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

Registration Number: RC00006420

Financial Statements
Year ended 31 December 2020

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 2020.

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	136,027	132,790

Dividends

The amount of dividends paid by the Bank since 31 December 2019 are as follows:

	B$'000
In respect of the financial year ended 31 December 2019:	
Final dividend of 18.38 cents per ordinary share paid on 2 July 2020	133,209

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 Alsubeaei	(resigned on 20 March 2020)
Sofian Mohammad Jani	(appointed on 19 March 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 35 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 145 (A), 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 20 MAR 2021

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 FS128 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 2020 and the financial performance, changes in equity and cash flows of the Group and the Bank for the financial year ended 31 December 2020.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated

20 MAR 2021

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 ٱللهِ ٱلرَّحْمٰنِ ٱلرَّحِيْمِ

ٱلْحَمْدُ لِلهِ رَبِّ ٱلْعَالَمِيْنَ، وَٱلصَّلَاةُ وَٱلسَّلَامُ عَلَى سَيِّدِنَا مُحَمَّدٍ وَعَلَى آلِهِ وَصَحْبِهِ أَجْمَعِيْنَ

To the Shareholders of Bank Islam Brunei Darussalam Berhad

السلام عليكم ورحمة الله وبركاته

In compliance with 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 ("the Bank") and its Group of Companies ("the Group") through consultation with the respective Bank's subsidiaries' Shariah Advisory Body ("the Subsidiaries' SAB") during the course of the financial year ended 31 December 2020. We have also conducted our review to form an opinion as to whether the Bank and the Group has complied with *Hukum Syara'*.

b) The Bank's and the Group's management are responsible for ensuring that its operations are carried out in line with *Hukum Syara'*. It is our responsibility to present an independent opinion base on our review of the Bank's and the Group's business operations and subsequently report to you.

c) We have assessed the work carried out by the Shariah control functions which also include Shariah review and Shariah audit examination, on a test basis, each type of transactions, the relevant documentation and procedures adopted and or entered by the Bank and the Group.

d) 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 *Hukum Syara'* in all transactions that had been presented to us.

We, the Shariah Advisory Body of Bank Islam Brunei Darussalam 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 period ended 31 December 2020 that we have reviewed are in compliance with *Hukum Syara'*;

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 Syara'*;

c. All earnings that have been realized from sources or by means prohibited by the *Hukum Syara'* have been separated and considered for disposal to *Maṣlaḥah 'Āmmah* (public benefit) upon approval by us;

d. Every incident of Shariah non-compliant event has been brought to our attention and we have subsequently noted that the corrective as well as preventive measures have been taken by the Bank and the Group in order to avoid the same from occurring in the future; and

e. 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 the information 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 Islam 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 *taufiq* and *hidayah* to accomplish these cherished tasks, make us successful and forgive our mistakes in both 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 Awang Haji Mazanan bin Haji Yusof
Chairman

Brunei Darussalam

20 MAR 2021

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Independent Auditors' Report

To the Shareholders of Bank Islam Brunei Darussalam Berhad

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 2020, 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, comprising significant accounting policies and other explanatory information as set out on pages FS1 to FS128.

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 2020, and the financial performance 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 in accordance 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises all information in the annual report other than the consolidated financial statements and our auditors' report thereon.

We have obtained the Directors' Report, Statement by Directors and Shariah Advisory Body Report prior to the date of this auditors' report.

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 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 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is 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 determines 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 is responsible for assessing the Group'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.

Those charged with governance are responsible for overseeing the Group'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 control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 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 to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG

KPMG
Certified Public Accountants

Sufian bin Zainul Abidin
Public Accountant

Brunei Darussalam
Date: 20 March 2021

Income Statements
Year ended 31 December 2020

		Group		Bank	
	Note	**2020**	**2019**	**2020**	**2019**
		B$'000	**B$'000**	**B$'000**	**B$'000**
Profits from financing, leasing and investments	3	315,806	364,919	265,682	318,120
Profits paid/payable to depositors	4	(39,789)	(69,693)	(36,809)	(66,339)
Net profit margin		276,017	295,226	228,873	251,781
Fee and commission income	5	36,479	38,524	35,849	37,897
Fee and commission expense	5	(8,888)	(7,358)	(8,888)	(7,358)
Net fee and commission income		27,591	31,166	26,961	30,539
Gain/(loss) from derivative and investments	6	36,592	14,480	36,592	14,480
Net foreign exchange loss	6	(30,988)	(21,771)	(30,988)	(21,771)
Other operating income	7	19,643	23,809	45,314	49,679
Total income		328,855	342,910	306,752	324,708
Less:					
Personnel expenses	8	(73,346)	(74,070)	(65,146)	(66,950)
Other expenses	9	(68,068)	(61,319)	(64,325)	(58,859)
Total operating expenses		(141,414)	(135,389)	(129,471)	(125,809)
Operating profit before allowances		187,441	207,521	177,281	198,899
Less:					
Allowance for impairment on financial assets	10	(17,997)	(13,791)	(15,180)	(12,149)
Operating profit		169,444	193,730	162,101	186,750
Share of profit of associate and joint ventures	24	1,455	1,819	-	-
Profit before zakat and tax		170,899	195,549	162,101	186,750
Less:					
Zakat	11	(3,141)	(3,112)	(3,141)	(3,112)
Income tax expense	12	(31,731)	(37,070)	(26,170)	(29,828)
Total zakat and income tax expense		(34,872)	(40,182)	(29,311)	(32,940)
Profit for the year		136,027	155,367	132,790	153,810
Profit for the year attributable to:					
Equity holders of the Bank		136,027	155,367	132,790	153,810
Profit for the year		136,027	155,367	132,790	153,810
Earnings per share					
Basic earnings per share (dollars)	14	0.19	0.21		
Diluted earnings per share (dollars)	14	0.19	0.21		

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

Statements of Comprehensive Income
Year ended 31 December 2020

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Profit for the year	136,027	155,367	132,790	153,810
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss				
Fair value reserve:				
- Net change in fair value	8,311	11,706	8,311	11,750
- reclassified to profit or loss	(946)	(925)	(946)	(925)
Share of other comprehensive income of associate	(2,444)	2,925	-	-
Tax on other comprehensive income	(997)	(2,087)	(997)	(2,087)
Other comprehensive income for the year, net of tax	3,924	11,619	6,368	8,738
Total comprehensive income for the year	139,951	166,986	139,158	162,548
Attributable to:				
Equity holders of the Bank	139,951	166,986	139,158	162,548
Total comprehensive income for the year	139,951	166,986	139,158	162,548

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

Statements of Financial Position
As at 31 December 2020

	Note	Group 2020 B$'000	Group 2019 B$'000	Bank 2020 B$'000	Bank 2019 B$'000
Assets					
Cash and cash equivalents	15	2,622,110	3,732,366	2,621,144	3,731,579
Balances with Autoriti Monetari Brunei Darussalam	16	488,898	435,026	449,900	400,380
Placements with and financing and advances to banks	17	1,045,882	1,129,582	1,463,555	1,522,236
Government sukuks	18	10,000	9,897	10,000	9,897
Investments	19	1,263,279	1,048,863	1,263,279	1,048,863
Derivative financial assets	20	48,393	42,505	48,393	42,505
Financing and advances	21	4,009,238	3,997,148	3,282,279	3,290,992
Finance lease receivables	22	12,588	12,615	12,588	12,615
Investments in subsidiaries	23	-	-	32,844	32,844
Investments in associate and joint ventures	24	41,843	43,194	22,358	22,358
Other assets	25	47,996	101,763	46,311	127,122
Property and equipment	26	89,654	98,023	76,271	83,466
Investment property	27	23,927	24,038	23,927	24,038
Deferred tax assets	28	6,268	5,653	5,026	5,100
Total assets		9,710,076	10,680,673	9,357,875	10,353,995
Liabilities and equity					
Deposits from customers	29	6,736,910	8,451,495	6,631,417	8,352,247
Deposits from banks and other financial institutions	30	749,206	537,389	622,480	438,411
Placements from other financial institutions	31	733,824	121,469	733,824	121,469
Derivative financial liabilities	20	11,511	13,125	11,511	13,125
Other liabilities	32	132,708	214,620	126,813	200,193
Zakat		3,285	3,253	3,285	3,253
Provision for taxation		72,751	76,125	59,333	62,034
Total liabilities		8,440,195	9,417,476	8,188,663	9,190,732
Equity					
Share capital	33	507,325	507,325	507,325	507,325
Statutory reserves fund	34	563,516	555,475	520,267	513,627
Other reserves	34	199,040	200,397	141,620	142,311
Total equity attributable to equity holders of the Bank		1,269,881	1,263,197	1,169,212	1,163,263
Total equity		1,269,881	1,263,197	1,169,212	1,163,263
Total liabilities and equity		9,710,076	10,680,673	9,357,875	10,353,995

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

Certification

I certify that the above financial statements give a true and fair view of the financial position as at 31 December 2020 and the financial performance for the year ended 31 December 2020.

