Bank Islam Brunei Darussalam Berhad
and its Subsidiaries

Registration Number: RC00006420

Annual Report
Year ended 31 December 2023

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 2023.

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	178,746	183,884

Dividends

The amount of dividends paid by the Bank since 31 December 2022 are as follows:

	B$'000
In respect of the financial year ended 31 December 2022:	
Final dividend of 17.40 cents per ordinary share paid on 27 October 2023	126,106

Directors

The names of directors of the Bank at the date of this report and during the period under this report are:

Dato Seri Setia Dr Awang Haji Mohd Amin Liew
bin Abdullah

Junaidi bin Hj Masri

Dr Jan Hendrik van Greuning

Hj Sofian bin Mohammad Jani

Errol Melville Kruger (Appointed on 1 October 2023)

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 to 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
Junaidi bin Hj Masri	2	2
Hj Sofian bin Mohammad Jani	2	2

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 22 MAR 2024

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

Junaidi bin Hj Masri
Managing Director

Hj Sofian bin Mohammad Jani
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 2023 and the financial performance, changes in equity and cash flows of the Group and the Bank for the financial year ended 31 December 2023.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated
22 MAR 2024

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

Junaidi bin Hj Masri
Managing Director

Hj Sofian bin Mohammad Jani
Director

Brunei Darussalam

Shariah Advisory Body Report

بِسْمِ ٱللهِ ٱلرَّحْمٰنِ ٱلرَّحِيمِ

ٱلْحَمْدُ لِلهِ رَبِّ ٱلْعَالَمِيْنَ، وَٱلصَّلاَةُ وَٱلسَّلاَمُ 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 2023. 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 based 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 2023 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 realised from sources or by means prohibited by the *Hukum Syara'* have been separated and considered for *Maslahah 'Ammah* (public benefit) disposal 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 us 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, grant 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 resolution of the members,

Associate Professor Dr Abdul Nasir bin Haji Abdul Rani
Chairman

Brunei Darussalam

2 2 MAR 2024

كي . ڤي . عيم . جي .
KPMG
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Bandar Seri Begawan BS8811
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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 Bank as at 31 December 2023, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and notes to the financial statements, comprising material accounting policy information 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards'), so as to give a true and fair view of the financial positions of the Group and of the Bank as at 31 December 2023, and of the financial performances 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, the 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, 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 and IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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
Certified Public Accountants

Sufian bin Zainul Abidin
Public Accountant

Brunei Darussalam
22 March 2024

Income Statements
Year ended 31 December 2023

	Note	Group 2023 B$'000	Group 2022 B$'000	Bank 2023 B$'000	Bank 2022 B$'000
Profits from financing, leasing and investments	3	461,460	338,176	430,700	288,762
Profits paid/payable to depositors	4	(111,584)	(47,709)	(108,631)	(45,159)
Net profit margin		349,876	290,467	322,069	243,603
Fee and commission income	5	54,447	47,318	52,208	45,413
Fee and commission expense	5	(18,323)	(13,760)	(18,323)	(13,760)
Net fee and commission income		36,124	33,558	33,885	31,653
Gain from derivatives and investments	6	13,688	48,043	13,688	48,043
Net foreign exchange loss	6	(48,025)	(57,336)	(48,025)	(57,336)
Other operating income	7	24,815	24,381	45,585	49,296
Total income		376,478	339,113	367,202	315,259
Less:					
Personnel expenses	8	(83,565)	(77,348)	(71,946)	(66,790)
Other expenses	9	(74,591)	(70,898)	(64,558)	(63,418)
Total operating expenses		(158,156)	(148,246)	(136,504)	(130,208)
Operating profit before allowances		218,322	190,867	230,698	185,051
Less:					
Allowance for impairment on financial assets	10	(9,557)	(2,248)	(9,245)	(1,768)
Operating profit		208,765	188,619	221,453	183,283
Share of profits of associate and joint ventures (net of tax)	24	12,263	3,937	-	-
Profit before zakat and tax		221,028	192,556	221,453	183,283
Less:					
Zakat	11	(4,862)	(3,027)	(4,862)	(3,027)
Income tax expense	12	(37,420)	(14,934)	(32,707)	(16,218)
Total zakat and income tax expense		(42,282)	(17,961)	(37,569)	(19,245)
Profit for the year		178,746	174,595	183,884	164,038
Profit for the year attributable to:					
Equity holders of the Bank		178,746	174,595	183,884	164,038
Profit for the year		178,746	174,595	183,884	164,038
Earnings per share					
Basic earnings per share (dollars)	14	0.25	0.24		
Diluted earnings per share (dollars)	14	0.25	0.24		

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

Statements of Comprehensive Income
Year ended 31 December 2023

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Profit for the year	178,746	174,595	183,884	164,038
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
- Net change in fair value of equity investments at FVOCI	377	(2,180)	377	(2,180)
Items that are or may be reclassified subsequently to profit or loss				
- Net change in fair value of debt investments at FVOCI	16,151	(51,197)	16,151	(51,197)
- Foreign currency translation differences	(63)	(38)	-	-
Share of other comprehensive income of associate	42	104	-	-
Tax on other comprehensive income	(3,207)	9,933	(3,207)	9,933
Other comprehensive income for the year, net of tax	13,300	(43,378)	13,321	(43,444)
Total comprehensive income for the year	192,046	131,217	197,205	120,594
Attributable to:				
Equity holders of the Bank	192,046	131,217	197,205	120,594
Total comprehensive income for the year	192,046	131,217	197,205	120,594

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

Statements of Financial Position
As at 31 December 2023

		Group		Bank	
	Note	**2023**	**2022**	**2023**	**2022**
		B$'000	**B$'000**	**B$'000**	**B$'000**
Assets					
Cash and cash equivalents	15	2,002,117	2,999,315	2,004,962	2,998,853
Balances with Brunei Darussalam Central Bank	16	512,770	556,603	470,826	518,660
Placements with and financing and advances to banks	17	1,028,516	1,533,155	1,692,025	1,976,347
Government sukuks	18	9,859	97,332	9,859	97,332
Investments	19	1,414,646	1,401,781	1,414,646	1,401,781
Derivative financial assets	20	67,839	136,613	67,839	136,613
Financing and advances	21	4,952,429	4,282,642	4,145,225	3,541,522
Finance lease receivables	22	12,497	12,529	12,497	12,529
Investments in subsidiaries	23	-	-	32,844	32,844
Investments in associate and joint ventures	24	31,001	49,745	7,080	22,358
Other assets	25	223,515	361,405	255,086	387,065
Property and equipment	26	98,027	94,885	77,992	76,993
Investment property	27	20,270	21,458	20,270	21,458
Deferred tax assets	28	9,537	12,628	9,700	12,592
Assets held for sale	43	30,524	-	15,278	-
Total assets		10,413,547	11,560,091	10,236,129	11,236,947
Liabilities and equity					
Deposits from customers	29	8,121,271	9,329,368	8,022,020	9,229,972
Deposits from banks and other financial institutions	30	329,327	406,047	376,936	322,395
Placements from other financial institutions	31	184,569	-	184,569	-
Derivative financial liabilities	20	15,710	15,569	15,710	15,569
Other liabilities	32	351,360	475,282	349,794	464,679
Zakat		8,612	3,882	8,612	3,882
Provision for taxation		43,412	36,597	38,333	31,394
Total liabilities		9,054,261	10,266,745	8,995,974	10,067,891
Equity					
Share capital	33	507,325	507,325	507,325	507,325
Statutory reserves fund	34	591,175	581,819	544,510	535,316
Other reserves	34	260,786	204,202	188,320	126,415
Total equity attributable to equity holders of the Bank		1,359,286	1,293,346	1,240,155	1,169,056
Total equity		1,359,286	1,293,346	1,240,155	1,169,056
Total liabilities and equity		10,413,547	11,560,091	10,236,129	11,236,947

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 2023 and the financial performance for the year ended 31 December 2023.

Junaidi bin Hj Masri
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

Junaidi bin Hj Masri
Managing Director

Hj Sofian bin Mohammad Jani
Director

Brunei Darussalam

22 MAR 2024

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

Statement of Changes in Equity
Year ended 31 December 2023

				--------------Other reserves--------------			
Group	**Note**	**Share capital B$'000**	**Statutory reserves fund B$'000**	**Fair value reserve B$'000**	**Foreign currency translation reserve B$'000**	**Retained profits B$'000**	**Total shareholders' funds B$'000**
At 1 January 2023		507,325	581,819	(35,682)	(148)	240,032	1,293,346
Profit for the year		-	-	-	-	178,746	178,746
Other comprehensive income		-	-	13,363	(63)	-	13,300
Total comprehensive income for the year		-	-	13,363	(63)	178,746	192,046
Transfers to statutory and other reserves	34	-	9,356	-	-	(9,356)	-
Transactions with owners of the Bank							
Contributions and distributions							
Dividends paid on ordinary shares	13	-	-	-	-	(126,106)	(126,106)
Total contributions and distributions		-	-	-	-	(126,106)	(126,106)
At 31 December 2023		507,325	591,175	(22,319)	(211)	283,316	1,359,286

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

Statement of Changes in Equity (Cont'd)

				--------------Other reserves--------------			
Group	**Note**	**Share capital B$'000**	**Statutory reserves fund B$'000**	**Fair value reserve B$'000**	**Foreign currency translation reserve B$'000**	**Retained profits B$'000**	**Total shareholders' funds B$'000**
At 1 January 2022		507,325	571,971	8,465	(110)	200,584	1,288,235
Profit for the year		-	-	-	-	174,595	174,595
Other comprehensive income		-	-	(43,340)	(38)	-	(43,378)
Total comprehensive income for the year		-	-	(43,340)	(38)	174,595	131,217
Transfers to statutory and other reserves	34	-	9,848	(807)	-	(9,041)	-
Transactions with owners of the Bank							
Contributions and distributions							
Dividends paid on ordinary shares	13	-	-	-	-	(126,106)	(126,106)
Total contributions and distributions		-	-	-	-	(126,106)	(126,106)
At 31 December 2022		507,325	581,819	(35,682)	(148)	240,032	1,293,346

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

Statement of Changes in Equity
Year ended 31 December 2023

Bank	**Note**	**Share capital B$'000**	**Statutory reserves fund B$'000**	**Fair value reserve B$'000**	**Retained profits B$'000**	**Total B$'000**
			-------Other reserves--------			
At 1 January 2023		507,325	535,316	(40,486)	166,901	1,169,056
Profit for the year		-	-	-	183,884	183,884
Other comprehensive income		-	-	13,321	-	13,321
Total comprehensive income for the year		-	-	13,321	183,884	197,205
Transfers to statutory and other reserves	34	-	9,194	-	(9,194)	-
Transactions with owners of the Bank						
Contributions and distributions						
Dividends paid on ordinary shares	13	-	-	-	(126,106)	(126,106)
Total contributions and distributions		-	-	-	(126,106)	(126,106)
At 31 December 2023		507,325	544,510	(27,165)	215,485	1,240,155

Statement of Changes in Equity (cont'd)

Bank	Note	Share capital B$'000	Statutory reserves fund B$'000	--------Other reserves--------- Fair value reserve B$'000	Retained profits B$'000	Total B$'000
At 1 January 2022		507,325	527,114	3,765	136,364	1,174,568
Profit for the year		-	-	-	164,038	164,038
Other comprehensive income		-	-	(43,444)	-	(43,444)
Total comprehensive income for the year		-	-	(43,444)	164,038	120,594
Transfers to statutory and other reserves	34	-	8,202	(807)	(7,395)	-
Transactions with owners of the Bank						
Contributions and distributions						
Dividends paid on ordinary shares	13	-	-	-	(126,106)	(126,106)
Total contributions and distributions		-	-	-	(126,106)	(126,106)
At 31 December 2022		507,325	535,316	(40,486)	166,901	1,169,056

