailing yield rate for deposits will adversely affect the earnings stream of the subsidiary, thus resulting in reduced net financing income.

Price Risk: risk that changes in prevailing yield rate will adversely affect the values of assets, liabilities, and capital. Price risk is the valuation effect due to changes in rates and other market factors both internal and external to the subsidiary. The objective of the subsidiary’s market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the subsidiary’s approved risk appetite.

Market risk governance and management

The board of the subsidiary reviews these risks at least annually, and more often as conditions may warrant. This helps to provide for growth that is sound, profitable and balanced without sacrificing the quality of service and to manage and maintain policies and procedures that are consistent with the subsidiary’s and Group’s strategic goals.

(i) Profit rate risk

The tables below summarise the Group's and Bank's exposure to profit rate risk and gap position on non-trading portfolio. The tables indicate the periods in which the financial instruments reprice or mature, whichever is earlier.

	Up to 1 month BS'000	1 – 3 months BS'000	3 – 12 months BS'000	1 – 5 years BS'000	Over 5 years BS'000	Non profit bearing BS'000	Trading book BS'000	Total BS'000
Group 2019								
Assets								
Cash and cash equivalents	2,463,623	646,630	-	-	-	622,113	-	3,732,366
Balances with Autoriti Monetari Brunei Darussalam	-	-	-	-	-	435,026	-	435,026
Placements with and financing and advances to banks	29,753	186,675	913,154	-	-	-	-	1,129,582
Government sukuks	-	-	9,897	-	-	-	-	9,897
Investments at amortised cost	-	8,228	44,819	439,771	89,298	-	-	582,116
Investments at fair value through profit or loss	-	-	-	-	-	-	67,767	67,767
Investments at fair value through other comprehensive income	-	40,275	74,320	148,817	134,103	-	-	397,515
Derivative financial assets	-	-	-	-	-	-	42,505	42,505
Financing and advances	135,224	475,650	250,227	1,057,849	2,078,198	-	-	3,997,148
Finance lease receivables	-	-	-	-	12,615	-	-	12,615
Other assets	-	-	-	-	-	97,412	-	97,412
Total	2,628,600	1,357,458	1,292,417	1,646,437	2,314,214	1,154,551	110,272	10,503,949

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund.
Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing.
Other assets exclude prepayments.

Group	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
2019								
Liabilities								
Deposits from customers	(5,915,695)	(963,161)	(1,407,010)	(165,108)	(521)	-	-	(8,451,495)
Deposits from banks and other financial institutions	(170,225)	(54,000)	(58,600)	(254,564)	-	-	-	(537,389)
Derivative financial liabilities	-	-	-	-	-	-	(13,125)	(13,125)
Placements from other financial institutions	(121,469)	-	-	-	-	-	-	(121,469)
Other liabilities	-	-	-	-	-	(214,620)	-	(214,620)
Total	(6,207,389)	(1,017,161)	(1,465,610)	(419,672)	(521)	(214,620)	(13,125)	(9,338,098)
Recognised assets profit sensitivity gap	(3,578,789)	340,297	(173,193)	1,226,765	2,313,693	939,931	97,147	1,165,851
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(1,107,766)	-	(1,107,766)
Total profit sensitivity gap	(3,578,789)	340,297	(173,193)	1,226,765	2,313,693	(167,835)	97,147	58,085

Group	Up to	1 – 3	3 – 12	1 – 5	Over 5	Non profit	Trading	Total
2018	1 month	months	months	years	years	bearing	book	Total
	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
Assets								
Cash and cash equivalents	1,457,192	597,166	-	-	-	443,091	-	2,497,449
Balances with Autoriti Monetari Brunei Darussalam	-	-	-	-	-	445,202	-	445,202
Placements with and financing and advances to banks	413,806	1,127,315	474,182	-	-	-	-	2,015,303
Government sukuks	10,575	-	9,839	-	-	-	-	20,414
Investments at amortised cost	-	36,628	2,789	364,122	199,144	-	-	602,683
Investments at fair value through profit or loss	-	-	-	-	-	-	99,068	99,068
Investments at fair value through other comprehensive income	-	61,264	-	249,709	167,810	-	-	478,783
Derivative financial assets	-	-	-	-	-	-	27,831	27,831
Financing and advances	118,096	402,623	342,819	1,115,438	1,703,475	-	-	3,682,451
Finance lease receivables	-	-	-	-	12,620	-	-	12,620
Other assets	-	-	-	-	-	34,586	-	34,586
Total	1,999,669	2,224,996	829,629	1,729,269	2,083,049	922,879	126,899	9,916,390

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund. Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing. Other assets exclude prepayments.

Group	Up to	1 – 3	3 – 12	1 – 5	Over 5	Non profit	Trading	Total
2018	1 month	months	months	years	years	bearing	book	Total
	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
Liabilities								
Deposits from customers	(3,972,878)	(2,277,379)	(1,182,746)	(188,130)	-	-	-	(7,621,133)
Deposits from banks and other financial institutions	(14,587)	(102,300)	(313,936)	(120,700)	-	-	-	(551,523)
Derivative financial liabilities	-	-	-	-	-	-	(14,411)	(14,411)
Placements from other financial institutions	(455,011)	(43,864)	-	-	-	-	-	(498,875)
Other liabilities	-	-	-	-	-	(117,753)	-	(117,753)
Total	(4,442,476)	(2,423,543)	(1,496,682)	(308,830)	-	(117,753)	(14,411)	(8,803,695)
Recognised assets profit sensitivity gap	(2,442,807)	(198,547)	(667,053)	1,420,439	2,083,049	805,126	112,488	1,112,695
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(526,564)	-	(526,564)
Total profit sensitivity gap	(2,442,807)	(198,547)	(667,053)	1,420,439	2,083,049	278,562	112,488	586,131