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

20 MAR 2021

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

Statement of Changes in Equity
Year ended 31 December 2020

Group	Note	Share capital B$'000	Statutory reserve B$'000	Fair value reserve B$'000	Foreign currency translation reserve B$'000	Retained profits B$'000	Total shareholders' funds B$'000
				--------------Other reserves-------------			
At 1 January 2020		507,325	555,475	11,988	(41)	188,450	1,263,197
Profit for the year		-	-	-	-	136,027	136,027
Other comprehensive income		-	-	3,924	-	-	3,924
Total comprehensive income for the year		-	-	3,924	-	136,027	139,951
Transfers to statutory reserve	34	-	8,041	-	-	(8,041)	-
Foreign currency movement		-	-	-	(58)	-	(58)
Transactions with owners of the Bank							
Contributions and distributions							
Dividends paid on ordinary shares	13	-	-	-	-	(133,209)	(133,209)
Total contributions and distributions		-	-	-	-	(133,209)	(133,209)
At 31 December 2020		507,325	563,516	15,912	(99)	183,227	1,269,881

Statement of Changes in Equity (Cont'd)

Group	Note	Share capital B$'000	Statutory reserve B$'000	--------------Other reserves------------- Fair value reserve B$'000	Foreign currency translation reserve B$'000	Retained profits B$'000	Total shareholders' funds B$'000
At 1 January 2019		507,325	534,433	369	(30)	142,327	1,184,424
Profit for the year		-	-	-	-	155,367	155,367
Other comprehensive income		-	-	11,619	-	-	11,619
Total comprehensive income for the year		-	-	11,619	-	155,367	166,986
Transfers to statutory reserve	34	-	21,042	-	-	(21,042)	-
Foreign currency movement		-	-	-	(11)	-	(11)
Transactions with owners of the Bank							
Contributions and distributions							
Dividends paid on ordinary shares	13	-	-	-	-	(88,202)	(88,202)
Total contributions and distributions		-	-	-	-	(88,202)	(88,202)
At 31 December 2019		507,325	555,475	11,988	(41)	188,450	1,263,197

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

Statement of Changes in Equity
Year ended 31 December 2020

				-------Other reserves--------		
Bank	**Note**	**Share capital B$'000**	**Statutory reserve B$'000**	**Fair value reserve B$'000**	**Retained profits B$'000**	**Total B$'000**
At 1 January 2020		507,325	513,627	5,619	136,692	1,163,263
Profit for the year		-	-	-	132,790	132,790
Other comprehensive income		-	-	6,368	-	6,368
Total comprehensive income for the year		-	-	6,368	132,790	139,158
Transfers to statutory reserve	34	-	6,640	-	(6,640)	-
Transactions with owners of the Bank						
Contributions and distributions						
Dividends paid on ordinary shares	13	-	-	-	(133,209)	(133,209)
Total contributions and distributions		-	-	-	(133,209)	(133,209)
At 31 December 2020		507,325	520,267	11,987	129,633	1,169,212

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

Statement of Changes in Equity (cont'd)

Bank	Note	Share capital B$'000	Statutory reserve B$'000	--------Other reserves--------- Fair value reserve B$'000	Retained profits B$'000	Total B$'000
At 1 January 2019		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	34	-	20,198	-	(20,198)	-
Transactions with owners of the Bank						
Contributions and distributions						
Dividends paid on ordinary shares	13	-	-	-	(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

Statements of Cash Flows
Year ended 31 December 2020

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Cash flows from operating activities				
Profit before zakat and tax	170,899	195,549	162,101	186,750
Adjustments for:				
Dividend income from subsidiaries	-	-	(27,200)	(27,040)
Dividend income from associate	-	-	(362)	(409)
Allowances for impairment on financing and advances	14,498	14,435	12,800	12,872
Allowances for impairment on receivables	352	(327)	352	(38)
Change in fair value of derivatives and investments	(5,604)	7,290	(5,604)	7,290
Depreciation/amortisation of property and equipment and investment property	19,990	19,567	17,092	16,332
Allowance for impairment on investments, net	3,147	(317)	2,028	(685)
Loss on disposal of property and equipment	131	682	-	-
Share of profit of associate and joint ventures	(1,455)	(1,819)	-	-
	201,958	235,060	161,207	195,072
Changes in:				
Deposits from customers	(1,712,576)	836,407	(1,718,821)	845,844
Deposits from banks and other financial institutions	211,817	(14,134)	184,069	13,998
Other liabilities	(82,713)	57,970	(74,296)	53,150
Balances with Autoriti Monetari Brunei Darussalam	(53,872)	10,176	(49,520)	7,072
Placements with and financing and advances to banks	82,518	878,353	58,618	848,353
Government sukuks	(102)	10,520	(102)	10,520
Investments	(209,847)	144,365	(209,847)	144,365
Placements from other financial institutions	612,355	(377,406)	612,355	(377,406)
Financing and advances	(26,965)	(331,998)	(4,464)	(332,378)
Other assets	53,780	(62,959)	80,824	(59,183)
	(923,647)	1,386,354	(959,977)	1,349,407
Zakat paid	(3,109)	(3,425)	(3,109)	(3,425)
Taxes paid	(35,570)	(30,295)	(28,647)	(22,759)
Net cash (used in)/generated from operating activities	**(962,326)**	**1,352,634**	**(991,733)**	**1,323,223**

Statements of Cash Flows (Cont'd)
Year ended 31 December 2020

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Cash flows from investing activities				
Purchase of property and equipment	(7,477)	(8,160)	(5,810)	(7,092)
Acquisition of investment property	(1,284)	(715)	(1,284)	(715)
Investment in subsidiary	-	-	-	(5,644)
Dividend income from subsidiaries	-	-	27,200	27,040
Dividend income from associate	362	409	362	409
Net cash (used in)/generated from investing activities	**(8,399)**	**(8,466)**	**20,468**	**13,998**
Cash flows from financing activities				
Dividends paid	(133,209)	(88,202)	(133,209)	(88,202)
Payment of lease liabilities	(3,622)	(2,249)	(3,261)	(1,965)
Net cash used in financing activities	**(136,831)**	**(90,451)**	**(136,470)**	**(90,167)**
Net change in cash and cash equivalents	(1,107,556)	1,253,717	(1,107,735)	1,247,054
Cash and cash equivalents at 1 January	3,732,366	2,497,449	3,731,579	2,503,325
Effect of exchange rate fluctuations on cash and cash equivalents held	(2,700)	(18,800)	(2,700)	(18,800)
Cash and cash equivalents at 31 December	**2,622,110**	**3,732,366**	**2,621,144**	**3,731,579**

Statement pursuant to Section 125 of the Brunei Darussalam Companies Act

The consolidated profit for the financial year ended 31 December 2020 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 2020:

(a) BIBD At-Tamwil Bhd
(b) BIBD Securities Sdn Bhd
(c) BIBD Management & Services Sdn 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

20 MAR 2021

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 2020 comprise the results and financial position of the Bank, its subsidiaries and the Group's interest in equity-accounted investees.

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 2020

The Group have applied the following IFRSs, amendments to and interpretations of IFRS for the first time for the annual period beginning on 1 January 2020:

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of a Business* (Amendments to IFRS 3)
- *Definition of Material* (Amendments to IAS 1 and IAS 8)
- *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7)

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

Standards and interpretations issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group have not early adopted the new or amended standards in preparing these financial statements.

- IFRS 17 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)
- *Covid-19-Related Rent Concessions* (Amendment to IFRS 16)
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)

(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 fair value through other comprehensive income (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:

- Financial instruments
  - Investments (Note 19)
  - Derivatives (Note 20)
  - Financing and advances (Note 21)

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic has increased the estimation uncertainty in the preparation of the financial statements.

The estimation uncertainty is associated with:

- the extent and duration of the expected economic downturn (and forecasts for key economic factors including gross domestic product (GDP)).
- the extent and duration of the disruption to business arising from the containment measures by government, businesses and consumers to contain the spread of the virus;
- the effectiveness of government measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Group and Bank have developed accounting estimates based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that management believes are reasonable in the circumstances.

There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group and Bank. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimate impacted by these forecasts and associated uncertainties is predominantly related to expected credit losses.

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 the 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.

Joint ventures

Joint venture is an entity in which the Group has joint control. In the Bank's financial statements, investment in joint ventures is stated at cost less allowance for impairment, if any.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method less any impairment losses.

The consolidated financial statements include the Group's share of the profit or loss of the joint venture, to align the accounting policies with those of the Group, from the date that significant influence commence until the date that significant influences ceases. Under the equity method, the Group's investment in joint ventures is carried in the balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the joint ventures, less allowance for impairment, if any. The Group recognises its share of the results of operations of the joint venture in the consolidated income statement.

Associate

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

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 an equity investment designated at FVOCI 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

Receivables and debt securities 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 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.

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.

<u>Non-recourse financing</u>

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.

<u>Reclassifications</u>

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.

<u>Presentation of allowance for ECL in the consolidated statement of financial position</u>

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 years ended 31 December 2019 and 2020, there are no financial liabilities that has been designated at FVTPL.

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.

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

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.

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 ‘other liabilities’ 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 22). 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’.

2.9 Impairment for non-financial assets

The carrying amount of the Group's non-financial assets, other than deferred tax 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 exactly the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective yield rate, the Group estimated future cash flows considering all contractual terms of financial instruments, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted yield rate is calculated using estimated future cash flows including ECL. 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 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 Profits from financing, leasing and investments

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Financing and leasing	232,269	234,558	176,709	177,960
Securities				
- Profit from sukuk	38,875	39,320	38,875	39,320
- Dividend income	1,967	2,893	1,967	2,715
Balances and placements with banks and other financial institutions	42,695	88,148	48,131	98,125
Total	315,806	364,919	265,682	318,120

Financing and leasing profits comprise profits 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 profits from financing, leasing and investments are from financial assets at amortised cost with the exception of dividend income from investments at FVTPL of B$1,967,000 (2019: B$2,715,000) and profit from investments at FVOCI of B$17,522,000 (2019: B$17,461,000).

4 Profits paid/payable to depositors

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Deposits from customers:				
- Mudharabah fund	152	154	152	154
- Non-Mudharabah fund	32,899	63,690	31,507	62,436
	33,051	63,844	31,659	62,590
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	6,738	5,849	5,150	3,749
Total	39,789	69,693	36,809	66,339

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

5 Net fee and commission income

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Fees and commission income:				
-Trade finance and Al-Kafalah (guarantee)	2,957	2,740	2,957	2,740
-Ar-Rahnu (pawn/pledge)	2,395	1,980	2,395	1,980
-Credit and debit cards	20,624	23,560	20,624	23,560
-Commission	4,761	4,680	4,498	4,405
-Others	5,742	5,564	5,375	5,212
Total fee and commission income	36,479	38,524	35,849	37,897
Fee and commission expense:				
- Credit cards	(8,888)	(7,358)	(8,888)	(7,358)
Total fee and commission expense	(8,888)	(7,358)	(8,888)	(7,358)
Net fee and commission income	27,591	31,166	26,961	30,539

The Group and Bank's net fee and commission income are entirely 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	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Net fair value gain on derivatives	33,502	5,791	33,502	5,791
Fair value gain on investments designated at fair value through profit and loss	1,918	3,647	1,918	3,647
Gain from sale of investment securities at fair value through other comprehensive income	1,027	5,042	1,027	5,042
Gain from sale of investment securities at amortised cost	145	-	145	-
Total	36,592	14,480	36,592	14,480
Net foreign exchange loss	(30,988)	(21,771)	(30,988)	(21,771)
Total	5,604	(7,291)	5,604	(7,291)
Net fair value gain on derivatives	33,502	5,791	33,502	5,791
Net foreign exchange loss	(30,988)	(21,771)	(30,988)	(21,771)
Net effect from derivatives and foreign exchange gain/(loss)	2,514	(15,980)	2,514	(15,980)

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 36. 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 in 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	
	2020	2019	2020	2019
	B$'000	B$'000	B$'000	B$'000
Dividend income from subsidiaries and associate	-	-	27,562	27,449
Rental income from investment property	3,004	2,881	3,004	2,881
Recovery of financing written off	15,223	19,788	13,654	18,287
Others	1,416	1,140	1,094	1,062
Total	19,643	23,809	45,314	49,679

Others include finance lease income of B$693,128 (2019: B$694,336) on finance lease receivables for the current financial year.

