



**BIBD**



ANNUAL REPORT  
**2019**



# TABLE OF CONTENTS

01

**VISION, MISSION AND VALUES**

02

**MANAGEMENT'S INSIGHTS**

Chairman's Statement  
Managing Director and CEO's Foreword

12

**ABOUT US**

Corporate Profile  
Board of Directors  
Shariah Advisory Body  
Management Team  
Group Financial Highlights  
BIBD at a Glance

30

**CORPORATE GOVERNANCE**

BIBD Board of Directors  
Human Resources Remuneration  
and Nomination Committee (HRNC)  
Audit, Finance and Risk Committee  
(AFRC)  
Risk Management, Compliance and  
Internal Audit  
Shariah Advisory Body

40

**BUSINESS REVIEW**

Retail Banking Group  
Corporate Banking Group  
Treasury and Global Markets  
BIBD Subsidiaries

48

**BUSINESS SUPPORT**

Chief Operating Office  
Finance and Strategy Group  
Human Resource and Human Capital  
Information Technology  
Chief Marketing Office  
Shariah  
Government Relations and Special Projects

61

**CORPORATE MILESTONES**

Connecting the Community  
International Recognition  
Encouraging a Savings Culture  
Nurturing Entrepreneurship  
Investing in Future Leaders  
Giving Back to the Community  
Sharing Our Blessings

70

**BANK ISLAM BRUNEI DARUSSALAM BERHAD  
AND ITS SUBSIDIARIES**

Financial Statements  
Year Ended 31 December 2019

## VISION

Serving Brunei through Islamic Solution as its leading financial institution  
(To be the benchmark Institution and Point of Reference through responsible Fusion of Islamic Values, Real Economy and Finance)

## MISSION

The Best Islamic Bank in Asia-Pacific

## VALUES

Integrity

Customer Focus

Unity of Purpose

Excellence



## CHAIRMAN'S STATEMENT

**Dear Valued Shareholders,**

**Bismillahir Rahmanir Rahim. Assalamualaikum  
Warahmatullahi Wabarakatuh.**

*Alhamdulillah*, as Brunei's economy continued to expand in 2019, I am heartened to report yet another remarkable year for BIBD on the back of increased profitability, solid and stable shareholders returns and impressive growth in assets. I would also like to underscore that this admirable overall performance has been made possible through the implementation of well-aligned strategies by the whole BIBD team under the guidance and direction of our BIBD Board and Shariah Advisory Body.

### **Healthy growth amidst challenging global economic environment**

The Brunei Government has, over the years, managed to build up strong reserves and solid foundations that have helped the country soften the impact of global economic challenges as the year in review was characterised by weak global demand, trade tensions and increased uncertainty. During the period, the government remained relentless in amplifying its efforts to diversify Brunei's income streams and fortify the Sultanate's economy.

The banking sector continued to have robust capital position, surplus liquid assets and improved profitability. BIBD, the

nation's largest financial institution and the market leader in the country, has been able to reflect this through the performance of its key business segments which posted healthy revenue growth.

In 2019, the Group posted a revenue of B\$342.9 million – a 5.2 per cent increase from the B\$325.9 million posted in the previous year. Overall, the Group saw an increase of 5 per cent in net profit for 2019, from B\$147.9 million in 2018 to B\$155.4 million.

The Group's total assets grew to B\$10.7 billion in 2019, an increase of 6.2 per cent from the B\$10.1 billion posted in 2018 – this further cemented BIBD's position as the market leader in Brunei, with a very substantial market share in both the retail and corporate market segments.

We have also achieved a strong Return on Equity (ROE) to our shareholders at 12.3 per cent, further enhancing the returns and value to our shareholders.

The Group was also able to maintain total capital adequacy ratio (CAR) at 18.3 per cent, which is well above the regulatory requirements, and allows us to sustain a resilient capital position to support the execution of our strategies.

This year, BIBD was again recognised by The Asian Banker as

the Strongest Bank in Brunei and the Best Retail Bank in Brunei for the seventh consecutive year. Furthermore, BIBD was also acknowledged as Global Finance's Safest Bank in Brunei during the year in review. Of particular pride to BIBD, we also managed to retain our A- S&P rating since 2015, being the only bank in Brunei to do so.

These awards and recognitions are a reflection of our commitment to ensuring the implementation of sound business practices founded on strong corporate governance, prudent risk management and compliance.

### **Robust Brunei Economy**

As at end of 2019, the domestic economy expanded by 6.7 per cent, reversing the contraction seen in the first half of the same year and indicating sustained GDP growth for Brunei. This was mainly driven by growth in the Oil and Gas sector.

The Finance sector was amongst the major contributors of growth in the non-oil and gas sector – which also grew by 4.1 per cent year on year.

This reflects the opportunities and capabilities of the financial sector in stimulating the country's development and growth.

The Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam has remained focused in its efforts to create alternative income streams to reduce dependency on oil and gas and to mitigate any future risks to

the economy. This was done through streamlining, delivering and enforcing more efficient and innovative business processes and regulations in order to remain globally competitive.

In 2019, Brunei improved its score in the World Bank's Ease of Doing Business Report and maintained its status as the world's best in getting credit, alongside New Zealand.

This is a testament to the Sultanate's ability to adapt to a changing global economic and business environment, and a depiction of the government's commitment to constantly enhance business conditions in Brunei.

We, at BIBD, have also complemented national efforts by boosting our SME-related initiatives and programmes to ensure that we contribute to the development of local budding entrepreneurs.

*In Shaa Allah*, BIBD will benefit from Brunei's steady economic recovery and will continue to play an integral role in supporting the nation's economic growth in the foreseeable future.

### **A flourishing Islamic finance hub**

This year, Brunei maintained its ranking as one of the top 10 performing Islamic finance markets out of 131 countries, according to the ICD-Refinitiv Islamic Finance Development Report 2019: Shifting Dynamics – which took into account data accumulated in 2018.

The report also highlighted Brunei Darussalam's strong regulatory landscape, noting the increase in Brunei's Islamic banking assets from B\$11.2 billion in 2017 to B\$11.7 billion in 2018, which accounts for about 90 per cent of the total Islamic finance market share of assets.

Additionally, the net asset value of Islamic funds increased to B\$102.1 million in 2018 from B\$95.5 million in 2017.

Leveraging on this strong foundation, BIBD's mission of being the Best Islamic Bank in Asia Pacific by 2022 will *In Shaa Allah* see the Group expanding the reach of our services in the region and beyond. The success of this three-year mission will, *In Shaa Allah*, enable us to boost and diversify our revenues while providing strong returns to our shareholders – aligning ourselves with AMBD's vision of establishing Brunei as a global Islamic finance hub.

#### **Completing our suite of digital solutions and driving Brunei's cashless economy agenda**

Today, digital solutions have become an essential proposition in the banking sector and we, at BIBD, recognise the importance of integrating and reinforcing such solutions to complement our offerings.

In 2019, we rounded out our suite of BIBD NEXGEN wallet solutions with the introduction of BIBD Wave – Brunei's first near-field communication (NFC) mobile payment service on NFC-enabled Android devices, allowing users to make payments via their mobile phones at terminals, both local and overseas, eliminating the need to physically use their cards.

Supporting Brunei's Smart Nation Initiative and in line with Brunei Vision 2035, the BIBD NEXGEN wallet showcases BIBD's intent to transform traditional banking to the digital age, whilst at the same time promoting strategic partnerships among industries and going beyond Brunei's shores with regional and international partnerships.

This year, in a bid to further heighten our efforts and support Brunei's vision of creating a fully digital and cashless economy, BIBD, along with its partners, signed agreements with two of Brunei's major universities namely, Universiti Brunei Darussalam (UBD) and Universiti Teknologi Brunei (UTB) to turn them into cashless campuses. Students at these universities are now able to make digital payments via BIBD QuickPay and Progresif Pay, which is powered by BIBD NEXGEN.

The implementation of the cashless campus initiative is also aimed at providing greater convenience to students who can now transact without the need to bring cash – paving the way towards a new digital and cashless lifestyle as the younger generation prepares of the 4<sup>th</sup> Industrial Revolution mindset.

In this digital age, customers are demanding faster real-time interaction as the use of technology becomes an essential part of their daily lives. Since its introduction to the market in 2012, the high-performance BIBD NEXGEN Wallet and its suite of solutions (which includes the BIBD QuickPay, BIBD Virtual Card (vCard) and other contactless payment methods) has catered for these demands.

BIBD will continue to support the nation in building an overall ecosystem that is conducive for the future of banking and the creation of a cashless economy in Brunei.

#### **Playing a major role in Brunei's effort of creating a financially literate nation**

BIBD Aspirasi was introduced as part of BIBD's support towards both the national and AMBD's objectives of creating a financially literate society and instilling a savings culture amongst Bruneians.

The programme's inaugural edition culminated in November 2019 when BIBD awarded a life-changing reward of B\$250,000 as the grand prize of the BIBD Aspirasi Rewards Campaign. As at end of the first edition of BIBD Aspirasi in 2019, BIBD had awarded over 100 winners with cash prizes totalling B\$700,000.

Through this unique savings product, BIBD aims to promote better financial management habits in line with His Majesty the Sultan and Yang Di-Pertuan of Brunei's call for prudent spending and frugality as well as saving through financial planning.

#### **Leading the way in Corporate Social Responsibility**

BIBD has managed to pioneer several Corporate Social Responsibility (CSR) programmes based on our three areas of focus: Education, Entrepreneurship and Community. Being Bruneian at Heart, we are pleased to continue developing CSR programmes that focus on continuous and long-term support and commitment.

Last year, BIBD launched a first-of-its-kind community hub known as BIBD Connects, a model of public-private partner-



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BIBD will continue to support the nation in building an overall ecosystem that is conducive for the future of banking and the creation of a cashless economy in Brunei.

ship that was developed to spur business opportunities for local MSMEs and create an engagement platform with the community while initiating development through innovative infrastructure.

In 2019, we launched our second BIBD Connects facility at Taman Mahkota Jubli Emas (TMJE) in the capital along with a new prominent landmark known as the 'Frame Brunei Darussalam' (the frame), a 9.3-metre structure constructed in the shape of a photo frame bearing Islamic motives design and decoration. The frame captures the most iconic landmarks of Brunei on one side, the Sultan Omar 'Ali Saifuddien (SOAS) Mosque and on the other, Brunei's very own water village - the largest stilt settlement in the world. This contribution to the capital, is hoped to colour the tourism industry in Brunei with strategic cohesion of landmarks – the famous water village, the SOAS Mosque and the TMJE itself.

The sustainability and creativity of BIBD Connects has seen it won the '3G Best Community Development Initiative' Award at the 4<sup>th</sup> Global Good Governance Awards.

We are proud that this initiative has received global attention and recognition and we are optimistic of its continuity as we seek to explore more opportunities to set up more strategic Connects locations nationwide.

This is part of our aim to promote ease of doing business and boost opportunities among local MSMEs and support the Brunei Vision 2035 of creating a dynamic and sustainable economy.

In supporting His Majesty's Vision 2035 of transforming Brunei into a nation recognised for its people's quality of life and the accomplishments of its well-educated citizens, BIBD believes in the importance of education and learning as an underlying core of every individual and national development. Our BIBD ALAF (Advocating Life-Long learning for an Aspiring Future) programme took on an additional 47 students at the start of the year – bringing the total number of supported students to 215.

We also continued our BIBD 'Special Underprivileged Mothers Empowerment Entrepreneurship Development' (BIBD SEED) programme with the enrolment of 10 underprivileged mothers into the second cohort of the programme. This signified

BIBD's commitment towards nation-building, not only as a financial institution but also as a responsible corporate citizen contributing towards the success of Brunei and its society.

Throughout 2019, the participants were invited to participate in various bazaars and pop-up events. We also collaborated with other agencies in providing them with a permanent marketplace at the Ministry of Finance and Economy foyer. The long-term goal of the programme is to see the participants becoming financially independent and able to contribute to the Sultanate's economic growth in the future.

### Looking Forward

We at BIBD are committed to ensuring continuation of our successful initiatives and programmes to date and will continue to look into opportunities and investments that will help strengthen our position as the market leader in the country.

As we set our goal to become the **Best Islamic Bank in Asia-Pacific**, I look forward to seeing the growth of BIBD's business beyond Brunei, particularly in Singapore and the Middle East. These locations not only provide us with the opportunity to reinforce revenue streams for BIBD but also position us as an international institution that is part of a larger global financial ecosystem.

### In Appreciation

I am honoured to be Chairman of this highly progressive institution and alongside other members of the BIBD Board of Directors, I look forward to steering it to further success and accomplishments in the coming years.

I would also like to thank the members of BIBD's Board of Directors and Shariah Advisory Body for all their guidance, support and contribution in achieving long-term sustainable success for Brunei Darussalam's premier financial institution.

I would like to join the Board in congratulating Mr. Mubashar Khokhar, the Managing Director and CEO, along with the BIBD management for their steadfast commitment in driving results and executing BIBD's strategies.

On behalf of the Board, our sincere appreciation goes to all employees for their dedication and for their constant commitment and energy to strive for excellence, which has

strengthened BIBD's position as the premier financial services group in the country.

BIBD will continue to amplify efforts towards stimulating the country's economic growth through its immediate and long-term undertakings and *In Shaa Allah*, with the support of our private and public stakeholders, BIBD Group will epitomise Bruneian pride as a company, organisation and community.

My gratitude and sincere appreciation also goes to the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam, our valued shareholders and our regulators for their continued support and guidance.

We recognise our responsibility as the leading bank to serve the interests of Brunei Darussalam. As part of BIBD's dedication and support to His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam's Wawasan 2035, we will strive to provide our customers with world-class Shariah compliant financial products and services.

We stand committed to the vision of driving BIBD forward as the preferred choice of our customers, and by the grace of Allah SWT, we will continue to contribute meaningfully to our customers, our shareholders, our community, and our country.

**Wabillahi Taufik Walhidayah Wassalamu 'Alaikum  
Warahmatullah Hi Wabarakatuh**

**Yang Berhormat**

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

**Minister at the Prime Minister's Office and**

**Minister of Finance and Economy II,**

Chairman of the Board of Directors

Bank Islam Brunei Darussalam

# MANAGING DIRECTOR AND CEO'S FOREWORD



**Dear Respected Shareholders,**

**Bismillahir Rahmanir Rahim. Assalamualaikum  
Warahmatullahi Wabarakatuh.**

*Alhamdulillah*, I am delighted and humbled to report another fruitful year for BIBD, during which we accomplished numerous milestones and achievements that helped us progress locally and globally.

My gratitude and appreciation goes to the Board for entrusting me with the responsibility to lead this distinguished organisation.

## **A Step Forward in the Nation's Economy**

For the Financial Year of 2019, it is fascinating to witness the continuous pragmatic support and growth from our employees in capturing harmonious results within a thriving financial market.

The foundations of the Group's revenue growth were derived from our financing, leasing and investment activities. This contributed to a result of B\$155.4 million in net profit – a 5 per cent rise compared to the B\$147.9 million recorded in the previous year.

A main focus of the Group's strategy is to emphasise on encouraging growth in deposits and in the year 2019, the Group registered a total amount of B\$8.5 billion from its depositors.

Our Group's total assets achieved a strong figure of B\$10.7 billion, which is a 6.2 per cent increase measured against our previous recorded result of B\$10.1 billion in 2018 – showcasing our scaling growth in solidifying BIBD's attributes of being the market leader.

Our aim was to achieve maximum efficiency and effectiveness, cohesion in our strategies' execution, to optimize our cost management exercises and maximise our investments in order to continue our strong progress.

This was clearly reflected in the Group's operating profit of B\$193.7 million in 2019, a 7.1 per cent increase from the previous year.

The Group's return on assets before taxation remained stable with 1.8 per cent in 2019, which highlighted the strategic foundations placed upon our performance in securing targeted results annually.

Furthermore, our total capital adequacy ratio for the Group was at 18.3 per cent in 2019, which reflected our ability to maintain a robust capital position to implement our best practices. BIBD has showcased consistency in its portfolio to maintain this amount well above the minimum regulatory requirement set by Autoriti Monetari Brunei Darussalam (AMBD).

With these results, we have also strengthened our risk management practices and enhanced our corporate governance, in order to ensure healthy business development practices despite the challenges of recent market conditions.

### **Advancing innovation for growth and performance**

The banking industry, like many other industries, faces continuous technological advancement challenges and evolving customer expectations. We have responded well to this challenge by accelerating efforts to create a state-of-the-art digital banking presence that is focused on meeting the demands of our customers.

In light of this, as part of our values to continuously deliver excellence through technology, in 2019, we rounded out our suite of BIBD NEXGEN wallet solutions with the launch of BIBD Wave – a near-field communication (NFC) mobile payment service on NFC-enabled Android devices, the first of its kind in Brunei.

With the availability of this technology, you can make payments by simply tapping or waving your phones at card terminals – providing consumers with increased efficiency, convenience and secured.

This latest technology allowed us to supplement our already comprehensive BIBD NEXGEN Wallet which is equipped with digital conveniences such as BIBD QuickPay for QR code payments, BIBD vCard or Virtual Mastercard, Mastercard Contactless and BIBD Wave.

As the pioneering leader in mobile banking services, we will continue to demonstrate our commitment to support the de-cashing of the economy with seamless transactions and showcase our intent to transform traditional banking to the fintech age, in order to align with the strong wave or preparations of Industry 4.0, whilst in strong alignment with Brunei Wawasan 2035 and the Smart Nation initiatives.

### **Developing our people for the Global Emerging Markets**

At BIBD, we have made sure that investment in our people remains our top priority, in order to build a cadre of world class working professionals in support of Brunei Vision 2035.

With an increasing investment in learning and development, BIBD aims to ensure that its employees have sufficient access

to training and development opportunities. Hence, a focus on leveraging on online learning tools and platforms allows employees at BIBD to be fully equipped with the digital skills and competencies to advance further through the next digital revolution.

Currently our senior management and emerging leaders can access over 100 learning modules through Islamic Markets, an online learning facility that highlights financial intelligence and investment platforms for the Global Islamic Economy. This will support our efforts to promote a task force that will be able to compete in the regional and international landscape and markets of Islamic Banking and Finance.

As part of our commitment to invest in future leaders, we accepted six (6) new graduates under the Graduate Management Trainee. This is part of our initiative to reduce local unemployment and to employ young talents with a diverse range of academic backgrounds and qualifications. We have collaborated with Universiti Teknologi Brunei (UTB) to perform our online assessment and place the individuals through a rigorous selection process that tests their skills and capabilities. They are currently undergoing placements to ensure they have an appreciation and vast understanding of the roles and functions of relevant divisions.

To develop a variety of holistic approaches and strategies to Islamic banking and finance, BIBD has also placed four (4) BIBD employees in various financial institutions overseas. Our employees in these regions will have the opportunity to observe and experience the complexities and challenges of the financial markets outside of Brunei Darussalam. It is hoped that this exposure will allow them to learn, adopt best-practices and contribute to the Bank as we step towards achieving our mission of becoming the best Islamic Bank in Asia Pacific.

### **New Mission – Best Islamic Bank in Asia-Pacific**

BIBD's Vision of "Serving Brunei through Islamic Solutions – to be the benchmark institution and point of reference through responsible fusion of Islamic Values, Real Economy and Finance" was defined some three years ago.

In ensuring alignment with this Vision, BIBD started a three-year journey from 2016 to 2018 during which the Bank launched a Mission Statement as "THE FIRST CHOICE institution for Employees, Customers and Stakeholders".

Having achieved this vision through various validations and accolades, BIBD has expressed its desire to keep breaking new grounds, scale new heights and become **the Best Islamic Bank in Asia-Pacific**.

As we move into our next strategic cycle, it is only natural that our next Mission Statement remains aligned with our Vision yet challenges us to a higher level of accomplishment - the next pragmatic move would be to challenge ourselves by benchmarking BIBD with the best Islamic banks in the region.

This aspiration does not necessarily mean that BIBD has immediate plans and ambitions for entry into other regional markets although this cannot be ruled out in the future.

The ambition rather indicates that the framework for comparison of BIBD's performance is no longer against banks in the Sultanate only but also its performance against the best Islamic banks in the region.

Work has already commenced to instil greater customer convenience and innovation in BIBD's systems and processes - with a Transformation Group set to drive BIBD forward in this mission that covers significantly strategic focus that will make us future-ready and have considerations on the aspect of Environment & Social Governance (ESG), whilst making bold steps towards collectively aligning our organisational goals with the United Nation's 17 Sustainable Development Goals.

We have also optimised our organisational structure and have set up the Chief Marketing Office to bring more focus on our brand equity & positioning, engagement and profiling, as well as restructured our Retail Banking Group and Corporate Banking Group operations and management as part of our strategy to achieve this mission. We need to have a robust framework, digitally ready and a team well-prepared for what is ahead.

We look forward to their contribution as we work together to achieve our ambitions.

#### **The success of our community equates to our success**

At BIBD, we take pride in our position as an engaged community partner. The launch of our second Connects location in the heart of the city during the year in review was a prime example of our long-term commitment towards elevating the

community and contributing to the development of more iconic landmarks in Bandar Seri Begawan.

Alongside the launch of BIBD Connects Taman Mahkota Jubli Emas (TMJE), we built the 'Frame Brunei Darussalam', a 9.3-metre structure built in the shape of a picture frame bearing Islamic motives design and decoration.

The 'Frame Brunei Darussalam' allows visitors to capture the majestic Sultan Omar 'Ali Saifuddien (SOAS) mosque and the world's largest settlement on stilts – the water village.

*Alhamdulillah*, the fact that this initiative received an award, symbolises its significance and value to the community and economy. This, however, would not have been possible without the involvement of the community itself and the collaboration, dedication and commitment of BIBD as well as key stakeholders from the government and private institutions.