Bank 2019	Up to 1 month BS'000	1 – 3 months BS'000	3 – 12 months BS'000	1 – 5 years BS'000	Over 5 years BS'000	Non profit bearing BS'000	Trading book BS'000	Total BS'000
Assets								
Cash and cash equivalents	2,462,836	646,630	-	-	-	622,113	-	3,731,579
Balances with Autoriti Monetari Brunei Darussalam	-	-	-	-	-	400,380	-	400,380
Placements with and financing and advances to banks	29,753	186,675	1,305,808	-	-	-	-	1,522,236
Government sukuks	-	-	9,897	-	-	-	-	9,897
Investments at amortised cost	-	8,228	44,819	439,771	89,298	-	-	582,116
Investments at fair value through profit or loss	-	-	-	-	-	-	67,767	67,767
Investments at fair value through other comprehensive income	-	40,275	74,320	148,817	134,103	-	-	397,515
Derivative financial assets	-	-	-	-	-	-	42,505	42,505
Financing and advances	135,147	475,003	238,538	726,927	1,715,377	-	-	3,290,992
Finance lease receivables	-	-	-	-	12,615	-	-	12,615
Other assets	-	-	-	-	-	123,034	-	123,034
Total	2,627,736	1,356,811	1,673,382	1,315,515	1,951,393	1,145,527	110,272	10,180,636

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund.
Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing.
Other assets exclude prepayments.

	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Bank								
2019								
Liabilities								
Deposits from customers	(5,866,534)	(960,816)	(1,381,289)	(143,608)	-	-	-	(8,352,247)
Deposits and placements of banks and other financial institutions	(198,864)	(86,500)	(61,947)	(91,100)	-	-	-	(438,411)
Derivative financial liabilities	-	-	-	-	-	-	(13,125)	(13,125)
Placements from other financial institutions	(121,469)	-	-	-	-	-	-	(121,469)
Other liabilities	-	-	-	-	-	(200,193)	-	(200,193)
Total	(6,186,867)	(1,047,316)	(1,443,236)	(234,708)	-	(200,193)	(13,125)	(9,125,445)
Recognised assets profit sensitivity gap	(3,559,131)	309,495	230,146	1,080,807	1,951,393	945,334	97,147	1,055,191
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(1,107,766)	-	(1,107,766)
Total profit sensitivity gap	(3,559,131)	309,495	230,146	1,080,807	1,951,393	(162,432)	97,147	(52,575)

	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Bank								
2018								
Assets								
Cash and cash equivalents	1,463,068	597,166	-	-	-	443,091	-	2,503,325
Balances with Autoriti Monetari Brunei Darussalam	-	-	-	-	-	407,452	-	407,452
Placements with and financing and advances to banks	413,806	1,127,315	836,468	-	-	-	-	2,377,589
Government sukuks	10,575	-	9,839	-	-	-	-	20,414
Investments at amortised cost	-	36,628	2,789	364,122	199,144	-	-	602,683
Investments at fair value through profit or loss	-	-	-	-	-	-	99,068	99,068
Investments at fair value through other comprehensive income	-	61,264	-	249,709	167,810	-	-	478,783
Derivative financial assets	-	-	-	-	-	-	27,831	27,831
Financing and advances	102,969	398,308	309,860	685,655	1,477,560	-	-	2,974,352
Finance lease receivables	-	-	-	-	12,620	-	-	12,620
Other assets	-	-	-	-	-	63,750	-	63,750
Total	1,990,418	2,220,681	1,158,956	1,299,486	1,857,134	914,293	126,899	9,567,867

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund.
Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing.
Other assets exclude prepayments.

	Up to 1 month BS'000	1 – 3 months BS'000	3 – 12 months BS'000	1 – 5 years BS'000	Over 5 years BS'000	Non profit bearing BS'000	Trading book BS'000	Total BS'000
Bank								
2018								
Liabilities								
Deposits from customers	(3,919,092)	(2,263,693)	(1,154,570)	(175,093)	-	-	-	(7,512,448)
Deposits and placements of banks and other financial institutions	(125,377)	(49,500)	(169,336)	(80,200)	-	-	-	(424,413)
Derivative financial liabilities	-	-	-	-	-	-	(14,411)	(14,411)
Placements from other financial institutions	(455,011)	(43,864)	-	-	-	-	-	(498,875)
Other liabilities	-	-	-	-	-	(109,245)	-	(109,245)
Total	(4,499,480)	(2,357,057)	(1,323,906)	(255,293)	-	(109,245)	(14,411)	(8,559,392)
Recognised assets profit sensitivity gap	(2,509,062)	(136,376)	(164,950)	1,044,193	1,857,134	805,048	112,488	1,008,475
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(526,564)	-	(526,564)
Total profit sensitivity gap	(2,509,062)	(136,376)	(164,950)	1,044,193	1,857,134	278,484	112,488	481,911

Profit sensitivity analysis for variable rate instruments:

A change of 100, 300 and 800 basis points (“bp”) in yield rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Group and Bank	Profit or loss / Equity					
	100 bp increase	100 bp decrease	300 bp increase	300 bp decrease	800 bp increase	800 bp decrease
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
2019						
Variable rate instruments	1,271	(1,271)	3,813	(3,813)	10,168	(10,168)
2018						
Variable rate instruments	9,094	(9,094)	27,282	(27,282)	72,752	(72,752)

(ii) Foreign exchange risk of the Bank

Trading positions

The Bank controls the foreign exchange risk within the trading portfolio by limiting the open exposure to individual currencies, and on an aggregate basis.