8 Personnel expenses

	Group		Bank	
	2020	2019	2020	2019
	B$'000	B$'000	B$'000	B$'000
Salaries and wages	42,942	41,045	37,364	36,656
Allowances and bonuses	22,069	22,956	19,569	20,475
Contributions to defined contribution plans	4,452	4,145	4,077	3,808
Others	3,883	5,924	4,136	6,011
Total	73,346	74,070	65,146	66,950

9 Other expenses

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Promotion				
Advertisement and publicity	1,770	1,644	1,320	1,537
Operational				
Office rental	1,387	2,492	1,631	2,709
Depreciation/amortisation of property and equipment and investment property	19,990	19,567	17,092	16,332
Electronic data processing expenses	13,489	9,193	10,778	7,866
Office expenses	9,627	8,430	9,226	7,966
	44,493	39,682	38,727	34,873
General expenses				
Auditors' remuneration:				
- Statutory audit fees	642	642	535	550
- Audit related fees	40	36	40	36
- Non-audit services	-	188	-	178
Professional fees	4,273	6,904	4,842	6,829
Takaful, repair and maintenance	5,093	4,897	5,088	4,888
License	4,259	1,892	4,252	1,885
Others	7,498	5,434	9,521	8,083
	21,805	19,993	24,278	22,449
Total	68,068	61,319	64,325	58,859

10 Allowance for impairment on financial assets

		Group		Bank	
	Note	**2020**	**2019**	**2020**	**2019**
		B$'000	**B$'000**	**B$'000**	**B$'000**
Allowance for impaired financing and advances	21(g)	14,498	14,435	12,800	12,872
Allowance for impairment on receivables		352	(327)	352	(38)
Allowance for impairment on investment, net		3,147	(317)	2,028	(685)
Total		17,997	13,791	15,180	12,149

Profit accrued during the year on impaired financing amounts to B$1,385,414 (2019: B$2,058,907).

11 Zakat

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.

12 Income tax expense

Tax recognised in profit or loss	**Group**		**Bank**	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Current tax expense				
Current year	33,343	36,859	27,093	28,981
Deferred tax expense				
Origination and reversal of temporary differences	(1,612)	211	(923)	847
Total tax expense recognised in profit or loss	31,731	37,070	26,170	29,828
Tax recognised in other comprehensive income				
Investment at fair value through other comprehensive income	997	2,087	997	2,087

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

	Group		**Bank**	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Profit before zakat and taxation	170,899	195,549	162,101	186,750
Income tax using the domestic corporate tax rate of 18.5% (2019: 18.5%)	31,616	36,177	29,989	34,549
Tax effect of non-deductible expenses	276	313	276	313
Tax effect of non-taxable revenue	-	-	(5,099)	(5,078)
Tax incentives	(537)	(572)	(537)	(554)
Tax effect of zakat	(581)	(576)	(581)	(576)
Others	957	1,728	2,122	1,174
Total	31,731	37,070	26,170	29,828

13 Dividend per ordinary share

	Group and Bank 2020 B$'000	Group and Bank 2019 B$'000
On ordinary shares		
Net dividend paid on ordinary shares	133,209	88,202

	Group and Bank			
	2020		2019	
	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	0.1838	133,209	0.1217	88,202

At the Annual General Meeting on 5 June 2020, 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 was approved and paid on 2 July 2020.

14 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 Group by the weighted average number of ordinary shares in issue during the financial year.

	Group 2020	Group 2019
Profit for the year attributable to equity holders of the Group (B$'000)	136,027	155,367
Weighted average number of ordinary shares of the Group and Bank ('000)	724,750	724,750
Basic EPS (B$)	0.19	0.21

Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Group 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.

15 Cash and cash equivalents

	Group		Bank	
	2020 **B$'000**	**2019** **B$'000**	**2020** **B$'000**	**2019** **B$'000**
Cash in hand	66,121	60,119	65,884	59,804
Balances with banks and other financial institutions	319,504	562,780	318,775	562,308
Money at call and short notice and interbank placements with original maturity not exceeding three months	2,236,485	3,109,467	2,236,485	3,109,467
Cash and cash equivalents in the statements of financial position	2,622,110	3,732,366	2,621,144	3,731,579

16 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 Authoriti Monetari Brunei Darussalam (AMBD). At present, the minimum cash reserve requirement is 6% of the weighted average deposit liabilities as defined by the AMBD.

17 Placements with and financing and advances to banks

This comprises interbank placements with original maturities greater than three months.

18 Government sukuks

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

19 Investments

	Note	Group 2020 B$'000	Group 2019 B$'000	Bank 2020 B$'000	Bank 2019 B$'000
Investment at amortised cost	19.1	474,209	582,116	474,209	582,116
Investments at fair value through profit or loss	19.2	160,959	68,915	160,959	68,915
Investments at fair value through other comprehensive income	19.3	628,111	397,832	628,111	397,832
Total		1,263,279	1,048,863	1,263,279	1,048,863

19.1 Investments at amortised cost

	Group 2020 B$'000	Group 2019 B$'000	Bank 2020 B$'000	Bank 2019 B$'000
Quoted debt securities	476,057	582,730	476,057	582,730
Less : Expected Credit Losses	(1,848)	(614)	(1,848)	(614)
Total	474,209	582,116	474,209	582,116

19.2 Investment at fair value through profit or loss

	Group 2020 B$'000	Group 2019 B$'000	Bank 2020 B$'000	Bank 2019 B$'000
Unquoted fund	689	1,148	689	1,148
Structured deposits	28,048	67,767	28,048	67,767
Quoted securities	132,222	-	132,222	-
Total	160,959	68,915	160,959	68,915

19.3 Investments at fair value through other comprehensive income

	Group 2020 B$'000	Group 2019 B$'000	Bank 2020 B$'000	Bank 2019 B$'000
Quoted debt securities	421,836	397,515	421,836	397,515
Equity securities	206,275	317	206,275	317
Total	628,111	397,832	628,111	397,832

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 2020 B$'000	Fair value at 31 December 2019 B$'000	Dividend income recognised during 2020 B$'000	Dividend income recognised during 2019 B$'000
Quoted equity securities	205,934	-	8,065	-
Unquoted equity securities	341	317	-	-
Total	206,275	317	8,065	-

The fair value of investments in quoted securites in Note 19.1 and 19.3 includes B$236,582,777 (2019: B$NIL) recognised in the statement of financial position being pledged as collateral for interbank placements.

20 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	
	2020 B$'000	2019 B$'000	2020 B$'000	2019 B$'000
Derivative assets	3,633,301	4,865,075	48,393	42,505
Derivative liabilities	924,856	1,332,927	(11,511)	(13,125)
Total	4,558,157	6,198,002	36,882	29,380

The Group uses foreign exchange forward contracts to manage its foreign exchange risk as set out in Note 36.

21 Financing and advances

(a) By type of product

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Cash line/Naqad (overdrafts)	118,211	131,218	118,211	131,218
Mortgages	677,286	616,292	677,286	616,292
Syndicated financing	79,439	102,717	79,439	102,717
Hire purchase	678,779	653,569	-	-
Lease receivables	137,561	161,219	137,561	161,219
Other term financing	2,044,000	2,131,983	1,990,366	2,073,849
Bills receivable	257,414	181,204	257,414	181,204
Staff financing	20,342	23,087	20,342	23,087
Credit/charge cards	44,099	49,199	44,099	49,199
Others	19,325	16,249	18,553	15,229
Gross financing and advances	4,076,456	4,066,737	3,343,271	3,354,014
Less: Allowances for losses on financing and advances	(67,218)	(69,589)	(60,992)	(63,022)
Net financing and advances	4,009,238	3,997,148	3,282,279	3,290,992

(b) By contract

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Al-Kafalah bil Mal dan Al-Bai	1,136	1,558	1,136	1,558
Al-Wakalah bil Ujrah	42,963	47,641	42,963	47,641
Bal' Bithaman Ajil *(deferred payment sale)*	593,161	619,317	593,161	619,317
Ijarah (*lease*)	137,561	161,219	137,561	161,219
Ijarah Muntahiah Bittamlik/AITAB *(lease ended with ownership)*	733,185	712,723	-	-
Murabahah (*cost-plus*)	893,451	880,133	893,451	880,133
Musharakah *(profit and loss sharing)*	208,688	172,156	208,688	172,156
Qard (*benevolent loan*)	1,096	3	1,096	3
Tawarruq	1,447,756	1,456,759	1,447,756	1,456,759
Others	17,459	15,228	17,459	15,228
Total	4,076,456	4,066,737	3,343,271	3,354,014

(c) By security

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Unsecured	120,280	138,553	120,280	138,553
Credit enhanced by:				
- Assignment of salary or income	1,085,441	1,184,422	1,085,441	1,184,422
- Assignment of fixed or floating charge	60,172	61,962	60,172	61,962
Secured by:				
- Cash	390,985	303,201	390,985	303,201
- Properties	1,183,473	1,115,734	1,183,473	1,115,734
- Vessels	483,233	531,372	483,233	531,372
- Motor vehicles	692,346	669,806	2,410	3,802
- Others	60,526	61,687	17,277	14,968
Total	4,076,456	4,066,737	3,343,271	3,354,014

(d) By sector

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Agricultural	17,442	13,558	17,442	13,558
Financial	79,442	94,407	79,442	94,407
Manufacturing	72,490	82,524	72,490	82,524
Transportation	917,996	909,185	227,542	242,756
Infrastructure	32,664	29,727	32,585	29,612
Traders	103,020	108,198	103,020	108,198
Services	69,482	68,275	69,482	68,275
Residential property (personal)	812,936	772,226	812,936	772,226
Commercial (property development)	404,323	415,494	404,323	415,494
Tourism	9,047	8,726	9,047	8,726
Telecommunication and information technology	2,279	5,435	2,279	5,435
Personal and consumption financing	1,043,519	1,084,859	1,000,867	1,038,680
Oil and gas	511,816	474,123	511,816	474,123
Total	4,076,456	4,066,737	3,343,271	3,354,014