The BIBD ALAF (Advocating Life-Long learning for an Aspiring Future), has been a mainstay programme since its inception in 2013, and during the year in review, we are extremely proud of the amazing achievements of our students and we remain committed to equipping them with invaluable life-skills and industry-relevant capabilities throughout their journey in this programme. As of December 2019, we have 215 students under our care and we pray this young generation will be part of our small contribution to the nation in our preparedness to build the human capital of the future.

Similarly, the BIBD SEED programme continued to grow from strength to strength. The underprivileged mothers in this programme have shown their determination and resilience to provide a better life for their families and BIBD is privileged to be able to play a part in their journey. In 2019, the participants received a permanent marketplace at the Ministry of Finance and Economy foyer. Apart from participating in several pop-up markets organised by BIBD, we are pleased to see that the BIBD SEED participants have been able to cultivate and grow their own unique customer base and we are confident that the entrepreneurial spirit these mothers have exhibited will continue to drive them towards further success.

We have also introduced BIBD Catalyst where budding entrepreneurs are exposed to experienced mentors as we work closely with internal stakeholders as well as government

agencies such as Darussalam Enterprise (DARE). We have exposed them to established merchants during the Malaysia Fashion Week in October 2019 and some are now in discussion to sell their merchandise through an international online marketplace.

All these initiatives symbolise our continuous commitment towards elevating the community in realising the Brunei Wawasan 2035 based on our three-pronged CSR approach: Education, Entrepreneurship and Community.

### Progressing Ahead

We will continue our commitment to enhancing our digital banking prowess, increasing our investment in human capital development and to better understand our customers to ensure that BIBD will always deliver a superior customer experience.

As we continue to support Bruneian institutions within the oil and gas sector, we will also promote economic diversification to energise other promising sectors. We will continue our unwavering and ongoing support to the development of Brunei Darussalam's MSME and SME sector. The many services and offerings that we have will put us in good position to reaffirm our support with the aspirations of the nation and the national development, while strengthening our brand franchise value and footprint in the region.

### In Appreciation

All our achievements in 2019 are developed by every individual and employee who contributed towards the Bank's aspirations to reach its mission. It has been an inspiring journey and I am

honored to be a part of a dedicated and passionate team that provides an abundance of dynamic energy towards our cause to influence communities and businesses across the nation.

It is an absolute privilege to work with this strong team under the guidance of our honourable BIBD Chairman of the Board, Chairman of the Shariah Advisory Board and by the honourable members of the Board and of the Shariah Advisory Board who have always provided us to their wisdom and encouragement. My sincerest appreciation to all of them.

My heartfelt gratitude goes to the Government of His Majesty, the Sultan and Yang Di-Pertuan of Brunei Darussalam, the Ministry of Finance and Economy and to our regulators for their continued belief and confidence in us.

It goes without saying that our customers will always remain our primary priority in our endeavours, now and in the future. Our immense gratitude also goes to them for their continued loyalty, support and trust. We look forward to serving them again as we begin our journey to becoming the region's best Islamic bank.

**Wabillahi Taufik Walhidayah Wassalamu 'Alaikum  
Warahmatullah Hi Wabarakatuh**

**Mr Mubashar Khokhar**  
**Managing Director and CEO**  
**Bank Islam Brunei Darussalam**



# CORPORATE PROFILE

Brunei's Leading Financial Institution

BIBD, Brunei Darussalam's largest bank and flagship Islamic financial institution, was formed in 2005 through the merger of Islamic Bank of Brunei and Islamic Development Bank of Brunei. It is an internationally recognised financial institution governed by global best practices under the guidance of an experienced management team. BIBD is committed to meeting the needs of our customers from all walks of life through continuous service, product and technology innovations.

As Brunei's flagship Islamic bank and largest financial services provider, with around 900 employees and B\$10.7 billion worth of assets under management, we proudly serve more than 216,000 customers. Our valued customers include retail, corporate as well as international clients.

Headquartered in Bandar Seri Begawan, we have seventeen branches at strategic locations in Brunei Darussalam's four districts and the largest network of ATMs in the country, serving over a quarter of the Bruneian population. We have the largest contact centre in Brunei Darussalam along with a digital mobile chat capability and offer our customers banking convenience through solutions such as internet and mobile banking.

BIBD is the only bank in Brunei Darussalam that serves all segments within the retail banking market. With a strong focus on innovation and excellence, we have been consistently recognised for our dedicated customer service and ability to deliver value to all our stakeholders. It is also through continuous hard work, effort and commitment from our people that we are able to provide seamless and innovative services to our customers and ensure that their banking experience with us is unique and best-in-class.

Since the commencement of our transformative journey, BIBD has made great strides in the development of its capabilities, which included upgrades in its overall service delivery and branch design that depict the Islamic visual canvas of Brunei Darussalam. This distinct identity sets BIBD apart from other financial institutions in Brunei Darussalam, while establishing a service benchmark that is truly "Bruneian at Heart". The amalgamation of all these efforts places BIBD in a stronger position to deliver on its aspirations and forge ahead in the local and international arena.

**EMPLOYEES**

More than

**900**

**ASSETS**

**B\$10.7 Billion**

**CUSTOMERS**

More than

**216,000**



### SHAREHOLDERS

- Khazanah Satu Sdn Bhd – 34%
- Yayasan Sultan Haji Hassanal Bolkiah – 25%
- Salam Investments Limited – 30%
- Approximately 6,000 individual Bruneian investors – 11%

### BRUNEIAN AT HEART

BIBD is a bank for the people of the nation, built by the people of the nation. Our ethos perfectly capture the essence of inclusiveness of Islamic banking. We provide smart, safe and practical financial services and solutions to our customers regardless of race or religion, ultimately supporting the ambitions of the Bruneian community. BIBD's long-standing record of intrinsically and genuinely understanding the aspirations and culture of Brunei Darussalam inspires and enables us to constantly innovate to offer solutions that best fit the needs of all our customers.

### GOVERNANCE

BIBD is committed to sound corporate governance and is fully guided by the principles and regulations set forth by the Autoriti Monetari Brunei Darussalam (AMBD), national Syariah Financial Supervisory Board (SFSB) and the Company's Act Chapter 39. The Bank has strong internal control and risk management in place with internationally benchmarked standards, especially in financial, Shariah and risk practices.



## ACTIVE SUBSIDIARIES AND ASSOCIATES

- **BIBD At-Tamwil Bhd**

A wholly-owned subsidiary, mainly handling the provision of Islamic hire-purchase facilities.

- **BIBD Securities Sdn Bhd**

A wholly-owned subsidiary, offering Islamic wealth management products and brokerage services for local BIBD shares and foreign securities listed on the Kuala Lumpur and Singapore stock market.

- **Syarikat Takaful Brunei Darussalam (Associate)**

It provides General and Family Takaful services through its subsidiaries: Takaful Brunei Am and Takaful Brunei Keluarga.

- **Better Sdn Bhd**

A subsidiary fully owned by BIBD At-Tamwil providing car-leasing services.

- **BIBD (Middle East) Limited**

A wholly-owned subsidiary of BIBD and a regulated entity by the Dubai Financial Services Authority (DFSA) for the provision of conducting Islamic financial services which include arranging deals in investments; advising of financial products; arranging credit and advising on credit.

# BOARD OF DIRECTORS



**Yang Berhormat Dato Seri Setia  
Dr. Awang Haji Mohd Amin Liew bin Abdullah**

Chairman of the Board / Independent Director

Date of Appointment : 30 January 2018

Length of Tenure as Director : 2 years

## Qualification

- Member of Chartered Financial Analyst (CFA), Singapore
- PhD in Corporate Finance, Imperial College, University of London
- Master's Degree in Management, Imperial College, University of London
- Bachelor's Degree (First Class) in Computer Science and Statistics, Queen Mary College, University of London

## Directorships

- Chairman of Bank Islam Brunei Darussalam (BIBD)
- Chairman of Darussalam Assets Sdn Bhd and Director of its subsidiary companies
- Deputy Chairman of Sustainability Fund (SF)
- Director of SF and Strategic Development Capital (SDC) related companies
- Chairman of Brunei Investment Agency (BIA)
- Chairman of Dynamik Technologies Sdn Bhd
- Chairman of Takaful Brunei Darussalam Sdn Bhd and its companies
- Chairman of Royal Brunei

## Relevant Experience

YB Dato Dr Amin was appointed as the Minister at the Prime Minister's Office and Minister of Finance and Economy II on 27 September 2018. Before that he held the position of the Minister of Finance II from 30 January 2018. Prior to these appointments, he was the Deputy Minister of Finance (Investment), while holding the CEO position of Darussalam Assets Sdn Bhd ("DA"), an investment holding company owned by the Minister For Finance Corporation, Brunei Darussalam. Before joining DA, he held several key positions with the Brunei Government, including being appointed as the Permanent Secretary of the Ministry of Finance, the Permanent Secretary of the Ministry of Industry and Primary Resources and the Managing Director of the Brunei Investment Agency. Prior to his tenure with the Brunei Government, he worked as a Crude Oil Trader with Brunei Shell Petroleum Co Sdn Bhd in the mid-nineties after returning from the United Kingdom where he worked for ICI Finance PLC as a research analyst in the late eighties / early nineties.



**Yang Mulia Awang Junaidi bin Haji Masri**

Independent Director

Date of Appointment : 01 February 2010

Length of Tenure as Director : 10 years

## Qualification

- Bachelor's Degree in Computer and Management Sciences, Keele University, United Kingdom

## Directorships

- Director of Bank Islam Brunei Darussalam (BIBD) and its subsidiary BIBD At-Tamwil Bhd
- Director of Makan Ceria Sdn Bhd, subsidiary company of Darussalam Assets Sdn Bhd
- Director of Strategic Fund (SF) and Strategic Development Capital (SDC) related companies
- Director of Fajr Capital Limited
- Director of JPH Sdn Bhd

## Relevant Experience

YM Awang Junaidi is currently the Managing Director of Strategic Development Capital Fund. He was previously the Managing Director of Brunei Investment Agency (BIA) and Director of Head of Venture Capital and Strategic Investments, managing BIA's investments globally. He also serves the Fajr Capital Board of Directors as a representative of the Government of Brunei Darussalam.



### Yang Mulia Dato Paduka Iqbal Ahmad Khan

#### Director

Date of Appointment : 01 November 2007

Length of Tenure as Director : 12 years

#### Qualification

- Master's Degree in Political Science and International Relations, Aligarh Muslim University, India
- Bachelor's Degree in Physics and Chemistry, Aligarh Muslim University, India

#### Directorships

- Director of Bank Islam Brunei Darussalam (BIBD)
- Director of Takaful Brunei Darussalam Sdn Bhd and its companies
- Director of related Fajr Capital portfolio companies
- Director of Jadwa Investment

#### Relevant Experience

YM Dato Iqbal is the Chief Executive Officer of Fajr Capital, a leading Islamic investment firm headquartered in the Dubai International Financial Centre. Prior to Fajr Capital, YM Dato Iqbal was the founding CEO of HSBC Amanah, the global Islamic financial services division of the HSBC Group. He is a long-time advocate of the Islamic financial services industry, serving as an advisor to government initiatives in Brunei Darussalam, Malaysia, Saudi Arabia, Singapore, UAE, and the UK.

He is the recipient of several industry and global accolades, including the State Award of "The Most Honourable Order of the Crown of Brunei" from His Majesty the Sultan of Brunei Darussalam; the Royal Award for Islamic Finance, a biannual prize presented by HM the King of Malaysia; and a Lifetime Achievement Award presented by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister of the UAE and Ruler of Dubai.



### Yang Mulia Dr. Jan Hendrik (Hennie) van Greuning

#### Independent Director

Date of Appointment : 31 December 2010

Length of Tenure as Director : 9 years

#### Qualification

- Chartered Financial Analyst (CFA)
- Chartered Accountant, South Africa and Canada
- Doctorate Degrees in Accounting Science and Monetary Economics

#### Directorship

- Director of Bank Islam Brunei Darussalam (BIBD)

#### Relevant Experience

YM Dr. Hennie was previously a Senior Advisor in the World Bank Treasury, focusing on Operational Risk Management in the Treasury environment, as well as Islamic Banking issues. He was a member of the Board of FirstRand Limited (a listed bank holding company in South Africa), for nine years, until November 2017. He taught a Master's class in Finance at George Washington University for several years and has co-authored six editions of the World Bank's publication on International Financial Reporting Standards: A Practical Guide. He has also co-authored books on conventional as well as Islamic banking risk. His publications have been translated into more than 15 languages.

# BOARD OF DIRECTORS



## Yang Mulia Mubashar Khokhar

### Managing Director/CEO equivalent

Date of Appointment : 30 November 2015

Length of Tenure as Director : 4 years

### Qualification

- Master's in Business Administration, Ohio University, United States of America
- Bachelor's Degree in Business Administration, Ohio University, United States of America

### Directorships

- Director of Bank Islam Brunei Darussalam (BIBD) and its subsidiary companies
- Director of Centre For Islamic Banking Finance, and Management (CIBFM)

### Relevant Experience

YM Mubashar was the CEO of Ajman Bank, a publicly listed Shariah compliant bank in UAE, and also served as the CEO of Badr Al-Islami/ Mashreq Al-Islami, a wholly-owned subsidiary of Mashreq Bank. YM Mubashar previously served on the Board of Directors of Badr Al-Islami and SAMBA Pakistan Ltd, and held senior positions in American Express Bank and Bank of America.



## Yang Mulia Majed Nasser Alsubeaei

### Director

Date of Appointment : 06 April 2016

Length of Tenure as Director : 4 years

### Qualification

- Bachelor's Degree in Economics, King Saud University, Kingdom of Saudi Arabia

### Directorships

- Director of Mohammed I. Alsubeaei & Sons Investment Company (MASIC)
- Director of Bank Islam Brunei Darussalam (BIBD)

### Relevant Experience

YM Majeed is an international investment professional with experience in global capital markets with the ability to handle responsibilities in investment banking advisory and private equity.



### **Yang Mulia Awang Mozart bin Haji Brahim**

Alternate Director to YM Awang Junaidi /Independent Director

Date of Appointment : 15 July 2013

Length of Tenure as Director : 6 years

#### **Qualification**

- Bachelor's Degree in Civil and Environmental Engineering, University of Leeds, United Kingdom

#### **Directorship**

- Alternate Director of Bank Islam Brunei Darussalam (BIBD)
- Director of BIBD At-Tamwil Bhd

#### **Relevant Experience**

YM Awang Mozart is currently the Deputy CEO of Bursa Brunei Darussalam Sdn Bhd, a newly established company for the establishment of the stock exchange for Brunei Darussalam. Previously, he held the position as Head of Section at the Investment Division, Ministry of Finance. Prior to which he also served as Senior Manager in the Brunei Investment Agency managing both alternative and traditional investments.

# SHARIAH ADVISORY BODY



**Yang Mulia Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof**

## Chairman

Length of Tenure as Member: 6 years

## Qualification

- Bachelor's Degree in Usuluddin, University of Al-Azhar, Egypt
- Bachelor's Degree in Law, National University of Malaysia

## Relevant Experience

YM Dato Aziz is the Permanent Secretary, Ministry of Religious Affairs of Brunei Darussalam. He carries vast experience in the field of Islamic finance covering banking and takaful sector where he sits in Syarikat Takaful Brunei Darussalam Sdn Bhd (STBD) and Wafirah & Ghanim Sdn Bhd as a Board Member. On the Shariah Advisory side, YM Dato was the Deputy Chairman of the BIBD's Shariah Advisory Body for the 2 years from 2014 until 2016. He currently sits as the Chairman of BIBD's Shariah Advisory Body since February 2016. He is also a Member to the Brunei Religious Council, a council responsible for advising His Majesty the Sultan of Brunei Darussalam on Islamic religious matter.



**Yang Mulia Dato Seri Setia Dr Haji Japar bin Haji Mat Dain @ Maidin**

## Deputy Chairman

Length of Tenure as Member: 6 years

## Qualification

- PhD in Shariah, University of Malaya, Malaysia
- Master's Degree in Shariah, University of Malaya, Malaysia
- Bachelor's Degree in Usuluddin (Aqidah and Philosophy), University of Al-Azhar, Egypt

## Relevant Experience

YM Dato Japar is the Deputy State Mufti of Brunei Darussalam. He has over 10 years of experience in the field of Islamic finance which includes sitting in BIBD's Shariah Advisory Body (SAB) and supervisory, namely BIBD's Shariah Advisory Body (SAB) and Shariah Financial Supervisory Board (SFSB) of the Brunei Ministry of Finance since 2006. He is also a Member of the Brunei Religious Council, a council responsible for advising His Majesty the Sultan of Brunei Darussalam on Islamic religious matter. He also presented in various conferences and is an active speaker in many forums both local and overseas preaching Islamic religion. In the Shariah scholarly area, YM Dato Dr Haji Japar is a learned and trained scholar to deduce fatwa (Shariah ruling), where he has been trained by the Lajnah Al-Fatwa of Al-Azhar, Egypt in 1994.



**Yang Mulia Dr Abdul Nasir bin Haji Abdul Rani**

## Member

Length of Tenure as Member: 6 years

## Qualification

- PhD in Economics and Muamalat Administration, Islamic Science University of Malaysia
- Master's Degree in Economics and Islamic Banking, Yarmouk University, Hashemite Kingdom of Jordan
- Bachelor's Degree in Islamic Studies (Shariah), University Brunei Darussalam

## Relevant Experience

YM Dr Abdul Nasir is the Dean of Faculty Islamic, Economics and Finance, Sultan Sharif Ali Islamic, University (UNISSA). He has been a part of the Islamic finance industry in many areas namely, Shariah advisory, academician, lecturer and trainer. He is a Member of the BIBD's Shariah Advisory Body since 2014. He has published many books, research papers and articles in various academic journals and publication. He also presented in various conferences both local and overseas as well as conducted a number of Islamic finance trainings locally.



**Yang Mulia Dr. Dayang Hajah Rose  
binti Abdullah**

**Member**

Length of Tenure as Member: 4 years

**Qualification**

- PhD in Islamic Civilisation, National University of Malaysia
- Master's Degree in Islamic Banking and Finance, University Brunei Darussalam
- Master's Degree in Business Administration, Heriot-Watt University, United Kingdom
- Bachelor's Degree (Hons) in Economics, National University of Malaysia
- Postgraduate Diploma in Islamic Banking and Insurance, United Kingdom
- Diploma in Public Administration, Mara Technology University, Malaysia

**Relevant Experience**

YM Dr Dayang Hajah Rose is the Director of the Research and Publication Centre and Senior Lecturer at the Faculty of Islamic Economics and Finance, Sultan Sharif Ali Islamic University (UNISSA). She has written a number of publications relating to Islamic economy and actively presents papers in both local and international conferences in the area of Islamic Finance.



**Yang Mulia Dayang Hajah Noraini  
binti Haji Buntar**

**Member**

Length of Tenure as Member: 2 years

**Qualification**

- Master's Degree in Islamic Revealed Knowledge and Heritage (Fiqh and Usul Al-Fiqh), International Islamic University Malaysia
- Bachelor's Degree in Syariah Islamiah, Al-Azhar University, Egypt
- Certificate holder of Fiqh Muamalat Professional Programme, Centre For Islamic Banking, Finance and Management (CIBFM), Brunei.

**Relevant Experience**

Yang Mulia Dayang Hajah Noraini is an Senior Istisbat Officer in the Ifta Department, State Mufti Office and was appointed as a member of the BIBD SAB on 01 February 2018.

# MANAGEMENT TEAM

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**Yang Mulia Mubashar Khokhar**  
Managing Director

Yang Mulia Mubashar Khokhar is a seasoned financial services professional with more than thirty years' experience across fifteen developed and emerging markets, including the USA, Europe, Asia, Africa and Gulf Cooperation Council (GCC) member states. Prior to Fajr Capital, Mubashar was the CEO of Ajman Bank, a publicly listed Shariah compliant bank in UAE, and also served as the CEO of Badr Al-Islami/Mashreq Al-Islami, a wholly owned subsidiary of Mashreq Bank. During his tenure, Mashreq Al-Islami and Ajman Bank received widespread industry recognitions, including the coveted 'Best Domestic Bank' award. Mubashar has previously served on the Board of Directors of Badr Al-Islami and Saudi American Bank (SAMBA) Pakistan Ltd, and held senior positions in American Express Bank and Bank of America. He has an MBA and BBA (Hon.) from Ohio University, USA.

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**Yang Mulia Hajah Noraini Haji Sulaiman**  
Deputy Managing Director

Yang Mulia Hajah Noraini Haji Sulaiman was previously the Acting Managing Director of Syarikat Takaful Brunei Darussalam, on secondment from BIBD. She was also the Head of Finance for the Islamic Bank of Brunei, and has held other accounting and financial roles in various Bruneian companies such as Brunei Shell Petroleum Sdn Bhd. Currently, she is the director for BIBD At-Tamwil Berhad, BIBD Securities, IDBB Management Services and was previously a Board Member of Tabung Amanah Pekerja (TAP) as well as Chairman for the TAP Audit Committee. She is a fellow member of the Association of Certified Accountants and is an affiliated member of the Brunei Darussalam Accounting Standard Council.

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**Yang Mulia Dr. Gyorgy Ladics**  
Chief Operating Officer

Yang Mulia Dr. Gyorgy Ladics has over twenty years of banking experience. He was previously the Chief Information Officer at Barclays – Emerging Markets region where he provided essential business capabilities that enabled Barclays' geographical expansion and entries into new markets like India, Pakistan, Russia, and re-launched businesses in the UAE, Egypt and Uganda. He was a key member for M&A and integration activities for Barclays and completed the integration of Uganda Nile Bank and Russia Expobank into Barclays. Prior to joining Barclays, he was Vice President at Citigroup – Central Europe Region where he held various senior positions such as Head of Operations and Technology – Czech Republic, Head of Technology for Central European Region, and Senior Operating Officer – Hungary. In Central Europe, he led the standardisation and migration efforts into strategic technology platforms and operating models for Citigroup. While in Hungary, he also led the technology effort in the integration of ING retail bank into Citibank. Dr. Gyorgy holds a Master's Degree in Electrical Engineering and Informatics, and a Doctorate Degree from Budapest University of Technology and Economics.