Overall (trading and non-trading positions)

To mitigate the risk of loss due to foreign currency rate changes the Bank will match its positions as closely as possible.

Trading is always conducted to ensure that internal set limits are adhered to.

Positions are analysed on a daily basis, whereby a currency risk report is produced for the Managing Director and the Chief Risk Officer on a daily basis and for the Board of Directors at the end of each quarter.

Foreign exchange risk of the subsidiaries

The subsidiaries’ nature of business does not maintain any trading positions and to have significant exposure to foreign exchange risk.

Exposure to foreign exchange risk

As at the reporting date, net currency exposures arising from the Group's major trading currencies were as follows:

	-----Group and Bank-----			
	USD B\$'000	EUR B\$'000	GBP B\$'000	Others B\$'000
2019				
Assets				
Cash and short term funds	2,352,418	20,716	47,022	12,332
Placements with and financing and advances to banks	787,686	-	71,249	-
Investments	1,049,274	317	-	-
Financing and advances	329,491	-	300,576	-
Others	77,515	170	5,684	-
Total	4,596,384	21,203	424,531	12,332
Liabilities				
Deposits from customers	(717,761)	(21,083)	(285,958)	(11,312)
Deposits from banks and other financial institutions	(2,842)	-	(1)	-
Placements from other financial institutions	(121,469)	-	-	-
Others	(67,393)	(179)	(443)	(46)
Total	(909,465)	(21,262)	(286,402)	(11,358)
Net foreign exchange exposure	3,686,919	(59)	138,129	974
Effect of use of derivatives	(3,679,891)	100	(138,026)	139
Net exposure	7,028	41	103	1,113
2018				
Assets				
Cash and short term funds	1,935,442	72,283	148,057	10,654
Placements with and financing and advances to banks	1,948,444	18,793	17,325	-
Investments	1,182,865	329	-	-
Financing and advances	361,411	-	-	-
Others	20,623	234	4,851	-
Total	5,448,785	91,639	170,233	10,654

2018	-----Group and Bank-----			
	USD B\$'000	EUR B\$'000	GBP B\$'000	Others B\$'000
Liabilities				
Deposits from customers	(530,223)	(10,107)	(356,184)	(10,073)
Deposits from banks and other financial institutions	(16,062)	-	(1)	-
Placements from other financial institutions	(392,367)	(62,645)	-	(43,864)
Others	(8,985)	(3)	(559)	102
Total	(947,637)	(72,755)	(356,744)	(53,835)
<hr/>				
Net foreign exchange exposure	4,501,148	18,884	(186,511)	(43,181)
<hr/>				
Effect of use of derivatives	(4,505,994)	(18,719)	186,529	43,749
<hr/>				
Net exposure	(4,846)	165	18	568

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and Bank as at the reporting date is summarised as follows:

Group and Bank	Profit or loss / Equity			
	2019		2018	
	-1% depreciation	+1% appreciation	-1% depreciation	+1% appreciation
	B\$'000	B\$'000	B\$'000	B\$'000
USD	(70)	70	48	(48)
EUR	-	-	(2)	2
GBP	(1)	1	-	-
Others	(11)	11	(6)	6
Total	(82)	82	40	(40)

(iii) Equity price risk

The Group is exposed to equity price risk on its equity investments which are carried at fair value through profit or loss and through other comprehensive income.

For a 10% increase in the value of equity securities, the impact on profit or loss of the Group and the Bank would have been an increase of B\$115,000 and B\$115,000 respectively (2018: B\$149,000 and B\$149,000 respectively). A 10% decrease in the value of the equity securities would have an equal and opposite effect on the profit or loss of the Group and the Bank.

For a 10% increase in the value of equity securities, the impact on fair value reserve of the Group and the Bank would have been an increase of B\$32,000 and B\$32,000 respectively (2018: B\$33,000 and B\$33,000 respectively). A 10% decrease in the value of the equity securities would have an equal and opposite effect on the fair value reserve of the Group and the Bank.

(c) Liquidity risk

Overview of the Bank's liquidity risk

The Group's exposure to liquidity risk arises when there is a possibility of the Group not having sufficient funds to meet its obligations from its financial liabilities.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition, the Bank and one of its subsidiaries have to comply with Section 45(1) of the Islamic Banking Order, 2008 and section 13A of the Finance Companies Act, Cap 89 respectively to maintain minimum cash balances with the AMBD. The Bank and the subsidiary were in compliance with these requirements during the year ended 31 December 2019.

Management of liquidity and funding risk

The Bank manages its liquidity under the purview of its ALCO which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

Overview of the subsidiary's liquidity risk

Liquidity risk is the risk that the subsidiary will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The subsidiary's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the subsidiary's reputation.

Management of liquidity risk

Liquidity risk is managed in accordance with the subsidiary's liquidity needs through, in large part, receipt of placements from the Bank, in addition to the receipt of deposits from other financial institutions and retail depositors. This will ensure that liquidity risk is monitored and managed in a manner that ensures sufficient funds are available over a range of market conditions.