Statements of Cash Flows
Year ended 31 December 2023

	Group		Bank	
	2023 **B$'000**	**2022** **B$'000**	**2023** **B$'000**	**2022** **B$'000**
Cash flows from operating activities				
Profit before zakat and tax	221,028	192,556	221,453	183,283
Adjustments for:				
Dividend income from subsidiaries	-	-	(23,000)	(28,154)
Dividend income from associate	-	-	(524)	(987)
Allowance for impairment on financing and advances made	8,252	3,246	7,962	2,710
Allowance for impairment on receivables made	2,276	2,473	2,276	2,473
Change in fair value of derivatives and investments	34,335	9,293	34,335	9,293
Depreciation/amortisation of property and equipment and investment property	19,170	16,696	15,140	14,448
Allowance for impairment on investments reversed	(971)	(3,471)	(993)	(3,415)
Loss on disposal of property and equipment	584	82	-	-
Share of profits of associate and joint ventures	(12,263)	(3,937)	-	-
	272,411	216,938	256,649	179,651
Changes in:				
Deposits from customers	(1,223,452)	988,885	(1,223,307)	997,250
Deposits from banks and other financial institutions	(76,720)	(174,501)	54,541	(170,270)
Other liabilities	(122,518)	330,818	(114,002)	330,175
Balances with Brunei Darussalam Central Bank	43,834	(64,561)	47,834	(66,317)
Placements with and financing and advances to banks	517,512	(391,054)	297,218	(391,054)
Government sukuks	87,473	(37,346)	87,473	(37,346)
Investments	24,594	(361,774)	24,594	(361,774)
Placements from other financial institutions	184,569	(113,775)	184,569	(113,775)
Financing and advances	(673,017)	(118,447)	(606,643)	(101,800)
Other assets	137,448	(319,271)	132,010	(347,088)
	(827,866)	(44,088)	(859,064)	(82,348)
Zakat paid	-	(3,123)	-	(3,123)
Taxes paid	(29,445)	(30,537)	(24,806)	(23,958)
Net cash used in operating activities	**(857,311)**	**(77,748)**	**(883,870)**	**(109,429)**

Statements of Cash Flows (Cont'd)
Year ended 31 December 2023

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Cash flows from investing activities				
Proceeds from sale of property and equipment	976	1,871	9	-
Purchase of property and equipment	(20,965)	(20,818)	(13,734)	(15,691)
Acquisition of investment property	(12)	(589)	(12)	(589)
Dividend received from subsidiaries	-	-	23,000	28,154
Dividend received from associate	524	987	524	987
Net cash (used in)/generated from investing activities	**(19,477)**	**(18,549)**	**9,787**	**12,861**
Cash flows from financing activities				
Dividends paid	(126,106)	(126,106)	(126,106)	(126,106)
Payment of lease liabilities	(4,049)	(4,214)	(3,447)	(3,346)
Net cash used in financing activities	**(130,155)**	**(130,320)**	**(129,553)**	**(129,452)**
Net change in cash and cash equivalents	(1,006,943)	(226,617)	(1,003,636)	(226,020)
Cash and cash equivalents at 1 January	2,999,315	3,264,565	2,998,853	3,263,506
Effect of exchange rate fluctuations on cash and cash equivalents held	9,745	(38,633)	9,745	(38,633)
Cash and cash equivalents at 31 December	**2,002,117**	**2,999,315**	**2,004,962**	**2,998,853**

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

Statement pursuant to Section 125 of the Brunei Darussalam Companies Act

The consolidated profit for the financial year ended 31 December 2023 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 2023:

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

Junaidi bin Hj Masri
Managing Director

Hj Sofian bin Mohammad Jani
Director

Brunei Darussalam

22 MAR 2024

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 2023 comprise the results and financial position of the Bank, its subsidiaries and the Group's interest in equity-accounted investees.

2 Summary of material 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 IFRS Accounting Standards.

Standards adopted during the year 31 December 2023

The Group and Bank have applied the following IFRSs, amendments to and interpretations of IFRS for the first time for the annual period beginning on 1 January 2023:

- IFRS 17: *Insurance Contracts*
- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to IAS 8: *Definition of Accounting Estimates*
- Amendments to IAS 12: *Deferred tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 12: *International Tax Reform - Pillar Two Model Rules*

Other than the below, the application of these amendments to accounting standards and interpretations does not have a material effect on the financial statements.

Material accounting policy information

The Group and Bank adopted Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies for the first time in 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management has reviewed the accounting policies and no significant updates were made to the information disclosed in Note 2 Summary of material accounting policies (2022: Summary of significant accounting policies).

New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

(b) Basis of 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 IFRS 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 note:

- Financial instruments
  - Financing and advances (Note 21)

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 joint control commences until the date that joint control 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, the 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 fair value through other comprehensive income ("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 fair value through profit or loss ("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; FVOCI – debt investment; or 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.

The Bank fair values the equity investments at each of the subsequent reporting dates and gains and losses are recognised in OCI. However, dividends are recognised in profit or loss unless they clearly represent a repayment of part of the cost of the investment. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the Bank may transfer the cumulative gain or loss within equity.

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 solely payment of principal and profit 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 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 Group 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.

<u>Write-off</u>

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 money market deposits. 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 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 2022 and 2023, there are no financial liabilities that have 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 operating 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 whichever 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 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 operating income’.

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 Assets held for sale

Assets that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group and Bank’s accounting policies. Thereafter, the assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Equity accounting of associates and joint ventures ceases once classified as held for sale.

2.11 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 (collateralised Murabahah or 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.

2.12 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 direct cost of fulfilling the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2.13 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 statement 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.

2.14 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.

2.15 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.

2.16 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

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.

2.17 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets.*

The Group has determined that the global minimum top-up tax - which it is required to pay under Pillar Two legislation - is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred as there is no impact from this tax.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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
  - at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;

- temporary differences related to investments in subsidiaries, associates, and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and 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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profit improves.

The measurement of deferred taxes reflects the tax consequences that would allow the manner in which the Group expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the carrying amount of the investment property is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax assets and liabilities are offset only if certain criteria are met.

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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax

2.18 Zakat

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

2.19 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"). Effective July 2023 a new retirement scheme, Skim Persaraan Kebangsaan ("SPK") was introduced to replace the existing TAP & SCP scheme. SPK is 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 (inclusive of TAP or SPK contribution). The contributions to TAP, ERF and SPK respectively 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.

2.20 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	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Financing and leasing	254,166	229,566	201,119	177,251
Securities				
- Profit from sukuks	48,239	40,102	48,239	40,102
- Dividend income	4,852	3,343	4,852	3,343
Balances and placements with banks and other financial institutions	154,203	65,165	176,490	68,066
Total	461,460	338,176	430,700	288,762

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 profit from sukuk and dividend income from investments at FVTPL of B$4,852,000 (2022: B$4,641,000) and profit from investments at FVOCI of B$39,660,000 (2022: B$26,647,000).

4 Profits paid/payable to depositors

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Deposits from customers:				
- Non-Mudharabah fund	105,553	44,885	103,124	43,521
	105,553	44,885	103,124	43,521
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	6,031	2,824	5,507	1,638
Total	111,584	47,709	108,631	45,159

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	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Fees and commission income:				
- Trade finance and Al-Kafalah (guarantee)	7,348	5,893	7,348	5,893
- Ar-Rahnu (pawn/pledge)	2,985	2,557	2,985	2,557
- Credit and debit cards	30,047	25,736	30,047	25,736
- Commission	5,833	5,455	5,461	5,283
- Others	8,234	7,677	6,367	5,944
Total fee and commission income	54,447	47,318	52,208	45,413
Fee and commission expense:				
- Credit and debit cards	(18,323)	(13,760)	(18,323)	(13,760)
Total fee and commission expense	(18,323)	(13,760)	(18,323)	(13,760)
Net fee and commission income	36,124	33,558	33,885	31,653

The Group and Bank's net fee and commission income are entirely from financial assets and liabilities measured at amortised cost.

6 Gain/(loss) from derivatives and investments

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Net fair value gain on derivatives	11,456	60,154	11,456	60,154
Fair value gain/(loss) on investments designated at fair value through profit or loss	2,232	(11,469)	2,232	(11,469)
Loss from sale of investment securities at fair value through profit or loss	-	(642)	-	(642)
Total	13,688	48,043	13,688	48,043
Net foreign exchange loss	(48,025)	(57,336)	(48,025)	(57,336)
Total	(34,337)	(9,293)	(34,337)	(9,293)

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 contracts are included in gain or loss from derivatives and investments. The net impact is as follows:

	Group		**Bank**	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Net fair value gain on forward exchange derivatives	8,442	62,491	8,442	62,491
Net foreign exchange loss	(48,025)	(57,336)	(48,025)	(57,336)
Net effect from forward exchange derivatives and foreign exchange (loss)/gain	(39,583)	5,155	(39,583)	5,155

7 Other operating income

	Group		**Bank**	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Dividend income from subsidiaries and associate	-	-	23,524	29,141
Rental income from investment property	2,725	2,484	2,725	2,484
Recovery of financing written off	14,769	17,925	13,691	16,757
Others	7,321	3,972	5,645	914
Total	24,815	24,381	45,585	49,296

Others include finance lease income of B$608,000 (2022: B$450,000) on finance lease receivables for the current financial year.

8 Personnel expenses

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Salaries and wages	47,486	45,494	40,350	38,836
Allowances and bonuses	26,953	23,711	23,135	20,650
Contributions to defined contribution plans	5,438	5,909	4,870	5,209
Others	3,688	2,234	3,591	2,095
Total	83,565	77,348	71,946	66,790

9 Other expenses

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Promotion				
Advertisement and publicity	1,641	1,057	1,172	755
Operational				
Office rental	1,487	1,085	1,631	1,237
Depreciation/amortisation of property and equipment and investment property	19,170	16,696	15,140	14,448
Electronic data processing expenses	15,527	15,681	10,319	10,693
Office expenses	9,628	9,723	8,790	8,730
	45,812	43,185	35,880	35,108
General expenses				
Auditors' remuneration:				
- Statutory audit fees	640	644	520	525
- Audit related fees	40	40	40	40
Professional fees	4,236	6,110	5,523	7,231
Takaful, repair and maintenance	6,639	6,888	6,339	6,614
Licence	4,784	4,878	4,741	4,835
Others	10,799	8,096	10,343	8,310
	27,138	26,656	27,506	27,555
Total	74,591	70,898	64,558	63,418

10 Allowance for impairment on financial assets

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Allowance for impairment on financing and advances	8,252	3,246	7,962	2,710
Allowance for impairment on receivables	2,276	2,473	2,276	2,473
Allowance for impairment on investments reversed	(971)	(3,471)	(993)	(3,415)
Total	9,557	2,248	9,245	1,768

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**	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Current tax expense				
Current year	37,161	29,895	33,022	25,980
Changes in estimates related to prior years	-	(19,984)	-	(13,208)
	37,161	9,911	33,022	12,772
Deferred tax expense				
Origination and reversal of temporary differences	259	5,023	(315)	3,446
Total tax expense recognised in profit or loss	37,420	14,934	32,707	16,218
Tax recognised in other comprehensive income				
Investments at fair value through other comprehensive income	3,207	(9,933)	3,207	(9,933)

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

	Group		**Bank**	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Profit before zakat and taxation	221,028	192,556	221,453	183,283
Income tax using the domestic corporate tax rate of 18.5% (2022: 18.5%)	40,890	35,623	40,969	33,907
Tax effect of non-deductible expenses	222	171	222	171
Tax effect of non-taxable revenue	-	-	(4,352)	(5,391)
Tax incentives	(777)	(701)	(777)	(701)
Tax effect of zakat	(899)	(557)	(899)	(557)
Changes in estimates related to prior years	-	(19,984)	-	(13,208)
Others	(2,016)	382	(2,456)	1,997
Total	37,420	14,934	32,707	16,218

13 Dividend per ordinary share

	Group and Bank	
	2023	**2022**
	B$'000	**B$'000**
On ordinary shares		
Net dividend paid on ordinary shares	126,106	126,106

	Group and Bank			
	2023		**2022**	
	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	0.1740	126,106	0.1740	126,106

At the Annual General Meeting on 29 September 2023, a final dividend in respect of financial year ended 31 December 2022 of B$0.174 on 724,749,512 ordinary shares, amounting to B$126,106,415 was approved and paid on 27 October 2023.