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**Yang Mulia Tan Pheng Leong**  
Chief Financial Officer

Yang Mulia Pheng Leong has more than 18 years of experience working in the financial services industry as a Chief Financial Officer (CFO) and auditor on various financial institutions. He joined BIBD as the CFO in 2017 heading the Finance Division and is responsible for the financial matters of the Group. Prior to joining BIBD, Pheng Leong worked for an international audit firm in Singapore, United Kingdom, Taiwan and Brunei and was a partner in Brunei and Singapore looking after clients in a range of industries from banking, insurance, fund management, oil and gas and telecommunication. He advised clients in International Financial Reporting Standards (IFRS) conversions and audited the financial statements of a number of banks and insurance companies under IFRS. Pheng Leong obtained a Bachelor Degree in Accounting (First Class Honours) from Nanyang Technological University and is a Chartered Accountant of the Institute of Singapore Chartered Accountants, the Institute of Chartered Accountants in England and Wales as well as a Certified Public Accountant of the Brunei Darussalam Institute of Certified Public Accountants. He is also a Certified Financial Analyst of the CFA Institute.



**Yang Mulia Edmundo Horacio Uribe Bobadilla**  
Chief Risk Officer

Yang Mulia Mr Edmundo Uribe has thirty years of International banking experience, twenty-four years in Risk Management and six in Corporate and Investment Banking. He has worked for twenty-two years in Bank of America, Chase Manhattan Bank and lately for Citibank. During the last eight years, he has worked in the Middle East in Islamic banking for Bank Aljazira in Saudi Arabia, Al Khaliji France in Qatar and Emirates Islamic in Dubai where he was invited to upgrade the risk functions and to implement international best practices, including various risk related trainings across different areas. In his previous job, as Head of Credit and Risk at Emirates Islamic, he fully revamped the risk structure, including processes, related systems and people. Mr Uribe holds a Bachelor's degree in Business Administration from Universidad Iberoamericana and a Master's in Finance from University of Exeter.



**Yang Mulia Habibah Haji Harry**  
Chief Human Resource Officer

Habibah brings with her an immense wealth of experience from various human resource functions gained during her tenures with Brunei Shell Petroleum (BSP) which spanned over fourteen years, where she last held the role of Department Head of Organisation Effectiveness. She was also previously employed as the Regional HR Adviser for Asia-Pacific and Middle East for Shell IT International Sdn. Bhd. in Malaysia for three years. Habibah specialises in handling organisational issue management, and strategic changes to policies and practices.

# MANAGEMENT TEAM



**Yang Mulia Adi Shamsul Haji Sabli**  
Chief Information Officer

Yang Mulia Adi Shamsul has over twenty-three years of working experience and has solid IT technical knowledge and skills. He is a highly accomplished IT leader with vast experience, both locally and internationally and has a solid track record in building positive business and stakeholder partnerships, developing and implementing key IT strategies, leading high-profile projects and implementing innovative solutions and improving business processes. After his role as Head of Information Management in Brunei LNG in 2010, he was seconded for government service, holding key senior positions at the Prime Minister's office for seven years. In 2017, he returned to Brunei Shell and was appointed as the Technical Data Management Lead.



**Yang Mulia Hajah Nurul Akmar Haji Mohd Jaafar**  
Head of Retail Banking (up until September 2019)  
Chief Marketing Officer (September 2019 onwards)

Yang Mulia Hajah Nurul Akmar Haji Md Jaafar has been with BIBD for more than twenty years with expertise in the areas of finance, investment and retail banking. She was involved in the transformation of BIBD's strategic initiatives through various projects such as IT system upgrades, business process improvements, product innovations and the development of the sales & service culture within the retail business. She has also played a key role in the Bank's re-branding project which greatly enhanced the customer service experience, strengthened brand loyalty, and growth in customer acquisition. She pioneered the development of BIBD's CSR programmes that underscored the Bank's 'Bruneian at Heart' values, with flagship initiatives including BIBD Sirah Amal and the BIBD ALAF. Hajah Nurul leads the Retail Banking Group, after holding the Sales & Distribution portfolio and growing the customer base as well as Retail's balance sheet for almost ten years. Hajah Nurul is very passionate about delivering superlative customer experience especially with innovations in digital banking. Hajah Nurul holds a BA in Accounting & Finance from United Kingdom and was an Islamic Bank of Brunei Scholar prior to joining BIBD in 1995.



**Yang Mulia Irwan bin Haji Lamit**  
Acting Head of Retail Banking (September 2019 onwards)

Yang Mulia Irwan Lamit recently joined BIBD to lead the Retail Banking Group. He has more than fifteen years of experience in the Finance industry, of which, he has served as the Managing Director and a member of the Board of Directors of BIBD At-Tamwil Berhad since 2011. Contributing to Irwan's leadership, BIBD At-Tamwil became one of the most profitable finance company in the country, and has enjoyed continuous and uninterrupted increase in profits from 2006 to 2017. Irwan is a qualified Chartered Accountant and is a fellow member of the Association of Chartered Certified Accountants (ACCA). Prior to joining the BIBD group, Irwan has a brief stint with Brunei Shell Marketing Company Sdn Bhd. Irwan holds a BSc (Hons) in Applied Accounting from Oxford Brookes University, UK and recently received his EMBA from University of Oxford, UK.



### **Yang Mulia Koh Swam Sing**

Head of Corporate Banking

Koh Swam Sing has vast knowledge and experience working in Corporate Banking as well as in Operations and Credit Risk. His career began with the Island Development Bank Bhd in 1983 where he held various positions in branch operations, administration and credit management. As one of the pioneer members of BIBD, he played a key role in the Bank's transformation into Islamic financial banking and services, and has been instrumental in introducing some of the Bank's core offerings. He currently leads the Corporate Banking Division which is responsible for building BIBD's Corporate Banking portfolio, and supporting local businesses that contribute to Brunei's infrastructure growth.



### **Yang Mulia Salman Ashraf Khan**

Head of Treasury and Global Markets

Yang Mulia Salman Ashraf Khan is a seasoned Treasury and Investment Banking professional with over twenty-four years of experience in the Middle East, Far East and Europe. He currently serves as the Head of Treasury and Global Markets, and is a member of ALCO (Asset Liability Committee) and ERM (Enterprise Risk Management) for BIBD. Prior to BIBD, he has worked with high profile global institutions such as Deutsche Bank (as Global Head of Islamic Distribution), HSBC Amanah (as Global Head of Treasury Sales), Standard Chartered Bank, and Arab Banking Cooperation (ABC). He has also served as the Treasurer for Dubai Islamic Bank. He maintains comprehensive relationships with over 250 Financial Institutions covering various asset classes. Salman has worked with Sharia Scholars worldwide to design and implement Islamic Hedging Solutions, Structured Products and Yield Optimisers (funded/unfunded). He is a frequent speaker and a subject matter expert on Islamic Treasury. He is also a holder of CFA Designation and has an MBA and PGD Qualification.



### **Yang Mulia Haji Muhd Yazid Dato Paduka Haji Mahadi**

Acting Managing Director of BIBD Securities Sendirian Berhad (BIBDS)

Yazid Mahadi joined BIBD in 2017, spearheading the Group's asset management strategy. His primary responsibilities include developing business strategies in relation to asset management as part of the Group's strategic priorities and oversees the overall activities of BIBD Securities Sdn Bhd. Prior to joining BIBD, he was at the Investment Division, Ministry of Finance where he led the equities and absolute returns strategy for the Retirement Fund and Fiscal Stabilisation Reserve Fund. Yazid graduated with a distinction in the Masters of Philosophy (MPhil) in Economics from the University of Cambridge. Prior to that, he obtained a first class degree with honours in the Bachelor of Science (BSc Hons) Degree in Economics from the University of Manchester, where he was also awarded the Manchester School Award. He contributed a research paper titled 'The Dutch Disease Hypothesis: Evidence from the Gulf Cooperation Council' in the CSPS Strategy and Policy Journal, 2011. He is a CFA charterholder.

# MANAGEMENT TEAM

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**Yang Mulia Haji Mohd Said Haji Zania**  
Acting Managing Director of BIBD At-Tamwil Berhad

Yang Mulia Haji Mohd Said Haji Zania has twenty years of Brunei Banking and Finance industry experience. He joined BIBD At-Tamwil Berhad in 2000 and has been an ever-present figure in the ongoing success of BIBD At-Tamwil Berhad. In his previous role as Head of Operations, he has shown strong leadership qualities, and ability to manage strategic and operational matters has allowed significant improvements in the operations of BIBD At-Tamwil Berhad.

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**Yang Mulia Syed Alwi Syed Abdillah Alkaff**  
Senior Executive Officer at BIBD Middle East

Syed Alwi has more than ten years of banking experience in Corporate Finance and Treasury. He was previously BIBD's Co-Deputy Treasurer responsible for the portfolio management of medium-term assets comprising of fixed income securities (Sukuk), corporate and FI syndications, trade risk participation, structured products and financial institutions group. Prior to that, Syed Alwi was part of Corporate Finance & Advisory where he was responsible for developing the project financing, Sukuk origination, corporate advisory and syndication business. Key transaction experiences include arranging and structuring a refinancing deal for Brunei Gas Carriers Sdn Bhd's first vessel (ABADI) along with syndicated project financing for its fourth (AMANI) and fifth vessels (AMADI). Syed Alwi holds a Bachelor of Commerce (Economics & Finance) from University of Melbourne.

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**Yang Mulia Hajah Hanifah Haji Jenan**  
Head of Shariah

Yang Mulia Hajah Hanifah Haji Jenan is BIBD's Head of Shariah with over ten years banking experience covering branch banking, recovery and legal advisory prior to taking the leading role of the Shariah Department. She is also experienced in Takaful matters which was gathered during her secondment to Takaful BIBD, where she looked after legal and claims matters. She holds a Bachelor's Degree (Hons) in Shariah from the University of Malaya, Malaysia, and a Diploma in Law and Administration of Islamic Judiciary from the International Islamic University of Malaysia (IIUM). She is a Certified Islamic Financial Planner from Al-Hijrah Consultancy and a certificate holder of Fiqh Muamalat Professional Programme (FMPP) from CIBFM Brunei.

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**Yang Mulia Susanna Maria Goh Ghim Hong**  
Head of Compliance

Yang Mulia Susanna Goh has more than thirteen years of banking industry experience with more than seven specifically in the legal and compliance arena, having previously been the Head of Compliance for HSBC Brunei. She has also previously acted as Director for HSBC Finance (Brunei) Berhad. She joined BIBD as the Head of Compliance in July 2018 and manages the Compliance Division for BIBD, overseeing engagement with banking regulators and all aspects of financial crime compliance. She holds a Bachelor of Law LL.B honours degree from the University of Nottingham and is a qualified Barrister-at-Law.

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**Yang Mulia Chua Peng Sim**  
Head of Internal Audit

Yang Mulia Chua Peng Sim has extensive experience and a strong track record in the oil and gas industry and has worked both locally and internationally. His experience includes six years as Head of Internal Audit for the Brunei Shell Joint Venture Companies. He holds a BA (Hons) in Accountancy and is a professionally qualified accountant from the Institute of Chartered Accountants in England and Wales.



**Yang Mulia Haji Minorhadi Haji Mirhassan**  
Deputy Chief Operating Officer

Yang Mulia Haji Minorhadi Haji Mirhassan has over twenty-five years of commercial banking experience with BIBD and the HSBC Group through leadership roles in Retail, Corporate and Institutional Banking businesses. Haji Minorhadi is an active advisory committee member of the Al-Islah Centre, a member of the working committee for the eleventh Brunei National Development Plan, and is the current Chairman for the Brunei Darussalam Capital Market Association (BCMA). Haji Minorhadi holds an MBA from the Singapore Management University (SMU), a BTEC HND in Business and Finance from Universiti Teknologi Brunei and a Certificate in Islamic Financial Planning.

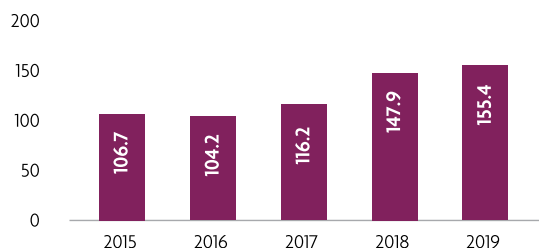


**Yang Mulia Haji Mohd Yusri Haji Wahsalfelah**  
Head of Government Relations and Special Projects

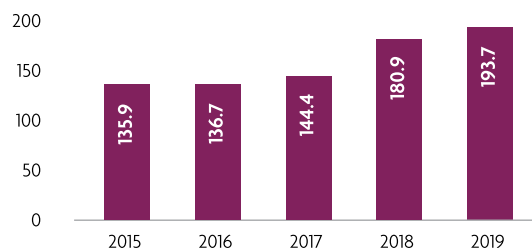
Haji Mohammad Yusri started his career as an economist under the Department of Economic Planning and Development at the Prime Minister's Office and was responsible for overseeing policy formulation and economic planning in the areas of Privatization, Public Private Partnership (PPP), Competition Policy, Fair Trade Practices, and Consumer Protection. He joined BIBD as a Senior Relationship Manager in 2012, overseeing the Bank's overall relationship with the Ministry of Finance, Government Linked Companies (GLCs), as well as other strategic stakeholders in the Government and Corporate agencies. Currently, Haji Mohammad Yusri heads the Government Relations and Special Projects Division, the bank's key focal point for collaboration with key stakeholders in government sectors. He holds an MSc in Economics from the University of Leicester, United Kingdom, and a Double Majors Degree in Economics and Financial Planning, from Curtin University of Technology, Western Australia.

# GROUP FINANCIAL HIGHLIGHTS

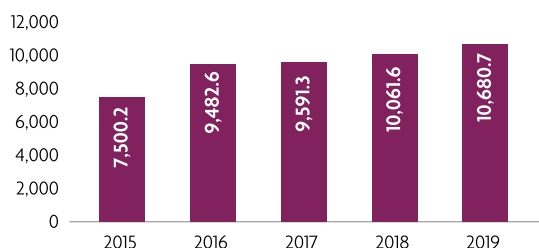
Net Profit After Zakat and Taxation (B\$ Million)



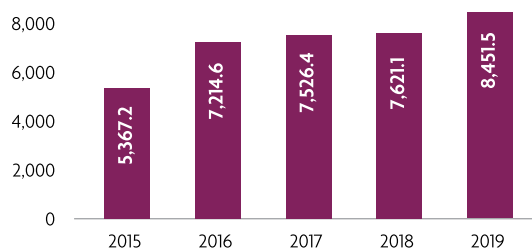
Operating Profit (B\$ Million)



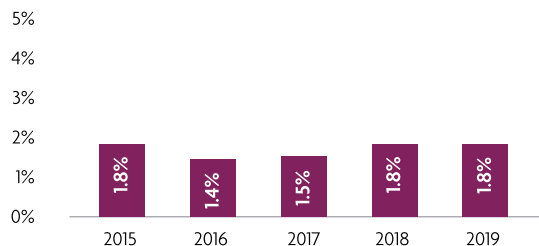
Total Assets (B\$ Million)



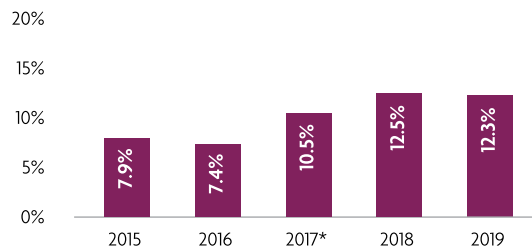
Deposits from Customers (B\$ Million)



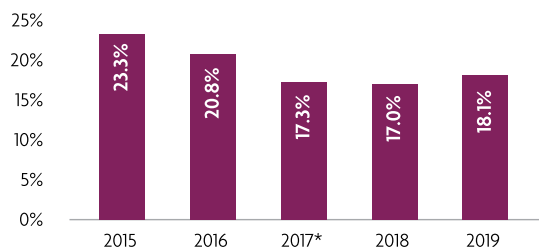
Return on Asset – Before Taxation (%)



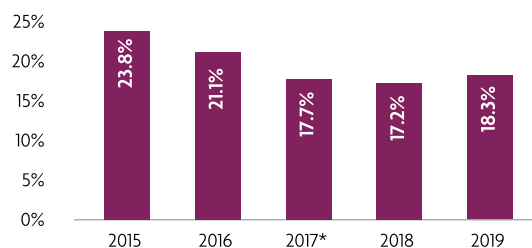
Return on Equity – After Tax (%)



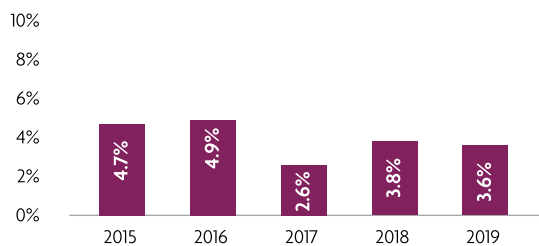
Capital Adequacy Ratios Tier 1 (Core Capital) (%)



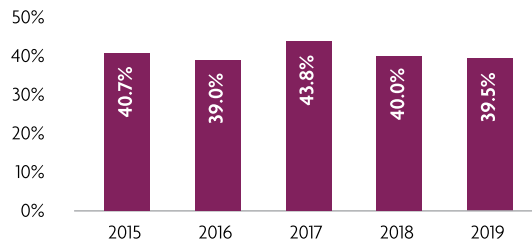
Total Capital Adequacy Ratio (%)



Total Gross Impaired Financing to Total Gross Financing and advances (%)



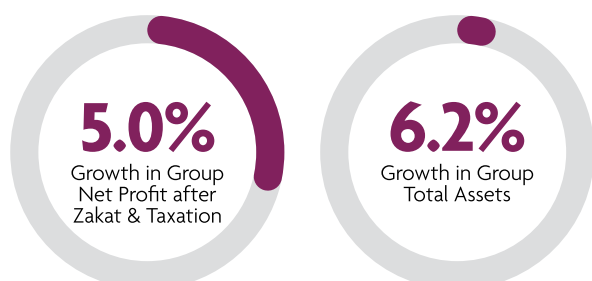
Cost to Income Ratio (%)



\* due to implementation of Capital Optimisation Strategy

# BIBD AT A GLANCE

## Growth & Shareholder Value



★★★ **More than 216K**  
Total Banking Customers

The Asian Banker's Strongest Banks in Asia Pacific

**9%**  
Growth of BIBD Cardholders

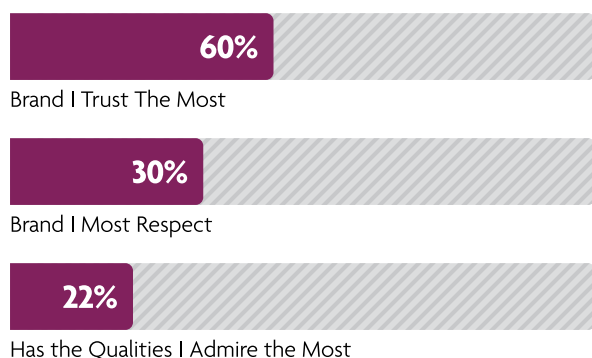
**More than 500M**  
Hadiah Points Issued



Total Dividends Paid (B\$ Million)

| FY 2017       | FY 2018     | <b>B\$0.12170</b>                        |
|---------------|-------------|------------------------------------------|
| <b>127.36</b> | <b>88.2</b> | Dividend Paid Per Ordinary Share FY 2018 |
|               |             | <small>*FY - Financial Year</small>      |

## Most Admired Brand in Brunei



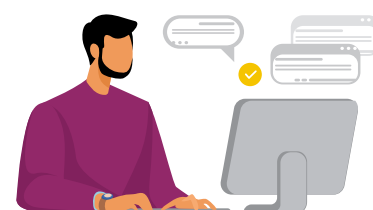
## Corporate



**More than 600**  
Brunei Corporates with BIBD

**55%**  
Corporate Internet Banking Penetration

**66%**  
Growth of Annual Corporate Digital Banking Transactions



**SME**

**More than 8500**  
SMEs with BIBD

**More than 1000**  
SME Projects Supported

## Digital Banking

**34%**

Annual Growth of Average Monthly Digital Banking Log-Ons

**47%**

Growth of Annual Retail Digital Banking Transactions

**More than 14M**

Annual BIBD Digital Banking Transactions

**2.4M**

Average Monthly Digital Banking Log-Ons





# CORPORATE GOVERNANCE

BIBD Board of Directors

Human Resources Remuneration and Nomination  
Committee (HRNC)

Audit, Finance and Risk Committee (AFRC)

Risk Management, Compliance and Internal Audit

Shariah Advisory Body



The BIBD Group governance framework has been designed and implemented to ensure the mission and objectives of the Group are achieved through the best standards of corporate governance applicable.

The BIBD Board of Directors ("**BIBD Board**") recognises its role in ensuring that not only does the Bank subscribe to the highest possible governance standards but that these standards are embraced and subscribed by all levels of its Group structure. To that end, under the guidance and leadership of the BIBD Board, the BIBD Group has adopted the AMBD Guidelines for Corporate Governance for Banks ("**Guidelines**") as the guiding principles of BIBD's corporate governance.

Furthermore, as a full service Islamic financial institution, the BIBD Board equally recognises that the Bank's business and operations have to subscribe to the highest level of Shariah governance principles to ensure continued trust and confidence of customers and the public that its business, products and services are fully Shariah compliant.

On this account, the BIBD Board will be approving the BIBD Shariah Governance Framework ("**BIBD SGF**") in line with the AMBD Shariah Governance Framework Guidelines for Financial Institutions, by early 2020. The BIBD SGF sets out amongst others, the key Shariah compliance control functions as well as oversight accountabilities and key responsibilities of the BIBD Board of Directors, Shariah Advisory Board and Management in the implementation of Shariah governance for the Bank.