Maturity analysis

The table below summarises the Group's and Bank's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from customers are not all expected to be withdrawn immediately.

	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	Less than 3 months BS'000	3 – 6 months BS'000	6 – 12 months BS'000	1 – 3 years BS'000	3 – 5 years BS'000	Over 5 years BS'000	No specific maturity BS'000
Group									
2019									
Assets									
Cash, balances and placements with banks	3,732,366	3,734,624	3,734,624	-	-	-	-	-	-
Balances with Autoriti Monetari Brunei Darussalam	435,026	435,027	323,013	39,557	26,732	11,078	-	34,647	-
Placements with and financing and advances to banks	1,129,582	1,151,470	217,601	351,199	582,670	-	-	-	-
Government sukuku	9,897	10,000	-	-	10,000	-	-	-	-
Investments	1,047,398	1,155,172	56,463	110,787	72,288	376,975	306,605	136,566	95,488
Derivative financial assets	42,505	41,891	36,995	1,304	3,592	-	-	-	-
Financing and advances	3,997,148	4,661,614	919,167	208,232	319,571	1,254,444	665,025	1,295,175	-
Finance lease receivables	12,615	29,220	180	180	360	1,440	1,480	25,580	-
Other assets	97,412	97,412	79,566	8,394	77	4,079	2,595	2,701	-
Total	10,503,949	11,316,430	5,367,609	719,653	1,015,290	1,648,016	975,705	1,494,669	95,488

Investments excludes investments in unquoted security and unquoted fund.

Other assets exclude prepayments.

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Group									
2019									
Liabilities									
Deposits from customers	(8,451,495)	(8,481,163)	(6,883,632)	(869,562)	(554,252)	(173,158)	-	(559)	-
Deposits and placements of banks and other financial institutions	(537,389)	(549,399)	(224,692)	(14,379)	(50,683)	(259,645)	-	-	-
Derivative financial liabilities	(13,125)	(13,133)	(8,475)	(1,254)	(3,404)	-	-	-	-
Placements from other financial institutions	(121,469)	(121,568)	(121,568)	-	-	-	-	-	-
Other liabilities	(214,620)	(214,620)	(113,904)	(29,248)	(19,717)	(7,914)	(3,566)	(40,271)	-
Total	(9,338,098)	(9,379,883)	(7,352,271)	(914,443)	(628,056)	(440,717)	(3,566)	(40,830)	-
Recognised assets net liquidity gap	1,165,851	1,936,547	(1,984,662)	(194,790)	387,234	1,207,299	972,139	1,453,839	95,488
Commitments and contingencies	(1,107,766)	(1,107,766)	(1,107,766)	-	-	-	-	-	-
Net liquidity gap	58,085	828,781	(3,092,428)	(194,790)	387,234	1,207,299	972,139	1,453,839	95,488

Group	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	Less than 3 months BS'000	3 – 6 months BS'000	6 – 12 months BS'000	1 – 3 years BS'000	3 – 5 years BS'000	Over 5 years BS'000	No specific maturity BS'000
2018									
Assets									
Cash, balances and placements with banks	2,497,449	2,500,678	2,500,678	-	-	-	-	-	-
Balances with Autoriti Monetari Brunei Darussalam	445,202	445,202	325,856	29,488	38,726	13,382	-	37,750	-
Placements with and financing and advances to banks	2,015,303	2,036,168	1,547,392	229,153	259,623	-	-	-	-
Government sukuks	20,414	20,580	10,580	-	10,000	-	-	-	-
Investments	1,180,534	1,342,568	107,463	11,459	49,816	364,959	416,167	286,925	105,779
Derivative financial assets	27,831	27,294	20,781	6,245	268	-	-	-	-
Financing and advances	3,682,451	4,427,008	881,295	231,614	428,635	1,361,395	583,628	940,441	-
Finance lease receivables	12,620	29,920	165	175	360	1,440	1,440	26,340	-
Other assets	34,586	34,586	19,417	3,337	1,181	2,478	3,631	4,542	-
Total	9,916,390	10,864,004	5,413,627	511,471	788,609	1,743,654	1,004,866	1,295,998	105,779

Investments excludes investments in unquoted security and unquoted fund.

Other assets exclude prepayments.

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Group									
2018									
Liabilities									
Deposits from customers	(7,621,133)	(7,640,899)	(6,259,232)	(543,940)	(645,406)	(192,321)	-	-	-
Deposits and placements of banks and other financial institutions	(551,523)	(563,954)	(41,138)	(129,104)	(363,072)	(30,640)	-	-	-
Derivative financial liabilities	(14,411)	(15,400)	(6,310)	(5,725)	(3,365)	-	-	-	-
Placements from other financial institutions	(498,875)	(499,117)	(499,117)	-	-	-	-	-	-
Other liabilities	(117,753)	(117,753)	(85,007)	(14,593)	(10,268)	(3,274)	(429)	(4,182)	-
Total	(8,803,695)	(8,837,123)	(6,890,804)	(693,362)	(1,022,111)	(226,235)	(429)	(4,182)	-
Recognised assets net liquidity gap	1,112,695	2,026,881	(1,477,177)	(181,891)	(233,502)	1,517,419	1,004,437	1,291,816	105,779
Commitments and contingencies	(526,564)	(526,564)	(526,564)	-	-	-	-	-	-
Net liquidity gap	586,131	1,500,317	(2,003,741)	(181,891)	(233,502)	1,517,419	1,004,437	1,291,816	105,779