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

(e) Non-performing financing and advances

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

	Group		Bank	
	2020	2019	2020	2019
	B$'000	B$'000	B$'000	B$'000
At 1 January	146,689	143,873	140,468	135,643
Classified as impaired during the year	64,837	73,494	62,719	71,334
Reclassified as performing	(7,169)	(5,089)	(6,548)	(4,372)
Amount received	(19,596)	(48,750)	(19,596)	(48,750)
Amount written off against allowances	(16,869)	(16,839)	(14,830)	(13,387)
At 31 December	167,892	146,689	162,213	140,468
Gross impaired financing as a percentage of gross financing and advances	4.1%	3.6%	4.9%	4.2%

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

(f) Non-performing financing and advances by sector

	Group		Bank	
	2020	2019	2020	2019
	B$'000	B$'000	B$'000	B$'000
Agricultural	5,317	4,067	5,317	4,067
Manufacturing	33,155	30,138	33,155	30,138
Transportation	7,431	7,755	2,763	2,763
Infrastructure	6,252	6,645	6,252	6,645
Traders	10,556	15,028	10,556	15,028
Services	37,819	4,336	37,819	4,336
Residential property (personal)	35,775	37,143	35,775	37,143
Commercial (property development)	9,797	10,815	9,797	10,815
Tourism	527	434	527	434
Personal and consumption financing	14,716	19,051	13,705	17,822
Oil and gas	6,547	11,277	6,547	11,277
Total	167,892	146,689	162,213	140,468

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

	Note	Group B$'000	Bank B$'000
As at 1 January 2019		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
Allowance made during the year	10	14,498	12,800
Amount written off during the year		(16,869)	(14,830)
At 31 December 2020		67,218	60,992

22 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 the hotel building for 40 years.

The finance lease receivables are as follows:

	------------Group and Bank --------------		
	Future minimum lease payments B$'000	Profit B$'000	Present value of minimum lease payments B$'000
2020			
Within one year	720	21	699
Between one and five years	2,980	458	2,522
More than five years	24,800	15,433	9,367
Total	28,500	15,912	12,588

	------------Group and Bank --------------		
	Future minimum lease payments B$'000	Profit B$'000	Present value of minimum lease payments B$'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

23 Investments in subsidiaries

	Bank 2020 B$'000	Bank 2019 B$'000
Unquoted equity investments, at cost	34,559	34,559
Less: Allowances for investment in subsidiary	(1,715)	(1,715)
	32,844	32,844

Details of the Group's subsidiaries are as follows:

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest 2020 %	Effective ownership interest 2019 %
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 (dissolved on 26 March 2020)	Fund management	Negara Brunei Darussalam	-	100
IBB Transport Sdn Bhd (dissolved on 11 March 2020)	Vehicle leasing	Negara Brunei Darussalam	-	100
Saujana Sdn Bhd (dissolved on 23 January 2021)	Aircraft leasing	Negara Brunei Darussalam	100	100
BIBD Middle East Limited	Advisory services	United Arab Emirates	100	100

24 Investments in associate and joint ventures

		Group		Bank	
	Note	**2020**	**2019**	**2020**	**2019**
		B$'000	**B$'000**	**B$'000**	**B$'000**
Investment in associate	24.1	23,475	24,757	7,080	7,080
Investment in joint ventures	24.2	18,368	18,437	15,278	15,278
Total		41,843	43,194	22,358	22,358

24.1 Investment in associate

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
At cost				
Unquoted shares	7,080	7,080	7,080	7,080
Share of post-acquisition reserves	16,395	17,677	-	-
Investment in associate	23,475	24,757	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**	
			2020	**2019**
			%	**%**
Syarikat Takaful Brunei Darussalam Sdn Bhd	Family and general takaful businesses	Negara Brunei Darussalam	31	31

	2020	2019
	B$'000	**B$'000**
Group's share in net assets of associate at the beginning of the year	24,757	20,816
Group's share of:		
- profit from continuing operations	1,524	1,425
- dividend received	(362)	(409)
- other comprehensive income	(2,444)	2,925
Carrying amount of interest in associate at the end of the year	23,475	24,757

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

	2020 B$'000	2019 B$'000
Current assets	323,615	286,966
Non-current assets	54,926	68,886
Current liabilities	(20,919)	(17,703)
Non-current liabilities	(281,904)	(258,303)
Net assets	75,718	79,846

	2020 B$'000	2019 B$'000
Revenue	32,401	29,857
Profit from continuing operations	5,916	6,200
Other comprehensive income	(7,883)	-
Total comprehensive income	(1,967)	6,200

Included in balances above are the following amounts:

	2020 B$'000	2019 B$'000
Cash and cash equivalents	288,650	270,623
Current financial liabilities excluding trade, other payables and provisions	(2,247)	(2,061)
Non-current financial liabilities excluding trade, other payables and provisions	(281,904)	(258,303)
Depreciation and amortisation	(858)	(557)
Income tax expense or income	(805)	(788)

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

	Group	
	2020 B$'000	2019 B$'000
Profit from continuing operations	1,524	1,425
Dividend received	(362)	(409)
Other comprehensive income	(2,444)	2,925
Total comprehensive income	(1,282)	3,941

24.2 Investment in joint ventures

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
At cost				
Unquoted shares	15,278	15,278	15,278	15,278
Share of post-acquisition reserves	3,090	3,159	-	-
Investment in joint ventures	18,368	18,437	15,278	15,278

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**	
			2020	**2019**
			%	**%**
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

	2020	**2019**
	B$'000	**B$'000**
Group's share in net assets of joint ventures at the beginning of the year	18,437	18,042
Group's share of:		
- profit from continuing operations	(69)	395
Carrying amount of interest in joint ventures at the end of the year	18,368	18,437

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

	2020	**2019**
	B$'000	**B$'000**
Current assets	9,810	13,559
Non-current assets	110,028	113,414
Current liabilities	(21,677)	(19,341)
Non-current liabilities	(45,676)	(56,818)
Net assets	52,485	50,814

	2020 B$'000	2019 B$'000
Revenue	22,424	20,142
Profit from continuing operations	3,075	790

Included in balances above are the following amounts:

	2020 B$'000	2019 B$'000
Cash and cash equivalents	4,996	473
Current financial liabilities excluding trade, other payables and provisions	(13,111)	(13,111)
Non-current financial liabilities excluding trade, other payables and provisions	(40,568)	(50,597)
Depreciation and amortisation	(7,511)	(6,109)
Income tax expense or income	-	(488)

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

	Group	
	2020 B$'000	2019 B$'000
Profit from continuing operations	(69)	395

25 Other assets

	Group		Bank	
	2020 B$'000	2019 B$'000	2020 B$'000	2019 B$'000
Receivables	31,230	17,419	29,991	16,492
Accrued income and bills receivable	11,333	10,725	11,492	11,062
Foreign acceptance receivables	1,618	66,671	1,618	66,671
Sundry debtors	1,776	2,597	1,187	1,967
Intercompany receivables	-	-	186	26,842
	45,957	97,412	44,474	123,034
Prepayments	2,039	4,351	1,837	4,088
Total	47,996	101,763	46,311	127,122

During the year, the Group and the Bank recognised a reduction in allowance for impairment of B$380 (2019: B$133,000) and B$380 (2019: B$133,000) respectively on its receivables in profit or loss.

26 Property and equipment

	Leasehold improvements B$'000	Equipment, furniture and fittings B$'000	Motor vehicles B$'000	Assets under lease B$'000	Work-in-progress B$'000	Computer software B$'000	Right-of-use assets B$'000	Total B$'000
Group								
Cost								
At 1 January 2019	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
Additions	1	634	-	-	6,776	66	2,880	10,357
Disposals	-	-	-	(169)	-	-	(378)	(547)
Transfers	893	2,915	-	-	(5,508)	1,700	-	-
At 31 December 2020	38,061	46,982	133	11,141	6,856	74,851	45,853	223,877
Accumulated depreciation								
At 1 January 2019	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
Depreciation/Amortisation for the year	3,205	4,448	9	1,063	-	6,783	3,087	18,595
Disposals	-	-	-	(38)	-	-	(378)	(416)
At 31 December 2020	24,026	38,739	127	4,129	-	62,314	4,888	134,223
Carrying amounts								
At 31 December 2019	16,346	9,142	15	8,206	5,588	17,554	41,172	98,023
At 31 December 2020	14,035	8,243	6	7,012	6,856	12,537	40,965	89,654

Asset under lease include motor vehicles under finance lease.

Bank	Leasehold improvements B$'000	Equipment, furniture and fittings B$'000	Motor vehicles B$'000	Work-in-progress B$'000	Computer software B$'000	Right-of-use assets B$'000	Total B$'000
Cost							
At 1 January 2019	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
Additions	-	-	-	5,810	-	2,692	8,502
Disposals	-	-	-	-	-	(378)	(378)
Transfers	893	2,505	-	(5,098)	1,700	-	-
At 31 December 2020	35,922	38,861	138	5,552	72,456	44,319	197,248
Accumulated depreciation							
At 1 January 2019	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 2020	19,496	29,370	122	-	54,802	1,868	105,658
Depreciation/Amortisation for the year	3,053	3,552	9	-	6,320	2,763	15,697
Disposals	-	-	-	-	-	(378)	(378)
At 31 December 2020	22,549	32,922	131	-	61,122	4,253	120,977
Carrying amounts							
At 31 December 2019	15,533	6,986	16	4,840	15,954	40,137	83,466
At 31 December 2020	13,373	5,939	7	5,552	11,334	40,066	76,271

27 Investment property

	Group and Bank B$'000
Cost	
At 1 January 2019	32,492
Additions	715
At 31 December 2019	33,207
Additions	1,284
At 31 December 2020	34,491
Accumulated amortisation	
At 1 January 2019	7,862
Charge for the year	1,307
At 31 December 2019	9,169
Charge for the year	1,395
At 31 December 2020	10,564
Carrying amounts	
At 31 December 2019	24,038
At 31 December 2020	23,927

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 available valuation report, the fair value of the investment property is B$34,500,000 (2019: 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 76.1% (2019: 71.4%).