## BIBD Board of Directors

### A. BOARD COMPOSITION

There are six (6) members in the BIBD Board (with one (1) alternate director) all of whom bring to the BIBD Group a broad range of experience, knowledge and management skills in the banking and finance sector.

The BIBD Board is composed primarily of non-executive directors, with the Managing Director/CEO being the sole executive director on the BIBD Board. 50 per cent of the members of the BIBD Board are independent directors.

### B. ONBOARDING OF NEW BOARD MEMBERS

New Board members are provided with comprehensive presentations from all division heads – highlighting key priorities and initiatives in further enhancing their respective areas. The onboarding sessions aim to provide new Board members with a holistic understanding of BIBD's operations, risks and strategic direction.

### C. BOARD MATTERS

The BIBD Board provides Management with the guidance and leadership necessary for the Group to achieve its mission to be the **Best Islamic Bank in Asia Pacific**. The BIBD Board is ultimately responsible for the strategic direction of the Group, the Group Corporate Governance, Risk Management, Financial Performance, and the Group's Corporate Social Responsibility.

The duties and responsibilities of the BIBD Board are clearly established by the Bank in accordance with the laws and guidelines issued by the regulator. Board members are aware of these responsibilities and the expectations to set aside adequate time for their oversight of matters relating to the Bank. They attend and actively participate in Board and Board Committee meetings, whereby the number of meetings held and each director's attendance at such meetings are fully disclosed in this Report.

Furthermore, the BIBD Board and Board Committees have assessed that they are of an appropriate size and composition and that multiple board representations of directors are not detrimental to the adequate and effective discharge of their responsibilities to the Bank.

The BIBD Board and Board Committees review and approve matters relating to major strategic, financial and other initiatives of the BIBD Group. These include, amongst others, decisions on business strategy, risk management and governance frameworks, regulatory matters, major transactions and exposures, as well as financial reporting.

The responsibilities of the BIBD Board include:

- i. Providing oversight of management on behalf of shareholders.
- ii. Nominating directors and evaluate the structure and practices of the Board to ensure compliance with sound corporate governance principles.
- iii. Overseeing processes for evaluating the adequacy of internal controls, risk management, financial reporting, and compliance with the law and the Group Corporate Governance Framework.
- iv. Evaluating and determining the compensation for the Managing Director.
- v. Reviewing the Group's compensation and benefits programs as well as its succession planning and diversity programs via assessment and recommendations by the Human Resources Remuneration and Nomination Committee ("**HRNC**").
- vi. Reviewing major strategic, financial and other objectives / initiatives of the BIBD Group.
- vii. Reviewing and facilitating the BIBD Group's community-oriented activities.

To ensure that the above responsibilities can be carried out and implemented effectively and efficiently, the BIBD Board has delegated a portion of these responsibilities to relevant BIBD Board appointed Committees ("**Board Committees**").

### D. BIBD BOARD'S DELEGATION TO COMMITTEES

The BIBD Board has delegated certain responsibilities to three (3) Board Committees:

- i. Executive Committee ("**ExCom**")
- ii. Audit, Finance and Risk Committee ("**AFRC**")
- iii. Human Resources Remuneration and Nomination Committee ("**HRNC**")

## 3. COMMITTEES OF THE BIBD BOARD

### a. Executive Committee ("**ExCom**")

- i. The ExCom comprises of three (3) BIBD Board members.

They are:

- (a) Dato Paduka Iqbal Ahmad Khan (Chairman)
- (b) Junaidi bin Haji Masri
- (c) Mubashar Khokhar

ii. The roles and responsibilities of the ExCom include the following:

- Providing consistent, joined up leadership to the BIBD Group.
- Functioning as a discussion forum for BIBD Board matters and as a forum for decisions on matters not requiring full BIBD Board approval.
- Providing oversight of management decisions.
- Reviewing major strategic matters prior to BIBD Board approval as well as reviewing the operations of the BIBD Group; including credit and investment proposals, the BIBD Group audit, finance, risk and control functions.
- Reviewing and approving financing proposals with a domestic exposure greater than B\$20,000,000 based on recommendations from the Credit Risk Committee.
- Reviewing and approving of proposals with an exposure greater than B\$20,000,000 based on recommendations from the Credit Risk Committee.

b. **Audit, Finance and Risk Committee ("AFRC")**

i. The members of AFRC are as follows:

- (a) Dr. Jan Hendrik van Greuning (Chairman)
- (b) Dato Paduka Iqbal Ahmad Khan
- (c) Junaidi bin Haji Masri

ii. The AFRC meetings are conducted with the attendance of the Managing Director, Deputy Managing Director, Chief Risk Officer, Chief Financial Officer, Chief Operating Officer, Head of Compliance, and Head of Internal Audit. The AFRC meets at least once every quarter or as and when required.

iii. The broad roles and responsibilities of the AFRC are:

- Overseeing the quality and integrity of regulatory and financial accounting and reporting, including accounting and disclosure policies / practices.
- Overseeing the BIBD Group's management's internal controls processes, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements.

- Reviewing the adequacy and soundness of accounting, financial and other internal controls and their effective implementation.
- Overseeing the performance of the control and governance functions.
- Reviewing risk management policies and framework including various risk management and internal control initiatives.
- Exercising oversight of external auditors' qualifications, independence and performance.
- Acting as independent point of contact for the internal audit function and overseeing internal investigations, if required.
- Performing any other responsibilities that the BIBD Board may assign / delegate from time to time.

c. **Human Resources Remuneration and Nomination Committee ("HRNC")**

i. The members of the HRNC are:

- (a) Dato Paduka Iqbal Ahmad Khan (Chairman)
- (b) Junaidi bin Haji Masri
- (c) Majed Nasser Alsubeaei
- (d) Mubashar Khokhar

ii. The Committee's key responsibilities include the following:

- Making recommendations to the BIBD Board on the suitability of appointment, (and if necessary), the removal of member(s) of the BIBD Board.
- Reviewing the succession plans for the Managing Director and Senior Management team.
- Reviewing the suitability of appointment of members of the Senior Management team.
- Reviewing and recommending to the BIBD Board on the Bank's overall remuneration strategies and policies.
- Reviewing and sanctioning proposals for new or amended policies on retirement benefit, severance or early retirement.

## 4. MEETINGS OF THE BIBD BOARD

a. **Meeting Preparation**

- i. The Chairman of the Board and Chairman of each Board Committee oversee the setting of the meeting agenda in consultation with the CEO/MD, to ensure key items are discussed and enough time is allocated for each agenda item.
- ii. The BIBD Board is provided with the meeting materials

seven (7) days prior to the meeting to allow for ample time to review and analyse the materials provided.

- iii. If a director is unable to attend a meeting in person, that director can participate by telephone or video-conferencing.

**b. At every meeting**

- i. The Chairman promotes open discussions by all directors.
- ii. In the event of a conflict of interest, the director in question will abstain himself from participating in any decision making.
- iii. The key discussion items, action points, and decisions made during the meetings are recorded in the minutes of meeting which are then tabled at the following meeting for approval. The minutes of meeting are signed by the respective Chairman.

**c. Frequency of Meetings**

- i. The BIBD Board and its Board Committees meet once every quarter or as and when required.

**d. Meetings convened by the BIBD Board and Board Committees in 2019**

| Nature of Composition                                 | No. of Meetings in 2019 |
|-------------------------------------------------------|-------------------------|
| Board of Directors                                    | 4                       |
| Executive Committee                                   | 4                       |
| Audit, Finance and Risk Committee                     | 4                       |
| Human Resources Remuneration and Nomination Committee | 4                       |

**e. Meeting Attendance**

| NO. | ROLE                                                          | NAME                                                         | BOARD COMMITTEES |      |       |      |
|-----|---------------------------------------------------------------|--------------------------------------------------------------|------------------|------|-------|------|
|     |                                                               |                                                              | BOD              | HRNC | EXCOM | AFRC |
| 1   | Chairman                                                      | YB Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah | 4                |      |       |      |
| 2   | Director                                                      | Awang Junaidi bin Haji Masri                                 | 3                | 3    | 3     | 3    |
| 3   | Director                                                      | Dato Paduka Iqbal Ahmad Khan                                 | 3                | 3    | 3     | 3    |
| 4   | Director                                                      | Majed Alsubeaei                                              | 2                | 2    |       |      |
| 5   | Managing Director / CEO equivalent                            | Mubashar Khokhar                                             | 4                | 4    | 4     | 4    |
| 6   | Director                                                      | Dr Jan Hendrik van Greuning                                  | 4                |      |       | 4    |
| 7   | Alternate Director to YM Awang Junaidi / Independent Director | Awang Mozart bin Haji Brahim                                 | 3                | 3    | 3     | 3    |

## 5. BOARD REMUNERATION

Remuneration of local directors are determined by the Government of Brunei, and the Fajr Capital appointed directors have waived receiving director fees from BIBD. Remuneration of independent directors not under the employment of the Government of Brunei are approved by the BIBD Board and determined based on their skills and expertise.

## 6. ENGAGEMENT WITH STAKEHOLDERS

The Bank has in place a framework to provide shareholders with fair access to information necessary to make decisions on BIBD's value and prospects, as well as to solicit and understand the views of shareholders.

To allow all shareholders full access to the Bank's latest announcements, financial statements, annual report and upcoming events, all such material information is periodically published on the Bank's website.

The Bank also encourages and supports shareholders' attendance and participation at its AGMs. A notice of the AGM, the agenda and a proxy form are sent to shareholders at least fourteen (14) days in advance. All shareholders whose names are recorded in the Register of Members are entitled to attend and to vote at AGMs in person or by proxy. The AGMs provide shareholders with the opportunity to share their views or suggestions and their comments are captured in the minutes of the meetings. The Bank's external auditor is also present at these meetings to answer shareholders' queries on the conduct of the statutory financial audit for the relevant accounting year.

## Human Resources Remuneration and Nomination Committee (“HRNC”)

### 1. KEY MATTERS DISCUSSED IN 2019

- i. The appointments of the following roles in the Senior Management were approved FY2019 by the HRNC:
  - (a) Group Head of Retail Banking
  - (b) Chief Marketing Officer
  - (c) General Counsel
  - (d) Managing Director of BIBD Securities
  - (e) Managing Director of BIBD At-Tamwil
- ii. The HRNC also continues to ensure that the succession plan process and framework for the Senior Management team is in place to secure the continuous growth of BIBD.
- iii. As part of BIBD's commitment in its employees' development and career progression, the HRNC was updated on the Competency Development Framework and Career Management System implemented in May 2019. The HRNC also reviewed and approved the Performance Bonus and Salary Increment Methodology for the financial year 2018.
- iv. Throughout 2019, the HRNC was updated by the Chief HR Officer on employee initiatives such as employee performance, talent management, strategic recruitment matters, staff engagement and staff retention.

## Audit, Finance and Risk Committee (“AFRC”)

### 1. KEY MATTERS DISCUSSED IN 2019

The AFRC and the BIBD Board have placed great importance in ensuring the quality of regulatory and financial accounting reporting.

Regulatory compliance was a major topic discussed by the AFRC as BIBD aims to mitigate the threat of money laundering and terrorism financing. Through the AFRC, the BIBD Board was updated on the progress made in the enhancement of the capabilities within the BIBD compliance function.

With BIBD taking significant steps in the arena of digital banking, the AFRC was regularly updated on cybersecurity and IT operational risks and measures taken to ensure the integrity of its systems and data.

## Risk Management

Robust risk management functions and processes have been placed to specifically allow for an independent and rigorous assessment, monitoring and oversight of the financial and non-financial risks across all divisions of BIBD and safeguarding its financial assets, all required so importantly to support BIBD's quest for long-term sustainable growth. This is part of our wider efforts to uphold the highest standards of compliance, governance, monitoring and controls to enable an effective risk management and compliance process throughout the Group. BIBD undertakes a wide variety of businesses and is thus required to be able to govern, monitor and report all risks in a clear and holistic approach.

The Group has in place the Enterprise Risk Management Framework (ERMF) as a standardized approach to manage its risks. A strong governance structure is important to ensure that the ERMF can be implemented effectively. The Board is ultimately responsible for BIBD's risk management activities and is supported by the Audit and Finance Risk Committee (AFRC); and the Group's Executive Committee (ExCom), which have also been delegated with responsibilities to carry out oversight of the Risk Management's activities. The Group Credit Risk throughout (1) the Credit Risk Committee (CRC), Market Risk (includes Liquidity, Funding, PRRBB, Concentration, Country & Residual), (2) the Asset & Liabilities Committee (ALCO), Operational Risk throughout the (3) Enterprise Risk Management Committee (ERM) and Capital Adequacy Levels throughout the ICAAP Steering Committee (ICAAP SC).

The Group Risk Management model has in place the “Three Lines of Defense” approach, in order to contain any risk, by keeping an ongoing monitoring process and a proper implementation of respective controls.

The responsibilities are shared as follows:

- 1<sup>st</sup> Line of Defense (Risk Owner), the Business units.
- 2<sup>nd</sup> Line of Defense (Monitoring and Oversight Functions), Risk management and Compliance.
- 3<sup>rd</sup> Line of Defense (Risk Assurance), Internal Audit.

While risks are managed at the point of risk-taking activity, there is clear accountability of risk ownership across BIBD as demonstrated in the following chart.



The main risks within the Group are controlled and monitored under the Risk Management Division, covering:

|                                                 |                      |
|-------------------------------------------------|----------------------|
| • Credit Risk                                   | • Legal Risk         |
| • Market Risk                                   | • Country Risk       |
| • Operational Risk                              | • Shariah Risk       |
| • Liquidity Risk                                | • Cyber/IT Risk      |
| • Funding Risk                                  | • Reputational Risk  |
| • Profit Rate Risk in The Banking Book ("PRRB") | • Concentration Risk |
| • Regulatory Risk                               | • Residual Risk      |

We take the approach of analyzing all financing and investment proposals as well as evaluating the Group's operational processes in close cooperation with our respective business units, to ensure that the Group's exposure to risks are understood, discussed and managed in a proactive way, in order for all stakeholders' interests be protected. We adopt a proactive approach in monitoring the Group's risk parameters such as performing regular stress tests and scenario analysis, within the ALCO and ICAAP framework, based on the risks outlined in any given economic scenario.

There are several initiatives from AMBD, that have been adopted by BIBD in order to align to international standards, in line with the Basel Accord and IFRS9, such as:

1. Risk management guideline and governance
2. Credit risk management guideline
3. Minimum regulatory capital requirements
4. IFRS9 model implementation
5. Classification of impaired credit facilities and financial

assets for provisioning purpose

6. Internal control systems (risk management)
7. Basel II – Pillar 3 Public disclosure document
8. Corporate governance for Islamic banks
9. Prudential treatment of problem assets and allowance for credit losses
10. Internal Capital Adequacy Assessment process ("ICAAP")

Our efforts are reflected in the Bank's reaffirmed A- credit rating conferred by one of the Big Three international credit rating agencies, Standard & Poor's (S&P Global).

The emphasis of a strong risk management culture is the foundation of the Group's control mechanism. This involves an on-going process of identification, assessing, controlling, monitoring and reporting of material risks that affects the achievement of the Group's strategic objectives. These risks are categorized as follows:

### CREDIT RISK

A robust credit risk framework is one that embeds prudent financing guidelines to minimise credit defaults and losses whilst maintaining a credit portfolio that is within the Group's risk Management strategy approved annually by the Board. The Bank has in place several systems in order to control and monitoring all the risk management spectrum. In the non-retail space, the Bank implemented an internal risk rating system by S&P Global, to help the Board and senior management differentiate across financing and investment to facilitate decisions making. Whereas, in the retail space, the Bank uses internal risk scoring models, scorecards, for credit application, evaluation and approval.

### OPERATIONAL RISK

Operational events (People, Systems, Processes and Natural Disasters) that eventually may be translated into losses for the Group, are constantly monitored and reported. As a continuous proactive measure to better capture all related events, the Group has placed a strong emphasis on providing constant training to all employees.

### MARKET, FUNDING, LIQUIDITY AND COUNTRY RISKS

While monitoring and reporting the global market exposure of BIBD to ensure that the exposures are within the approved appetite, the Risk Management team also continuously keeps

abreast of market developments which may impact the market risk guidelines. BIBD maintains high quality liquid assets and well diversified sources of funds that act as a liquidity risk buffer. The country limits are also taken into consideration as part of the relevant risks and business requirements.

### LEGAL, REGULATORY AND REPUTATIONAL RISKS

BIBD has always adopted a proactive approach in mitigating all risks including legal risks, regulatory and reputational risks.

### CYBER RISK

Constant reviews, upgrades and tests of all IT systems are performed to avoid any external disruptions that may affect the Group's general capabilities to operate; ensuring that our customers benefit from the vast technology investments within the Group. Together, these approaches allow for further strengthening of BIBD's overall risk management capabilities, through best practices based on international standards. As part of this approach, the risk framework is constantly assessed and reviewed to continue developing a culture where predictive risk management is enabled.

## Compliance

The Compliance Division supports BIBD in protecting its value and image by monitoring transactions to ensure the Bank complies with the laws and regulations of Brunei Darussalam. The Division acts as a trusted advisor on matters relating to regulations, anti-money laundering, sanctions and terrorism financing.

The Division is made up of three sections. The first section, Regulatory Compliance (RC) is the centralized point for all regulatory engagement. The second section, is the Financial Crime Compliance (FCC) which oversees all FCC-related policies and provides advisory guidance in relation to onboarding and ongoing management of relationships with customers. FCC sets the compliance training agenda for the Bank and daily operations in monitoring transactions. Compliance Assurance (CA) makes up the third section and oversees businesses and facilitates compliance with regulations through ongoing monitoring, testing and reviews.

With a shift of focus made by BIBD in the area of compliance, the Compliance program developed changes over 2018 and 2019. Whilst revenue and targets remain as a priority for the

business, Compliance agenda is a critical requirement as part of our personnel training.

The main focus for the Compliance Division in 2019 was to continue enhancing the Compliance Program of BIBD by initiating more quality training programs. 1-on-1 training was rolled out for the Compliance Division alongside online training courses. The Division was further enhanced by revising previous guidelines, policies and procedures whilst improving our ability to monitor transactions that covers the full breath of the overall operations of the Bank.

Being at a stage of maturity, the Compliance Division engages with various international experts in the field of financial crime compliance with an aim of aligning our strategy towards global standards. This initiative will be the future focus for the Compliance Division in 2020 and 2021.

## Internal Audit

The BIBD Internal Audit Division, reports directly to the Audit Sub-Committee. The division provides primarily the Audit Sub-Committee and the Board of Directors with objectives and independent assurance on the design and operations of the internal control systems within BIBD and its subsidiaries.

In line with the Internal Audit Charter, the main focus of Internal Audit is to execute a risk-based approach to audits by focusing on high-risk areas across the Bank and its subsidiaries. The audit approach uses the COSO framework (Internal Control – Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission), which covers the control components and focuses on key processes, objectives and their risks. Audits conducted are inclusive of compliance to Shariah framework and Shariah Advisory Body resolutions in relevant areas where applicable.

In 2019, Risk-based audits were conducted to have deeper insights into the business, and further investigations were conducted where necessary. Internal Audit also focused on its other priorities to strengthen the internal audit function and embed audit methodology based on International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors and its Code of Ethics to comply with the requirements from the Regulator for the Internal Audit Function of the Bank.

## Shariah Advisory Body

### 1. THE MEMBERS OF THE SAB ARE:

- i. Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof
- ii. Dato Seri Setia Dr Haji Japar bin Haji Mat Dain @ Maidin
- iii. Dr Abdul Nasir bin Haji Abdul Rani
- iv. Professor Madya Dr Dayang Hajah Rose binti Abdullah
- v. Dayang Hajah Noraini binti Haji Buntar

The SAB members' appointment is approved by the Syariah Financial Supervisory Board ("SFSB") of Ministry of Finance and Economy ("MOFE") every 2 years effective from 01 February 2018 until 31 January 2020.

### 2. THE SAB'S ROLES AND RESPONSIBILITIES ARE:

- i. To advise the Board on Shariah related matters;
- ii. To endorse the Shariah and Compliance Guidelines;
- iii. To perform Shariah review from time to time on Shariah compliancy pertaining to the pre and post product implementation and Bank operation;
- iv. To review and endorse relevant documentations;
- v. To assist external parties engaged by the Bank for advice on Shariah related matters upon request;
- vi. Overseeing the computation and distribution of Zakat and tainted income to be channeled to maslahah or charitable purposes;
- vii. To advise on matters to be referred to the SFSB;
- viii. To provide written juristic ruling or Shariah opinion;
- ix. To assist the SFSB on reference for advice;
- x. To ensure all resolution, advice and/or ruling by the SFSB given to the Bank, to be implemented accordingly.

### 3. FREQUENCY OF MEETINGS

The SAB meets at least once every two months or as and when required.