	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	Less than 3 months BS'000	3 – 6 months BS'000	6 – 12 months BS'000	1 – 3 years BS'000	3 – 5 years BS'000	Over 5 years BS'000	No specific maturity BS'000
Bank 2019									
Assets									
Cash and cash equivalents	3,731,579	3,733,836	3,733,836	-	-	-	-	-	-
Balances with Autoriti Monetari Brunei Darussalam	400,380	400,380	323,013	39,557	26,732	11,078	-	-	-
Placements with and financing and advances to banks	1,522,236	1,544,124	217,601	349,853	976,670	-	-	-	-
Government sukuks	9,897	10,000	-	-	10,000	-	-	-	-
Investments	1,047,398	1,155,172	56,463	110,787	72,288	376,975	306,605	136,566	95,488
Derivative financial assets	42,505	41,891	36,995	1,304	3,592	-	-	-	-
Financing and advances	3,290,992	3,948,891	917,645	208,232	307,411	919,828	665,025	930,750	-
Finance lease receivables	12,615	29,220	180	180	360	1,440	1,480	25,580	-
Other assets	123,034	123,034	105,188	8,394	77	4,079	2,595	2,701	-
Total	10,180,636	10,986,548	5,390,921	718,307	1,397,130	1,313,400	975,705	1,095,597	95,488

Investments excludes investments in unquoted security and unquoted fund.

Other assets exclude prepayments.

	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	Less than 3 months BS'000	3 – 6 months BS'000	6 – 12 months BS'000	1 – 3 years BS'000	3 – 5 years BS'000	Over 5 years BS'000	No specific maturity BS'000
Bank									
2019									
Liabilities									
Deposits from customers	(8,352,247)	(8,380,723)	(6,831,691)	(853,887)	(544,261)	(150,884)	-	-	-
Deposits from banks and other financial institutions	(438,411)	(441,292)	(285,592)	(17,726)	(44,761)	(93,213)	-	-	-
Derivative financial liabilities	(13,125)	(13,133)	(8,475)	(1,254)	(3,404)	-	-	-	-
Placements from other financial institutions	(121,469)	(121,568)	(121,568)	-	-	-	-	-	-
Other liabilities	(200,193)	(200,193)	(99,477)	(29,248)	(19,717)	(7,914)	(3,566)	(40,271)	-
Total	(9,125,445)	(9,156,909)	(7,346,803)	(902,115)	(612,143)	(252,011)	(3,566)	(40,271)	-
Recognised assets net liquidity gap	1,055,191	1,829,639	(1,955,882)	(183,808)	784,987	1,061,389	972,139	1,055,326	95,488
Commitments and contingencies	(1,107,766)	(1,107,766)	(1,107,766)	-	-	-	-	-	-
Net liquidity gap	(52,575)	721,873	(3,063,648)	(183,808)	784,987	1,061,389	972,139	1,055,326	95,488

	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	Less than 3 months BS'000	3 – 6 months BS'000	6 – 12 months BS'000	1 – 3 years BS'000	3 – 5 years BS'000	Over 5 years BS'000	No specific maturity BS'000
Bank 2018									
Assets									
Cash and cash equivalents	2,503,325	2,506,554	2,506,554	-	-	-	-	-	-
Balances with Autoriti Monetari Brunei Darussalam	407,452	407,452	325,856	29,488	38,726	13,382	-	-	-
Placements with and financing and advances to banks	2,377,589	2,398,454	1,547,392	227,439	623,623	-	-	-	-
Government sukuks	20,414	20,580	10,580	-	10,000	-	-	-	-
Investments	1,180,534	1,342,568	107,463	11,459	49,816	364,959	416,167	286,925	105,779
Derivative financial assets	27,831	27,294	20,781	6,245	268	-	-	-	-
Financing and advances	2,974,352	3,604,921	830,133	231,614	283,697	819,945	583,628	855,904	-
Finance lease receivables	12,620	29,920	165	175	360	1,440	1,440	26,340	-
Other assets	63,750	63,750	48,581	3,337	1,181	2,478	3,631	4,542	-
Total	9,567,867	10,401,493	5,397,505	509,757	1,007,671	1,202,204	1,004,866	1,173,711	105,779

Investments excludes investments in unquoted security and unquoted fund.

Other assets exclude prepayments.

	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	Less than 3 months BS'000	3 – 6 months BS'000	6 – 12 months BS'000	1 – 3 years BS'000	3 – 5 years BS'000	Over 5 years BS'000	No specific maturity BS'000
Bank 2018									
Liabilities									
Deposits from customers	(7,512,448)	(7,531,190)	(6,190,901)	(531,154)	(630,234)	(178,901)	-	-	-
Deposits from banks and other financial institutions	(424,413)	(428,730)	(174,990)	(44,912)	(126,304)	(82,524)	-	-	-
Derivative financial liabilities	(14,411)	(15,400)	(6,310)	(5,725)	(3,365)	-	-	-	-
Placements from other financial institutions	(498,875)	(499,117)	(499,117)	-	-	-	-	-	-
Other liabilities	(109,245)	(109,245)	(67,723)	(14,593)	(10,268)	(12,050)	(429)	(4,182)	-
Total	(8,559,392)	(8,583,682)	(6,939,041)	(596,384)	(770,171)	(273,475)	(429)	(4,182)	-
Recognised assets net liquidity gap	1,008,475	1,817,811	(1,541,536)	(86,627)	237,500	928,729	1,004,437	1,169,529	105,779
Commitments and contingencies	(526,564)	(526,564)	(526,564)	-	-	-	-	-	-
Net liquidity gap	481,911	1,291,247	(2,068,100)	(86,627)	237,500	928,729	1,004,437	1,169,529	105,779

(d) Operational Risk of the Group

Overview of the Bank and a material subsidiary's operational risk

Operational risk is the potential for loss resulting from events involving people, internal processes, systems or external events. A set of minimum control standards for operational risk management has been developed with the objective of ensuring that operational risks within the Group are identified and managed in a structured and consistent manner.