28 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

Group	At 1 January 2019 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2019 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2020 B$'000
Deferred tax assets							
Allowance for financing and advances	11,048	496	-	11,544	57	-	11,601
Allowance for investment	240	(91)	-	149	594	-	743
Allowance for investment in subsidiary	317	-	-	317	-	-	317
Investments at fair value through other comprehensive income	855	-	(855)	-	-	-	-
Others	465	(465)	-	-	551	-	551
Total	12,925	(60)	(855)	12,010	1,202	-	13,212
Deferred tax liabilities							
Property and equipment	(4,974)	392	-	(4,582)	(133)	-	(4,715)
Investments at fair value through other comprehensive income	-	-	(1,232)	(1,232)	-	(997)	(2,229)
Others	-	(543)	-	(543)	543	-	-
Total	(4,974)	(151)	(1,232)	(6,357)	410	(997)	(6,944)
Total deferred tax assets	7,951	(211)	(2,087)	5,653	1,612	(997)	6,268

Bank	At 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2019	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2020
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Deferred tax assets							
Allowance for financing and advances	10,658	195	-	10,853	(376)	-	10,477
Allowance for investment	240	(91)	-	149	594	-	743
Allowance for investment in subsidiary	317	-	-	317	-	-	317
Investments at fair value through other comprehensive income	855	-	(855)	-	-	-	-
Others	465	(465)	-	-	519	-	519
Total	12,535	(361)	(855)	11,319	737	-	12,056
Deferred tax liabilities							
Property and equipment	(4,501)	461	-	(4,040)	882	-	(3,158)
Investments at fair value through other comprehensive income	-	-	(1,232)	(1,232)	-	(997)	(2,229)
Others	-	(947)	-	(947)	(696)	-	(1,643)
Total	(4,501)	(486)	(1,232)	(6,219)	186	(997)	(7,030)
Total deferred tax assets	8,034	(847)	(2,087)	5,100	923	(997)	5,026

29 Deposits from customers

	Group		Bank	
	2020	2019	2020	2019
	B$'000	B$'000	B$'000	B$'000
Non-Mudharabah				
Demand deposits	2,305,335	2,552,793	2,306,070	2,554,238
Saving deposits	1,276,420	1,137,850	1,222,116	1,089,042
General investment deposits	2,968,425	4,586,120	2,916,501	4,534,235
	6,550,180	8,276,763	6,444,687	8,177,515
Mudharabah (*profit sharing*)				
Demand deposits	79,111	69,198	79,111	69,198
Savings deposits	107,619	105,534	107,619	105,534
	186,730	174,732	186,730	174,732
Total	6,736,910	8,451,495	6,631,417	8,352,247

30 Deposits from banks and other financial institutions

	Group		Bank	
	2020	2019	2020	2019
	B$'000	B$'000	B$'000	B$'000
Non-Mudharabah				
Licensed conventional banks and financial institutions in Brunei Darussalam	70,000	-	-	-
Licensed Islamic banks and financial institutions in Brunei Darussalam	298,343	249,998	203,615	115,256
Licensed finance companies in Brunei Darussalam	2	2	88,004	76,930
Licensed insurance companies in Brunei Darussalam	687	990	687	990
Licensed Islamic insurance companies	355,481	272,718	305,481	231,554
Other banks and financial institutions abroad	21,507	11,730	21,507	11,730
	746,020	535,438	619,294	436,460
Mudharabah (*profit sharing*)				
Licensed Islamic banks and financial institutions in Brunei Darussalam	419	1,143	419	1,143
Licensed insurance companies in Brunei Darussalam	48	34	48	34
Licensed Islamic insurance companies in Brunei Darussalam	2,719	774	2,719	774
	3,186	1,951	3,186	1,951
Total	749,206	537,389	622,480	438,411

31 Placements from other financial institutions

Interbank placements include collateralised placements of B$202,231,732 (2019: B$NIL) secured by the investment in quoted securities amounted to B$236,582,777 (2019: B$NIL) with its counterparties.

32 Other liabilities

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Other creditors	21,118	31,618	18,440	21,574
Employee benefits	20,032	19,171	18,337	17,049
Account payable	28,433	98,952	30,086	99,269
Lease liabilities	39,767	39,134	38,855	38,098
Others	23,358	25,745	21,095	24,203
Total	132,708	214,620	126,813	200,193

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

	2020 Lease liabilities B$'000
Group	
Opening balance at 1 January 2020	39,134
Changes from financing cash flow	
Payment of lease liabilities	(3,622)
Other changes - Liability-related	
New leases	2,927
Profit expense on leases	1,328
Balance at 31 December 2020	39,767

	2019 Lease liabilities B$'000
Group	
Opening 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

	2020 Lease liabilities B$'000
Bank	
Opening balance at 1 January 2020	38,098
Changes from financing cash flow	
Payment of lease liabilities	(3,261)
Other changes - Liability-related	
New leases	2,734
Profit expense on leases	1,284
Balance at 31 December 2020	38,855

	2019 Lease liabilities B$'000
Bank	
Opening 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

33 Share capital

	Number of shares		Amount	
	2020	**2019**	**2020**	**2019**
Group and Bank			**B$**	**B$**
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.

34 Statutory and other reserves

Statutory reserves

Group	**Total B$'000**
At 1 January 2019	534,433
Transfer in respect of current year's profit	21,042
At 31 December 2019	555,475
Transfer in respect of current year's profit	8,041
At 31 December 2020	563,516

Bank	**Total B$'000**
At 1 January 2019	493,429
Transfer in respect of current year's profit	20,198
At 31 December 2019	513,627
Transfer in respect of current year's profit	6,640
At 31 December 2020	520,267

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

Group	Fair value reserve B$'000	Foreign currency translation reserve B$'000	Retained profits B$'000	Total B$'000
At 1 January 2019	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
Total comprehensive income for the year	3,924	-	136,027	139,951
Foreign currency movement	-	(58)	-	(58)
Transfer to statutory reserves	-	-	(8,041)	(8,041)
Dividends paid on ordinary shares	-	-	(133,209)	(133,209)
At 31 December 2020	15,912	(99)	183,227	199,040
Distributable retained profits			179,911	179,911
Non-distributable retained profits for PRCL			3,316	3,316
At 31 December 2020			183,227	183,227

Bank	Fair value reserve B$'000	Retained earnings B$'000	Total B$'000
At 1 January 2019	(3,119)	91,282	88,163
Total comprehensive income for the year	8,738	153,810	162,548
Transfer to statutory reserves	-	(20,198)	(20,198)
Dividends paid on ordinary shares	-	(88,202)	(88,202)
At 31 December 2019	5,619	136,692	142,311
Total comprehensive income for the year	6,368	132,790	139,158
Transfer to statutory reserve	-	(6,640)	(6,640)
Dividends paid on ordinary shares	-	(133,209)	(133,209)
At 31 December 2020	11,987	129,633	141,620
Distributable retained profits		126,354	126,354
Non-distributable retained profits for PRCL		3,279	3,279
At 31 December 2020		129,633	129,633

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.

35 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	
	2020	**2019**
	B$'000	**B$'000**
Joint Ventures		
Amount due from		
Financing	52,735	63,162
Amount due to		
Others	4,995	715

	Group	
	2020	**2019**
	B$'000	**B$'000**
Associate		
Amount due to		
Deposits	242,043	291,466
Others	2,322	3,268
Key management personnel		
Amount due from		
Financing (ex. Credit cards)	2,526	2,761
Credit cards	52	72
Amount due to		
Deposits	4,467	3,629
Other related parties		
Amount due to		
Deposits	761,757	2,261,230

	Bank	
	2020	**2019**
	B$'000	**B$'000**
Joint Ventures		
Amount due from		
Financing	52,735	63,162
Amount due to		
Deposits	4,995	715
Subsidiaries		
Amount due from		
Placements	417,900	394,000
Others	345	27,176
Amount due to		
Deposits	89,125	79,287
Others	3,097	2,136
Associate		
Amount due to		
Deposits	247,948	203,725
Others	1,505	2,056

	Bank	
	2020	2019
	B$'000	B$'000
Key management personnel		
Amount due from		
Financing (ex. Credit cards)	1,987	2,335
Credit cards	55	72
Key management personnel		
Amount due to		
Deposits	3,027	2,241
Other related parties		
Amount due to		
Deposits	761,757	2,261,230

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

	Group		Bank	
	2020	2019	2020	2019
	B$'000	B$'000	B$'000	B$'000
Subsidiaries				
Income				
Other income	-	-	32,725	9,877
Expenditure				
Profit paid/payable to depositors	-	-	260	146
Other expenditure	-	-	3,709	3,437
Joint ventures				
Income				
Income on financing	3,825	4,030	3,825	4,030
Associate				
Income				
Fees and commission	263	275	-	-

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Expenditure				
Profit paid/payable to depositors	2,392	3,229	1,557	2,105
Other expenditure	99	95	-	-
Key management personnel				
Income				
Income on financing	123	62	92	37
Expenditure				
Profit paid/payable to depositors	151	132	16	13
Other related parties				
Expenditure				
Profit paid/payable to depositors	5,383	14,693	5,383	14,693

Key management personnel

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

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Directors' fees and other remuneration	1,074	1,184	1,074	1,184
Other key management personnel:				
- Salary and employee benefits	5,781	6,080	5,477	5,690
Withholding tax paid	323	407	323	407

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

	Group	
	2020	**2019**
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 2020 is 11,706,000 (2019: 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 based on agreed terms between the parties in the normal course of business.