### 4. MEETING ATTENDANCE

The SAB meetings require at least 3 members to be present for a meeting to commence.

|   | Name            | Name                                                                           | SAB Meetings |          |
|---|-----------------|--------------------------------------------------------------------------------|--------------|----------|
|   |                 |                                                                                | Held         | Attended |
| 1 | Chairman        | Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof | 9            | 9        |
| 2 | Deputy Chairman | Dato Seri Setia Dr Haji Japar bin Haji Mat Dain @ Maidin                       | 9            | 9        |
| 3 | Member          | Dr Abdul Nasir bin Haji Abdul Rani                                             | 9            | 8        |
| 4 | Member          | Professor Madya Dr Dayang Hajah Rose binti Abdullah                            | 9            | 9        |
| 5 | Member          | Dayang Hajah Noraini binti Haji Buntar                                         | 9            | 9        |

### 5. SUMMARY OF MEETINGS IN 2019

- a. The SAB reviewed, advised and approved new and enhanced products and services proposals and legal documentations submitted by businesses and BIBD subsidiaries.

|   | Proposals by Business              | No. of Proposals |
|---|------------------------------------|------------------|
| 1 | Retail Banking Group               | 9                |
| 2 | Corporate Banking Group            | 2                |
| 3 | Treasury & Global Markets Division | 2                |
| 4 | BIBD Securities Sdn Bhd            | 1                |
| 5 | BIBD At-Tamwil Berhad              | 1                |

- b. The SAB acknowledged, reviewed and endorsed the following and was satisfied that each had been done in conformity with Shariah rules and principles:
  - i. Products and services, contracts and dealings transactions entered into by BIBD and its subsidiaries during year ended 31 December 2019.
  - ii. All tainted earnings that has been realised from sources or manner which have not fulfilled the Shariah requirement have been separated and considered for disposal to public benefits (maslahah 'ammah).
  - iii. Zakat allocation for the financial year ended 31 December 2019 was calculated in accordance with the methodology approved by them.
- c. In accordance to the Submission Guidelines For Products and Shariah Matters To Be Endorsed And/or Approved by SAB of BIBD ("the Guidelines"), Shariah Division reviewed

and approved business transactions, advertisements and marketing materials under the immediate or direct approval category of the Guidelines. The working papers were also presented to the SAB post-approval for ratification.

|   | Proposals by Division              | No. of Proposals       |
|---|------------------------------------|------------------------|
| 1 | Treasury & Global Markets Division | 10 transactions        |
| 2 | Retail Banking Group               | 24 marketing materials |
| 3 | Corporate Banking Group            | 2 marketing materials  |

## 6. TRAINING

The SAB members attended various seminars and forums related to developments on Shariah and Islamic Finance.

|   | Seminar / Forum                                                                                                          | Venue                  | Members Attended |
|---|--------------------------------------------------------------------------------------------------------------------------|------------------------|------------------|
| 1 | 15 <sup>th</sup> Kuala Lumpur Islamic Finance Forum 2019; and Muzakarah Penasihat Syariah Kewangan Islam 2019 kali ke-13 | Kuala Lumpur, Malaysia | 2                |
| 2 | 14 <sup>th</sup> International Shari'ah Scholars Forum 2019                                                              | Kuala Lumpur, Malaysia | 2                |
| 3 | Muzakarah Cendekiawan Shariah Nusantara ke -13 (2019)                                                                    | Brunei Darussalam      | 2                |
| 4 | 2 <sup>nd</sup> Islamic Fintech Dialogue (IFD2019)                                                                       | Kuala Lumpur, Malaysia | 2                |
| 5 | CIBFM – SIDC Directors' Forum                                                                                            | Brunei Darussalam      | 2                |



# **BUSINESS REVIEW**

Retail Banking Group  
Corporate Banking Group  
Treasury and Global Markets  
BIBD Subsidiaries

## Retail Banking Group (“RBG”)

In 2019, BIBD solidified its position as the leading provider of core retail banking services in Brunei which allowed us to focus on driving our digital initiatives.

Our vision of becoming Brunei’s leading financial institution and a benchmark for Islamic finance remains true with strong financial figures and market share. Retail customer base market share showing a positive growth of 4 per cent which led to 87 per cent as of the latest result.

Merchant transaction volume has also shown a strong increase. This is complemented by the fact that BIBD is the largest issuer of Mastercards in Brunei Darussalam, with active Debit and Credit cards totaling 213,000.

Throughout 2019, BIBD retained approximately 60 per cent of overall retail financing portfolio. These increases were in part due to targeted home financing promotions held throughout the year. BIBD also offered the Triple Zero Promotion, which aimed to offer stress-free and affordable personal financing solutions to customers with a combination feature of attractive offerings including zero payment, zero processing fees and zero profit for three months.

BIBD also continues to offer one of the most actively engaging loyalty programs through our Hadaiah Points, where nearly 90 per cent of rewards points issued have been redeemed, through our Contact Center or our mobile application BIBD NEXGEN Wallet’s mobile chat.

On top of this, BIBD continues to have the largest distribution network in the country, with 17 branches and 103 units of self-service terminals.

Building on our market share and in line with national initiatives of promoting a savings culture and financial literacy, we

focused our attention to further improve our deposits base. This resulted in the launch of ‘BIBD Aspirasi’ – a certificate of deposit that offers better rates than a standard savings account and is easily subscribed to and redeemable (straight through) over our mobile platform – on 1 September 2018 in line with Brunei National Savings Day. This initiative, also supported by the increasing number of our certified financial planners, is an extension of our efforts to create better financial awareness and management, especially among the youth of Brunei Darussalam. The BIBD Aspirasi campaign has been met with an overwhelmingly positive response.



**BIBD Aspirasi 2**

Capture your Greatest Life Aspirations

**B\$250,000 x1**  
Grand Prize

**B\$10,000 x5**  
Quarterly Prizes

**B\$1,000 x35**  
Monthly Prizes

**Save a little for your Aspirasi**

You can save with **BIBD Aspirasi 2** from as low as **B\$250** from now to **31<sup>st</sup> October 2020** and get closer to walk away with a life-changing reward. There are more winners and more rewarding opportunities for those who keep their savings longer.

To save, simply subscribe on BIBD NEXGEN Mobile, Online or visit any of our branches.

**BIBD NEXGEN**  
Infinity of Possibilities

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BIBD continues to solidify its position as the leading provider of retail banking services in Brunei Darussalam by maintaining the largest banking network in Brunei with seventeen branches and more than 100 self-service terminals strategically located across Brunei Darussalam. BIBD is also the largest payment card issuer with the largest base of active Debit and Credit Cards.

The RBG aims to deliver a longer-term goal with a final outcome of full automation of all its business process and to maximise the total strategic capital and capabilities within the team. These goals will be supported via a set of short and medium-term goals. As part of its short-term goals, in 2020, RBG aims to deliver the following areas of focus:

**MAINTAIN STRATEGIC FOCUS FOR SHORT/ MEDIUM/ AND LONG- TERM GOALS OF RBG.** To ensure focus, roles and responsibilities within the Retail organization structure are reconfigured in a value chain system to mobilise value creation



and the right risk culture. This will ensure RBG's core functions are fully supported by various business functions within the new and leaner organization structure. Team members are also given opportunities and options to pursue areas of interest within the organization. This will not only encourage growth but also harness individual interests and strengths.

**BUILD A CULTURE OF EXCELLENCE AND ATTAINMENT OF GOALS.** As part of its aim to nurture and reward its team members, RBG has introduced a simplified, transparent and interrelated balance scorecard system across the Retail group. This ensures clear business goals are equally understood and supported by each team members. Teams are constantly focused to ensure that their respective balance scorecard exceed their targets. To support success, routine and regular active engagements, one-to-one consultations as well as team meetings are constantly held for the team members.

# Corporate Banking Group

The uncertainty of global economic has posed many challenges to the local business environment. Despite the economic challenges, Corporate Banking Group (CBG) was able to reassess and revisit its approach to tackle such challenges and come up with new tactical actions allowing them to better realize its target. This lies within the enhancement of products and services, continuously supporting government initiatives and sharing of knowledge and expertise.

With such initiative, CBG was able to meet a record asset book and total income. Other notable improvement includes the reduction of non-performing financing ratio.

## ENHANCEMENT OF PRODUCT & SERVICES

Improvements and enhancements of corporate products and services have been the core agenda for the year in review and years ahead. The said effort has resulted in positive impact to the market and as a result, BIBD is now becoming the preferred bank for most GLCs and Corporate organisations. The upgrade of products such as BIBD Biznet were amongst the deciders for clients to enroll with the Bank. As a result of customer acceptance, the number of BIBD BizNet users has reached more than 65 per cent.

BIBD's Asian Desk has also been well accepted by the market, evidenced by the influx of Foreign Direct Investors being onboarded to the Bank. By providing a one-stop centre for the banking needs of Foreign Direct Investment (FDI) companies and its employees, these conveniences have attracted more clients to bank with BIBD. The Asian Desk also facilitates the FDI's employees personal banking needs by introducing them to a wide range of convenient products and solutions provided by the Bank's Retail Banking Group and subsidiary businesses while leveraging on Brunei's largest network of banking branches and ATMs, and state-of-the-art Contact Centre.



## CONTINUOUS SUPPORT FOR GOVERNMENT INITIATIVES

In line with our commitment to support the Brunei Government and tap into domestic financing opportunities, CBG continued to enhance its relationship with GLCs and local corporates by supporting their funding needs. Continuing its success from previous momentous milestones such as project financing two Liquefied Natural Gas (LNG) vessels for Brunei Gas Carriers in 2012 and facilitating the Royal Brunei's purchase of six new aircraft in 2018, CBG has established an active and healthy working relationship with Hengyi Industries as a "Partner in Progress". This further demonstrates the Bank's commitment in supporting national projects and economic diversification efforts by the government. Having successfully closed large complex financing transactions, CBG believes that the Brunei market is gaining more trust to the Bank's capabilities which will pave the way for more financing opportunities and growth in the years to come. CBG thus aims to be the local financing champion for the GLCs and Brunei corporates.

The Bank has continuously supported the growth and development of the oil and gas industry and this commitment has been translated through the signing of the BSP Credit Facility program, to assist the financing needs of SMEs who are awarded contracts with BSP under the scheme.

Additionally, and in supporting the Government's effort to reach its rice self-sufficiency target, BIBD was also invited by Brunei Shell Petroleum through its affiliated company, LiveWire Brunei Sdn Bhd on the creation of LiveWire AgroBiz. The main objective of this project is to develop a learning infrastructure site for paddy and cash crop production that can assist the training and development of our younger generation. The training program will be managed and run by the Institute of Brunei Technical Education (IBTE) and the Bank is co-sponsoring it by providing the required funding solution to the newly established learning institution.



## SHARING EXPERTISE AND KNOWLEDGES

The Bank continues its efforts to provide its valued customers with a better view and understanding of the business environment globally as well as locally.



For the first time, the Bank had organized an inaugural BIBD close door dialogue with strategic partners in the business. Some of the objectives were to identify the gaps in understanding of Islamic finance capabilities and to illustrate BIBD's capability on providing the Islamic finance solution. The one-day event brought together renowned Islamic Finance professionals and intellectuals as well as key senior stakeholders amongst government, GLCs, authorities and large corporates to provide better understanding of Islamic Finance and the wide acceptance of Islamic finance solution in the market.

Through SME 360, the Bank is also working continuously and closely with various stakeholders such as Darussalam Enterprise (DARE) to provide support, advice and mentorship to our SME clients. In today's era where MSMEs need up to date and innovative financial solutions, advice and opinion

of wider business perspectives, the Bank is keen to offer the customers solutions. Through SME 360 we offer customers business advisory, cash management as well as digital and trade payment solutions. Two years after being introduced to the market, the presence of the bank's SME 360 service is being recognised and appreciated.

Corporate Banking Group is also continuing its effort to cooperate with higher learning institutions such as University Brunei Darussalam, Universiti Teknologi Brunei, Universiti Islam Sultan Sharif Ali, Politeknik Brunei, Pusat Pembangunan Belia, and Business Schools to conduct talks, trainings and clinics as to promote and instil entrepreneurship behaviour to our younger generation.

The Bank is also fulfilling its commitment to share knowledge on business financial literacy educational clinics such as 'Become a Successful Owner Manager (BSOM) Workshop' organised by LiveWire Brunei, a social investment flagship of Shell Brunei. The Bank continues its collaboration with LiveWire Brunei to administer the financial mechanism of Business Awards Start Ups funding scheme, an initiative to support the country's continuous effort to diversify economically active participation of small and medium enterprises (SMEs) in Brunei Darussalam.



# Treasury and Global Markets

BIBD's Treasury & Global Markets (TGM) Division is one of the most sophisticated and advanced Islamic treasury setups in the Islamic Financial Markets, globally, offering the most comprehensive range of Islamic products and services to its growing clientele. TGM is responsible for the management of the Bank's funds, ensuring ready access to liquidity to meet all of BIBD's financial obligations as and when they fall due. As the first line of defense and the heart of the Bank, it plays a key role in insulating the Bank against financial market stresses through the robust and prudent management of capital and liquidity. In addition, TGM plays its part as a brand ambassador for the Bank in the global financial markets by continuously seeking to foster closer ties with our international banking partners, both regionally and globally.

Our mission is also to ensure the sustainable and responsible growth of our global asset book through utilising contemporary state-of-the-art risk management and yield optimization principles. Continuous improvement of our Net Profit Margin remains as one of the key objectives of our business. By the end of 2019, TGM managed about 56 per cent of BIBD's total assets. Our TGM asset book comprises of various Shariah compliant asset classes such as Murabaha, Wakala, Wadiah, Sukuk and passive Structured products. Our assets are geographically diversified and comprises of exposures which are largely rated at investment grade and above.

TGM also manages the Bank's institutional liabilities and is ultimately accountable for the safekeeping of customer deposits, making it a key proponent in building and maintaining the trust that BIBD has with its stakeholders.

Key initiatives carried out by TGM in 2019 include the continuous progression of its International Liabilities desk operating out of BIBD's Middle East office. This function has allowed the Bank to diversify its liability sources and provided wider coverage for TGM's Interbank activities via access to financial institutions across the GCC and Asia. Our BIBD international offices introduced and provided referrals of Trade Finance opportunities to the Head Office on a regular basis and our international presence also enhances our connectivity in Islamic Debt Capital Market.

TGM has been mandated to explore the possibility of upgrading its BIBD's Middle East and Singapore presence into full-fledged wholesale banking branches. This will provide BIBD a solid foothold in these major global financial centers.

During 2019, TGM has designed, developed and implemented a first of its kind, Repurchase Agreement (Repo) against a portfolio of Sukuk/fixed income instrument. TGM has also recorded its highest ever revenues in the same year.

## IMPROVEMENT OF SKILLSETS FOR A DIGITISED WORKFORCE

Housing a highly qualified team equipped with state-of-the-art treasury management information systems, TGM remains committed in ensuring that the Bank remains highly protected by prudently managing its Money Market and Fixed Income portfolios.

Capabilities to operate at this level are also ensured and improved with international training and development of key TGM personnel via attachments (exchange programmes) along with focused tailor-made programmes and seminars.

## DELIVERING THE BEST FOR OUR CUSTOMERS

As part of our continuous commitment towards delivering the best for our clients, TGM will be developing a comprehensive e-commerce strategy to broaden our reach to the key global target markets.

We are also developing alternative hedging mechanisms for our counterparties and seek to provide solutions that meet our clients' liquidity needs while offering optimized returns based on their risk appetite. Our depositors remain our top priority and we will look to further channels to strengthen existing relationships whilst forging new lasting partnerships. This is part of our commitment towards our objectives to be the best Islamic Bank in Asia Pacific region.

# BIBD Subsidiaries

## BIBD SECURITIES

BIBD Securities Sdn Bhd is a subsidiary of BIBD Berhad which offers brokerage and securities services for BIBD shares. Clients who wish to trade in Shariah compliant securities can do so through the access provided by BIBD Securities to the Singapore Stock Exchange and Bursa Malaysia through our respective local counterparts. BIBD Securities is also a distributor of Shariah compliant mutual funds.

## ASSET MANAGEMENT INITIATIVE

BIBD initiated a groupwide asset management strategy and aims to create a world-class Shariah-compliant asset management platform by creating strategic partnerships with established asset managers and cultivating the Group's internal long standing competencies in Global Sukuk investing. Asset management is identified as one of the major growth drivers of the Group and is operated by BIBD Securities Sdn Bhd, under the BIBD Asset Management arm.

Amidst the growth of demand for Shariah compliant products, we aim to provide investment solutions to a wide range of investors including retail, high net worth individuals and institutions both locally and internationally.

## 2019 ACTIVITY

In 2019, we have further developed the investment strategies with our strategic partners, three global asset management firms with long standing track record and industry presence. We continue to identify Strategic Partners in all asset classes, however, remain highly selective in our selection of Strategic Partners, focusing not only on the investment capabilities but also their philosophy and core values. Additionally, we have achieved our first institutional mandate, signifying the real start of our journey as asset managers.

BIBDS has also embarked on introducing and showcasing our expertise into markets outside of Brunei Darussalam leveraging on the awareness of our brand name in GCC and South East Asia. We acknowledge that this is a long term business proposition, as such a key ingredient to success is in ensuring the proper foundation and framework is in place for us to scale the business and continuously move in the direction of the

The logo for BIBD SECURITIES features the word "BIBD" in a large, bold, dark purple font. To its right is a vertical yellow bar, followed by the word "SECURITIES" in a smaller, dark grey font.

long term target. This includes establishing the international distribution framework and ensuring sufficient resourcing for these functions.

On the retail front, BIBDS has identified two new funds to distribute to the market with the objective of providing diversification in investment offerings. This will enhance the variety of asset classes retail investors can participate enabling investors to meet their investment objectives.

## 2020 GOALS AND FOCUS

In the upcoming period, as we garner more understanding of the market and operating landscape, we aim to provide more targeted solutions to investors in all segments. We will also pursue the existing gaps in the market namely fintech propositions and embedding ESG (Ethical, Social and Governance) in our investment solutions.

That being said, one of the key focuses of this upcoming period is to start building the track record of our investment offerings i.e. going from concept to live. This will be the biggest enabler of acquiring the institutional investors.

As of now, BIBDS investment offering is mainly in two asset classes: Equities and Global Sukuk. We continue to identify and develop investment strategies in other asset classes as well. As market and economic environment will influence the type for investment strategies and asset classes investors deploy into, expanding our universe of offerings will allow investors to choose the best strategy suited to their current requirements.



# BUSINESS SUPPORT

Chief Operating Office  
Finance and Strategy Group  
Human Resource and Human Capital  
Information Technology  
Chief Marketing Office  
Shariah  
Government Relations and Special Projects

# Chief Operating Office

Led by the Chief Operating Officer, Service Quality Department's focus is to ensure the highest standards of overall BIBD's customer experience. This is accomplished through working closely with other Divisions on strategic projects and goals, using a structured service quality management framework as well as various tools to maintain and continuously improve service performance across BIBD.

The key goals that Service Quality set out to achieve in 2019 were:

1. ISO9001:2015 expansion;
2. "Japan Expedition" Referral Program;
3. Improving Customer Service Excellence.

Initiatives such as: Strategizing on migrating over-the-counter transactions towards digital channels usage; and BIBD Transformation – Digital Customer Experience were also undertaken throughout 2019.

Towards this end, Service Quality conducted a "BIBD Regional Net Promoter Score (NPS) and Admired Brand Audit in 2019". This came with positive results, and is a combined collaborative effort across BIBD in achieving customer satisfaction.

## ISO9001:2015 CERTIFICATION

ISO9001:2015 certification was obtained in 2018 for "Provision of retail customer onboarding and personal financing services". Service Quality's focus in 2019 was to extend the ISO9001:2015 certification to three more areas – Cards services, Payments (Payroll and Bulk Payments) and Home Financing, thus, obtaining certification for "Provision of retail customer onboarding, financings (Personal & Home), payments (Payroll & Bulk Payments) and card services." The BIBD Quality Management System (QMS), developed based on ISO9001:2015 requirements, is now used as the framework for BIBD's service management.

In 2018, BIBD successfully established a Quality Management System framework and two (2) scopes were certified based on ISO 9001:2015 standards. Certified scopes were Retail Customer Onboarding and Personal Financing.

In 2019, BIBD set out to expand its scope by introducing three



(3) additional scopes – Cards services, Payments (Payroll and Bulk Payments) and Home Financing. This began in April 2019 where Service Quality (SQ) team, alongside our external consultant, initiated gap analysis on various divisions to assess current process. A total of 10 out of 13 divisions were involved in this project.

As a result, BIBD Quality Management System (QMS) underwent a major update to incorporate changes which included the introduction of three additional scopes, seven new Bank-wide procedures, refined and new quality objectives (KPIs) and an updated BIBD Quality Policy Statement. These were done with the objective of further aligning, strengthening and ensuring that BIBD's QMS is continually being improved to enhance BIBD's service provision.

The expansion required more resources and in June, a group of 28 ISO focal points and 11 internal quality reviewers were appointed by Heads of Divisions aimed to support the implementation and maintenance. Each focal point attended one (1) day training on ISO 9001:2015 Knowledge training to equip them with knowledge of the standard and its requirements. They were responsible to disseminate information and guide their respective division on any ISO related matters, as well as, conduct internal quality reviews.

In August 2019, three (3) additional scopes were officially implemented. This meant that all involved divisions and departments were to adhere to all BIBD QMS requirements,

standard operating procedures (SOPs) and to monitor and achieve respective quality objectives (KPIs). ISO awareness roadshows were also done at various departments and branches to further ensure readiness for all involved.

In October, eleven (11) internal quality reviewers underwent two (2) days ISO review training. This equipped them with the knowledge and skills to conduct reviews and to check on the effectiveness of the implementation of BIBD QMS. Throughout October, internal quality reviews were conducted across various departments and branches to check on adherence to BIBD QMS requirements, as well as adherence to SOPs and quality objectives (KPI). The review also acts as a self-check tool to assess BIBD's readiness for the upcoming external ISO9001:2015 audit in November.

In November, ISO Management review was organized with the head of divisions. The key agenda was to provide updates on the status of implementation which includes result of internal quality review and quality objectives, vendors/supplier performance, complaints as well as various others key areas. Heads of division consulted and made decisions based on the information in order to ensure their division remains in compliance of the QMS and gives full cooperation to attend to previous and new agreed items.

External ISO9001:2015 audit was conducted by BSI Malaysia over four (4) days at BIBD headquarter and three (3) branches. Final assessments resulted in BIBD being issued one (1) non-conformity where BIBD responded and submitted the corrective action plan to BSI Malaysia on 5<sup>th</sup> December.

In December 2019, BIBD successfully achieved its ISO9001:2015 certification for the expanded areas – “Provision of retail customer onboarding, financings (Personal & Home), payments (Payroll & Bulk Payments) and card services.”