Operational Risk Management Framework

Operational risks can arise from all business lines and from all activities carried out by the Bank. Operational risks are systematically identified at the divisional level. Risk Coordinators are appointed from each division and are responsible for risk identification and risk management in all the identified risk areas. This includes maintaining an effective control environment arising from those activities as their first line of defence responsibilities.

Operational risk exposures can take various forms, and the Bank seeks to manage them in accordance with standards that drive systematic risk identification, assessment, control and monitoring. These standards are reviewed regularly to ensure their ongoing effectiveness. To support the systematic identification of material operational risk exposures associated with a given process, the Bank classifies them into the following risk types:

- People
- Process
- System
- External

Operational risk exposures are rated 'high', 'medium' or 'low' in accordance with defined risk assessment criteria. Risks that are outside set materiality thresholds receive a different level of management attention and are reported to Senior Management (Ad-Hoc Basis) and Enterprise Risk Management ("ERM") committee (Monthly Basis) and AFRC (Quarterly Basis). Significant risk events or financial losses that have occurred are analysed to identify the root cause of any failure for remediation and future mitigation. Actual operational losses are recorded.

As the second line of defence, Operational Risk Management ("ORM") unit of the Risk Management Division is responsible for setting and maintaining the standards for operational risk management and control. ORM also creates awareness of possible risk issues in business units and provides risk awareness training and workshops.

The ERM Committee oversees the management of operational risks across the Bank, supported by all business unit heads. The ERM Committee operates on the basis of terms of reference derived from the Operational Risk Management mandate/framework which is approved by the Leadership Forum.

Overview of a material subsidiary's operational risk

Operational risk is the potential for loss resulting from events involving people, internal processes, systems or external events. A set of minimum control standards for operational risk management has been developed with the objective of ensuring that operational risks within the subsidiary are identified and managed in a structured and consistent manner.

(a) ORIC committee

The subsidiary's board, through the Operational Risk and Internal Controls Committee ("ORIC"), is responsible for the ongoing monitoring of operational risks and the development, implementation and monitoring of established internal controls to address the operational risks, by monitoring identified key risk indicators, measuring board approved risk appetite limit against near-miss, potential loss and actual-loss events, monitoring of identified early warning signals indicators and operational risk incident reports. The committee is also responsible to ensure timely closures of audit points raised by internal and external auditors.

(b) Risk controls self-assessment

All divisions in the subsidiary have established internal controls framework ("ICF"), requiring appropriate segregation of duties, reconciliation and monitoring of transactions. The ICF is updated at least annually, as part of the risk controls self-assessment exercise, where each department will assess its level of compliance to the ICF, identify control gaps and report its findings to ORIC.

39 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The information presented herein represents the estimates of fair values as at the reporting date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded from this note as they do not fall within the scope of IFRS 13: *Fair Value Measurements* which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Group's and the Bank's financial instruments such as cash and short-term funds, balances with AMBD, deposits and placements with banks and other financial institutions, deposits from customers and banks, government sukuks, other assets, other liabilities and short term borrowings are not materially sensitive to shifts in market yield rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at the reporting date approximate their fair values.

The fair values are based on the following methodologies and assumptions:

Investments

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset of the investee.

Financing and advances

The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

Derivatives

The fair values of derivatives are obtained based on quoted rates of similar instruments at the reporting date.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- 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 assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amounts				Fair values			
	FVOCI - debt instrument	Mandatorily at FVTPL	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
Group 2019								
Financial assets measured at fair value								
Investments	397,832	68,915	582,116	1,048,863	397,515	649,883	1,465	1,048,863
Government sukuks	9,897	-	-	9,897	-	-	9,897	9,897
Forward exchange contracts	-	42,505	-	42,505	-	42,505	-	42,505
	<u>407,729</u>	<u>111,420</u>	<u>582,116</u>	<u>1,101,265</u>	<u>397,515</u>	<u>692,388</u>	<u>11,362</u>	<u>1,101,265</u>
Financial liabilities measured at fair value								
Forward exchange contracts	-	(13,125)	-	(13,125)	-	(13,125)	-	(13,125)

	Carrying amounts				Fair values			
	FVOCI - debt instrument BS'000	Mandatorily at FVTPL BS'000	Amortised cost BS'000	Total BS'000	Level 1 BS'000	Level 2 BS'000	Level 3 BS'000	Total BS'000
Group 2018								
Financial assets measured at fair value								
Investments	479,112	100,553	602,683	1,182,348	478,783	701,751	1,814	1,182,348
Government sukuks	20,414	-	-	20,414	-	-	20,414	20,414
Forward exchange contracts	-	27,831	-	27,831	-	27,831	-	27,831
	<u>499,526</u>	<u>128,384</u>	<u>602,683</u>	<u>1,230,593</u>	<u>478,783</u>	<u>729,582</u>	<u>22,228</u>	<u>1,230,593</u>
Financial liabilities measured at fair value								
Forward exchange contracts	-	(14,411)	-	(14,411)	-	(14,411)	-	(14,411)