14 Earnings per share

Basic Earnings per Share ("EPS")

	Group	
	2023	**2022**
Profit for the year attributable to equity holders of the Group (B$'000)	178,746	174,595
Weighted average number of ordinary shares of the Group and Bank ('000)	724,750	724,750
Basic EPS (B$)	0.25	0.24

Diluted Earnings per Share

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

15 Cash and cash equivalents

	Group		Bank	
	2023 B$'000	2022 B$'000	2023 B$'000	2022 B$'000
Cash in hand	56,815	60,231	56,385	59,778
Balances with banks and other financial institutions	155,469	115,352	158,744	115,343
Money at call and short notice and interbank placements with original maturity not exceeding three months	1,789,833	2,823,732	1,789,833	2,823,732
Cash and cash equivalents in the statements of financial position	2,002,117	2,999,315	2,004,962	2,998,853

16 Balances with Brunei Darussalam Central Bank

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 Brunei Darussalam Central Bank ("BDCB"). At present, the minimum cash reserve requirement is 6% of the weighted average deposit liabilities as defined by the BDCB.

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

		Group		Bank	
	Note	2023 B$'000	2022 B$'000	2023 B$'000	2022 B$'000
Investments at amortised cost	19.1	178,392	262,703	178,392	262,703
Investments at fair value through profit or loss	19.2	86,030	84,688	86,030	84,688
Investments at fair value through other comprehensive income	19.3	1,150,224	1,054,390	1,150,224	1,054,390
Total		1,414,646	1,401,781	1,414,646	1,401,781

On 1 May 2022, the Bank's Trading Sukuk changed its business model from FVTPL to FVOCI. At the date of change in classification, an amount of B$121,934,000 was transferred from Investments at FVTPL to Investments at FVOCI and the effective yield of these trading sukuk was determined at 3.6%. The debt investments continue to be measured at fair value but subsequent gains and losses are recognised in OCI rather than profit or loss. Profit from sukuks recognised during the current year was B$4,570,000 (2022: B$3,075,000 - 8 months from date of reclassification).

19.1 Investments at amortised cost

	Group		Bank	
	2023	2022	2023	2022
	B$'000	B$'000	B$'000	B$'000
Quoted debt securities	178,436	263,468	178,436	263,468
Less: Expected Credit Losses	(44)	(765)	(44)	(765)
Total	178,392	262,703	178,392	262,703

19.2 Investments at fair value through profit or loss

	Group		Bank	
	2023	2022	2023	2022
	B$'000	B$'000	B$'000	B$'000
Equity securities	1,223	230	1,223	230
Structured notes	84,807	84,458	84,807	84,458
Total	86,030	84,688	86,030	84,688

19.3 Investments at fair value through other comprehensive income

	Group		Bank	
	2023	2022	2023	2022
	B$'000	B$'000	B$'000	B$'000
Quoted debt securities	1,133,006	1,012,234	1,133,006	1,012,234
Equity securities	17,218	42,156	17,218	42,156
Total	1,150,224	1,054,390	1,150,224	1,054,390

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 2023 B$'000	Fair value at 31 December 2022 B$'000	Dividend income recognised during 2023 B$'000	Dividend income recognised during 2022 B$'000
Quoted equity securities	16,912	41,856	900	2,653
Unquoted equity securities	306	300	-	-
Total	17,218	42,156	900	2,653

As at 31 December 2023 and 31 December 2022, there were no investments being pledged as collateral for interbank placement from other financial institutions.

20 Derivative financial assets/(liabilities)

The following table summarises 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	
	2023 B$'000	2022 B$'000	2023 B$'000	2022 B$'000
Derivative assets	3,372,021	4,784,280	67,839	136,613
Derivative liabilities	1,988,122	1,041,905	(15,710)	(15,569)
Total	5,360,143	5,826,185	52,129	121,044

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	
	2023	2022	2023	2022
	B$'000	B$'000	B$'000	B$'000
Cash line/Naqad (overdrafts)	128,523	128,395	128,523	128,395
Mortgages	857,031	791,631	857,031	791,631
Hire purchase	782,227	709,043	-	-
Lease receivables	229,321	116,105	229,321	116,105
Other term financing	2,443,893	2,093,672	2,414,847	2,057,334
Bills receivable	460,522	407,252	460,522	407,252
Staff financing	13,687	14,983	13,687	14,983
Credit/charge cards	51,242	46,802	51,242	46,802
Others	25,248	21,376	25,197	20,879
Gross financing and advances	4,991,694	4,329,259	4,180,370	3,583,381
Less: Allowances for losses on financing and advances	(39,265)	(46,617)	(35,145)	(41,859)
Net financing and advances	4,952,429	4,282,642	4,145,225	3,541,522

(b) By contract

	Group		Bank	
	2023	2022	2023	2022
	B$'000	B$'000	B$'000	B$'000
Al-Kafalah bil Mal dan Al-Bai	1,166	984	1,166	984
Al-Wakalah bil Ujrah	50,076	45,818	50,076	45,818
Bai' Bithaman Ajil (*deferred payment sale*)	501,735	540,909	501,735	540,909
Ijarah (*lease*)	229,321	116,105	229,321	116,105
Ijarah Muntahiah Bittamlik/AITAB (*lease ended with ownership*)	811,324	745,878	-	-
Murabahah (*cost-plus*)	1,576,403	1,244,385	1,576,403	1,244,385
Musharakah (*profit and loss sharing*)	375,922	311,059	375,922	311,059
Qard (*Advances*)	2	2	2	2
Tawarruq	1,420,548	1,303,240	1,420,548	1,303,240
Others	25,197	20,879	25,197	20,879
Total	4,991,694	4,329,259	4,180,370	3,583,381

(c) By security

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Unsecured	328,123	273,086	328,123	273,086
Credit enhanced by:				
- Assignment of salary or income	959,541	954,340	959,541	954,340
- Assignment of fixed or floating charge	190,554	234,345	190,554	234,345
Secured by:				
- Cash	596,060	530,912	596,060	530,912
- Properties	1,620,986	1,250,151	1,620,986	1,250,151
- Vessels	458,875	319,057	458,875	319,057
- Motor vehicles	788,325	716,786	1,034	700
- Others	49,230	50,582	25,197	20,790
Total	4,991,694	4,329,259	4,180,370	3,583,381

(d) By sector

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Agricultural	15,512	20,316	15,512	20,316
Financial	323,015	230,252	323,015	230,252
Manufacturing	60,994	64,945	60,994	64,945
Transportation	839,708	834,000	52,005	117,511
Infrastructure	31,000	28,070	31,000	28,070
Traders	107,222	105,977	107,222	105,977
Services	60,531	73,737	60,531	73,737
Residential property (personal)	931,152	883,873	931,152	883,873
Commercial	696,160	379,051	696,160	379,051
Tourism	6,928	7,601	6,928	7,601
Telecommunication and information technology	10,441	3,653	10,441	3,653
Personal and consumption financing	941,487	941,620	917,866	912,231
Oil and gas	967,544	756,164	967,544	756,164
Total	4,991,694	4,329,259	4,180,370	3,583,381

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	
	2023	2022	2023	2022
	B$'000	B$'000	B$'000	B$'000
At 1 January	134,576	148,338	130,648	143,340
Classified as impaired during the year	26,890	74,236	25,977	73,562
Reclassified as performing	(2,844)	(4,285)	(2,395)	(3,480)
Amount recovered	(53,110)	(63,060)	(53,110)	(63,060)
Amount written off against allowances	(15,604)	(20,653)	(14,676)	(19,714)
At 31 December	89,908	134,576	86,444	130,648
Gross impaired financing as a percentage of gross financing and advances	1.8%	3.1%	2.1%	3.6%

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	
	2023	2022	2023	2022
	B$'000	B$'000	B$'000	B$'000
Agricultural	4,553	4,323	4,553	4,323
Manufacturing	11,401	13,872	11,401	13,872
Transportation	4,569	4,904	1,699	1,703
Infrastructure	1,091	1,233	1,091	1,233
Traders	8,830	10,660	8,830	10,660
Services	3,821	34,330	3,821	34,330
Residential property (personal)	14,496	20,939	14,496	20,939
Commercial	24,779	25,499	24,779	25,499
Tourism	670	630	670	630
Telecommunication and information technology	6	497	6	497
Personal and consumption financing	10,005	11,016	9,411	10,289
Oil and gas	5,687	6,673	5,687	6,673
Total	89,908	134,576	86,444	130,648

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

	Group B$'000	Bank B$'000
As at 1 January 2022	64,024	58,863
Allowance made during the year	3,246	2,710
Amount written off during the year	(20,653)	(19,714)
At 31 December 2022	46,617	41,859
Allowance made during the year	8,252	7,962
Amount written off during the year	(15,604)	(14,676)
At 31 December 2023	39,265	35,145

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
2023			
Within one year	760	23	737
Between one and five years	3,120	474	2,646
More than five years	22,460	13,346	9,114
Total	26,340	13,843	12,497

	------------Group and Bank --------------		
	Future minimum lease payments B$'000	Profit B$'000	Present value of minimum lease payments B$'000
2022			
Within one year	720	21	699
Between one and five years	3,100	473	2,627
More than five years	23,240	14,037	9,203
Total	27,060	14,531	12,529

23 Investments in subsidiaries

	Bank 2023 B$'000	Bank 2022 B$'000
Unquoted equity investments, at cost	34,559	34,559
Less: Allowance for impairment loss	(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 2023 %	Effective ownership interest 2022 %
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
BIBD Middle East Limited	Advisory services	United Arab Emirates	100	100

24 Investments in associate and joint ventures

		Group		Bank	
	Note	**2023**	**2022**	**2023**	**2022**
		B$'000	**B$'000**	**B$'000**	**B$'000**
Investment in associate	24.1	31,001	28,636	7,080	7,080
Investments in joint ventures	24.2	-	21,109	-	15,278
Total		31,001	49,745	7,080	22,358

24.1 Investment in associate

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	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	23,921	21,556	-	-
Investment in associate	31,001	28,636	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**	
			2023	**2022**
			%	**%**
Syarikat Takaful Brunei Darussalam Sdn Bhd	Family and general takaful businesses	Negara Brunei Darussalam	31	31

	2023	**2022**
	B$'000	**B$'000**
Group's share in net assets of associate at the beginning of the year	28,636	26,819
Group's share of:		
- profit from continuing operations	2,847	2,700
- dividend received	(524)	(987)
- other comprehensive income	42	104
Carrying amount of interest in associate at the end of the year	31,001	28,636

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

	2023 **B$'000**	**2022** **B$'000**
Current assets	213,745	187,159
Non-current assets	238,915	217,636
Current liabilities	(33,693)	(26,874)
Non-current liabilities	(318,473)	(285,554)
Net assets	100,494	92,367

	2023 **B$'000**	**2022** **B$'000**
Revenue	42,997	27,243
Profit from continuing operations	8,866	8,184
Other comprehensive income	135	336
Total comprehensive income	9,001	8,520

Included in balances above are the following amounts:

	2023 **B$'000**	**2022** **B$'000**
Cash and cash equivalents	175,612	155,737
Current financial liabilities excluding trade, other payables and provisions	(6,273)	(3,545)
Non-current financial liabilities excluding trade, other payables and provisions	(318,473)	(285,554)
Depreciation and amortisation	(1,867)	(784)
Income tax expense or income	(907)	(568)

24.2 Investments in joint ventures

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
At cost				
Unquoted shares	-	15,278	-	15,278
Share of post-acquisition reserves	-	5,831	-	-
Investments in joint ventures	-	21,109	-	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**	
			2023	**2022**
			%	**%**
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

	2023	**2022**
	B$'000	**B$'000**
Group's share in net assets of joint ventures at the beginning of the year	21,109	19,872
Group's share of:		
- profit from continuing operations	9,415	1,237
Reclassification to assets held for sale (Note 43)	(30,524)	-
Carrying amount of interest in joint ventures at the end of the year	-	21,109

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

	2022
	B$'000
Current assets	12,667
Non-current assets	96,625
Current liabilities	(20,560)
Non-current liabilities	(28,831)
Net assets	59,901

	2022
	B$'000
Revenue	23,810
Profit from continuing operations	2,475

Included in balances above are the following amounts:

	2022
	B$'000
Cash and cash equivalents	113
Current financial liabilities excluding trade, other payables and provisions	(13,111)
Non-current financial liabilities excluding trade, other payables and provisions	(20,086)
Depreciation and amortisation	(7,913)
Income tax expense or income	(1,934)

25 Other assets

	Group		**Bank**	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Receivables	34,413	31,320	45,711	29,611
Accrued income and bills receivable	14,033	14,805	15,205	15,169
Foreign acceptance receivable	167,275	311,088	167,275	311,088
Sundry debtors	4,935	2,261	1,027	1,048
Intercompany receivables	-	-	23,200	28,348
	220,656	359,474	252,418	385,264
Prepayments	2,859	1,931	2,668	1,801
Total	223,515	361,405	255,086	387,065

26 Property and equipment

	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
Group							
Cost							
At 1 January 2022	39,318	51,958	8,894	14,410	74,398	47,941	236,919
Additions	8	3,726	-	17,251	-	1,345	22,330
Disposals	-	(158)	(3,385)	-	-	(856)	(4,399)
Transfers	902	10,798	-	(17,476)	5,776	-	-
At 31 December 2022	40,228	66,324	5,509	14,185	80,174	48,430	254,850
Additions	78	7,115	-	13,772	-	1,214	22,179
Disposals	-	(1,056)	-	-	(9)	(955)	(2,020)
Transfers	366	8,576	-	(14,736)	5,794	-	-
At 31 December 2023	40,672	80,959	5,509	13,221	85,959	48,689	275,009
Accumulated depreciation							
At 1 January 2022	27,200	42,091	4,259	-	67,036	6,529	147,115
Depreciation/Amortisation for the year	3,119	3,882	(153)	-	4,863	3,423	15,134
Disposals	-	(155)	(1,273)	-	-	(856)	(2,284)
At 31 December 2022	30,319	45,818	2,833	-	71,899	9,096	159,965
Depreciation/Amortisation for the year	2,972	7,359	(97)	-	4,317	3,419	17,970
Disposals	-	-	-	-	-	(953)	(953)
At 31 December 2023	33,291	53,177	2,736	-	76,216	11,562	176,982
Carrying amounts							
At 1 January 2022	12,118	9,867	4,635	14,410	7,362	41,412	89,804
At 31 December 2022	9,909	20,506	2,676	14,185	8,275	39,334	94,885
At 31 December 2023	7,381	27,782	2,773	13,221	9,743	37,127	98,027

	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
Bank							
Cost							
At 1 January 2022	36,760	40,533	133	9,961	71,990	45,687	205,064
Additions	-	-	-	15,691	-	1,246	16,937
Disposals	-	-	-	-	-	(818)	(818)
Transfers	879	7,420	-	(14,075)	5,776	-	-
At 31 December 2022	37,639	47,953	133	11,577	77,766	46,115	221,183
Additions	-	-	-	13,734	-	1,214	14,948
Disposals	-	-	-	-	(9)	(910)	(919)
Transfers	358	8,108	-	(14,199)	5,733	-	-
At 31 December 2023	37,997	56,061	133	11,112	83,490	46,419	235,212
Accumulated depreciation							
At 1 January 2022	25,563	35,296	133	-	65,407	5,723	132,122
Depreciation/Amortisation for the year	2,938	308	-	-	6,799	2,841	12,886
Disposals	-	-	-	-	-	(818)	(818)
At 31 December 2022	28,501	35,604	133	-	72,206	7,746	144,190
Depreciation/Amortisation for the year	2,779	4,253	-	-	4,041	2,867	13,940
Disposals	-	-	-	-	-	(910)	(910)
At 31 December 2023	31,280	39,857	133	-	76,247	9,703	157,220
Carrying amounts							
At 1 January 2022	11,197	5,237	-	9,961	6,583	39,964	72,942
At 31 December 2022	9,138	12,349	-	11,577	5,560	38,369	76,993
At 31 December 2023	6,717	16,204	-	11,112	7,243	36,716	77,992

27 Investment property

	Group and Bank B$'000
Cost	
At 1 January 2022	34,503
Additions	589
At 31 December 2022	35,092
Additions	12
At 31 December 2023	35,104
Accumulated amortisation	
At 1 January 2022	12,072
Charge for the year	1,562
At 31 December 2022	13,634
Charge for the year	1,200
At 31 December 2023	14,834
Carrying amounts	
At 31 December 2022	21,458
At 31 December 2023	20,270

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 from November 2022, the fair value of the investment property is B$31,000,000 (2022: B$31,000,000). 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 an estimated occupancy rate of 70% (2022: 75%).

28 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

Group	**At 1 January 2022** **B$'000**	**Recognised in profit or loss** **B$'000**	**Recognised in other comprehensive income** **B$'000**	**At 31 December 2022** **B$'000**	**Recognised in profit or loss** **B$'000**	**Recognised in other comprehensive income** **B$'000**	**At 31 December 2023** **B$'000**
Deferred tax assets							
Allowance for financing and advances	11,318	(2,903)	-	8,415	(1,088)	-	7,327
Allowance for investment	870	(729)	-	141	(96)	-	45
Allowance for investment in subsidiary	317	-	-	317	-	-	317
Investments at fair value through other comprehensive income	-	-	9,515	9,515	-	(3,207)	6,308
Others	250	261	-	511	595	-	1,106
Total	12,755	(3,371)	9,515	18,899	(589)	(3,207)	15,103
Deferred tax liabilities							
Property and equipment	(2,565)	(2,601)	-	(5,166)	(1,071)	-	(6,237)
Investments at fair value through other comprehensive income	(418)	-	418	-	-	-	-
Others	(2,054)	949	-	(1,105)	1,776	-	671
Total	(5,037)	(1,652)	418	(6,271)	705	-	(5,566)
Total deferred tax assets	7,718	(5,023)	9,933	12,628	116	(3,207)	9,537

Bank	At 1 January 2022 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2022 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2023 B$'000
Deferred tax assets							
Allowance for financing and advances	10,194	(2,631)	-	7,563	(1,088)	-	6,475
Allowance for investment	870	(729)	-	141	(96)	-	45
Allowance for investment in subsidiary	317	-	-	317	-	-	317
Investments at fair value through other comprehensive income	-	-	9,515	9,515	-	(3,207)	6,308
Others	202	276	-	478	624	-	1,102
Total	11,583	(3,084)	9,515	18,014	(560)	(3,207)	14,247
Deferred tax liabilities							
Property and equipment	(2,146)	(1,061)	-	(3,207)	(1,071)	-	(4,278)
Investments at fair value through other comprehensive income	(418)	-	418	-	-	-	-
Others	(2,914)	699	-	(2,215)	1,946	-	(269)
Total	(5,478)	(362)	418	(5,422)	875	-	(4,547)
Total deferred tax assets	6,105	(3,446)	9,933	12,592	315	(3,207)	9,700

29 Deposits from customers

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Non-Mudharabah				
Demand deposits	2,711,814	2,540,878	2,714,260	2,544,136
Saving deposits	1,569,159	1,546,295	1,512,888	1,489,354
General investment deposits	3,840,298	5,242,195	3,794,872	5,196,482
Total	8,121,271	9,329,368	8,022,020	9,229,972

30 Deposits from banks and other financial institutions

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Non-Mudharabah				
Licensed Islamic banks and financial institutions in Brunei Darussalam	61,002	181,755	58,814	68,180
Licensed finance companies in Brunei Darussalam	-	3	107,234	58,926
Licensed insurance companies in Brunei Darussalam	1,420	685	1,420	685
Licensed Islamic insurance companies	257,282	213,502	199,845	184,502
Other banks and financial institutions abroad	9,623	10,102	9,623	10,102
Total	329,327	406,047	376,936	322,395

Within the Licensed finance companies in Brunei Darussalam for the Bank are balances due to subsidiaries of B$107,234,000 (2022: B$58,923,000).

31 Placements from other financial institutions

Short term interbank placement have original maturities less than 6 months.

32 Other liabilities

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Other creditors	38,368	41,910	33,308	31,788
Employee benefits	23,377	21,779	23,231	20,234
Account payable	53,471	38,252	56,618	41,407
Lease liabilities	37,887	39,480	37,690	38,686
Foreign acceptance payable	167,275	311,088	167,275	311,088
Others	30,982	22,773	31,672	21,476
Total	351,360	475,282	349,794	464,679

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

	2023 Lease liabilities B$'000
Group	
Opening balance at 1 January 2023	39,480
Changes from financing cash flow	
Payment of lease liabilities	(4,049)
Other changes - Liability-related	
New leases	1,220
Profit expense on leases	1,236
Balance at 31 December 2023	37,887

	2022 Lease liabilities B$'000
Group	
Opening balance at 1 January 2022	41,059
Changes from financing cash flow	
Payment of lease liabilities	(4,214)
Other changes - Liability-related	
New leases	1,345
Profit expense on leases	1,290
Balance at 31 December 2022	39,480

	2023 Lease liabilities B$'000
Bank	
Opening balance at 1 January 2023	38,686
Changes from financing cash flow	
Payment of lease liabilities	(3,447)
Other changes - Liability-related	
New leases	1,214
Profit expense on leases	1,236
Balance at 31 December 2023	37,689

	2022 Lease liabilities B$'000
Bank	
Opening balance at 1 January 2022	39,536
Changes from financing cash flow	
Payment of lease liabilities	(3,346)
Other changes - Liability-related	
New leases	1,246
Profit expense on leases	1,250
Balance at 31 December 2022	38,686

33 Share capital

	Number of shares		Amount	
	2023	**2022**	**2023**	**2022**
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 2022	571,971
Transfer in respect of current year's profit	9,848
At 31 December 2022	581,819
Transfer in respect of current year's profit	9,356
At 31 December 2023	591,175

Bank	Total B$'000
At 1 January 2022	527,114
Transfer in respect of current year's profit	8,202
At 31 December 2022	535,316
Transfer in respect of current year's profit	9,194
At 31 December 2023	544,510

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

Other reserves

	Fair value reserve B$'000	Foreign currency translation reserve B$'000	Retained profits B$'000	Total B$'000
Group				
At 1 January 2022	8,465	(110)	200,584	208,939
Profit for the year	-	-	174,595	174,595
Other comprehensive income	(43,340)	(38)	-	(43,378)
Transfers to statutory and other reserves	(807)	-	(9,041)	(9,848)
Dividends paid on ordinary shares	-	-	(126,106)	(126,106)
At 31 December 2022	(35,682)	(148)	240,032	204,202
Profit for the year	-	-	178,746	178,746
Other comprehensive income	13,363	(63)	-	13,300
Transfers to statutory and other reserves	-	-	(9,356)	(9,356)
Dividends paid on ordinary shares	-	-	(126,106)	(126,106)
At 31 December 2023	(22,319)	(211)	283,316	260,786
Distributable retained profits			279,001	279,001
Non-distributable retained profits for PRCL			4,315	4,315
At 31 December 2023			283,316	283,316

	Fair value reserve B$'000	Retained earnings B$'000	Total B$'000
Bank			
At 1 January 2022	3,765	136,364	140,129
Profit for the year	-	164,038	164,038
Other comprehensive income	(43,444)	-	(43,444)
Transfers to statutory and other reserves	(807)	(7,395)	(8,202)
Dividends paid on ordinary shares	-	(126,106)	(126,106)
At 31 December 2022	(40,486)	166,901	126,415
Profit for the year	-	183,884	183,884
Other comprehensive income	13,321	-	13,321
Transfers to statutory and other reserves	-	(9,194)	(9,194)
Dividends paid on ordinary shares	-	(126,106)	(126,106)
At 31 December 2023	(27,165)	215,485	188,320
Distributable retained profits		211,207	211,207
Non-distributable retained profits for PRCL		4,278	4,278
At 31 December 2023		215,485	215,485

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 prudential reserve for credit losses ("PRCL") which relates to accrued profit income on non-performing financing and advances. In compliance with BDCB 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) All outstanding balances with related parties are priced on an arms length basis. The related parties balance are unsecured except for financing to joint ventures. The significant outstanding balances of the Group and the Bank with related parties are as follows:

	Group	
	2023	**2022**
	B$'000	**B$'000**
Joint Ventures		
Amount due from		
Financing	-	33,210
Amount due to		
Deposits	-	6,721

	Group	
	2023	**2022**
	B$'000	**B$'000**
Associate		
Amount due to	200,700	188,408
Key management personnel		
Amount due from		
Financing (ex. Credit cards)	1,657	1,849
Credit cards	93	68
Amount due to		
Deposits	6,773	4,881
Other related parties		
Amount due to		
Deposits	458,210	336,684

	Bank	
	2023	**2022**
	B$'000	**B$'000**
Joint Ventures		
Amount due from		
Financing	-	33,210
Amount due to		
Deposits	-	6,721
Subsidiaries		
Amount due from		
Placements	663,835	443,306
Others	1,307	490
Amount due to		
Deposits	110,764	61,559
Others	5,020	4,997
Associate		
Amount due to	141,651	123,976

	Bank 2023 B$'000	Bank 2022 B$'000
Key management personnel		
Amount due from		
Financing (ex. Credit cards)	1,251	1,346
Credit cards	93	68
Key management personnel		
Amount due to		
Deposits	4,705	3,049
Other related parties		
Amount due to		
Deposits	458,210	336,684

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

	Group		Bank	
	2023 B$'000	**2022 B$'000**	**2023 B$'000**	**2022 B$'000**
Subsidiaries				
Income				
Other income	-	-	28,305	31,117
Expenditure				
Profit paid/payable on deposits	-	-	(242)	775
Other expenditure	-	-	3,455	3,654
Joint ventures				
Income				
Income on financing	1,576	2,468	1,576	2,468
Expenditure				
Profit paid/payable on deposits	14	3	14	3
Associate				
Income				
Fees and commission	372	276	-	-

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Expenditure				
Profit paid/payable on deposits	3,350	1,418	2,175	735
Other expenditure	157	146	-	-
Key management personnel				
Income				
Income on financing	60	70	27	35
Expenditure				
Profit paid/payable on deposits	215	178	45	16
Other related parties				
Expenditure				
Profit paid/payable on deposits	9,065	3,656	9,065	3,656

Key management personnel

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

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Directors' fees and other remuneration	766	433	766	433
Other key management personnel:				
- Salary and employee benefits	5,829	5,478	5,387	5,092
Withholding tax paid	20	15	20	15

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

	Group	
	2023	**2022**
Number of shares held ('000)	132	49

Interest held by associate

The number of shares of the Bank held by the associate as at 31 December 2023 is 11,706,000 (2022: 11,706,000).

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 the failure of customers or counterparties to a financial instruments 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 BDCB. The Bank monitors and manages its exposures to counterparties on a day-to-day basis.

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

- Country limits;
- Business segments;
- Single customer groups;
- Counterparties; and
- Collateral valuation.

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 the failure of customers' or counterparties' to a financial instruments 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 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	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Credit risk exposure of recognised assets:				
Cash and cash equivalents	2,002,117	2,999,315	2,004,962	2,998,853
Balances with Brunei Darussalam Central Bank	512,770	556,603	470,826	518,660
Placements with and financing and advances to banks	1,028,516	1,533,155	1,692,025	1,976,347
Government sukuks	9,859	97,332	9,859	97,332
Investments *	1,396,205	1,359,395	1,396,205	1,359,395
Derivative financial assets	67,839	136,613	67,839	136,613
Financing and advances	4,952,429	4,282,642	4,145,225	3,541,522
Finance lease receivables	12,497	12,529	12,497	12,529
Other assets **	220,656	359,474	252,418	385,264
Sub-total	10,202,888	11,337,058	10,051,856	11,026,515
Credit risk exposure of unrecognised financial instruments:				
Credit commitments	926,997	578,633	926,997	578,633
Contingent liabilities	399,176	311,711	399,176	311,711
Sub-total	1,326,173	890,344	1,326,173	890,344
Total credit exposures	11,529,061	12,227,402	11,378,029	11,916,859

* 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$'000	Balances with Brunei Darussalam Central Bank B$'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										
2023										
Agricultural	-	-	-	-	-	14,077	-	-	14,077	15,648
Financial	3,030,633	-	-	841,323	67,839	322,993	-	-	4,262,788	114,338
Manufacturing	-	-	-	-	-	60,673	-	-	60,673	13,646
Transportation	-	-	-	-	-	834,590	-	-	834,590	11,318
Infrastructure	-	-	-	155,316	-	30,867	-	-	186,183	97,353
Traders	-	-	-	-	-	102,110	-	-	102,110	27,270
Services	-	-	-	21,665	-	58,180	12,497	-	92,342	59,876
Residential property (personal)	-	-	-	-	-	926,128	-	-	926,128	75,745
Commercial	-	-	-	49,626	-	693,259	-	-	742,885	393,801
Tourism	-	-	-	-	-	6,855	-	-	6,855	7,208
Telecommunication and information technology	-	-	-	7,517	-	10,419	-	-	17,936	32,367
Personal and consumption financing	-	-	-	-	-	926,116	-	-	926,116	99,612
Oil and gas	-	-	-	-	-	966,162	-	-	966,162	308,392
Others	-	512,770	9,859	320,757	-	-	-	220,656	1,064,042	69,599
Total	3,030,633	512,770	9,859	1,396,204	67,839	4,952,429	12,497	220,656	10,202,887	1,326,173

* 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 Brunei Darussalam Central Bank	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
Group										
2022										
Agricultural	-	-	-	-	-	18,846	-	-	18,846	25,344
Financial	4,532,470	-	-	798,238	136,613	230,236	-	-	5,697,557	93,790
Manufacturing	-	-	-	-	-	64,691	-	-	64,691	13,965
Transportation	-	-	-	6,451	-	828,182	-	-	834,633	13,736
Infrastructure	-	-	-	171,891	-	28,012	-	-	199,903	46,872
Traders	-	-	-	-	-	101,413	-	-	101,413	39,886
Services	-	-	-	21,910	-	71,315	12,529	-	105,754	29,306
Residential property (personal)	-	-	-	-	-	875,477	-	-	875,477	65,177
Commercial	-	-	-	17,187	-	376,015	-	-	393,202	18,234
Tourism	-	-	-	-	-	7,517	-	-	7,517	2,795
Telecommunication and information technology	-	-	-	7,555	-	3,639	-	-	11,194	6,338
Personal and consumption financing	-	-	-	-	-	921,859	-	-	921,859	82,306
Oil and gas	-	-	-	-	-	755,440	-	-	755,440	452,595
Others	-	556,603	97,332	336,163	-	-	-	359,474	1,349,572	-
Total	4,532,470	556,603	97,332	1,359,395	136,613	4,282,642	12,529	359,474	11,337,058	890,344

* 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$'000	Balances with Brunei Darussalam Central Bank B$'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										
2023										
Agricultural	-	-	-	-	-	14,077	-	-	14,077	15,648
Financial	3,696,987	-	-	841,323	67,839	322,993	-	-	4,929,142	114,338
Manufacturing	-	-	-	-	-	60,673	-	-	60,673	13,646
Transportation	-	-	-	-	-	51,005	-	-	51,005	11,318
Infrastructure	-	-	-	155,316	-	30,867	-	-	186,183	97,353
Traders	-	-	-	-	-	102,110	-	-	102,110	27,270
Services	-	-	-	21,665	-	58,180	12,497	-	92,342	59,876
Residential property (personal)	-	-	-	-	-	926,128	-	-	926,128	75,745
Commercial	-	-	-	49,626	-	693,259	-	-	742,885	393,801
Tourism	-	-	-	-	-	6,855	-	-	6,855	7,208
Telecommunication and information technology	-	-	-	7,517	-	10,419	-	-	17,936	32,367
Personal and consumption financing	-	-	-	-	-	902,497	-	-	902,497	99,612
Oil and gas	-	-	-	-	-	966,162	-	-	966,162	308,392
Others	-	470,826	9,859	320,757	-	-	-	252,418	1,053,860	69,599
Total	3,696,987	470,826	9,859	1,396,204	67,839	4,145,225	12,497	252,418	10,051,855	1,326,173

* 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$'000	Balances with Brunei Darussalam Central Bank B$'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										
2022										
Agricultural	-	-	-	-	-	18,846	-	-	18,846	25,344
Financial	4,975,200	-	-	798,238	136,613	230,236	-	-	6,140,287	93,790
Manufacturing	-	-	-	-	-	64,691	-	-	64,691	13,965
Transportation	-	-	-	6,451	-	116,543	-	-	122,994	13,736
Infrastructure	-	-	-	171,891	-	27,920	-	-	199,811	46,872
Traders	-	-	-	-	-	101,413	-	-	101,413	39,886
Services	-	-	-	21,910	-	71,315	12,529	-	105,754	29,306
Residential property (personal)	-	-	-	-	-	875,477	-	-	875,477	65,177
Commercial	-	-	-	17,187	-	376,015	-	-	393,202	18,234
Tourism	-	-	-	-	-	7,517	-	-	7,517	2,795
Telecommunication and information technology	-	-	-	7,555	-	3,639	-	-	11,194	6,338
Personal and consumption financing	-	-	-	-	-	892,470	-	-	892,470	82,306
Oil and gas	-	-	-	-	-	755,440	-	-	755,440	452,595
Others	-	518,660	97,332	336,163	-	-	-	385,264	1,337,419	-
Total	4,975,200	518,660	97,332	1,359,395	136,613	3,541,522	12,529	385,264	11,026,515	890,344

* 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)

	2023		2022	
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	596,060	596,060	530,912	530,912
Properties	1,620,986	1,574,378	1,250,151	1,190,241
Vessels	458,875	455,495	319,057	312,652
Motor vehicles and others	834,014	661,620	767,368	616,017
Total	3,509,935	3,287,553	2,867,488	2,649,822

	2023		2022	
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	596,060	596,060	530,912	530,912
Properties	1,620,986	1,574,378	1,250,151	1,190,241
Vessels	458,875	455,495	319,057	312,652
Motor vehicles and others	26,231	26,231	21,490	21,490
Total	2,702,152	2,652,164	2,121,610	2,055,295

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$3,746,000 (2022: B$2,999,000) for the Group and B$2,507,000 (2022: B$2,096,000) 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:

<u>Neither past due nor impaired</u>

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.
<u>Past due but not impaired</u>	Obligors rated in this category have financial commitments that are past due but no objective evidence of impairment.
<u>Impaired</u>	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.