Individually significant transactions

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

36 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	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Credit risk exposure of recognised assets:				
Cash and cash equivalents	2,622,110	3,732,366	2,621,144	3,731,579
Balances with Autoriti Monetari Brunei Darussalam	488,898	435,026	449,900	400,380
Placements with and financing and advances to banks	1,045,882	1,129,582	1,463,555	1,522,236
Government sukuks	10,000	9,897	10,000	9,897
Investments	1,056,315	1,047,398	1,056,315	1,047,398
Derivative financial assets	48,393	42,505	48,393	42,505
Financing and advances	4,009,238	3,997,148	3,282,279	3,290,992
Finance lease receivables	12,588	12,615	12,588	12,615
Other assets	45,957	97,412	44,474	123,034
Sub-total	9,339,381	10,503,949	8,988,648	10,180,636
Credit risk exposure of unrecognised financial instruments:				
Credit commitments	298,314	773,129	298,314	773,129
Contingent liabilities	328,920	334,637	328,920	334,637
Sub-total	627,234	1,107,766	627,234	1,107,766
Total credit exposures	9,966,615	11,611,715	9,615,882	11,288,402

Investments exclude unquoted equity 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:

	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuks B$'000	Investments B$'000	Derivative financial assets B$'000	Financing and advances B$'000	Financing lease receivables B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies B$'000
Group										
2020										
Agricultural	-	-	-	-	-	15,908	-	-	15,908	11,922
Financial	3,667,992	-	-	518,591	48,393	79,434	-	-	4,314,410	145,629
Manufacturing	-	-	-	5,708	-	66,062	-	-	71,770	129,986
Transportation	-	-	-	33,499	-	911,521	-	-	945,020	9,963
Infrastructure	-	-	-	-	-	31,219	-	-	31,219	71,346
Traders	-	-	-	-	-	97,234	-	-	97,234	21,483
Services	-	-	-	25,144	-	65,859	12,588	-	103,591	24,120
Residential property (personal)	-	-	-	-	-	795,236	-	-	795,236	41,307
Commercial (property development)	-	-	-	25,061	-	401,297	-	-	426,358	17,808
Tourism	-	-	-	-	-	9,017	-	-	9,017	3,233
Telecommunication and information technology	-	-	-	9,638	-	2,269	-	-	11,907	2,158
Personal and consumption financing	-	-	-	-	-	1,024,422	-	-	1,024,422	79,563
Oil and gas	-	-	-	-	-	509,760	-	-	509,760	68,716
Others	-	488,898	10,000	438,674	-	-	-	45,957	983,529	-
Total	3,667,992	488,898	10,000	1,056,315	48,393	4,009,238	12,588	45,957	9,339,381	627,234

Investments exclude unquoted equity security and unquoted fund.

Other assets exclude prepayments.

	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuks B$'000	Investments B$'000	Derivative financial assets B$'000	Financing and advances B$'000	Financing lease receivables B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies B$'000
Group										
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 exclude unquoted equity security and unquoted fund.

Other assets exclude prepayments.

	Cash and short-term funds and deposits and placements with financial institutions	Balances with Autoriti Monetari Brunei Darussalam	Government sukuks	Investments	Derivative financial assets	Financing and advances	Financing lease receivables	Other assets	On-balance sheet total	Commitments and contingencies
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Bank										
2020										
Agricultural	-	-	-	-	-	15,908	-	-	15,908	11,922
Financial	4,084,699	-	-	518,591	48,393	79,434	-	-	4,731,117	145,629
Manufacturing	-	-	-	5,708	-	66,062	-	-	71,770	129,986
Transportation	-	-	-	33,499	-	227,292	-	-	260,791	9,963
Infrastructure	-	-	-	-	-	31,140	-	-	31,140	71,346
Traders	-	-	-	-	-	97,234	-	-	97,234	21,483
Services	-	-	-	25,144	-	65,859	12,588	-	103,591	24,120
Residential property (personal)	-	-	-	-	-	795,236	-	-	795,236	41,307
Commercial (property development)	-	-	-	25,061	-	401,297	-	-	426,358	17,808
Tourism	-	-	-	-	-	9,017	-	-	9,017	3,233
Telecommunication and information technology	-	-	-	9,638	-	2,269	-	-	11,907	2,158
Personal and consumption financing	-	-	-	-	-	981,771	-	-	981,771	79,563
Oil and gas	-	-	-	-	-	509,760	-	-	509,760	68,716
Others	-	449,900	10,000	438,674	-	-	-	44,474	943,048	-
Total	4,084,699	449,900	10,000	1,056,315	48,393	3,282,279	12,588	44,474	8,988,648	627,234

Investments exclude unquoted equity security and unquoted fund.

Other assets exclude prepayments.

	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuks B$'000	Investments B$'000	Derivative financial assets B$'000	Financing and advances B$'000	Financing lease receivables B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies B$'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 exclude unquoted equity 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 21 for the breakdown of financings by security)

	2020		2019	
Group	**Carrying amount of financing and advances B$'000**	**Fair value of collateral B$'000**	**Carrying amount of financing and advances B$'000**	**Fair value of collateral B$'000**
Type of collateral				
Cash	390,985	390,985	303,201	303,201
Properties	1,183,474	1,124,157	1,115,734	1,059,661
Vessels	483,232	480,517	531,372	526,054
Motor vehicles and others	751,866	612,844	732,419	649,409
Total	2,809,557	2,608,503	2,682,726	2,538,325

	2020		2019	
Bank	**Carrying amount of financing and advances B$'000**	**Fair value of collateral B$'000**	**Carrying amount of financing and advances B$'000**	**Fair value of collateral B$'000**
Type of collateral				
Cash	390,985	390,985	303,201	303,201
Properties	1,183,474	1,124,157	1,115,734	1,059,661
Vessels	483,232	480,517	531,372	526,054
Motor vehicles and others	19,687	19,687	18,770	18,770
Total	2,077,378	2,015,346	1,969,077	1,907,686

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$11,386,629 (2019: B$8,614,839) for the Group and B$9,077,366 (2019: B$5,722,243) for the Bank.

(iii) Credit quality of gross financing and advances

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

Neither past due nor impaired

a) Excellent to good	Obligors rated in this category have an excellent to good capacity to meet financial commitments with very low credit risk.
b) Fair	Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
Past due but not impaired	Obligators 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**	
	2020 B$'000	**2019 B$'000**	**2020 B$'000**	**2019 B$'000**
Neither past due nor impaired	3,833,740	3,681,263	3,130,672	3,001,975
Past due but not impaired	74,824	238,785	50,386	211,571
Impaired	167,892	146,689	162,213	140,468
	4,076,456	4,066,737	3,343,271	3,354,014
Allowance for impaired financing and advances	(67,218)	(69,589)	(60,992)	(63,022)
Total	4,009,238	3,997,148	3,282,279	3,290,992

Credit quality analysis

Group	2020 12-month ECL B$'000	2020 Lifetime ECL – not credit-impaired B$'000	2020 Lifetime ECL – credit-impaired B$'000	2020 Total B$'000
Neither past due nor impaired				
Excellent to good	2,963,063	78,878	-	3,041,941
Fair	769,572	22,227	-	791,799
Past due but not impaired	36,777	38,047	-	74,824
Impaired	-	-	167,892	167,892
Total	3,769,412	139,152	167,892	4,076,456
Allowance for impaired financing and advances	(13,285)	(4,207)	(49,726)	(67,218)
Total	3,756,127	134,945	118,166	4,009,238

Group	2019 12-month ECL B$'000	2019 Lifetime ECL – not credit-impaired B$'000	2019 Lifetime ECL – credit-impaired B$'000	2019 Total B$'000
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

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:

	2020		
	12-month ECL B$'000	**Lifetime ECL – not credit-impaired B$'000**	**Total B$'000**
Group			
By ageing:			
Current	24,172	4,054	28,226
1 month-in-arrears (1 to 30 days)	12,605	22,197	34,802
2 months-in-arrears (31 to 60 days)	-	9,376	9,376
3 months-in-arrears (61 to 90 days)	-	2,420	2,420
Total	36,777	38,047	74,824

	2019		
	12-month ECL B$'000	**Lifetime ECL – not credit-impaired B$'000**	**Total B$'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

Bank	2020 12-month ECL B$'000	 Lifetime ECL – not credit-impaired B$'000	 Lifetime ECL – credit-impaired B$'000	 Total B$'000
Neither past due nor impaired				
Excellent to good	2,472,450	78,878	-	2,551,328
Fair	557,117	22,227	-	579,344
Past due but not impaired	36,777	13,609	-	50,386
Impaired	-	-	162,213	162,213
Total	3,066,344	114,714	162,213	3,343,271
Allowance for impaired financing and advances	(12,290)	(3,855)	(44,847)	(60,992)
Total	3,054,054	110,859	117,366	3,282,279

Bank	2019 12-month ECL B$'000	 Lifetime ECL – not credit-impaired B$'000	 Lifetime ECL – credit-impaired B$'000	 Total B$'000
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

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:

	2020		
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Total**
	B$'000	**B$'000**	**B$'000**
Bank			
By ageing:			
Current	24,172	653	24,825
1 month-in-arrears (1 to 30 days)	12,605	1,444	14,049
2 months-in-arrears (31 to 60 days)	-	9,092	9,092
3 months-in-arrears (61 to 90 days)	-	2,420	2,420
Total	36,777	13,609	50,386

	2019		
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Total**
	B$'000	**B$'000**	**B$'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

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

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Group				
Balance at 1 January	12,933	3,776	52,880	69,589
Transfer from Stage 1	(497)	2,787	4,733	7,023
Transfer from Stage 2	76	(1,058)	1,558	576
Transfer from Stage 3	4	32	(4,642)	(4,606)
Net remeasurement of loss allowance	1,989	305	680	2,974
New financial assets originated or purchased	3,033	540	8,499	12,072
Financial assets that have been derecognised	(1,307)	(378)	(1,856)	(3,541)
Write-offs	(2,946)	(1,797)	(12,126)	(16,869)
Balance at 31 December	13,285	4,207	49,726	67,218

	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

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Bank				
Balance at 1 January	11,955	3,361	47,706	63,022
Transfer from Stage 1	(426)	2,642	4,042	6,258
Transfer from Stage 2	27	(858)	1,080	249
Transfer from Stage 3	3	32	(4,480)	(4,445)
Net remeasurement of loss allowance	2,166	336	107	2,609
New financial assets originated or purchased	2,654	454	8,334	11,442
Financial assets that have been derecognised	(1,242)	(351)	(1,720)	(3,313)
Write-offs	(2,847)	(1,761)	(10,222)	(14,830)
Balance at 31 December	12,290	3,855	44,847	60,992

	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

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.

Since April 2020, the regulator has issued several notices that sets out certain temporary and initiatives and reliefs to assist and reduce the financial burden of customers that have been affected by Covid-19 pandemic. Following these measures and initiatives, the Group has offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their financing obligations. These include temporary deferral of principal and extension of financing maturity dates.

The financing repayment deferral is considered to be a financing modification which either results in the financing being derecognized and replaced with a new financing (substantial modification) or the existing financing continuing to be recognised (non-substantial modification).

The carrying amount of financing at the date of modification was considered as non-substantial. No gains or loss was recognised as a result of the modification.