	Carrying amounts				Fair values			
	FVOCI - debt instrument	Mandatorily at FVTPL	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
Bank								
2019								
Financial assets measured at fair value								
Investments	397,832	68,915	582,116	1,048,863	397,515	649,883	1,465	1,048,863
Government sukus	9,897	-	-	9,897	-	-	9,897	9,897
Forward exchange contracts	-	42,505	-	42,505	-	42,505	-	42,505
	<u>407,729</u>	<u>111,420</u>	<u>582,116</u>	<u>1,101,265</u>	<u>397,515</u>	<u>692,388</u>	<u>11,362</u>	<u>1,101,265</u>
Financial liabilities measured at fair value								
Forward exchange contracts	-	(13,125)	-	(13,125)	-	(13,125)	-	(13,125)

	Carrying amounts				Fair values			
	FVOCI - debt instrument	Mandatorily at FVTPL	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
Bank								
2018								
Financial assets measured at fair value								
Investments	479,112	100,553	602,683	1,182,348	478,783	701,751	1,814	1,182,348
Government sukuks	20,414	-	-	20,414	-	-	20,414	20,414
Forward exchange contracts	-	27,831	-	27,831	-	27,831	-	27,831
	<u>499,526</u>	<u>128,384</u>	<u>602,683</u>	<u>1,230,593</u>	<u>478,783</u>	<u>729,582</u>	<u>22,228</u>	<u>1,230,593</u>
Financial liabilities measured at fair value								
Forward exchange contracts	-	(14,411)	-	(14,411)	-	(14,411)	-	(14,411)

Valuation techniques and significant unobservable inputs

The table below sets out information about valuation techniques and significant unobservable inputs used in estimating parameters of financial instruments categorised as Level 2 and 3 in the fair value hierarchy:

Type of financial instrument	Classification	Level of the fair value hierarchy	Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment deposit	FVTPL	2	Quoted prices: Market prices of the investment deposit are sourced from Bloomberg on a daily basis.	-	Not applicable.
Forward exchange contracts	FVTPL	2	Quoted prices: Market prices of the quoted debt securities are sourced from Bloomberg on a daily basis.	-	Not applicable.
Unquoted security	FVOCI	3	Net asset value: The unquoted security is re-allocated at least every three years. The present reallocation is based on the financial contribution to network-based services in 2017.	Net asset value	Not applicable.

Type of financial instrument	Classification	Level of the fair value hierarchy	Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Unquoted funds	FVTPL	3	Net asset value: This is derived by dividing the total value of all the cash and securities in a fund's portfolio, less any liabilities, by the number of shares outstanding. As the funds are not listed, the fair value of the investment in the fund is determined using valuation techniques. Methods used include estimating fair value with reference to recent arm's length transactions or the underlying net asset value of the company. This fund determined NAV of its investment in the fund based on the NTA method, which is the closest proxy to fair value.	Net asset value	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> • the net asset value were higher (lower);
Government sukuks	FVOCI	3	Discounted cash flows: The fair value is estimated considering a net present value calculated using the price provided by Brunei Government upon the initiation of the Government sukuks.	Yield curve and credit spreads	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> • the expected cash flows were higher (lower); or • the risk-adjusted discount rate was lower (higher).

There are limited inter-relationships between unobservable inputs as the financial instruments are usually categorised into Level 3 because of a single unobservable input.

In estimating significance, the Group performed sensitivity analysis based on methodologies applied for fair value adjustments. These adjustments reflect the values which the Group estimates to be appropriate to reflect uncertainties in the inputs used (e.g. based on stress testing methodologies on the unobservable input). The methodologies used can be statistical or based on other relevant approved techniques.

Management considers that any reasonably possible changes to the unobservable inputs will not result in a significant financial impact.

Changes in Level 3 for financial instruments that are measured at fair value

The following table presents the changes in Level 3 instruments for the Group and the Bank:

	FVOCI	FVTPL	Total
	BS'000	BS'000	BS'000
At 1 January 2019	20,743	1,485	22,228
Matured during the year	(19,430)	-	(19,430)
Purchased during the year	9,889	-	9,889
Distribution of capital	-	(102)	(102)
Disposed during the year	(984)	-	(984)
Fair value movement during the year	-	(217)	(217)
Gains recognised in other comprehensive income	7	-	7
Foreign exchange losses	(11)	(18)	(29)
At 31 December 2019	10,214	1,148	11,362

	FVOCI	FVTPL	Total
	BS'000	BS'000	BS'000
At 1 January 2018	17,668	-	17,668
Reclass to FVTPL	(1,470)	1,470	-
Matured during the year	(16,198)	-	(16,198)
Purchases during the year	20,703	-	20,703
Gains recognised in other comprehensive income	40	-	40
Gain recognised in profit and loss	-	15	15
At 31 December 2018	20,743	1,485	22,228

There were no transfers from Level 1 instruments to Level 2, and no transfers into or out of Level 3 instruments during the year ended 31 December 2019 (2018: NIL).

40 Leases

A. Leases as lessee

The Group and Bank leases buildings and warehouse facilities. The buildings and warehouse leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17.