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

	Group		Bank	
	2023 B$'000	**2022 B$'000**	**2023 B$'000**	**2022 B$'000**
Neither past due nor impaired	4,828,681	4,137,061	4,039,409	3,413,301
Past due but not impaired	73,106	57,623	54,517	39,432
Impaired	89,908	134,575	86,444	130,648
	4,991,694	4,329,259	4,180,370	3,583,381
Allowance for impairment on financing and advances	(39,265)	(46,617)	(35,145)	(41,859)
Total	4,952,429	4,282,642	4,145,225	3,541,522

Credit quality analysis

	2023			
Group	**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	3,454,889	34,347	-	3,489,236
Fair	1,159,392	180,053	-	1,339,445
Past due but not impaired	26,292	46,814	-	73,106
Impaired	-	-	89,908	89,908
Total	4,640,573	261,214	89,908	4,991,694
Allowance for impairment on financing and advances	(10,761)	(3,084)	(25,420)	(39,265)
Total	4,629,812	258,130	64,488	4,952,429

	2022			
Group	**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	3,077,753	49,950	-	3,127,703
Fair	982,170	27,188	-	1,009,358
Past due but not impaired	29,389	28,234	-	57,623
Impaired	-	-	134,575	134,575
Total	4,089,312	105,372	134,575	4,329,259
Allowance for impairment on financing and advances	(12,746)	(2,034)	(31,837)	(46,617)
Total	4,076,566	103,338	102,738	4,282,642

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:

	2023		
	12-month ECL B$'000	**Lifetime ECL – not credit-impaired B$'000**	**Total B$'000**
Group			
By ageing:			
Current	11,740	16,011	27,751
1 month-in-arrears (1 to 30 days)	14,552	23,445	37,997
2 months-in-arrears (31 to 60 days)	-	5,456	5,456
3 months-in-arrears (61 to 90 days)	-	1,902	1,902
Total	26,292	46,814	73,106

	2022		
	12-month ECL B$'000	**Lifetime ECL – not credit-impaired B$'000**	**Total B$'000**
Group			
By ageing:			
Current	17,046	748	17,794
1 month-in-arrears (1 to 30 days)	12,343	21,062	33,405
2 months-in-arrears (31 to 60 days)	-	4,261	4,261
3 months-in-arrears (61 to 90 days)	-	2,162	2,162
Total	29,389	28,233	57,622

	2023			
Bank	**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	3,199,300	34,347	-	3,233,647
Fair	625,709	180,053	-	805,762
Past due but not impaired	26,292	28,225	-	54,517
Impaired	-	-	86,444	86,444
Total	3,851,301	242,625	86,444	4,180,370
Allowance for impairment on financing and advances	(9,871)	(2,883)	(22,391)	(35,145)
Total	3,841,430	239,742	64,053	4,145,225

	2022			
Bank	**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	2,711,098	49,950	-	2,761,048
Fair	625,065	27,188	-	652,253
Past due but not impaired	29,389	10,043	-	39,432
Impaired	-	-	130,648	130,648
Total	3,365,552	87,181	130,648	3,583,381
Allowance for impairment on financing and advances	(11,800)	(1,801)	(28,258)	(41,859)
Total	3,353,752	85,380	102,390	3,541,522

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:

	2023		
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Total**
	B$'000	**B$'000**	**B$'000**
Bank			
By ageing:			
Current	11,740	16,011	27,751
1 month-in-arrears (1 to 30 days)	14,552	5,397	19,949
2 months-in-arrears (31 to 60 days)	-	4,915	4,915
3 months-in-arrears (61 to 90 days)	-	1,902	1,902
Total	26,292	28,225	54,517

	2022		
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Total**
	B$'000	**B$'000**	**B$'000**
Bank			
By ageing:			
Current	17,046	748	17,794
1 month-in-arrears (1 to 30 days)	12,343	3,314	15,657
2 months-in-arrears (31 to 60 days)	-	3,819	3,819
3 months-in-arrears (61 to 90 days)	-	2,162	2,162
Total	29,389	10,043	39,432

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

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Group				
Balance at 1 January	12,746	2,034	31,837	46,617
Transfer to/(from) Stage 1	417	(242)	(175)	-
Transfer to/(from) Stage 2	(35)	194	(159)	-
Transfer to/(from) Stage 3	(56)	(251)	307	-
Net remeasurement of loss allowance	(5,696)	666	10,056	5,026
New financial assets originated or purchased	4,812	1,478	771	7,061
Financial assets that have been derecognised	(1,399)	(794)	(1,642)	(3,835)
Write-offs	(29)	(3)	(15,572)	(15,604)
Balance at 31 December	10,760	3,082	25,423	39,265

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Group				
Balance at 1 January	16,588	1,991	45,445	64,024
Transfer to/(from) Stage 1	(2,036)	(234)	61	(2,209)
Transfer to/(from) Stage 2	(47)	977	(29)	901
Transfer to/(from) Stage 3	(75)	(483)	6,238	5,680
Net remeasurement of loss allowance	(46)	(216)	2,990	2,728
New financial assets originated or purchased	5,685	281	546	6,512
Financial assets that have been derecognised	(7,277)	(233)	(2,856)	(10,366)
Write-offs	(46)	(49)	(20,558)	(20,653)
Balance at 31 December	12,746	2,034	31,837	46,617

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Bank				
Balance at 1 January	11,800	1,801	28,258	41,859
Transfer to/(from) Stage 1	445	(269)	(176)	-
Transfer to/(from) Stage 2	(130)	306	(176)	-
Transfer to/(from) Stage 3	(74)	(263)	337	-
Net remeasurement of loss allowance	(5,201)	680	9,528	5,007
New financial assets originated or purchased	4,364	1,403	740	6,507
Financial assets that have been derecognised	(1,331)	(774)	(1,447)	(3,552)
Write-offs	-	(2)	(14,674)	(14,676)
Balance at 31 December	9,873	2,882	22,390	35,145

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Bank				
Balance at 1 January	15,885	1,824	41,154	58,863
Transfer to/(from) Stage 1	(2,006)	(326)	(325)	(2,657)
Transfer to/(from) Stage 2	(63)	1,042	(277)	702
Transfer to/(from) Stage 3	(76)	(485)	6,427	5,866
Net remeasurement of loss allowance	(20)	(197)	2,905	2,688
New financial assets originated or purchased	5,313	211	544	6,068
Financial assets that have been derecognised	(7,233)	(219)	(2,505)	(9,957)
Write-offs	-	(49)	(19,665)	(19,714)
Balance at 31 December	11,800	1,801	28,258	41,859

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

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

The Group managed its exposure to credit risk by investing only in liquid debt securities majority with counterparties that have a credit rating of at least BBB- or its rating equivalent from BDCB approved External Credit Assessment Institution (ECAI), and a small portion to below investment grade or unrated Sukuk. If no such ECAI is available, 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 on the type of asset and sukuk feature which range between 20% 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					
2023					
Debt securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	-	-	-	-	-
Rate A+ to A-	38,372	(3)	-	-	38,369
Rated BBB+ to BBB-	64,909	(11)	-	-	64,898
Rated BB+ or below	75,155	(30)	-	-	75,125
Unrated-Quasi-government	-	-	-	-	-
Unrated-Others	-	-	-	-	-
Other investments	-	-	-	-	-
Total	178,436	(44)	-	-	178,392

	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
2022					
Debt securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	-	-	-	-	-
Rate A+ to A-	80,399	(6)	-	-	80,393
Rated BBB+ to BBB-	106,341	(32)	-	-	106,309
Rated BB+ or below	76,601	(727)	-	-	75,874
Unrated-Quasi-government	-	-	-	-	-
Unrated-Others	127	-	-	-	127
Other investments	-	-	-	-	-
Total	263,468	(765)	-	-	262,703

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					
2023					
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	84,807	-	-	-	84,807
Total	84,807	-	-	-	84,807

	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
2022					
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	84,458	-	-	-	84,458
Total	84,458	-	-	-	84,458

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					
2023					
Quoted securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	112,756	(14)	-	-	112,742
Rate A+ to A-	768,329	(138)	-	-	768,191
Rated BBB+ to BBB-	142,167	(21)	-	-	142,146
Rated BB+ or below	77,633	(21)	-	-	77,612
Unrated-Quasi-government	32,121	(6)	-	-	32,115
Unrated-Others	-	-	-	-	-
Other investments	-	-	-	-	-
Total	1,133,006	(200)	-	-	1,132,806

	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
2022					
Quoted securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	58,329	(6)	-	-	58,323
Rate A+ to A-	680,844	(82)	-	-	680,762
Rated BBB+ to BBB-	162,219	(94)	-	-	162,125
Rated BB+ or below	78,461	(126)	-	-	78,335
Unrated-Quasi-government	31,368	(10)	-	-	31,358
Unrated-Others	1,331	-	-	-	1,331
Other investments	-	-	-	-	-
Total	1,012,552	(318)	-	-	1,012,234

Government sukuks held by the Group (refer to Note 18) are issued by Brunei Darussalam Central Bank. 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						
2023						
Derivative financial assets	67,839	-	67,839	(5,587)	-	62,252
Derivative financial liabilities	15,362	-	15,362	(5,587)	-	9,775
2022						
Derivative financial assets	136,613	-	136,613	(411)	-	136,202
Derivative financial liabilities	12,154	-	12,154	(411)	-	11,743

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 at fair value.

(b) Market risk

Overview of the Bank’s market risk

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

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

Management of market risk

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

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

As at 31 December 2023, the IBOR reform in respect of currencies to which the Group has exposure has been completed.

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								
2023								
Assets								
Cash and cash equivalents	1,700,250	86,738	-	-	-	215,129	-	2,002,117
Balances with Brunei Darussalam Central Bank	-	-	-	-	-	512,770	-	512,770
Placements with and financing and advances to banks	104,269	343,108	581,139	-	-	-	-	1,028,516
Government sukuks	-	-	9,859	-	-	-	-	9,859
Investments at amortised cost	-	25,726	72,042	80,624	-	-	-	178,392
Investments at fair value through profit or loss *	-	-	-	-	-	-	84,807	84,807
Investments at fair value through other comprehensive income *	44,597	60,824	171,456	817,128	39,001	16,912	-	1,149,918
Derivative financial assets	-	-	-	-	-	-	67,839	67,839
Financing and advances **	98,141	555,495	457,500	1,980,525	1,860,768	-	-	4,952,429
Finance lease receivables	-	-	-	-	12,497	-	-	12,497
Other assets ***	-	-	-	-	-	220,656	-	220,656
Total	1,947,257	1,071,891	1,291,996	2,878,277	1,912,266	965,467	152,646	10,219,800

* Financial assets at fair value through profit or loss and at other comprehensive income exclude unquoted fund and investments in unquoted equity securities, respectively.
** 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								
2023								
Liabilities								
Deposits from customers	(5,919,105)	(518,371)	(1,509,341)	(174,391)	(63)	-	-	(8,121,271)
Deposits from banks and other financial institutions	(118,670)	(75,839)	(163,565)	28,747	-	-	-	(329,327)
Derivative financial liabilities	-	-	-	-	-	-	(15,710)	(15,710)
Placements from other financial institutions	(52,734)	-	(131,835)	-	-	-	-	(184,569)
Other liabilities	-	-	-	-	-	(351,360)	-	(351,360)
Total	(6,090,509)	(594,210)	(1,804,741)	(145,644)	(63)	(351,360)	(15,710)	(9,002,237)
Recognised assets profit sensitivity gap	(4,143,252)	477,681	(512,745)	2,732,633	1,912,203	614,107	136,936	1,217,563
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(1,326,173)	-	(1,326,173)
Total profit sensitivity gap	(4,143,252)	477,681	(512,745)	2,732,633	1,912,203	(712,066)	136,936	(108,610)

	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								
2022								
Assets								
Cash and cash equivalents	2,717,941	99,562	-	-	-	181,812	-	2,999,315
Balances with Brunei Darussalam Central Bank	-	-	-	-	-	556,603	-	556,603
Placements with and financing and advances to banks	570,597	195,230	767,328	-	-	-	-	1,533,155
Government sukuks	89,892	7,440	-	-	-	-	-	97,332
Investments at amortised cost	-	33,707	47,506	181,490	-	-	-	262,703
Investments at fair value through profit or loss *	-	-	-	-	-	-	84,458	84,458
Investments at fair value through other comprehensive income *	68,511	72,779	1,238	847,782	21,821	41,959	-	1,054,090
Derivative financial assets	-	-	-	-	-	-	136,613	136,613
Financing and advances **	140,444	521,709	295,123	1,544,419	1,780,947	-	-	4,282,642
Finance lease receivables	-	-	-	-	12,529	-	-	12,529
Other assets ***	-	-	-	-	-	359,474	-	359,474
Total	3,587,385	930,427	1,111,195	2,573,691	1,815,297	1,139,848	221,071	11,378,914

* Financial assets at fair value through profit or loss and at other comprehensive income exclude unquoted fund and investments in unquoted equity securities, respectively.
** 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								
2022								
Liabilities								
Deposits from customers	(6,585,341)	(1,169,677)	(1,363,813)	(209,990)	(547)	-	-	(9,329,368)
Deposits from banks and other financial institutions	(127,586)	(65,661)	(143,200)	(69,600)	-	-	-	(406,047)
Derivative financial liabilities	-	-	-	-	-	-	(15,569)	(15,569)
Placements from other financial institutions	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	(475,282)	-	(475,282)
Total	(6,712,927)	(1,235,338)	(1,507,013)	(279,590)	(547)	(475,282)	(15,569)	(10,226,266)
Recognised assets profit sensitivity gap	(3,125,542)	(304,911)	(395,818)	2,294,101	1,814,750	664,566	205,502	1,152,648
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(890,344)	-	(890,344)
Total profit sensitivity gap	(3,125,542)	(304,911)	(395,818)	2,294,101	1,814,750	(225,778)	205,502	262,304