(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 B$'000	12-month ECL B$'000	Lifetime ECL- not credit impaired B$'000	Lifetime ECL- credit impaired B$'000	Total B$'000
Group and Bank					
2020					
Debt securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	-	-	-	-	-
Rate A+ to A-	239,427	(180)	-	-	239,247
Rated BBB+ to BBB-	128,991	(120)	-	-	128,871
Rated BB+ or below	107,012	(1,393)	(154)	-	105,465
Unrated-Quasi-government		-	-	-	-
Unrated-Others	627	(1)	-	-	626
Other investments	-	-	-	-	-
Total	476,057	(1,694)	(154)	-	474,209

	Gross carrying amount B$'000	12-month ECL B$'000	Lifetime ECL- not credit impaired B$'000	Lifetime ECL- credit impaired B$'000	Total B$'000
2019					
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

Fair value through profit and loss

	Gross carrying amount B$'000	12-month ECL B$'000	Lifetime ECL- not credit impaired B$'000	Lifetime ECL- credit impaired B$'000	Total B$'000
Group and Bank					
2020					
Quoted securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	5,730	-	-	-	5,730
Rate A+ to A-	68,990	-	-	-	68,990
Rated BBB+ to BBB-	52,788	-	-	-	52,788
Rated BB+ or below	-	-	-	-	-
Unrated-Quasi-government	-	-	-	-	-
Unrated-Others	4,714	-	-	-	4,714
Other investments	28,048	-	-	-	28,048
Total	160,270	-	-	-	160,270

	Gross carrying amount B$'000	12-month ECL B$'000	Lifetime ECL- not credit impaired B$'000	Lifetime ECL- credit impaired B$'000	Total B$'000
2019					
Quoted 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

Fair value through other comprehensive income

	Gross carrying amount B$'000	12-month ECL B$'000	Lifetime ECL- not credit impaired B$'000	Lifetime ECL- credit impaired B$'000	Total B$'000
Group and Bank					
2020					
Quoted securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	54,969	(17)	-	-	54,952
Rate A+ to A-	186,710	(229)	-	-	186,481
Rated BBB+ to BBB-	132,557	(487)	-	-	132,070
Rated BB+ or below	12,120	(262)	-	-	11,858
Unrated-Quasi-government	35,480	(62)	-	-	35,418
Unrated-Others	-	-	-	-	-
Other investments	-	-	-	-	-
Total	421,836	(1,057)	-	-	420,779

	Gross carrying amount B$'000	12-month ECL B$'000	Lifetime ECL- not credit impaired B$'000	Lifetime ECL- credit impaired B$'000	Total B$'000
2019					
Quoted 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

Government sukuks held by the Group (refer to Note 18) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 20) 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	Gross amounts of recognised financial instruments offset in the statements of financial position	Net amounts of financial instruments presented in the statements of financial position	Related amounts not offset in the statements of financial position		Net amount
				Financing instruments	Financing collateral	
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Group and Bank						
2020						
Derivative financial assets	48,393	-	48,393	(7,272)	-	41,121
Derivative financial liabilities	10,819	-	10,819	(7,272)	-	3,547
2019						
Derivative financial assets	42,505	-	42,505	(10,564)	-	31,941
Derivative financial liabilities	13,125	-	13,125	(10,564)	-	2,561

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 yied 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 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
Group								
2020								
Assets								
Cash and cash equivalents	1,978,692	258,760	-	-	-	384,658	-	2,622,110
Balances with Autoriti Monetari Brunei Darussalam	-	-	-	-	-	488,898	-	488,898
Placements with and financing and advances to banks	228,313	191,769	625,800	-	-	-	-	1,045,882
Government sukuks	10,000	-	-	-	-	-	-	10,000
Investments at amortised cost	-	79,242	71,423	274,733	48,811	-	-	474,209
Investments at fair value through profit or loss	-	-	-	-	-	-	160,270	160,270
Investments at fair value through other comprehensive income	-	-	-	329,281	92,555	205,934	-	627,770
Derivative financial assets	-	-	-	-	-	-	48,393	48,393
Financing and advances	74,877	262,774	227,260	1,257,418	2,186,909	-	-	4,009,238
Finance lease receivables	-	-	-	-	12,588	-	-	12,588
Other assets	-	-	-	-	-	45,957	-	45,957
Total	2,291,882	792,545	924,483	1,861,432	2,340,863	1,125,447	208,663	9,545,315

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted equity 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
Group								
2020								
Liabilities								
Deposits from customers	(4,349,539)	(693,514)	(1,552,106)	(141,038)	(713)	-	-	(6,736,910)
Deposits from banks and other financial institutions	(228,146)	(147,147)	(301,813)	(72,100)	-	-	-	(749,206)
Derivative financial liabilities	-	-	-	-	-	-	(11,511)	(11,511)
Placements from other financial institutions	(488,638)	(139,110)	(106,076)	-	-	-	-	(733,824)
Other liabilities	-	-	-	-	-	(132,708)	-	(132,708)
Total	(5,066,323)	(979,771)	(1,959,995)	(213,138)	(713)	(132,708)	(11,511)	(8,364,159)
Recognised assets profit sensitivity gap	(2,774,441)	(187,226)	(1,035,512)	1,648,294	2,340,150	992,739	197,152	1,181,156
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(627,234)	-	(627,234)
Total profit sensitivity gap	(2,774,441)	(187,226)	(1,035,512)	1,648,294	2,340,150	365,505	197,152	553,922

	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
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 equity 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
Group								
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

	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								
2020								
Assets								
Cash and cash equivalents	1,977,726	258,760	-	-	-	384,658	-	2,621,144
Balances with Autoriti Monetari Brunei Darussalam	-	-	-	-	-	449,900	-	449,900
Placements with and financing and advances to banks	228,313	191,769	1,043,473	-	-	-	-	1,463,555
Government sukuks	10,000	-	-	-	-	-	-	10,000
Investments at amortised cost	-	79,242	71,423	274,733	48,811	-	-	474,209
Investments at fair value through profit or loss	-	-	-	-	-	-	160,270	160,270
Investments at fair value through other comprehensive income	-	-	-	329,281	92,555	205,934	-	627,770
Derivative financial assets	-	-	-	-	-	-	48,393	48,393
Financing and advances	74,949	261,859	215,173	871,556	1,858,742	-	-	3,282,279
Finance lease receivables	-	-	-	-	12,588	-	-	12,588
Other assets	-	-	-	-	-	44,474	-	44,474
Total	2,290,988	791,630	1,330,069	1,475,570	2,012,696	1,084,966	208,663	9,194,582

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted equity 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								
2020								
Liabilities								
Deposits from customers	(4,294,526)	(684,892)	(1,525,102)	(126,897)	-	-	-	(6,631,417)
Deposits and placements of banks and other financial institutions	(291,620)	(147,147)	(147,613)	(36,100)	-	-	-	(622,480)
Derivative financial liabilities	-	-	-	-	-	-	(11,511)	(11,511)
Placements from other financial institutions	(488,638)	(139,110)	(106,076)	-	-	-	-	(733,824)
Other liabilities	-	-	-	-	-	(126,813)	-	(126,813)
Total	(5,074,784)	(971,149)	(1,778,791)	(162,997)	-	(126,813)	(11,511)	(8,126,045)
Recognised assets profit sensitivity gap	(2,783,796)	(179,519)	(448,722)	1,312,573	2,012,696	958,153	197,152	1,068,537
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(627,234)	-	(627,234)
Total profit sensitivity gap	(2,783,796)	(179,519)	(448,722)	1,312,573	2,012,696	330,919	197,152	441,303

	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								
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 equity 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)

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.

	Profit or loss / Equity					
Group and Bank	**100 bp increase B$'000**	**100 bp decrease B$'000**	**300 bp increase B$'000**	**300 bp decrease B$'000**	**800 bp increase B$'000**	**800 bp decrease B$'000**
2020						
Variable rate instruments	(8,677)	8,677	(26,031)	26,031	(69,416)	69,416
2019						
Variable rate instruments	1,271	(1,271)	3,813	(3,813)	10,168	(10,168)

(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 does not 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**
2020				
Assets				
Cash and short term funds	1,805,985	40,371	115,927	16,700
Placements with and financing and advances to banks	853,545	-	7,172	-
Investments	1,264,787	341	-	-
Financing and advances	250,827	-	304,437	-
Others	19,786	-	269	-
Total	4,194,930	40,712	427,805	16,700
Liabilities				
Deposits from customers	(606,384)	(40,843)	(343,255)	(16,016)
Deposits from banks and other financial institutions	(14,246)	-	(1)	-
Placements from other financial institutions	(733,824)	-	-	-
Others	(1,869)	(2)	(620)	(21)
Total	(1,356,323)	(40,845)	(343,876)	(16,037)
Net foreign exchange exposure	2,838,607	(133)	83,929	663
Effect of use of derivatives	(2,885,986)	286	(83,825)	93
Net exposure	(47,379)	153	104	756
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

	Group and Bank			
	USD	**EUR**	**GBP**	**Others**
2019	**B$'000**	**B$'000**	**B$'000**	**B$'000**
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

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:

	Profit or loss / Equity			
	2020		**2019**	
	-1% depreciation	**+1% appreciation**	**-1% depreciation**	**+1% appreciation**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Group and Bank				
USD	474	(474)	(70)	70
EUR	(2)	2	-	-
GBP	(1)	1	(1)	1
Others	(8)	8	(11)	11
Total	463	(463)	(82)	82

(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$69,000 and B$69,000 respectively (2019: B$115,000 and B$115,000 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$34,000 and B$34,000 respectively (2019: B$32,000 and B$32,000 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 Group'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 2020.