Information about leases which the Group and Bank is a lessee is presented below.

i. *Right-of-use assets*

	2019 Land and Building BS'000
Group	
Balance at 1 January	5,275
Depreciation charged for the year	(2,179)
Additions to right-of-use assets	38,076
Balance at 31 December	41,172

	2019 Land and Building BS'000
Bank	
Balance at 1 January	5,275
Depreciation charged for the year	(1,868)
Additions to right-of-use assets	36,730
Balance at 31 December	40,137

ii. *Amounts recognised in profit or loss*

	Group BS'000	Bank BS'000
2019 - Leases under IFRS 16		
Profit on lease liabilities	490	484
Expenses relating to short-term leases	246	199
Expenses relating to lease of low-value assets, excluding short-term leases of low value assets	116	105
2018 - Operating leases under IAS 17		
Rental expense	4,367	4,093

iii. Amounts recognised in the statement of cash flows

	Group BS'000	Bank BS'000
2019		
Total cash outflow for leases	(2,249)	(1,965)

B. Leases as lessor

The Group and Bank leases out some of its property. All leases are classified as operating leases from a lessor perspective with the exception of a sub-lease, which the Group has classified as a finance sublease (see Note 23).

Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group and Bank during 2019 was B\$2,881,000 (2018: B\$2,843,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted leased payments to be received after the reporting date.

	Group and Bank BS'000
2019 - Operating leases under IFRS 16	
Within one year	2,524
Between one and five years	3,537
More than five years	-
Total	6,061

	Group and Bank BS'000
2018 - Operating leases under IAS 17	
Within one year	2,255
Between one and five years	1,687
More than five years	-
Total	3,942

41 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Assets				
Investments	811,989	980,785	811,989	980,785
Financing and advances	3,136,047	2,818,913	2,442,304	2,163,215
Finance lease receivables	11,916	11,941	11,916	11,941
Investments in subsidiaries	-	-	32,844	27,489
Investment in associate and joint ventures	43,194	38,858	22,358	22,358
Property and equipment	98,023	65,454	83,466	49,394
Investment property	24,038	24,630	24,038	24,630
Deferred tax assets	5,653	7,951	5,100	8,034
Liabilities				
Deposits from customers	165,629	188,130	143,608	175,093
Deposits from banks and other financial institutions	254,564	120,700	91,100	80,200

42 Commitments

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Commitments:				
Undrawn credit lines	160,811	152,759	160,811	152,759
Forward deposits	612,318	298	612,318	298
Total	773,129	153,057	773,129	153,057
Capital expenditure:				
- Approved and contracted for but not provided for in the financial statements	5,451	5,894	5,451	5,894
- Approved but not contracted for and provided for in the financial statements	324	859	324	859
Total	5,775	6,753	5,775	6,753
Total commitments	778,904	159,810	778,904	159,810

43 Capital adequacy

Capital Management

The Group's objective when managing capital is to maintain a strong capital position to support business growth, and to maintain investor, depositor, customer, rating agency and market confidence. In line with this, the Group manages its capital actively and ensure the capital adequacy ratios which takes into account the risk profile of the Group are comfortably above the regulatory minimum. The Group and the Bank have applied all effective pronouncements and interpretations of IFRS in arriving at the capital position of the Group and the Bank.

Capital Adequacy Ratios

The Group and Bank are required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by AMBD. The Group and Bank were in compliance with all prescribed capital ratios throughout the year.

	Group		Bank	
	2019	2018	2019	2018
	BS'000	BS'000	BS'000	BS'000
Regulatory capital				
Core capital (Tier 1 capital) before dividend	1,263,197	1,184,424	1,163,263	1,088,917
Less: Dividends to be proposed for the financial year	(133,209)	(88,202)	(133,209)	(88,202)
Core capital (Tier 1 capital) after dividend	1,129,988	1,096,222	1,030,054	1,000,715
Supplementary capital (Tier II capital)	15,877	21,720	14,899	20,073
Less: Investment in associates and subsidiaries	(7,080)	(7,080)	(39,924)	(31,576)
Total capital base	1,138,785	1,110,862	1,005,029	989,212
Total risk-weighted amount				
Risk-weighted amount for credit risk	5,616,528	5,829,733	5,253,906	5,467,745
Risk-weighted amount for operational risk	617,489	613,932	595,858	566,539
Risk-weighted amount for market risk	2,423	2,478	2,423	2,478
Total risk-weighted amount	6,236,440	6,446,143	5,852,187	6,036,762

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Capital ratios				
Core capital (Tier 1) ratio %	18.1%	17.0%	17.6%	16.6%
Total capital ratio %	18.3%	17.2%	17.2%	16.4%

The core capital is derived after deducting the dividends to be proposed or declared for the financial year ended 31 December 2019 subsequent to the year end amounting to B\$133,208,960 (2018: B\$88,202,016).

The capital adequacy ratio is derived after IFRS adjustments, except for those adjustments in relation to capitalisation of fees, collateral, profit in suspense and allowance for impairment.

In accordance to Section 11(2) of the Islamic Banking Order, 2008, the Group and Bank shall not, at any time, have a Tier 1 capital ratio of less than 5 per cent and total capital ratio of less than 10 per cent or such percentage as may be determined by the Authority.

44 Contingent liabilities

	Group		Bank	
	2019	2018	2019	2018
	B\$'000	B\$'000	B\$'000	B\$'000
Letters of credit	14,956	12,548	14,956	12,548
Guarantees, bonds	269,469	325,356	269,469	325,356
Shipping guarantees	25,918	5,326	25,918	5,326
Acceptances	353	2,213	353	2,213
Trade risk participation	23,484	27,333	23,484	27,333
Import bills	457	731	457	731
Total	334,637	373,507	334,637	373,507

In the normal course of business, the Group and Bank incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.