	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								
2023								
Assets								
Cash and cash equivalents	1,703,096	86,738	-	-	-	215,128	-	2,004,962
Balances with Brunei Darussalam Central Bank	-	-	-	-	-	470,826	-	470,826
Placements with and financing and advances to banks	104,471	343,108	1,244,445	-	-	-	-	1,692,024
Government sukuks	-	-	9,859	-	-	-	-	9,859
Investments at amortised cost	-	25,726	72,042	80,624	-	-	-	178,392
Investments at fair value through profit or loss *	-	-	-	-	-	-	84,807	84,807
Investments at fair value through other comprehensive income *	44,597	60,824	171,456	817,128	39,001	16,912	-	1,149,918
Derivative financial assets	-	-	-	-	-	-	67,839	67,839
Financing and advances **	98,144	554,795	445,051	1,609,309	1,437,926	-	-	4,145,225
Finance lease receivables	-	-	-	-	12,497	-	-	12,497
Other assets ***	-	-	-	-	-	252,418	-	252,418
Total	1,950,308	1,071,191	1,942,853	2,507,061	1,489,424	955,284	152,646	10,068,767

* Financial assets at fair value through profit or loss and at other comprehensive income exclude unquoted fund and investments in unquoted equity securities, respectively.
** 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								
2023								
Liabilities								
Deposits from customers	(5,856,584)	(509,295)	(1,491,513)	(164,628)	-	-	-	(8,022,020)
Deposits and placements of banks and other financial institutions	(126,920)	(15,269)	(192,247)	(42,500)	-	-	-	(376,936)
Derivative financial liabilities	-	-	-	-	-	-	(15,710)	(15,710)
Placements from other financial institutions	(52,734)	-	(131,835)	-	-	-	-	(184,569)
Other liabilities	-	-	-	-	-	(349,794)	-	(349,794)
Total	(6,036,238)	(524,564)	(1,815,595)	(207,128)	-	(349,794)	(15,710)	(8,949,029)
Recognised assets profit sensitivity gap	(4,085,930)	546,627	127,258	2,299,933	1,489,424	605,490	136,936	1,119,738
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(1,326,173)	-	(1,326,173)
Total profit sensitivity gap	(4,085,930)	546,627	127,258	2,299,933	1,489,424	(720,683)	136,936	(206,435)

	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								
2022								
Assets								
Cash and cash equivalents	2,717,932	99,562	-	-	-	181,359	-	2,998,853
Balances with Brunei Darussalam Central Bank	-	-	-	-	-	518,660	-	518,660
Placements with and financing and advances to banks	570,597	195,230	1,210,520	-	-	-	-	1,976,347
Government sukuks	89,892	7,440	-	-	-	-	-	97,332
Investments at amortised cost	-	33,707	47,506	181,490	-	-	-	262,703
Investments at fair value through profit or loss *	-	-	-	-	-	-	84,458	84,458
Investments at fair value through other comprehensive income *	68,511	72,779	1,238	847,782	21,821	41,959	-	1,054,090
Derivative financial assets	-	-	-	-	-	-	136,613	136,613
Financing and advances **	140,556	521,292	282,842	1,310,825	1,286,007	-	-	3,541,522
Finance lease receivables	-	-	-	-	12,529	-	-	12,529
Other assets ***	-	-	-	-	-	385,264	-	385,264
Total	3,587,488	930,010	1,542,106	2,340,097	1,320,357	1,127,242	221,071	11,068,371

* Financial assets at fair value through profit or loss and at other comprehensive income exclude unquoted fund and investments in unquoted equity securities, respectively.
** 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								
2022								
Liabilities								
Deposits from customers	(6,523,065)	(1,165,430)	(1,347,754)	(193,723)	-	-	-	(9,229,972)
Deposits and placements of banks and other financial institutions	(122,087)	(29,361)	(111,647)	(59,300)	-	-	-	(322,395)
Derivative financial liabilities	-	-	-	-	-	-	(15,569)	(15,569)
Placements from other financial institutions	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	(464,679)	-	(464,679)
Total	(6,645,152)	(1,194,791)	(1,459,401)	(253,023)	-	(464,679)	(15,569)	(10,032,615)
Recognised assets profit sensitivity gap	(3,057,664)	(264,781)	82,705	2,087,074	1,320,357	662,563	205,502	1,035,756
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(890,344)	-	(890,344)
Total profit sensitivity gap	(3,057,664)	(264,781)	82,705	2,087,074	1,320,357	(227,781)	205,502	145,412

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**
2023						
Variable rate instruments	3,773	(3,773)	11,319	(11,319)	30,184	(30,184)
2022						
Variable rate instruments	1,677	(1,677)	5,031	(5,031)	13,416	(13,416)

(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	**EUR**	**GBP**	**Others**
	B$'000	**B$'000**	**B$'000**	**B$'000**
2023				
Assets				
Cash and short term funds	1,293,254	13,790	169,737	7,893
Placements with and financing and advances to banks	968,306	-	60,059	-
Investments	1,414,644	306	-	-
Financing and advances	693,093	-	390,490	-
Others	198,925	79	3,202	-
Total	4,568,222	14,176	623,488	7,893
Liabilities and Equities				
Deposits from customers	(1,267,970)	(13,588)	(340,344)	(7,086)
Deposits from banks and other financial institutions	(20,261)	-	(1)	-
Placements from other financial institutions	(184,569)	-	-	-
Others	(145,468)	(2)	(4,963)	(17)
Total	(1,618,268)	(13,590)	(345,308)	(7,103)
Net foreign exchange exposure	2,949,954	586	278,180	790
Effect of use of derivatives	(2,947,169)	393	(277,935)	-
Net exposure	2,785	979	245	790
2022				
Assets				
Cash and short term funds	1,502,044	13,835	27,187	8,697
Placements with and financing and advances to banks	1,364,327	-	122,567	-
Investments	1,402,666	300	-	-
Financing and advances	564,445	-	275,125	-
Others	344,136	-	2,276	-
Total	5,177,618	14,135	427,155	8,697

	Group and Bank			
2022	**USD B$'000**	**EUR B$'000**	**GBP B$'000**	**Others B$'000**
Liabilities				
Deposits from customers	(1,061,100)	(14,259)	(356,678)	(8,223)
Deposits from banks and other financial institutions	(11,374)	-	(1)	-
Placements from other financial institutions	-	-	-	-
Others	(311,997)	(2)	(1,141)	(12)
Total	(1,384,471)	(14,261)	(357,820)	(8,235)
Net foreign exchange exposure	3,793,147	(126)	69,335	462
Effect of use of derivatives	(3,963,984)	-	(69,202)	-
Net exposure	(170,837)	(126)	133	462

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			
	2023		**2022**	
	-1% depreciation B$'000	**+1% appreciation B$'000**	**-1% depreciation B$'000**	**+1% appreciation B$'000**
Group and Bank				
USD	(28)	28	1,708	(1,708)
EUR	(10)	10	1	(1)
GBP	(2)	2	(1)	1
Others	(8)	8	(5)	5
Total	(48)	48	1,703	(1,703)

(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$122,000 and B$122,000 respectively (2022: B$23,000 and B$23,000 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$31,000 and B$31,000 respectively (2022: B$30,000 and B$30,000 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 BDCB. The Bank and the subsidiary were in compliance with these requirements during the year ended 31 December 2023.

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									
2023									
Assets									
Cash, balances and placements with banks	2,002,117	2,004,178	2,004,178	-	-	-	-	-	-
Balances with Brunei Darussalam Central Bank	512,770	512,770	393,663	31,893	72,007	15,203	-	4	-
Placements with and financing and advances to banks	1,028,516	1,127,382	450,757	508,942	167,683	-	-	-	-
Government sukuks	9,859	10,000	-	10,000	-	-	-	-	-
Investments *	1,413,118	1,562,485	141,377	189,075	233,635	541,604	398,613	40,977	17,204
Derivative financial assets	67,839	63,916	62,929	42	945	-	-	-	-
Financing and advances	4,952,429	5,497,738	1,121,188	363,912	544,035	1,555,916	641,973	1,270,714	-
Finance lease receivables	12,497	26,340	180	190	390	1,560	1,560	22,460	-
Other assets **	220,656	251,297	179,613	3,714	10,416	439	12	57,103	-
Total	10,219,801	11,056,106	4,353,885	1,107,768	1,029,111	2,114,722	1,042,158	1,391,258	17,204

* 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									
2023									
Liabilities									
Deposits from customers	(8,121,271)	(8,173,226)	(6,435,492)	(502,709)	(1,049,824)	(185,138)	-	(63)	-
Deposits and placements of banks and other financial institutions	(329,327)	(376,163)	(128,029)	(29,049)	(150,738)	(68,347)	-	-	-
Derivative financial liabilities	(15,710)	7,274	3,637	(14,197)	402	(410)	17,842	-	-
Placements from other financial institutions	(184,569)	(184,569)	(52,734)	(131,835)	-	-	-	-	-
Other liabilities	(313,473)	(296,969)	(214,298)	(21,664)	(18,973)	(17,694)	(2,727)	(21,613)	-
Lease liabilities	(37,887)	(37,454)	(278)	(511)	(949)	(3,504)	(2,586)	(29,626)	-
Total	(9,002,237)	(9,061,107)	(6,827,194)	(699,965)	(1,220,082)	(275,093)	12,529	(51,302)	-
Recognised assets net liquidity gap	1,217,564	1,994,999	(2,473,309)	407,803	(190,971)	1,839,629	1,054,687	1,339,956	17,204
Commitments and contingencies	(1,326,173)	(1,326,173)	(1,326,173)	-	-	-	-	-	-
Net liquidity gap	(108,609)	668,826	(3,799,482)	407,803	(190,971)	1,839,629	1,054,687	1,339,956	17,204

	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									
2022									
Assets									
Cash, balances and placements with banks	2,999,315	2,999,315	2,999,315	-	-	-	-	-	-
Balances with Brunei Darussalam Central Bank	556,603	556,603	449,775	35,707	53,462	17,573	-	86	-
Placements with and financing and advances to banks	1,533,155	1,561,185	767,990	209,191	584,004	-	-	-	-
Government sukuks	97,332	97,450	97,450	-	-	-	-	-	-
Investments *	1,401,251	1,557,676	214,637	59,637	18,822	794,005	404,805	23,877	41,893
Derivative financial assets	136,613	134,126	132,939	1,187	-	-	-	-	-
Financing and advances	4,282,642	4,803,311	1,040,813	279,230	429,759	1,241,847	528,476	1,283,186	-
Finance lease receivables	12,529	27,060	180	180	360	1,540	1,560	23,240	-
Other assets **	359,474	359,473	328,212	2,079	1,749	14,983	10,542	1,908	-
Total	11,378,914	12,096,199	6,031,311	587,211	1,088,156	2,069,948	945,383	1,332,297	41,893

* 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									
2022									
Liabilities									
Deposits from customers	(9,329,368)	(9,365,607)	(7,761,567)	(559,443)	(822,486)	(220,597)	-	(1,514)	-
Deposits and placements of banks and other financial institutions	(406,047)	(417,439)	(143,831)	(68,164)	(117,179)	(88,265)	-	-	-
Derivative financial liabilities	(15,569)	8,094	(11,767)	275	480	10,260	8,846	-	-
Placements from other financial institutions	-	-	-	-	-	-	-	-	-
Other liabilities	(435,802)	(435,802)	(385,393)	(16,280)	(9,662)	(12,054)	(1,827)	(10,586)	-
Lease liabilities	(39,480)	(39,480)	(794)	(70)	(57)	(645)	(1,892)	(36,022)	-
Total	(10,226,266)	(10,250,234)	(8,303,352)	(643,682)	(948,904)	(311,301)	5,127	(48,122)	-
Recognised assets net liquidity gap	1,152,648	1,845,965	(2,272,041)	(56,471)	139,252	1,758,647	950,510	1,284,175	41,893
Commitments and contingencies	(890,344)	(890,344)	(890,344)	-	-	-	-	-	-
Net liquidity gap	262,304	955,621	(3,162,385)	(56,471)	139,252	1,758,647	950,510	1,284,175	41,893