In carrying out this initiative, the implementation and maintenance required cohesiveness and cooperation between all divisions. Among the challenges faced was finding ways to ensure that all internal stakeholders would prioritise this

project, amongst their business-as-usual jobs and other projects that they might have been involved in.

In mitigating this challenge, there needed to be constant awareness education, communication and follow-ups with colleagues, focal points and internal quality reviewers from across the divisions. As this project underwent a major update, SQ conducted regular meetings with divisions to assist them with implementation. An important example was refining each departments' quality objectives/KPIs. The appointed focal points were with the immense co-operation from the appointed internal quality reviewers and focal points from across divisions, we managed to overcome these challenges.

In the future, Service Quality will be working with cross-functional divisional members on continual improvements, as it is a key requirement of ISO9001:2015 standards.

BIBD QMS framework utilises the PDCA concept on continuous improvement – Plan, Do, Check, Act. The framework emphasises on a risk-based approach on quality, where risk controls need to be in place. Service Quality has kicked off a Quality Experience (QX) programme in January 2020 with the objective of transforming process to enhance efficiency.

## LOOKING AHEAD

Looking ahead, Service Quality's goals and focus areas for 2020 are:

1. BIBD Quality Management system (ISO9001:2015) stabilisation and reinforcement
2. Process transformation, as part of ISO9001:2015 continual improvement and digitization
3. Drive toward increasing digital transactions, thus reducing over-the-counter transactions
4. Enhancing key customer journeys

Quality Experience (QX) programme will also be set up with a defined structure in place aimed at gaining support from Heads of Divisions and cross-functional & cross-divisional team members to contribute to the success of this project.

# Finance and Strategy Group

Finance and Strategy Group (FSG) is divided into 2 main Departments; (a) Finance, and (b) Strategy. The Finance Department is responsible for the preparation of Financial Statements and reporting, Budgets and Management Information, Regulatory reporting and Asset Liability Committee reports and Payments.

The Strategy Department's main role is providing support and facilitating Group level strategy, monitoring and reporting on Group strategic projects as well as providing economic research for the Group.

As a leading financial services provider in Brunei, the Bank shows its continuous commitment to excellence not only in dissemination of financial information with integrity but also creating and delivering value to the industry and regulator, with the aim of complying with integrity and transparency.

We have been continuously developing our talents to align with the evolving banking requirement. Together we aim to not only garner the largest market share, but also retain the best talents in the banking industry.

With the inclusion of the Strategy Department, FSG aspire to value add in the catalyst and strategist role. We understand the skillsets and competencies that need to be developed in these areas.

We are evaluating our current function in the organization and aspirational roles that we ambitiously target. This will assess our various capabilities e.g. human resource, system, data and aligning to the future and forward role of banking in a digital world.



# Human Resource and Human Capital

The Human Resource and Human Capital Division (HRHCD) continues to develop and administer HR programs and practices that have real impact on business results and help resolve real business issues. It strives to be an enabler for making effective use of the workforce and taking necessary steps to achieve a high level of motivation in staff to deliver set targets. It also assists in creating a positive environment for staff and a working culture where high performance and productivity are rewarded, errors are detected and corrected, and misbehaviour and non-compliance are not welcome. In addition, it also drives and facilitates effective alignment and coordination between staff and management through regular engagement and communication about business direction and strategies, and important projects.

HRHCD's model comprises the following four areas:

## 1. Functional Excellence

To perform all HR administrative and transactional services in an organized, cost-efficient, consistent and timely manner. HRHCD to ensure accuracy of data input and output as well as efficient and effective implementation of HR processes and practices.

## 2. Business Partner

To be business-driven by ensuring that HR activities and programs have real impact on business results and help resolve real business issues. Business partnering occur at both the operational and strategic levels and the main focus is to ensure the effective use of the workforce talents. This is done by building close relationships with the business leaders and working together with them to build employees' capabilities, plan and manage talent, and develop solutions that help the organization meet its business objectives and targets.

## 3. Employee Advocate

To maintain good employer-employee relations by supporting, developing and inspiring employees. Employees are a source of competitive advantage and hence the most important resource in the business. HR to ensure that employees are treated as individuals and their welfare and various multiple

needs are being looked after - job satisfaction, fair rewards and benefits, work motivation, career development and advancement opportunities, working environment and culture, grievance-handling and compliance management, regular two-way communication and engagement, transparency, etc.

## 4. Strategic Contribution - Two main areas:

- Ensure leadership continuity in key positions through talent acquisition and retention, and identifying and developing future leaders to develop intellect and knowledge capital in the future through a robust succession planning program.
- Shape a new corporate culture by making the workplace equitable, fair and positive, and creating a positive mindset and behaviors of employees so that they become highly motivated to deliver BIBD's goals.

For 2019, HRHCD placed strategic focus on the following four major activities:

- Active engagement and communication with employees to promote employee cohesion, instill trust in senior management and create the right working environment and culture;
- Review attractiveness of Compensation Policies to strengthen our position as employer of choice and to align with Principle 8 of AMBD Guidelines;
- Strategic Recruitment and Talent Management to attract and retain the right number and level of skills; and
- Targeted Training and Development to upgrade technical and leadership skills.

## 1. ACTIVE EMPLOYEE ENGAGEMENT & COMMUNICATION:

Various channels were used for information dissemination, communication and engagement with employees to instill greater trust, understanding and team unity through fun activities. These include introduction of the Employee Unity Team Work (EUTW) groups, which promotes unity and teamwork across different groups in the organization through various fun activities. In addition, social media for staff (BIBD

Family Instagram Account) and BIBD internal newsletter (BIBD People Journal) were revamped to keep the employees informed of current events/activities in the organization as well as a channel to recognize and celebrate achievements of the employees. To improve work-life balance, access to JPMC Fitness Centre was made available to all employees. Health and education talks (e.g. Heart Health, Zakat Service, TAP Awareness, Takaful Awareness, etc.) were also held for BIBD's employees.

To enhance management visibility and interaction with the employees, activities such as CEO Club for excellent performers, senior management/Leader Forum (LF) Members visits to branches, LF lunch with branch managers and monthly TED Talk Video sessions were initiated.

An Online Pulse Survey was launched in November 2019 to gauge how employees are feeling in general after introductions of various initiatives during the year. To increase alignment and unity, employees from BIBD At-Tamwil were invited to participate in the survey. The survey received a high response rate of 91 per cent for overall BIBD Group.

## **2. STRATEGIC RECRUITMENT & TALENT MANAGEMENT:**

With the current and future business plans, it is essential that we can bring in the right number and level of skills. The focus remains in the hiring of high-quality graduates, key leadership positions, IT and control staff.

Closer working relationship was fostered with universities in order to access high quality graduates for our recruitment drives. The Graduate Management Trainee (GMT) Programme was reviewed and reinstated to groom future leaders. In addition, a Management Assessment Centre, which is a vigorous selection process for GMT, was set up and six graduate management trainees were successfully onboarded.

Local recruitment and development remains a high priority in BIBD. In cases where talents were unavailable, these were sourced externally, however with plans in place to ensure knowledge transfer to our local talents.

## **3. TARGETED LEARNING & DEVELOPMENT:**

The Learning and Development Department's mission, processes and activities were reviewed and restructured to ensure more targeted, cost-effective and impactful learning takes place.

Roadshows and system training sessions on a new Competency Development Framework were held throughout 2019 prior to the launching of the system in 2020. This will enable HR to compile and assess skills and competencies in a structured manner to address existing gaps. The framework will promote transparency and help managers and employees in assessing performance, learning, progression, succession plan and career paths.

Learning initiatives continued to concentrate on upgrading staff technical skills (in the areas of Islamic Banking, Compliance, Sales and IT) through accreditation and highly practical workshops/boot camps. 22 per cent of learning budget was invested in developing Key and Emerging Talent and new leadership programs (e.g. Durham Islamic Finance Summer School, Personal Interpersonal Skill, The Communication Manual etc.) were introduced to improve team leadership skills. Employee Exchange Program was reviewed and two employees have been scheduled to be attached in one of the international banks in Malaysia in 2020 as part of talent development plan.

To increase learning accessibility, BIBD's TED Talks Video Sessions, which is a bite-sized learning program, were held at BIBD headquarters as well as at branches. New online learning platforms, Islamic Markets and Thomson Anti-Money Laundering, were also launched.

An additional 31 employees obtained professional certification during the year and this brought the total number of certified employees to 242. 86 per cent of BIBD total employees attended one or more Learning Programs and a total of 3,247 learning days were conducted, of which 50 per cent is on leadership, technical and certifications.

## LEARNING DAYS BY PROGRAM TYPE (3, 247 Days) (BIBD and BIBD Securities)

### GENERAL

**1,630  
(50%)**

- Introduction to Islamic Banking and Finance
- Compliance Briefing (BIP)
- KYP-Series
- Effective Complaint Resolution Skills and Handling Difficult Customers
- Onboarding
- TED Talks video sessions
- CEMP Skillset
- CEMP Mindset
- Product Refresher (BIP)
- PUAZ Zakat
- Others

### LEADERSHIP & DEVELOPMENT

**734  
(23%)**

- The Future of Finance Summit
- Masterclass in Corp Governance
- Personal & Interpersonal Effectiveness Workshop
- Governance
- TCM
- The Asian Banker Digital Finance Leadership
- People Manual
- Durham Islamic Finance Summer School
- ICLIF Programmes
- Others

### TECH SKILLS

**644  
(20%)**

- Muzakarah Penasihat Syariah Kewangan Islam 2019
- Nomura Islamic Asset Mngt. Forum
- IFD Islamic Fintech Dialogue
- Islamic Finance Exec. Prog.
- Train the Trainer
- Basel III
- An In-depth Study on Sukuk
- CompetencyCore System Training
- ISO Internal Review Training
- Others

### CERTIFICATION

**239  
(7%)**

- Advanced AML ICA
- COBIT 5 Assessor
- ACCA
- COBIT 5 Foundation
- IBFIM's IFP Masterclass
- IFQ
- FPFP
- PMP
- ACP
- CAMS
- COPC®
- ProSci Change Mngt. Prog.
- Lean Six Sigma
- Certified Professional Trainers (CPT)
- Others

**19%** Online learning programmes (Udemy, AML and IDEOU)

#### 4. COMPENSATION POLICY REVIEW:

A review of compensation policy was kicked off to ensure compliance and alignment with AMBD guidelines.

2019 witnessed the introduction of a new mission for BIBD – To be the Best Islamic Bank in Asia Pacific.

To support this, organization restructuring was implemented, which includes a new set up for CMO Division, and restructuring of Retail and Corporate Banking.

Additionally, HRHCD has been heavily involved in BIBD's transformation effort through Digital Academy that aims to build a future ready Future-Smart, Innovative & Tech-Savvy (F.I.T.) employees through digital literacy. This will include developing a comprehensive Digital Training Program; enhancing digital quotients in Job descriptions in Competency Core System; and supporting the BIBD Digital Transformation Project by facilitating staff engagement sessions to promote a strong workplace culture that supports digital transformation.

For 2020, HRHCD will focus on the following 4 strategic priorities, which aim at enabling BIBD's Digital Transformation

efforts, building and strengthening staff capabilities and enhancing Compliance culture in the organization through high staff engagement and empowerment culture.

#### 1. Enhance Human Resource Digitalization

Further to Digital Academy, HRHCD will also focus on enhancing efficiency of HR functions and processes through automation. With implementation of a new cloud-based HRIS, core HR functions will be combined into a single, highly-integrated solution to simplify operation and support.

#### 2. Strategic Talent Acquisition & Retention

To support BIBD in achieving its five-year plan, HRHCD maintains its focus on being the employer of choice and on enhancing leadership talent.

A robust talent acquisition and retention strategy, specifically on leadership talent, will be developed. This includes analysis of flight factors and preventive/proactive actions to minimize attrition of talent. Bench-strength management will be enhanced through establishment of succession planning and career development paths for high potentials. As we need to have a constant pool of talented employees to grow in

BIBD to ensure sustainability and continuity of staff moving into various levels of leadership positions, Bruneianisation and knowledge transfer initiatives will also be implemented.

To attract other talents (i.e. difficult-to-source talents, new digital talents, Internship Program, GMT), other talent acquisition strategies will also be explored.

### 3. Alignment of BIBD Compensation Policies with AMBD Guidelines

HRHCD will continue to redefine compensation framework to align with AMBD P8 guidelines (pay-for-performance and risk alignment particularly for Senior Management and Material Risk Taker positions). Compensation Review (remuneration and benefits) is also being planned to ensure that our compensation package stays competitive in the market and to maintain our status as the employer of choice.

### 4. Instill Strong Compliance Values and Work Culture in Front-Line Employees

This strategy aims to instill high integrity in our customer facing employees in order to maintain strong reputation of the Bank in the eyes of our customers and other stakeholders. Communication and engagement strategy will be designed to instill and emphasize Corporate Governance & Compliance message. Greater focus will be placed on Supervisory Staff to ensure ownership & accountability to assess and monitor compliance attitudes and behaviors of themselves and their team members.

Monitoring of and support for front-line staff (Branch managers, Counter staff/tellers, Sales teams, Relationship managers) will also be provided.



# Information Technology



Cyber security is of the utmost importance and we have invested heavily using our IT budget to minimise cyber threats. To protect BIBD customers against cyber risks, the Technology Department implemented several projects. This includes the privileged access management to secure privileged accounts and data loss protection to prevent data leakage. In addition, we conducted a risk assessment and identified risks that required immediate attention.

The key to success is to prepare our IT personnel with the right technical skills. We have hired six short-term contract personnel for a period of 12 months to educate our staff and equip them with the best industrial practices. A number of graduates and seasoned personnel were hired to support IT operations and data management.

We have also launched a number of new business initiatives and improved our services. The BIBD NEXGEN mobile application introduced biometric authentication and face recognition. New features were added such as the E-credit service to purchase iTunes. The BIBD QuickPay operates by simply scanning QR codes.

Our journey of virtualisation started in 2016 with the purchase of a small platform. The following year, BIBD embarked on a complex virtual platform. With the knowledge to expand the virtualisation environment, the team hosted critical systems. In 2018, almost 80 per cent of the applications were hosted on the virtual platform. Monitoring the infrastructure is a continuous effort to ensure the uptime of each service.

Moving forward, the Technology Department aims to enhance the infrastructure reliability, scalability and security. BIBD has made significant investments in information security prevention systems, as well as monitoring tools for cybersecurity and infrastructure stability. To minimise risk of malwares and viruses, all ATMs and CDMs will be upgraded to the latest version of operating software. The Bank will also conduct information security awareness sessions and cybersecurity response exercise for all staff. Developing a highly competent and motivated workforce is essential, coupled with a healthy work-life balance for a sustainable optimum performance.

# Chief Marketing Office



Chief Marketing Office (CMO) Division is a strategic set up to oversee and manage a more holistic planning, development and execution of the Bank's brand valuation, strategic marketing, and communications for the Group as a whole.

Led by the Chief Marketing Officer, the CMO Division carries out group-wide marketing strategies to ensure that BIBD's marketing, engagement, communications, digital execution, brand positioning and profile-building are all aligned towards achieving the 3-year's mission of becoming the Best Islamic Bank in Asia Pacific by 2022.

Apart from being the division responsible for group-wide marketing and communication initiatives, the CMO Division is also the focal point for the Bank's ongoing Corporate Social Responsibility (CSR) and Corporate Sustainability (CS) initiatives. BIBD's programmes are founded on three key pillars; education, entrepreneurship and community growth. On the sustainability front, BIBD aims to elevate its environmental, social and governance (ESG) framework and towards further alignment of committing our values with the United Nation's (UN) seventeen Sustainable Development Goals and contribute towards achieving a better and more sustainable future for all. The centralization of the Bank's social and sustainability programs under CMO Division and supported by relevant Leadership Forum (LF) and emerging Leadership Forum (eLF) is aimed at achieving greater alignment and coordination between the Bank's initiatives and overall brand value and brand positioning.

This will include ensuring alignment with the Bank's values and strategies, identifying strategic communication points and key influencers, increasing engagement and connection by maintaining a superior customer experience through various curation of engagement through all customer touch points.

# Shariah

Adherence to Shariah principles is essential to the operations of any Islamic Bank. The Shariah Division, supervised by the Shariah Advisory Body (SAB), ensures all products, services, transactions, operations and activities are Shariah-compliant. This process is managed through consistent and proactive engagement with all banking business, controls and support functions group wide. The Shariah team jointly develops, reviews and enhances new and existing products and services with businesses through diligent research on Shariah to create a robust and effective Shariah governance framework aligned with AMBD's guideline and international best practices.

To strengthen Shariah compliance throughout the Group and instill customer's confidence on the compliancy, we have adopted several new and enhanced guidelines. This will assist the respective units to comply with Shariah principles.

In 2019, we set out to:

- i. develop an effective Shariah compliance monitoring management according to AMBD's guideline on Shariah Governance Framework and Islamic Product Approval Process;
- ii. develop Shariah experts in Islamic banking and finance;
- iii. spread awareness on Islamic structures and concept to institutions through seminars.

To achieve these goals, Shariah Division will aim to strengthen the bank's internal Shariah governance framework that reflects

AMBD's guidelines and best practices. Throughout 2019, the Shariah Division was also more active in delivering Shariah briefing/awareness internally and externally, especially to higher institutions and CIBFM through platforms such as Muzakarah Ilmuan Kewangan Islam (MIKI). In order to keep track of new developments and issues in Islamic finance, BIBD attended various local and international conferences. Apart from this, the Shariah Division focused on enhancing the capability of our team by attending trainings and learning from renowned scholars, learning from industry best practices and establish strong networks to leverage better learning opportunities.

In 2020, the Shariah Division aims to strengthen the existing Shariah governance by ensuring effective implementation; support BIBD Securities Sdn Bhd on asset management strategies and review business processes to support re-engineering initiatives in alignment with digital journey strategies; and continue group wide assurance of Shariah compliance.

To achieve these goals, the division aims to work closely with players in the industry especially AMBD as the regulatory authority. We will also seek to partner with best in class Shariah scholars and practitioner in the industry, aside from continuously enhancing and developing the capabilities of the Shariah personnel with business knowledge and analytical skills.



# Government Relations and Special Projects



Towards achieving our mission of being the Best Islamic Bank in Asia Pacific, the Government Relations and Special Projects (GRSP) Division continues its commitment in maximizing the Bank's potential and realizing untapped potential and opportunities for both the Bank and all its stakeholders through close collaboration and partnerships.

This is reflected in our constant alignment with His Majesty the Sultan's Wawasan Brunei 2035 along with the efforts of His Majesty's government in supporting development of a dynamic and sustainable economy.

Adopting a Whole of Nation Approach collaborating with key stakeholders and strategic partners from the public and private sector, resources are pooled and utilized efficiently to result in impactful collaborations that benefit many different segments of the community.

Within Government Relations and Special Projects Division lies the Strategic Relationships Management Unit, Facilities Management & Security Unit as well as the Procurement and Data Repository Unit.

Each of these units plays an important role and continues its commitment in maximizing the Bank's potential through collaboration and partnership with key strategic stakeholders and partners, managing and supporting internal stakeholders in providing solutions and options for the betterment of their working environment and the company's overall performance and acquiring of goods, services and works that are vital to the Bank.

GRSP is committed in ensuring the (internal) business relationship management and (external) client relationship management (government, corporates, regulators and NGO) will enhance the overall Bank's values and contribute in achieving the Bank's strategy. This includes transforming relationships into business opportunities and improving the stakeholder's own contributions and reputations through a Whole of Nation Approach and strategic collaborations.

GRSP continuously maintains and amplifies the Bank's reputation through supporting national agendas advocated by key government agencies, and in the preservation of the BIBD's branding, as well as positioning itself as the Bank of Choice in the country and abroad, by emphasizing on the

following approaches and efforts:

- Partners in Progress
- Whole of Nation Approach
- Digital Initiative
- ESG
- Explore and Expand Relationship

GRSP places huge emphasis on proactive and prompt project implementation, as well as timely delivery, especially with the increasing number and different projects and initiatives each year. Some of the notable initiatives include the following:

- Construction of BIBD Connects TMJE
- Revitalisation of BIBD Connects Lambak
- Implementation of the Enterprise Resource Planning System (ERP)
- Construction and refurbishment of several BIBD assets at UBD Core, Raja Isteri Pengiran Anak Saleha Hospital, One City Mall, and many others.

GRSP is also committed to entrepreneurial empowerment projects through programmes such as BIBD SEED by promoting and creating awareness on local MSMEs through various programmes under relevant ministries. In 2019, BIBD SEED Cohort 2 participated in several events such as the Souq Al Qudwah for Mualafpreneurs organised by the Ministry of Religious Affairs. The Youth Development 'Lights On Programme' is also a strategic collaboration with the Youth Development Centre, Ministry of Culture Youth and Sports and aims at imparting basic knowledge and skill in business and entrepreneurship, targeting unemployed youth.

GRSP has also embarked on a Green Initiative, in line with ESG, which will be implemented gradually and in phases. In 2019, BIBD began discontinuing the purchase of plastic water bottles as well as physical newspaper, transitioning instead to digital papers.

BIBD involvement and participations at various events (through collaborative initiatives) have been crucial in providing significant information and insight into the local economic, financial and societal initiatives contributed by the private / financial sector (such as BIBD). As well as the Bank's efforts in promoting the importance of growth thinking and mindset of our local especially in the public sector towards our readiness in embracing the national 4.0 IR initiatives.

Looking ahead, GRSP involvement in elevating entrepreneurial initiatives as part of supporting relevant ministries initiatives in diversifying the economy and supporting the underprivileged society and community, and small businesses growth, remain pivotal. As we see this partnership leading to imparting important knowledge and information in conducting a proper business, it will strengthen the capabilities of locals in managing, growing and expanding their businesses locally and internationally.