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 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									
2020									
Assets									
Cash, balances and placements with banks	2,622,110	2,622,289	2,622,289	-	-	-	-	-	-
Balances with Autoriti Monetari Brunei Darussalam	488,898	488,898	335,269	46,604	57,590	10,437	-	38,998	-
Placements with and financing and advances to banks	1,045,882	1,053,455	420,550	222,227	410,678	-	-	-	-
Government sukuks	10,000	10,000	10,000	-	-	-	-	-	-
Investments	1,262,249	1,355,045	82,587	51,844	42,334	357,339	417,114	198,200	205,627
Derivative financial assets	48,393	48,273	44,573	2,971	729	-	-	-	-
Financing and advances	4,009,238	4,635,380	665,967	219,371	345,049	1,453,253	758,840	1,192,900	-
Finance lease receivables	12,588	28,500	180	180	360	1,440	1,540	24,800	-
Other assets	45,957	45,957	32,473	2,732	238	3,617	3,307	3,590	-
Total	9,545,315	10,287,797	4,213,888	545,929	856,978	1,826,086	1,180,801	1,458,488	205,627

Investments exclude unquoted equity 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									
2020									
Liabilities									
Deposits from customers	(6,736,910)	(6,757,512)	(5,046,059)	(662,032)	(901,659)	(147,005)	-	(757)	-
Deposits and placements of banks and other financial institutions	(749,206)	(753,095)	(449,999)	(28,591)	(237,962)	(36,543)	-	-	-
Derivative financial liabilities	(11,511)	(1,713)	(7,235)	(2,804)	(202)	947	7,581	-	-
Placements from other financial institutions	(733,824)	(733,997)	(627,863)	(106,134)	-	-	-	-	-
Other liabilities	(132,708)	(132,708)	(38,487)	(25,110)	(18,020)	(6,463)	(3,519)	(41,109)	-
Total	(8,364,159)	(8,379,025)	(6,169,643)	(824,671)	(1,157,843)	(189,064)	4,062	(41,866)	-
Recognised assets net liquidity gap	1,181,156	1,908,772	(1,955,755)	(278,742)	(300,865)	1,637,022	1,184,863	1,416,622	205,627
Commitments and contingencies	(627,234)	(627,234)	(627,234)	-	-	-	-	-	-
Net liquidity gap	553,922	1,281,538	(2,582,989)	(278,742)	(300,865)	1,637,022	1,184,863	1,416,622	205,627

	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									
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 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	3,997,148	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 exclude unquoted equity 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

	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
Bank									
2020									
Assets									
Cash and cash equivalents	2,621,144	2,621,324	2,621,324	-	-	-	-	-	-
Balances with Autoriti Monetari Brunei Darussalam	449,900	449,900	335,269	46,604	57,590	10,437	-	-	-
Placements with and financing and advances to banks	1,463,555	1,471,128	420,550	222,000	828,578	-	-	-	-
Government sukuks	10,000	10,000	10,000	-	-	-	-	-	-
Investments	1,262,249	1,355,045	82,587	51,844	42,334	357,339	417,114	198,200	205,627
Derivative financial assets	48,393	48,273	44,573	2,971	729	-	-	-	-
Financing and advances	3,282,279	3,902,193	664,485	219,371	332,509	1,063,813	758,840	863,175	-
Finance lease receivables	12,588	28,500	180	180	360	1,440	1,540	24,800	-
Other assets	44,474	44,474	30,990	2,732	238	3,617	3,307	3,590	-
Total	9,194,582	9,930,837	4,209,958	545,702	1,262,338	1,436,646	1,180,801	1,089,765	205,627

Investments exclude unquoted equity 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
Bank									
2020									
Liabilities									
Deposits from customers	(6,631,417)	(6,651,053)	(4,982,136)	(650,606)	(886,098)	(132,213)	-	-	-
Deposits from banks and other financial institutions	(622,480)	(623,379)	(438,819)	(102,938)	(45,079)	(36,543)	-	-	-
Derivative financial liabilities	(11,511)	(1,713)	(7,235)	(2,804)	(202)	947	7,581	-	-
Placements from other financial institutions	(733,824)	(733,997)	(627,863)	(106,134)	-	-	-	-	-
Other liabilities	(126,813)	(126,813)	(32,592)	(25,110)	(18,020)	(6,463)	(3,519)	(41,109)	-
Total	(8,126,045)	(8,136,955)	(6,088,645)	(887,592)	(949,399)	(174,272)	4,062	(41,109)	-
Recognised assets net liquidity gap	1,068,537	1,793,882	(1,878,687)	(341,890)	312,939	1,262,374	1,184,863	1,048,656	205,627
Commitments and contingencies	(627,234)	(627,234)	(627,234)	-	-	-	-	-	-
Net liquidity gap	441,303	1,166,648	(2,505,921)	(341,890)	312,939	1,262,374	1,184,863	1,048,656	205,627

	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
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 exclude unquoted equity 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
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

(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.

37 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 - equity and debt instrument	**Mandatorily at FVTPL**	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	B$'000	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Group and Bank								
2020								
Financial assets measured at fair value								
Investments	628,111	160,959	474,209	1,263,279	1,234,201	28,048	1,030	1,263,279
Government sukuks	10,000	-	-	10,000	-	-	10,000	10,000
Forward exchange contracts	-	48,393	-	48,393	-	48,393	-	48,393
	638,111	209,352	474,209	1,321,672	1,234,201	76,441	11,030	1,321,672
Financial liabilities measured at fair value								
Forward exchange contracts	-	(10,819)	-	(10,819)	-	(10,819)	-	(10,819)
Derivative liabilities	-	(692)	-	(692)	(692)	-	-	(692)

	Carrying amounts				Fair values			
	FVOCI - equity and debt instrument	Mandatorily at FVTPL	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Group and 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 sukuks	9,897	-	-	9,897	-	-	9,897	9,897
Forward exchange contracts	-	42,505	-	42,505	-	42,505	-	42,505
	407,729	111,420	582,116	1,101,265	397,515	692,388	11,362	1,101,265
Financial liabilities measured at fair value								
Forward exchange contracts	-	(13,125)	-	(13,125)	-	(13,125)	-	(13,125)

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
Structured deposits	FVTPL	2	Issuer quoted prices (bid-ask) of the structured deposits are sourced from Bloomberg on a daily basis.	-	Not applicable.
Forward exchange contracts	FVTPL	2	Quoted prices: Market prices 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: • 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: • 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 B$'000	**FVTPL B$'000**	**Total B$'000**
At 1 January 2020	10,214	1,148	11,362
Matured during the year	(9,897)	-	(9,897)
Purchased during the year	10,000	-	10,000
Distribution of capital	-	(125)	(125)
Fair value movement during the year	-	(312)	(312)
Gains recognised in other comprehensive income	-	-	-
Foreign exchange gain/(loss)	24	(22)	2
At 31 December 2020	10,341	689	11,030

	FVOCI B$'000	**FVTPL B$'000**	**Total B$'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

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 2020 (2019: NIL).

38 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.

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

i. *Right-of-use assets*

	2020	2019
	Land and Building	
	B$'000	B$'000
Group		
Balance at 1 January	41,172	5,275
Amortisation charged for the year	(3,087)	(2,179)
Additions to right-of-use assets	2,880	38,076
Balance at 31 December	40,965	41,172

	2020	2019
	Land and Building	
	B$'000	B$'000
Bank		
Balance at 1 January	40,137	5,275
Amortisation charged for the year	(2,763)	(1,868)
Additions to right-of-use assets	2,692	36,730
Balance at 31 December	40,066	40,137

ii. *Amounts recognised in profit or loss*

	Group	Bank
	B$'000	B$'000
2020		
Profit on lease liabilities	1,328	1,284
Expenses relating to short-term leases	-	-
Expenses relating to lease of low-value assets, excluding short-term leases of low value assets	145	145

	Group B$'000	Bank B$'000
2019		
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

iii. Amounts recognised in the statement of cash flows

	Group	
	2020 B$'000	**2019 B$'000**
Total cash outflow for leases	(3,622)	(2,249)

	Bank	
	2020 B$'000	**2019 B$'000**
Total cash outflow for leases	(3,261)	(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 22).

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 2020 was B$3,004,000 (2019: B$2,881,000).

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 B$'000
2020	
Within one year	1,444
Between one and five years	3,244
Total	4,688

	Group and Bank B$'000
2019	
Within one year	2,524
Between one and five years	3,537
Total	6,061

39 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

	Group		Bank	
	2020 B$'000	**2019 B$'000**	**2020 B$'000**	**2019 B$'000**
Assets				
Investments	951,314	811,989	951,314	811,989
Financing and advances	3,444,327	3,136,047	2,730,298	2,442,304
Finance lease receivables	11,889	11,916	11,889	11,916
Investments in subsidiaries	-	-	32,844	32,844
Investments in associate and joint ventures	41,843	43,194	22,358	22,358
Property and equipment	89,654	98,023	76,271	83,466
Investment property	23,927	24,038	23,927	24,038
Deferred tax assets	6,268	5,653	5,026	5,100
Liabilities				
Deposits from customers	141,751	165,629	126,897	143,608
Deposits from banks and other financial institutions	72,100	254,564	36,100	91,100

40 Commitments

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Commitments:				
Undrawn credit lines	294,957	160,811	294,957	160,811
Forward deposits	3,357	612,318	3,357	612,318
Total	298,314	773,129	298,314	773,129
Capital expenditure:				
- Approved and contracted for but not provided for in the financial statements	4,670	5,451	4,670	5,451
- Approved but not contracted for and provided for in the financial statements	1,604	324	1,604	324
Total	6,274	5,775	6,274	5,775
Total commitments	304,588	778,904	304,588	778,904

41 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 Bank has a dividend policy to distribute dividend which takes into consideration capital requirements, available distributable retained profits, liquidity and other factors while ensuring compliance with the prevailing laws and regulations.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	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Regulatory capital				
Core capital (Tier 1 capital)	1,269,881	1,263,197	1,169,212	1,163,263
Supplementary capital (Tier II capital)	18,586	15,877	17,239	14,899
Less: Investment in associates and subsidiaries	(7,080)	(7,080)	(39,924)	(39,924)
Total capital base	1,281,387	1,271,994	1,146,527	1,138,238
Total risk-weighted amount				
Risk-weighted amount for credit risk	5,696,379	5,616,528	5,320,622	5,253,906
Risk-weighted amount for operational risk	621,815	617,489	603,460	595,858
Risk-weighted amount for market risk	82,728	2,423	82,728	2,423
Total risk-weighted amount	6,400,922	6,236,440	6,006,810	5,852,187

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Capital ratios				
Core capital (Tier 1) ratio %	19.8%	20.3%	19.5%	19.9%
Total capital ratio %	20.0%	20.4%	19.1%	19.4%

Post dividend payment of B$133,208,960 for financial year 2019 on 2 July 2020, the adjusted Core capital (Tier 1) ratio and total capital ratio for 2019 is 17.6% and 17.2% respectively.

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.

42 Contingent liabilities

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Letters of credit	41,883	14,956	41,883	14,956
Guarantees, bonds	196,598	269,469	196,598	269,469
Shipping guarantees	7,613	25,918	7,613	25,918
Acceptances	17,946	353	17,946	353
Trade risk participation	63,681	23,484	63,681	23,484
Import bills	1,199	457	1,199	457
Total	328,920	334,637	328,920	334,637

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.