	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									
2023									
Assets									
Cash and cash equivalents	2,004,962	2,007,023	2,007,023	-	-	-	-	-	-
Balances with Brunei Darussalam Central Bank	470,826	470,826	362,373	29,265	66,969	12,219	-	-	-
Placements with and financing and advances to banks	1,692,024	1,720,708	450,757	508,962	760,989	-	-	-	-
Government sukuks	9,859	10,000	-	10,000	-	-	-	-	-
Investments *	1,413,118	1,562,485	141,377	189,075	233,635	541,604	398,613	40,977	17,204
Derivative financial assets	67,839	63,916	62,929	42	945	-	-	-	-
Financing and advances	4,145,225	4,684,888	1,121,600	363,912	527,690	1,183,020	641,973	846,693	-
Finance lease receivables	12,497	26,340	180	190	390	1,560	1,560	22,460	-
Other assets **	252,418	285,953	214,269	3,714	10,416	439	12	57,103	-
Total	10,068,768	10,832,139	4,360,508	1,105,160	1,601,034	1,738,842	1,042,158	967,233	17,204

* 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									
2023									
Liabilities									
Deposits from customers	(8,022,020)	(8,083,050)	(6,372,453)	(497,086)	(1,038,083)	(175,428)	-	-	-
Deposits from banks and other financial institutions	(376,936)	(381,460)	(142,280)	(29,049)	(165,884)	(44,247)	-	-	-
Derivative financial liabilities	(15,710)	7,274	3,637	(14,197)	402	(410)	17,842	-	-
Placements from other financial institutions	(184,569)	(184,569)	(52,734)	(131,835)	-	-	-	-	-
Other liabilities	(312,104)	(303,058)	(220,387)	(21,664)	(18,973)	(17,694)	(2,727)	(21,613)	-
Lease liabilities	(37,690)	(37,690)	(514)	(511)	(949)	(3,504)	(2,586)	(29,626)	-
Total	(8,949,029)	(8,982,553)	(6,784,731)	(694,342)	(1,223,487)	(241,283)	12,529	(51,239)	-
Recognised assets net liquidity gap	1,119,739	1,849,586	(2,424,223)	410,817	377,546	1,497,559	1,054,687	915,994	17,204
Commitments and contingencies	(1,326,173)	(1,326,173)	(1,326,173)	-	-	-	-	-	-
Net liquidity gap	(206,434)	523,413	(3,750,396)	410,817	377,546	1,497,559	1,054,687	915,994	17,204

	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									
2022									
Assets									
Cash and cash equivalents	2,998,853	2,998,853	2,998,853	-	-	-	-	-	-
Balances with Brunei Darussalam Central Bank	518,660	518,661	424,314	33,598	46,384	14,365	-	-	-
Placements with and financing and advances to banks	1,976,347	2,004,377	767,990	209,077	1,027,310	-	-	-	-
Government sukuks	97,332	97,450	97,450	-	-	-	-	-	-
Investments *	1,401,251	1,557,676	214,637	59,637	18,822	794,005	404,805	23,877	41,893
Derivative financial assets	136,613	134,126	132,939	1,187	-	-	-	-	-
Financing and advances	3,541,522	4,057,433	1,039,534	279,230	417,074	1,006,546	528,476	786,573	-
Finance lease receivables	12,529	27,060	180	180	360	1,540	1,560	23,240	-
Other assets **	385,264	385,264	354,003	2,079	1,749	14,983	10,542	1,908	-
Total	11,068,371	11,780,900	6,029,900	584,988	1,511,699	1,831,439	945,383	835,598	41,893

* 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									
2022									
Liabilities									
Deposits from customers	(9,229,972)	(9,264,433)	(7,694,440)	(553,088)	(813,143)	(203,762)	-	-	-
Deposits from banks and other financial institutions	(322,395)	(326,111)	(151,544)	(68,164)	(44,544)	(61,859)	-	-	-
Derivative financial liabilities	(15,569)	8,094	(11,767)	275	480	10,260	8,846	-	-
Placements from other financial institutions	-	-	-	-	-	-	-	-	-
Other liabilities	(425,993)	(425,993)	(375,584)	(16,280)	(9,662)	(12,054)	(1,827)	(10,586)	-
Lease liabilities	(38,686)	(38,686)	-	(70)	(57)	(645)	(1,892)	(36,022)	-
Total	(10,032,615)	(10,047,129)	(8,233,335)	(637,327)	(866,926)	(268,060)	5,127	(46,608)	-
Recognised assets net liquidity gap	1,035,756	1,733,771	(2,203,435)	(52,339)	644,773	1,563,379	950,510	788,990	41,893
Commitments and contingencies	(890,344)	(890,344)	(890,344)	-	-	-	-	-	-
Net liquidity gap	145,412	843,427	(3,093,779)	(52,339)	644,773	1,563,379	950,510	788,990	41,893

(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 Head of Divisions.

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 investments 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 BDCB, 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 rates 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 B$'000	**Mandatorily at FVTPL B$'000**	**Amortised cost B$'000**	**Total B$'000**	**Level 1 B$'000**	**Level 2 B$'000**	**Level 3 B$'000**	**Total B$'000**
Group and Bank								
2023								
Financial assets								
Investments	1,150,224	86,030	178,392	1,414,646	1,325,628	84,807	1,529	1,411,964
Government sukuks	9,859	-	-	9,859	-	-	9,859	9,859
Forward exchange contracts	-	67,839	-	67,839	-	67,839	-	67,839
	1,160,083	153,869	178,392	1,492,344	1,325,628	152,646	11,388	1,489,662
Financial liabilities								
Forward exchange contracts	-	(15,361)	-	(15,361)	-	(15,361)	-	(15,361)
Derivative liabilities	-	(349)	-	(349)	(349)	-	-	(349)

	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								
2022								
Financial assets								
Investments	1,054,390	84,688	262,703	1,401,781	1,313,400	84,458	531	1,398,389
Government sukuks	97,332	-	-	97,332	-	-	97,332	97,332
Forward exchange contracts	-	136,613	-	136,613	-	136,613	-	136,613
	1,151,722	221,301	262,703	1,635,726	1,313,400	221,071	97,863	1,632,334
Financial liabilities								
Forward exchange contracts	-	(12,154)	-	(12,154)	-	(12,154)	-	(12,154)
Derivative liabilities	-	(3,415)	-	(3,415)	(3,415)	-	-	(3,415)

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 notes	FVTPL	2	Issuer quoted prices (bid-ask) of the structured notes 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 ("NAV"): 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 Net Tangible Assets ("NTA") method, which is the closest proxy to fair value. NTA is the value of all tangible assets after deducting all liabilities in a business.	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 2023	97,633	230	97,863
Matured during the year	(339,673)	-	(339,673)
Purchased during the year	252,021	1,223	253,244
Distribution of capital	-	(153)	(153)
Fair value movements during the year	179	-	179
Foreign exchange gain/(loss)	6	(77)	(71)
At 31 December 2023	10,166	1,223	11,389

	FVOCI B$'000	**FVTPL B$'000**	**Total B$'000**
At 1 January 2022	60,308	665	60,973
Matured during the year	(332,025)	-	(332,025)
Purchased during the year	369,085	-	369,085
Distribution of capital	-	(248)	(248)
Fair value movements during the year	286	(44)	242
Foreign exchange loss	(21)	(143)	(164)
At 31 December 2022	97,633	230	97,863

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 2023 (2022: Nil).

38 Leases

A. Leases as lessee

The Group and Bank lease 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 are lessees is presented below.

i. Right-of-use assets

	2023	**2022**
	Land and Building	
	B$'000	**B$'000**
Group		
Balance at 1 January	39,334	41,412
Amortisation charged for the year	(2,466)	(3,423)
Additions to right-of-use assets	1,214	1,345
Termination/Disposal of right-of-use assets	(955)	-
Balance at 31 December	37,127	39,334

	2023	**2022**
	Land and Building	
	B$'000	**B$'000**
Bank		
Balance at 1 January	38,369	39,964
Amortisation charged for the year	(1,957)	(2,841)
Additions to right-of-use assets	1,214	1,246
Termination/Disposal of leases	(910)	-
Balance at 31 December	36,716	38,369

ii. Amounts recognised in profit or loss

	Group	**Bank**
	B$'000	**B$'000**
2023		
Profit on lease liabilities	1,236	1,236
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	45	45

	Group B$'000	Bank B$'000
2022		
Profit on lease liabilities	1,290	1,250
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	47	45

iii. Amounts recognised in the statement of cash flows

	Group	
	2023 B$'000	**2022 B$'000**
Total cash outflow for leases	(4,049)	(4,214)

	Bank	
	2023 B$'000	**2022 B$'000**
Total cash outflow for leases	(3,447)	(3,346)

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 2023 was B$2,725,000 (2022: B$2,484,000).

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
2023	
Within one year	1,823
Between one and five years	1,656
Total	3,479

	Group and Bank
	B$'000
2022	
Within one year	2,422
Between one and five years	3,180
Total	5,602

39 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

	Group		**Bank**	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Assets				
Balances with Brunei Darussalam Central Bank	16,499	17,659	12,222	14,365
Investments	936,753	1,051,093	936,753	1,051,093
Financing and advances	3,841,293	3,325,366	3,047,236	2,596,832
Finance lease receivables	11,760	11,830	11,760	11,830
Investments in subsidiaries	-	-	32,844	32,844
Investments in associate and joint ventures	31,001	49,745	7,080	22,358
Property and equipment	98,027	94,885	77,992	76,993
Investment property	20,270	21,458	20,270	21,458
Deferred tax assets	9,537	12,628	9,700	12,592
Liabilities				
Deposits from customers	174,454	210,537	164,628	193,723
Deposits from banks and other financial institutions	28,747	69,600	42,500	59,300
Other liabilities	42,034	63,026	42,034	63,026

40 Commitments

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Commitments:				
Undrawn credit lines	830,630	558,693	830,630	558,693
Forward deposits	96,367	19,940	96,367	19,940
Total	926,997	578,633	926,997	578,633
Capital expenditure:				
- Approved and contracted for but not provided for in the financial statements	6,078	1,757	6,078	1,757
Total	6,078	1,757	6,078	1,757
Total commitments	933,075	580,390	933,075	580,390

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 BDCB. The Group and Bank were in compliance with all prescribed capital ratios throughout the year.

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Regulatory capital				
Tier 1 capital	1,339,448	1,276,146	1,210,691	1,142,532
Total capital base	1,347,365	1,287,185	1,210,691	1,142,532
Total risk-weighted amount				
Risk-weighted amount for credit risk	6,650,444	6,319,155	6,351,003	5,996,227
Risk-weighted amount for operational risk	618,066	612,381	571,202	569,048
Risk-weighted amount for market risk	2,328	1,246	2,328	1,246
Total risk-weighted amount	7,270,838	6,932,782	6,924,533	6,566,521

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Capital ratios				
Core capital (Tier 1) ratio %	18.4%	18.4%	17.5%	17.4%
Total capital ratio %	18.5%	18.6%	17.5%	17.4%

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	
	2023	**2022**	**2023**	**2022**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Letters of credit	173,126	105,683	173,126	105,683
Guarantees, bonds	183,759	119,975	183,759	119,975
Shipping guarantees	16,407	33,764	16,407	33,764
Acceptances	-	1,540	-	1,540
Trade risk participation	25,482	50,238	25,482	50,238
Import bills	402	511	402	511
Total	399,176	311,711	399,176	311,711

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.

43 Assets held for sale

In December 2023, management committed to sell all the Group and Bank's shares in the joint venture primarily in the vessel leasing industry. As of 31 December 2023, the Group and Bank have classified its share of and investment in joint venture respectively as asset held for sale. At 31 December 2023, the asset held for sale is stated at lower of the carrying amount and fair value less cost to sell. The assets have been sold subsequently in January 2024.

	Group
	B$'000
Current assets	4,847
Non-current assets	44,570
Current liabilities	(12,897)
Non-current liabilities	(5,996)
Net assets	30,524

There is no impairment loss and no cumulative income or expenses included in the OCI relating to the assets held for sale.