GRSP has developed a 5 Year Strategic Plan outlining our efforts in several key areas, in collaboration with relevant internal and external stakeholders (Government Ministries, GLC and Corporate sectors), that will be implemented in phases subject to the country's strategic requirements and directions.



# CORPORATE MILESTONES

Connecting the Community  
International Recognition  
Encouraging a Savings Culture  
Nurturing Entrepreneurship  
Investing in Future Leaders  
Giving Back to the Community  
Sharing Our Blessings

# Connecting the Community



## BIBD CONNECTS TMJE

We made a major change to the city's skyline with the launch of our second 'BIBD Connects' community hub, located strategically at Taman Mahkota Jubli Emas.

The launch follows the success of the first modular community hub at Lambak Kanan which was officially opened in March 2018.

It serves as a one-stop shop for the public with amenities such as banking, food and beverage outlets and a dedicated public recreational and leisure area.

As part of our efforts to showcase the Bank's branchless banking initiative, the double-storey hub includes an interactive

television for customers that connects with the Bank via real-time video conferencing with a banker to enable highly engaged interactions for banking services and enquiries.

BIBD Connects also introduced a new and prominent landmark located a stone's throw away from the hub known as 'Frame Brunei Darussalam', which was inspired by the popular Dubai Frame.

Standing at 9.3 metres, the picture frame carries Islamic motives design and decoration, complementing the two most popular local landmarks, the Omar 'Ali Saifuddien Mosque and Kampong Ayer.

# International Recognition

## BEST MANAGED BANK IN BRUNEI

Bank Islam Brunei Darussalam (BIBD) marked another significant milestone after being conferred with the Best Managed Bank in Brunei Award by The Asian Banker, the region's leading financial services research, benchmarking and intelligence consultancy. BIBD's Managing Director and CEO was also conferred with The Asian Banker CEO Leadership Achievement for Brunei Award.

The Asian Banker Leadership Achievement Award is an Asia Pacific award, widely acknowledged by the financial services industry as the highest possible accolade available to professionals in the industry. The awards are only conferred once every three years, with the rigorous recognition process taking stock of the organisation's financial performance, measuring the stated vision and strategy against actual achievements, taking into account the feedback of customers, staff and the industry through various surveys and the validation of an esteemed panel of experts.

According to The Asian Banker, "Mr Mubashar Khokhar is being recognised for successfully fortifying the bank's market dominance in Brunei, steering the Bank to be the market leader in terms of assets, deposits, financing and profitability.

Placing major emphasis on enhancing the Bank's products and service propositions to attract more potential customers, the Household Bank Strategy that he introduced for the retail banking businesses enabled the Bank to capture 61 per cent of the Brunei market".

The Asian Banker also took into consideration the development of BIBD's digital platform that consolidated the Bank's digital offerings under a single umbrella, to address the challenge of rapidly evolving needs of the Bruneian customers. Between 2016 and 2018, under the leadership of Mr Mubashar Khokhar, BIBD has seen the volume of digital transactions grow threefold.

## STRONGEST BANK IN BRUNEI

Bank Islam Brunei Darussalam was once again recognized as the Strongest Bank in Brunei Darussalam for 2019.

The Asian Banker Strongest Bank ranking is an annual assessment of the financial and business performance of the commercial banking industry in the Asia Pacific, Middle East and Africa regions. The assessment ranks the top performing banks in each country by strength, an evaluation that is based on a belief that a strong bank demonstrates long-term profit



ability from its core businesses. The ranking is based on a very detailed and transparent scorecard that ranks commercial banks in six areas of financial performance; namely the ability to scale, balance sheet growth, risk profile, profitability, asset quality and liquidity.

### SAFEST BANK IN BRUNEI

BIBD was recently announced as The Safest Bank in Brunei Darussalam by Global Finance. Banks were selected through an evaluation of long-term foreign currency ratings—from Moody's, Standard & Poor's, and Fitch — and total assets of the 1000 largest banks worldwide.

According to Global Finance, business operations are more globally intertwined than ever before, putting corporations both large and small into new markets. Their list of Safest Banks by country provides insight into financial institutions that rarely make global headlines but can offer deep local knowledge and networks.

### ISO9001:2015 CERTIFICATION

BIBD received ISO 9001:2015 certification in recognition of retail customers' onboarding and personal financing service, making it the only bank in Brunei Darussalam to be awarded the certification consistently across all its branches.

As part of the Bank's vision to become a regional benchmark institution that proudly carries the Bruneian flag, BIBD has obtained ISO certification which allowed for a number

of turnaround time improvements across the Board. This includes a faster, more responsive customer experience while mitigating any potential risks to build and maintain a service delivery that does not lack in quality, creating cohesiveness in our communication, and an adherence to regulations and compliance to provide an unparalleled customer experience.

In line with Brunei Vision 2035, the ISO certification further propels Bruneian institutions towards being global benchmarks that reflect Brunei's well-educated and highly skilled people.

### BEST RETAIL BANK IN BRUNEI

BIBD has once again been recognised as the Best Retail Bank in Brunei by The Asian Banker - the region's leading financial services, research, benchmarking and intelligence consultancy. This marked the seventh consecutive year the Bank has won and retained the prestigious award.

The latest accolade solidified BIBD's position as Southeast Asia's second strongest Islamic bank and one of the strongest banks in Asia-Pacific by balance sheet. The award win also reflected BIBD's consistent commitment to creating a unique customer experience through the provision of industry leading infrastructure, products and services.

According to the the Asian Banker, BIBD was commended for a number of accomplishments and initiatives which include solidifying its position as a leader of core retail banking services and financial inclusion.



# Encouraging a Savings Culture



## BIBD ASPIRASI

BIBD Aspirasi was initially introduced to support both national and AMBD objectives of promoting better financial management skills and instill a savings culture amongst the people of Brunei Darussalam. The overwhelmingly positive response to this campaign indicates that subscribers of this programme understand that savings can be financially rewarding.

BIBD Aspirasi is part of BIBD's commitment to not only support the aspirations of our customers but also the economic well-being of the country as Aspirasi offers the opportunity for the public to invest in a life-changing reward programme.

In November 2019, BIBD awarded a life-changing award of B\$250,000 to the grand prize winner at the grand prize presentation ceremony. Since Aspirasi was launched in September 2018, BIBD has awarded over 100 winners with total cash prizes of B\$700,000. The unique investment programme encourages customers to save for their financial future by effectively managing their savings, through the convenience of the BIBD NEXGEN mobile app.

# Nurturing Entrepreneurship



## BIBD CATALYST

Five (5) local fashion and beauty entrepreneurs are currently enrolled in the 2<sup>nd</sup> cycle of BIBD Catalyst, a corporate social responsibility initiative that focuses on providing acceleration programs for up and coming entrepreneurs. Baitaal Hijab, Mumtaz Collections, Rozai Hijab, Mukaku Cosmetics and Mudaser were selected based on their ability to export their products, to be trained by FashionValet and have a proven track record of growing and marketing brands successfully through their platform.

Throughout 2019, the BIBD Catalyst participants were given the opportunity to be a part of the FashionValet pop-up event.

The aim of BIBD Catalyst is to be able to develop high potential local micro, small and medium enterprises (MSMEs) in different industry sectors to be able to export and to cater to beyond Brunei. The BIBD Catalyst participants also joined the sixth edition of Malaysia Fashion Week (MFW), as part of a joint initiative between BIBD and DARE.

## BIBD SEED

The “Special Underprivileged Mothers Empowerment Entrepreneurship Development” programme (BIBD SEED) aspires to enhance the livelihood of underprivileged mothers in Brunei Darussalam by empowering and facilitating their development as competitive, resilient, and successful entrepreneurs in the local and international markets.

In collaboration with the Ministry of Religious Affairs and Ministry of Culture, Youth, and Sports, the BIBD SEED programme also aims to create more opportunities in Brunei Darussalam, especially for the less fortunate, and support their progress towards becoming highly-skilled individuals as measured by international standards.

Throughout 2019, BIBD continued its support for these mothers by inviting them to participate in various pop-ups and providing them with permanent marketplaces at the Ministry of Finance and Economy foyer.



# Investing in Future Leaders



## BIBD ALAF

BIBD's flagship education-community funding initiative aims to provide the necessary support to realise His Majesty's Vision 2035 of turning Brunei Darussalam into a nation widely recognised for its people's quality of life and the accomplishments of its well-educated citizens.

The BIBD ALAF Programme strives to provide education and learning, the essentials of individual growth and key indicators of national development, to less fortunate children in Brunei Darussalam so as to provide opportunities for success for the underprivileged. Besides constant tutoring and counselling, our ALAF programme also provides for necessities such as school and tuition fees, stationeries, transportation, and meals.

The program recorded great successes in 2019; 6 students obtained 5 A's in the Penilaian Sekolah Rendah (PSR) exam, while two students obtained 3 A Star and 1 A Star in their BC GCE A'Level examinations. Meanwhile, 1 student taking the Sijil Peperiksaan Ugama Brunei (SPUB) Exam managed to obtain distinctions in their results.

The BIBD ALAF Programme is a true reaffirmation of the Bank's commitment to help the country achieve its vision of creating a society in which everyone has equal access to high-quality education.



# Giving Back to the Community



## SIRAH AMAL

BIBD is committed to elevating the welfare of underprivileged families in Brunei Darussalam and giving back to the community through various initiatives.

The BIBD Sirah Amal initiative has been providing support and relief to underprivileged members of Brunei Darussalam's community across all its four districts. The Bank and its staff came together to bring joy to the families they visited, contributing relief items and donations to help the families in their preparations for Ramadhan and Syawal.

## SUPPORTING THOSE IN NEED

BIBD continued to strengthen its efforts to support the development and educational needs of the community by handing over contributions to the Nakhoda Abdul Rashid

Primary School in Kg Menunggol. The contribution is part of the Bank's Corporate Social Responsibility and is aimed at supporting the students of the primary school by providing high quality English books. These books, approved for use by the Ministry of Education, will provide a variety of quality narratives with a breadth of subject matter and titles that will stimulate, engage and inspire these young readers to improve their reading and comprehension skills.

This initiative began in 2018 and closely aligns with BIBD's CSR pillars of education, entrepreneurship and community. BIBD strongly believes in the importance of education and learning as an underlying core of individual and national development. BIBD will strive to explore ways of bringing about substantial impact on nation building through education.

# Sharing Our Blessings



## BIBD HANDS OVER BUSINESS ZAKAT FOR 2018

BIBD's Zakat on Business for 2018 amounted to approximately B\$2 million while Zakat for customer deposits for the period of 2018-2019 amounted to more than B\$680,000.

The Zakat was handed over by Yang Mulia Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof, Shariah Advisory Body Chairman of BIBD and Permanent Secretary at the Ministry of Religious Affairs, to Yang Berhormat Pehin Udana Khatib Dato Paduka Seri Setia Ustaz Haji Awang Badaruddin bin Pengarah Dato Paduka Haji Awang Othman, the Minister of Religious Affairs, in his capacity as President of the Brunei Islamic Religious Council (MUIB).

Being one of the five pillars of Islam, Zakat payment is a method of purifying and distributing wealth and supporting those in need as stipulated by Shariah. In order to help its Muslim customers meet this obligation, BIBD has provided its



customers the convenience to pay their Zakat for customer deposits at its branch counters in Brunei Darussalam.

## CELEBRATING AIDIL ADHA WITH MEMBERS OF THE COMMUNITY

As part of BIBD's initiatives to foster better relationships with communities around the country, BIBD held an Ibadah Korban event on August 14, 2019 in celebration of Hari Raya Aidil Adha at the Masjid Al-Ameerah Al-Hajjah Maryam located in Kampong Jerudong.

A total of seven buffalos were sacrificed and distributed to more than thirty recipients, comprising of underprivileged members of the community. BIBD also contributed 150 Yaasin books to the Mosque.

Present as guest of honour was Dato Seri Setia Dr Haji Japar bin Haji Mat Dain@Maidin, Deputy Chairman of the Shariah Advisory Body of BIBD and the Deputy State Mufti.



02  
Cras laoreet

# BANK ISLAM BRUNEI DARUSSALAM BERHAD AND ITS SUBSIDIARIES

Financial Statements  
Year Ended 31 December 2019

Registration Number: RC00006420

|                                                                  |      |
|------------------------------------------------------------------|------|
| Directors' Report.....                                           | 1    |
| Statement by Directors.....                                      | 4    |
| Shariah Advisory Body Report.....                                | 5    |
| Independent Auditors' Report.....                                | 7    |
| Income Statements.....                                           | FS1  |
| Statements of Comprehensive Income.....                          | FS2  |
| Statements of Financial Position.....                            | FS3  |
| Statement of Changes in Equity.....                              | FS5  |
| Statement of Changes in Equity (Cont'd).....                     | FS6  |
| Statement of Changes in Equity.....                              | FS7  |
| Statement of Changes in Equity (Cont'd).....                     | FS8  |
| Statements of Cash Flows.....                                    | FS9  |
| Statements of Cash Flows (Cont'd).....                           | FS10 |
| Notes to the financial statements.....                           | FS12 |
| 1 Principal activities and general information.....              | FS12 |
| 2 Summary of significant accounting policies.....                | FS12 |
| 3 Profit from financing, leasing and investments.....            | FS39 |
| 4 Profit paid/payable to depositors.....                         | FS39 |
| 5 Net fee and commission income.....                             | FS40 |
| 6 Gain/(loss) from derivative and investments.....               | FS40 |
| 7 Other operating income.....                                    | FS41 |
| 8 Personnel expenses.....                                        | FS41 |
| 9 Other expenses.....                                            | FS42 |
| 10 Allowance for impairment on financing and advances (net)..... | FS43 |
| 11 Allowance for impairment on investments (net).....            | FS43 |
| 12 Zakat.....                                                    | FS43 |
| 13 Income tax expense.....                                       | FS44 |
| 14 Dividend per ordinary share.....                              | FS45 |
| 15 Earnings per share.....                                       | FS45 |
| 16 Cash and cash equivalents.....                                | FS46 |
| 17 Balances with Autoriti Monetari Brunei Darussalam.....        | FS46 |
| 18 Placements with and financing and advances to banks.....      | FS46 |
| 19 Government sukuk.....                                         | FS46 |
| 20 Investments.....                                              | FS47 |
| 21 Derivative financial assets/(liabilities).....                | FS48 |
| 22 Financing and advances.....                                   | FS49 |
| 23 Finance lease receivables.....                                | FS52 |
| 24 Investments in subsidiaries.....                              | FS53 |
| 25 Investment in associate and joint ventures.....               | FS54 |
| 26 Other assets.....                                             | FS58 |
| 27 Property and equipment.....                                   | FS59 |
| 28 Investment property.....                                      | FS61 |

|    |                                                           |       |
|----|-----------------------------------------------------------|-------|
| 29 | Deferred tax assets/(liabilities).....                    | FS62  |
| 30 | Deposits from customers.....                              | FS64  |
| 31 | Deposits from banks and other financial institutions..... | FS64  |
| 32 | Placements from other financial institutions.....         | FS65  |
| 33 | Other liabilities.....                                    | FS65  |
| 34 | Provision for zakat and provision for taxation.....       | FS66  |
| 35 | Share capital.....                                        | FS67  |
| 36 | Statutory and other reserves.....                         | FS67  |
| 37 | Related party transactions.....                           | FS69  |
| 38 | Financial risk management.....                            | FS74  |
| 39 | Fair value of financial assets and liabilities.....       | FS119 |
| 40 | Leases.....                                               | FS128 |
| 41 | Non-current assets and liabilities.....                   | FS130 |
| 42 | Commitments.....                                          | FS130 |
| 43 | Capital adequacy.....                                     | FS131 |
| 44 | Contingent liabilities.....                               | FS132 |

## Directors' Report

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

### Principal activities

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

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

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

### Results

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

### Dividends

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

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

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

## Directors

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

Dato Seri Setia Dr Awang Haji Mohd Amin Liew  
bin Abdullah

Dato Paduka Iqbal Ahmad Khan

Junaidi bin Hj Masri

Dr Jan Hendrik van Greuning

Mubashar Khokhar

Majed Nasser Alsubaei

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

## Directors' benefits

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

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

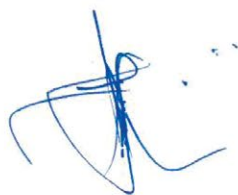
## Directors' interests

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

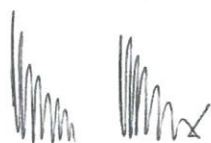
| Name of directors                                         | Number of ordinary shares<br>of B\$0.70 each |                       |
|-----------------------------------------------------------|----------------------------------------------|-----------------------|
|                                                           | At beginning<br>of the year                  | At end<br>of the year |
| Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah | 2                                            | 2                     |
| Dato Paduka Iqbal Ahmad Khan                              | 1                                            | 1                     |
| Junaidi bin Hj Masri                                      | 1                                            | 1                     |
| Mubashar Khokhar                                          | 1                                            | 1                     |

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

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



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



**Mubashar Khokhar**  
*Managing Director*



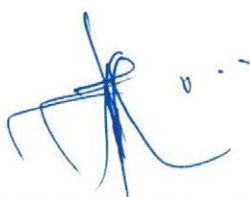
**Junaidi bin Hj Masri**  
*Director*

**Brunei Darussalam**

## Statement by Directors

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

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



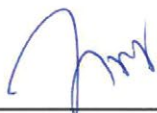
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**Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah**  
*Chairman*



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**Mubashar Khokhar**  
*Managing Director*



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**Junaidi bin Hj Masri**  
*Director*

**Brunei Darussalam**

## Shariah Advisory Body Report

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

**To the Shareholders of Bank Islam Brunei Darussalam Berhad,**

السلام عليكم ورحمة الله وبركاته

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

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

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

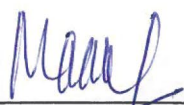
- a. The products and services, contracts and dealings transactions entered into by the Bank and the Group during the financial year ended 31 December 2019. that we have reviewed are in compliance with Shariah rules and principles;
- b. The allocation of profit and charging of loses relating to investment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

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

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

والله ولي التوفيق

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



**Dato Seri Setia Dr Haji Maznan bin Haji Yusof**  
Chairman

**Brunei Darussalam**  
19 March 2020



**KPMG LLP**  
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## Independent Auditors' Report

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

### Report on the audit of the consolidated financial statements

#### *Opinion*

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

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

#### *Basis for opinion*

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

#### *Other information*

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

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

#### ***Responsibilities of management and directors for the consolidated financial statements***

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

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

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

#### ***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and directors.
- Conclude on the appropriateness of management's and directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group and the Bank audit. We remain solely responsible for our audit opinion.



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

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

**KPMG LLP**  
Singapore Public Accountants and  
Singapore Chartered Accountants

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

**David Jason Waller**  
Brunei Darussalam Public Accountant

**Singapore**  
**19 March 2020**

## Income Statements

Year ended 31 December 2019

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

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

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

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

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

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

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

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 2019 and the financial performance for the year ended 31 December 2019.



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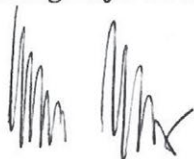
**Mubashar Khokhar**  
*Managing Director*

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



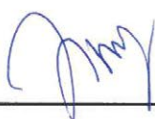
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**Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah**  
*Chairman*



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**Mubashar Khokhar**  
*Managing Director*



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**Junaidi bin Hj Masri**  
*Director*

**Brunei Darussalam**  
19 March 2020

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

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

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

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

## Statement of Changes in Equity (Cont'd)

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

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

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

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

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

## Statement of Changes in Equity (cont'd)

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

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

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

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

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

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

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

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

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

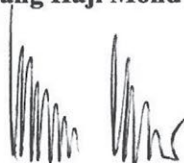
During the year, no provision or impairment has been made by the Bank for its investments in subsidiaries. The profit/(loss) of the subsidiaries have been taken into account by the directors of the Bank in arriving at the profit of the Group as disclosed in the financial statements.

On behalf of the Board of Directors




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




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**Mubashar Khokhar**  
*Managing Director*




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**Junaidi bin Hj Masri**  
*Director*

**Brunei Darussalam**  
19 March 2020

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

## Notes to the financial statements

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

### 1 Principal activities and general information

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

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

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

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

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

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

#### (a) Statement of compliance

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

#### Standards adopted during the year 31 December 2019

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

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

### **A. Definition of a lease**

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

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

### **B. As a lessee**

The Group leases properties.

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

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

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

***i. Leases classified as operating leases under IAS 17***

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

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

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

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

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

***ii. Leases classified as finance leases under IAS 17***

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

**C. As a lessor**

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

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

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

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

## D. Impact on the financial statements

### i. Impact on transition

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

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

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

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

### **Standards and interpretations issued but not yet adopted**

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

#### **(b) Basis measurement**

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

#### **(c) Functional and presentation currency**

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

#### **(d) Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

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

## 2.2 Basis of consolidation

### *Business combinations*

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

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

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

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

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

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

### *Acquisition of non-controlling interest*

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

### *Subsidiaries*

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

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

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

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

### ***Loss of control***

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

### ***Associate***

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

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

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

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

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

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

### ***Non-controlling interests***

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

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

### ***Transactions eliminated on consolidation***

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

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

## **2.3 Foreign currency**

### ***Foreign currency transactions and balances***

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

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

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

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

## 2.4 Cash and cash equivalents

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

## 2.5 Financial instruments

### *Recognition and initial measurement*

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

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

The Group categorises its financial instruments as follows:

### **Financial assets**

#### (a) Classification

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

#### Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual profit, maintaining a particular yield rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how management is compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

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

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

#### Non-recourse financing

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

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

#### Reclassifications

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

#### (b) Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

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

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

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

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

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

#### Measurement of ECLs

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

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

#### Restructured financial assets

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

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

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

#### Credit-impaired financial assets

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

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

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

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

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

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

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

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

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

### Write-off

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

### **Financial liabilities**

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

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

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

#### *(b) Deposits of non-bank customers*

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

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

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

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

### ***Derivative financial instruments***

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

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

### ***Non-integral financial guarantee contracts***

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

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

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

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

***Fair value measurement***

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

***Derecognition***

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

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

***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

**2.6 Property and equipment****(a) Recognition and measurement**

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

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

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

#### **(b) Subsequent costs**

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

#### **(c) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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

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

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

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

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

## 2.7 Investment property

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

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

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

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

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

## 2.8 Leases

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

### *Policy applicable after 1 January 2019*

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

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

#### **i. As a lessee**

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental profit rate. Generally, the Group uses its incremental profit rate as the discount rate.

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

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

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

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

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

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

#### ***Short-term leases and leases of low-value assets***

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

#### ***ii. As a lessor***

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

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

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

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

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

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

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

***Policy applicable before 1 January 2019***

**Lease payments - Lessee**

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

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

**Lease assets - Lessee**

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

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

**Lease assets – Lessor**

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

## 2.9 Impairment for non-financial assets

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

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

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## 2.10 Deposits, financing and other liabilities

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

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

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

## 2.11 Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### *Onerous contracts*

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

## 2.12 Contingent liabilities

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

## 2.13 Contingent assets

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

## 2.14 Share capital

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

## 2.15 Recognition of income and expense

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

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

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

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

### **Fee and commission**

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

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

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

### **Profit from placements and investments**

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

### **Dividend income**

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

## 2.16 Income tax

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

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

## 2.17 Zakat

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

## 2.18 Employee benefits

### Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Defined contribution plan

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

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

### Other long-term employee benefits

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

## 2.19 Earnings per ordinary share

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

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

### 3 Profit from financing, leasing and investments

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

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

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

### 4 Profit paid/payable to depositors

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

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

## 5 Net fee and commission income

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

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

## 6 Gain/(loss) from derivative and investments

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

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

## 7 Other operating income

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

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

## 8 Personnel expenses

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

## 9 Other expenses

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

**10 Allowance for impairment on financing and advances (net)**

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

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

**11 Allowance for impairment on investments (net)**

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

**12 Zakat**

|                         |  | Group           |                 | Bank            |                 |
|-------------------------|--|-----------------|-----------------|-----------------|-----------------|
|                         |  | 2019<br>B\$'000 | 2018<br>B\$'000 | 2019<br>B\$'000 | 2018<br>B\$'000 |
| <b>Zakat</b>            |  |                 |                 |                 |                 |
| Current zakat provision |  | 3,112           | 2,927           | 3,112           | 2,927           |

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

### 13 Income tax expense

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

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

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

## 14 Dividend per ordinary share

|                                      | <b>Group and Bank</b> |                |
|--------------------------------------|-----------------------|----------------|
|                                      | <b>2019</b>           | <b>2018</b>    |
|                                      | <b>B\$'000</b>        | <b>B\$'000</b> |
| <b>On ordinary shares</b>            |                       |                |
| Net dividend paid on ordinary shares | 88,202                | 36,781         |

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

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

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

## 15 Earnings per share

### Basic Earnings per Share ("EPS")

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

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

### Diluted Earnings per Share

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

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

## 16 Cash and cash equivalents

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

## 17 Balances with Autoriti Monetari Brunei Darussalam

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

## 18 Placements with and financing and advances to banks

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

## 19 Government sukuk

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

## 20 Investments

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

### 20.1 Investments at amortised cost

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

### 20.2 Investment at fair value through profit or loss

|                     | Group          |                | Bank           |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2019<br>BS'000 | 2018<br>BS'000 | 2019<br>BS'000 | 2018<br>BS'000 |
| Unquoted fund       | 1,148          | 1,485          | 1,148          | 1,485          |
| Structured deposits | 67,767         | 99,068         | 67,767         | 99,068         |
| <b>Total</b>        | <b>68,915</b>  | <b>100,553</b> | <b>68,915</b>  | <b>100,553</b> |

### 20.3 Investments at fair value through other comprehensive income

|                        | Group          |                | Bank           |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2019<br>BS'000 | 2018<br>BS'000 | 2019<br>BS'000 | 2018<br>BS'000 |
| Quoted debt securities | 397,515        | 478,783        | 397,515        | 478,783        |
| Unquoted security      | 317            | 329            | 317            | 329            |
| <b>Total</b>           | <b>397,832</b> | <b>479,112</b> | <b>397,832</b> | <b>479,112</b> |

### 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.

|                 | <b>Group and Bank</b>                                         |                                                               |                                                                       |                                                                       |
|-----------------|---------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------|
|                 | <b>Fair value<br/>at 31<br/>December<br/>2019<br/>B\$'000</b> | <b>Fair value<br/>at 31<br/>December<br/>2018<br/>B\$'000</b> | <b>Dividend<br/>income<br/>recognised<br/>during 2019<br/>B\$'000</b> | <b>Dividend<br/>income<br/>recognised<br/>during 2018<br/>B\$'000</b> |
| Unquoted equity | 317                                                           | 329                                                           | -                                                                     | -                                                                     |

## 21 Derivative financial assets/(liabilities)

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

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

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

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

## 22 Financing and advances

### (a) By type of product

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

### (b) By contract

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

**(c) By security**

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

**(d) By sector**

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

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

**(e) By type of customer**

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

**(f) Non-performing financing and advances**

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

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

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

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

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

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

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

**23 Finance lease receivables**

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

The finance lease receivables are as follows:

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

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

## 24 Investments in subsidiaries

|                                               | Bank            |                 |
|-----------------------------------------------|-----------------|-----------------|
|                                               | 2019<br>B\$'000 | 2018<br>B\$'000 |
| Unquoted equity investments, at cost          | 34,559          | 29,204          |
| Less: Allowances for investment in subsidiary | (1,715)         | (1,715)         |
|                                               | <b>32,844</b>   | <b>27,489</b>   |

Details of the Group's subsidiaries are as follows:

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

## 25 Investment in associate and joint ventures

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

### 25.1 Investment in associate

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

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

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

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

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

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

Included in balances above are the following amounts:

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

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

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

## 25.2 Investment in joint ventures

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

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

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

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

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

| Name of Company                                                                   | Principal activities | Country of incorporation/<br>Place of business | Effective ownership interest |                         |
|-----------------------------------------------------------------------------------|----------------------|------------------------------------------------|------------------------------|-------------------------|
|                                                                                   |                      |                                                | 2019<br>%                    | 2018<br>%               |
| 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                   |
| <b>Group's share in net assets of joint ventures at the beginning of the year</b> |                      |                                                | <b>2019<br/>B\$'000</b>      | <b>2018<br/>B\$'000</b> |
|                                                                                   |                      |                                                | 18,042                       | 15,278                  |
| Group's share of:                                                                 |                      |                                                |                              |                         |
| - profit from continuing operations                                               |                      |                                                | 395                          | 2,764                   |
| <b>Carrying amount of interest in joint ventures at the end of the year</b>       |                      |                                                | <b>18,437</b>                | <b>18,042</b>           |

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

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

|                                          | <b>2019</b><br><b>B\$'000</b> | <b>2018</b><br><b>B\$'000</b> |
|------------------------------------------|-------------------------------|-------------------------------|
| Revenue                                  | 20,142                        | 18,641                        |
| <b>Profit from continuing operations</b> | <b>790</b>                    | <b>5,363</b>                  |

Included in balances above are the following amounts:

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

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

|                                          | <b>Group</b><br><b>2019</b><br><b>B\$'000</b> | <b>2018</b><br><b>B\$'000</b> |
|------------------------------------------|-----------------------------------------------|-------------------------------|
| <b>Profit from continuing operations</b> | <b>395</b>                                    | <b>2,764</b>                  |

**26 Other assets**

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

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

## 27 Property and equipment

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

Asset under lease include motor vehicles under finance lease.

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

## 28 Investment property

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

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

### *Fair value hierarchy, valuation technique and unobservable inputs*

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

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

## 29 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

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

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

### 30 Deposits from customers

#### (a) By type of deposit

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

#### (b) By type of customer

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

### 31 Deposits from banks and other financial institutions

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

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

### 32 Placements from other financial institutions

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

### 33 Other liabilities

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

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

|                                          | <b>2019<br/>Lease<br/>liabilities<br/>BS'000</b> |
|------------------------------------------|--------------------------------------------------|
| <b>Group</b>                             |                                                  |
| Restated balance at 1 January 2019       | 2,850                                            |
| <b>Changes from financing cash flow</b>  |                                                  |
| Payment of lease liabilities             | (2,249)                                          |
| <b>Other changes - Liability-related</b> |                                                  |
| New leases                               | 37,998                                           |
| Profit expense on leases                 | 535                                              |
| Balance at 31 December 2019              | 39,134                                           |
|                                          |                                                  |
|                                          | <b>2019<br/>Lease<br/>liabilities<br/>BS'000</b> |
| <b>Bank</b>                              |                                                  |
| Restated balance at 1 January 2019       | 2,850                                            |
| <b>Changes from financing cash flow</b>  |                                                  |
| Payment of lease liabilities             | (1,965)                                          |
| <b>Other changes - Liability-related</b> |                                                  |
| New leases                               | 36,729                                           |
| Profit expense on leases                 | 484                                              |
| Balance at 31 December 2019              | 38,098                                           |

**34 Provision for zakat and provision for taxation**

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

### 35 Share capital

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

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

### 36 Statutory and other reserves

#### Statutory reserves

|                                              | <b>Total<br/>B\$'000</b> |
|----------------------------------------------|--------------------------|
| <b>Group</b>                                 |                          |
| At 1 January 2018                            | 497,499                  |
| Transfer in respect of current year's profit | 36,934                   |
| At 31 December 2018                          | 534,433                  |
| Transfer in respect of current year's profit | 21,042                   |
| At 31 December 2019                          | 555,475                  |
| <b>Bank</b>                                  |                          |
| At 1 January 2018                            | 458,495                  |
| Transfer in respect of current year's profit | 34,934                   |
| At 31 December 2018                          | 493,429                  |
| Transfer in respect of current year's profit | 20,198                   |
| At 31 December 2019                          | 513,627                  |

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

**Other reserves**

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

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

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

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

### 37 Related party transactions

#### Identity of related parties

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

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

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

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

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

|                        | <b>Group</b>  |               |
|------------------------|---------------|---------------|
|                        | <b>2019</b>   | <b>2018</b>   |
|                        | <b>BS'000</b> | <b>BS'000</b> |
| <b>Joint Ventures</b>  |               |               |
| <i>Amount due from</i> |               |               |
| Financing              | 63,162        | 71,697        |
| Others                 | -             | 131           |
| <i>Amount due to</i>   |               |               |
| Others                 | 715           | 2,695         |

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

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

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

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

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

**Key management personnel*****Income***

|                     |    |    |    |    |
|---------------------|----|----|----|----|
| Income on financing | 62 | 41 | 37 | 29 |
|---------------------|----|----|----|----|

***Expenditure***

|                                   |     |   |    |   |
|-----------------------------------|-----|---|----|---|
| Profit paid/payable to depositors | 132 | 6 | 13 | 6 |
|-----------------------------------|-----|---|----|---|

**Other related parties*****Expenditure***

|                                   |        |        |        |        |
|-----------------------------------|--------|--------|--------|--------|
| Profit paid/payable to depositors | 14,693 | 16,141 | 14,693 | 16,141 |
|-----------------------------------|--------|--------|--------|--------|

**Key management personnel**

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

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

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

|                              | <b>Group</b> |             |
|------------------------------|--------------|-------------|
|                              | <b>2019</b>  | <b>2018</b> |
| Number of shares held ('000) | 49           | 49          |

**Interest held by associate**

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

**Interest held by the government and government controlled entities**

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

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

***Individually significant transactions***

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

## 38 Financial risk management

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

### Overview of risk management

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

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

### Risk management functional and governance structure

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

#### (a) Credit risk

##### Overview of credit risk of the Bank

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

##### Management of credit risk

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

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

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

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

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

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

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

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

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

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

**Internal credit rating reviews**

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

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

**Overview of credit risk of the subsidiary**

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

**(a) Business rules committee**

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

**(b) Internal credit rating scorecard**

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

**(c) Recovery department**

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

### Maximum exposure to credit risk

The following table presents the Group's and Bank's maximum exposure to credit risk of recognised assets and unrecognised financial instruments, without taking into account of any collateral held or other credit enhancements. For recognised assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

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

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

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

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

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

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

Other assets exclude prepayments.

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

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

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

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

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

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

Other assets exclude prepayments.

**(ii) Collateral**

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

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

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

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

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

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

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

**(iii) Credit quality of gross financing and advances**

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

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

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

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

**Credit quality analysis**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Amortised cost**

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

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

**Fair value through profit and loss**

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

|                          | <b>Gross<br/>carrying<br/>amount<br/>B\$'000</b> | <b>12-month<br/>ECL<br/>B\$'000</b> | <b>Lifetime ECL-<br/>not credit<br/>impaired<br/>B\$'000</b> | <b>Lifetime ECL-<br/>credit<br/>impaired<br/>B\$'000</b> | <b>Total<br/>B\$'000</b> |
|--------------------------|--------------------------------------------------|-------------------------------------|--------------------------------------------------------------|----------------------------------------------------------|--------------------------|
| <b>2018</b>              |                                                  |                                     |                                                              |                                                          |                          |
| Islamic debt securities  |                                                  |                                     |                                                              |                                                          |                          |
| Rated AAA                | -                                                | -                                   | -                                                            | -                                                        | -                        |
| Rate AA+ to AA-          | -                                                | -                                   | -                                                            | -                                                        | -                        |
| Rate A+ to A-            | -                                                | -                                   | -                                                            | -                                                        | -                        |
| Rated BBB+ to<br>BBB-    | -                                                | -                                   | -                                                            | -                                                        | -                        |
| Rated BB+ or below       | -                                                | -                                   | -                                                            | -                                                        | -                        |
| Unrated-Quasi-government | -                                                | -                                   | -                                                            | -                                                        | -                        |
| Unrated-Others           | -                                                | -                                   | -                                                            | -                                                        | -                        |
| Other investments        | 99,068                                           | -                                   | -                                                            | -                                                        | 99,068                   |
| <b>Total</b>             | <b>99,068</b>                                    | <b>-</b>                            | <b>-</b>                                                     | <b>-</b>                                                 | <b>99,068</b>            |

## Fair value through other comprehensive income

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

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

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

**(v) Offsetting financial assets and financial liabilities**

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

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

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

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

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

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

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

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

## (b) Market risk

### Overview of the Bank's market risk

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

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

### Management of market risk

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

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

The Bank is exposed to the following risks:

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

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

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

### **Overview of the subsidiary’s market risk**

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

The subsidiary is exposed to the following risks:

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

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

### **Market risk governance and management**

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

**(i) Profit rate risk**

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

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

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund.

Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing.

Other assets exclude prepayments.

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

**Group  
2018**

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

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

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

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

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund.

Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing.

Other assets exclude prepayments.

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

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

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund.

Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing.

Other assets exclude prepayments.

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

**Profit sensitivity analysis for variable rate instruments:**

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

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

**(ii) Foreign exchange risk of the Bank****Trading positions**

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

**Overall (trading and non-trading positions)**

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

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

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

**Foreign exchange risk of the subsidiaries**

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

## Exposure to foreign exchange risk

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

|                                                         | -----Group and Bank----- |                 |                  |                   |
|---------------------------------------------------------|--------------------------|-----------------|------------------|-------------------|
|                                                         | USD<br>B\$'000           | EUR<br>B\$'000  | GBP<br>B\$'000   | Others<br>B\$'000 |
| <b>2019</b>                                             |                          |                 |                  |                   |
| <b>Assets</b>                                           |                          |                 |                  |                   |
| Cash and short term funds                               | 2,352,418                | 20,716          | 47,022           | 12,332            |
| Placements with and financing and<br>advances to banks  | 787,686                  | -               | 71,249           | -                 |
| Investments                                             | 1,049,274                | 317             | -                | -                 |
| Financing and advances                                  | 329,491                  | -               | 300,576          | -                 |
| Others                                                  | 77,515                   | 170             | 5,684            | -                 |
| <b>Total</b>                                            | <b>4,596,384</b>         | <b>21,203</b>   | <b>424,531</b>   | <b>12,332</b>     |
| <b>Liabilities</b>                                      |                          |                 |                  |                   |
| Deposits from customers                                 | (717,761)                | (21,083)        | (285,958)        | (11,312)          |
| Deposits from banks and other<br>financial institutions | (2,842)                  | -               | (1)              | -                 |
| Placements from other financial<br>institutions         | (121,469)                | -               | -                | -                 |
| Others                                                  | (67,393)                 | (179)           | (443)            | (46)              |
| <b>Total</b>                                            | <b>(909,465)</b>         | <b>(21,262)</b> | <b>(286,402)</b> | <b>(11,358)</b>   |
| <b>Net foreign exchange exposure</b>                    | <b>3,686,919</b>         | <b>(59)</b>     | <b>138,129</b>   | <b>974</b>        |
| Effect of use of derivatives                            | (3,679,891)              | 100             | (138,026)        | 139               |
| <b>Net exposure</b>                                     | <b>7,028</b>             | <b>41</b>       | <b>103</b>       | <b>1,113</b>      |

## 2018

|                                                        |                  |               |                |               |
|--------------------------------------------------------|------------------|---------------|----------------|---------------|
| <b>Assets</b>                                          |                  |               |                |               |
| Cash and short term funds                              | 1,935,442        | 72,283        | 148,057        | 10,654        |
| Placements with and financing and<br>advances to banks | 1,948,444        | 18,793        | 17,325         | -             |
| Investments                                            | 1,182,865        | 329           | -              | -             |
| Financing and advances                                 | 361,411          | -             | -              | -             |
| Others                                                 | 20,623           | 234           | 4,851          | -             |
| <b>Total</b>                                           | <b>5,448,785</b> | <b>91,639</b> | <b>170,233</b> | <b>10,654</b> |

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

### 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        |                                |                                |                                |
|-----------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                       | 2019                           |                                | 2018                           |                                |
|                       | -1%<br>depreciation<br>B\$'000 | +1%<br>appreciation<br>B\$'000 | -1%<br>depreciation<br>B\$'000 | +1%<br>appreciation<br>B\$'000 |
| <b>Group and Bank</b> |                                |                                |                                |                                |
| USD                   | (70)                           | 70                             | 48                             | (48)                           |
| EUR                   | -                              | -                              | (2)                            | 2                              |
| GBP                   | (1)                            | 1                              | -                              | -                              |
| Others                | (11)                           | 11                             | (6)                            | 6                              |
| <b>Total</b>          | <b>(82)</b>                    | <b>82</b>                      | <b>40</b>                      | <b>(40)</b>                    |

### (iii) Equity price risk

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

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

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

### (c) **Liquidity risk**

#### **Overview of the Bank's liquidity risk**

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

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

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

#### **Management of liquidity and funding risk**

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

#### **Overview of the subsidiary's liquidity risk**

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

#### **Management of liquidity risk**

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

### Maturity analysis

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

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

Investments excludes investments in unquoted security and unquoted fund.

Other assets exclude prepayments.

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

**Group  
2018**

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

Investments excludes investments in unquoted security and unquoted fund.

Other assets exclude prepayments.

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

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

Investments excludes investments in unquoted security and unquoted fund.

Other assets exclude prepayments.

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

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

Investments excludes investments in unquoted security and unquoted fund.  
Other assets exclude prepayments.

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

## (d) Operational Risk of the Group

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

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

### Operational Risk Management Framework

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

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

- People
- Process
- System
- External

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

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

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

### **Overview of a material subsidiary's operational risk**

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

#### **(a) ORIC committee**

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

#### **(b) Risk controls self-assessment**

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

### 39 Fair value of financial assets and liabilities

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

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

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

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

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

#### Investments

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

#### Financing and advances

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

#### Derivatives

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

**Fair value hierarchy**

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

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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

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

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

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

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

*Valuation techniques and significant unobservable inputs*

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

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

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

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:

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

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

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

## 40 Leases

### A. Leases as lessee

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

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

#### i. Right-of-use assets

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

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

#### ii. Amounts recognised in profit or loss

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

iii. *Amounts recognised in the statement of cash flows*

|                               | <b>Group<br/>B\$'000</b> | <b>Bank<br/>B\$'000</b> |
|-------------------------------|--------------------------|-------------------------|
| <b>2019</b>                   |                          |                         |
| Total cash outflow for leases | (2,249)                  | (1,965)                 |

**B. Leases as lessor**

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

*Operating lease*

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

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

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

|                                              | <b>Group and Bank<br/>B\$'000</b> |
|----------------------------------------------|-----------------------------------|
| <b>2019 - Operating leases under IFRS 16</b> |                                   |
| Within one year                              | 2,524                             |
| Between one and five years                   | 3,537                             |
| More than five years                         | -                                 |
| <b>Total</b>                                 | <b>6,061</b>                      |

|                                             | <b>Group and Bank<br/>B\$'000</b> |
|---------------------------------------------|-----------------------------------|
| <b>2018 - Operating leases under IAS 17</b> |                                   |
| Within one year                             | 2,255                             |
| Between one and five years                  | 1,687                             |
| More than five years                        | -                                 |
| <b>Total</b>                                | <b>3,942</b>                      |

## 41 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

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

## 42 Commitments

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

## 43 Capital adequacy

### Capital Management

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

### Capital Adequacy Ratios

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

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

|                               | Group           |                 | Bank            |                 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
|                               | 2019<br>B\$'000 | 2018<br>B\$'000 | 2019<br>B\$'000 | 2018<br>B\$'000 |
| <b>Capital ratios</b>         |                 |                 |                 |                 |
| Core capital (Tier 1) ratio % | 18.1%           | 17.0%           | 17.6%           | 16.6%           |
| <b>Total capital ratio %</b>  | <b>18.3%</b>    | <b>17.2%</b>    | <b>17.2%</b>    | <b>16.4%</b>    |

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

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

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

#### 44 Contingent liabilities

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

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.



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