



ANNUAL REPORT 2020



Your Partner in Progress through the Journey of 2020



About Us

BIBD, Brunei'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.

BIBD is a bank for the people of Brunei, built by the people of Brunei. Our ethos perfectly captures 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.



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Overview

"BIBD is a bank for the people of the nation, built by the people of the nation. Our ethos perfectly captures 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."

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01



Our 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

To be The Best Islamic Bank
in Asia-Pacific



Values

Integrity

Customer Focus

Unity of Purpose

Excellence

Corporate Profile

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 the Board of Directors. BIBD is committed to meeting the needs of our customers from all walks of life through continuous service, product and technology innovations.

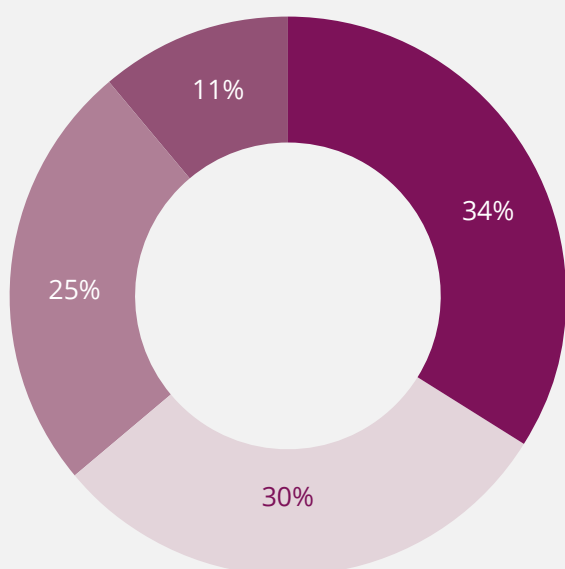
As Brunei's flagship Islamic bank and largest financial services provider, with more than 1000 employees and B\$9.7 billion worth of assets under management, we proudly serve more than 216,000 customers. Our valued customers include retail, corporate as well as international clients.

Headquartered in Bandar Seri Begawan, we have eighteen 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. Thanks to BIBD's presence across the country, we have the largest contact centre in Brunei Darussalam along with a digital mobile chat capability and offer our customers 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.

Shareholders



- Khazanah Satu Sdn Bhd
- Salam Investments Limited
- Yayasan Sultan Haji Hassanal Bolkiah
- Approximately 6,000 individual Bruneian investors

Bruneian at Heart

BIBD is a bank for Bruneians, built by the people of the nation. Our ethos perfectly captures 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 Companies Act Chapter 39, the Bank has strong internal controls and risk management in line with internationally benchmarked standards, especially in financial, Shariah and risk practices.

Active Subsidiaries and Associates

BIBD At-Tamwil Berhad

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 Sdn Bhd and Takaful Brunei Keluarga Sdn Bhd.

BIBD (Middle East) Limited

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



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Adopting a Whole of Nation approach and collaborating with key stakeholders from the public and private sector, BIBD is committed to carrying out impactful collaborations that can serve the nation, the industry, our customers as well as our community.”

Yang Berhormat Dato Seri Setia
Dr Awang Haji Mohd Amin Liew bin Abdullah
Chairman of the Board / Independent Director

A Message from Our Chairman

Dear Valued Shareholders,***Bismillahir Rahmanir Rahim.******Assalamualaikum Warahmatullahi Wabarakatuh.***

Alhamdulillah, I am pleased to report the progress and achievements made in 2020 and the vital role that the Bank Islam Brunei Darussalam (BIBD) Group played in the past year; as the nation and the world was hit by a devastating health crisis that caused major social and economic disruptions.

Despite the challenges resulting from COVID-19 and the decline in global oil prices, the BIBD Group displayed immense resilience and recorded yet another landmark year.

The strong performance was undoubtedly made possible through the implementation of well-deliberated strategies by the whole BIBD team under the guidance and direction of our BIBD Board of Directors and BIBD Shariah Advisory Body.

A leading and ever-growing fully Brunei-owned financial institution

The acquisition of Fajr Capital Ltd's shareholding by the Brunei Investment Agency (BIA) at the beginning of 2020 was a milestone as the BIBD Group became a fully Brunei-owned financial institution and business organisation. On behalf of the Board and the BIBD Group, I would like to take this opportunity to thank Fajr Capital Ltd for their support in BIBD's development into Brunei's flagship financial services institution.

Being Brunei's flagship financial services institution that boasts a local workforce of around 99%, we have become the benchmark institution in the country that continues to provide our customers with innovative and attentive banking solutions. *In Shaa Allah*, through this position of strength, we will keep building our success in Brunei and beyond.

Encouraging growth amidst a global pandemic

The outbreak of COVID-19 and geopolitical tensions had resulted in widespread declines in global oil prices. Since the steep decline in April 2020, oil prices have gradually picked up – supported by production cuts by the Organisation of the Petroleum Exporting Countries (OPEC). However, with the ongoing COVID-19 pandemic stunting global economic growth, it is anticipated that challenges will be faced for oil prices to recover to pre-pandemic levels.

At a time when global and regional economies were adversely affected by the COVID-19 pandemic, Brunei stayed resilient and was able to record positive growth in several sectors.

The banking sector continued to maintain high capital buffers and liquidity while asset quality also improved with a decline in Net Non-Performing Financing ratio to 2.5%.

Given the challenges presented by COVID-19 in 2020, our numbers were expected to be subdued, however, the BIBD Group was still able to remain the most profitable in the Brunei market.

In 2020, the Group posted a revenue of B\$329 million with a net profit of B\$136 million while total assets stayed strong at B\$9.7 billion.

The Group also delivered strong Return on Equity (ROE) to our shareholders at 10.7%, enhancing returns and value to our shareholders.

The Group was also able to maintain total capital adequacy ratio (CAR) at 20.0%, which is well above the 10% minimum required in the Islamic Banking Order, 2008 – this has allowed us to maintain a robust capital position in implementing our strategies.

Throughout the challenging year, we remained prudent in our participation and selective in our businesses, swapping profit for heightened risk management which has allowed us to maintain our stable growth.

Resilient performance in time of pandemic and challenging economic environment

Despite the challenging global and local economic environments, Brunei's economy was able to grow by 1.2% in 2020.

The Finance sector was amongst the major contributors of growth in the non-oil and gas sector in 2020.

For 2020, our central bank, the Autoriti Monetari Brunei Darussalam (AMBD) reported that the banking sector recorded a total asset value of \$18.3 billion, of which \$11.4 billion was held by the Islamic banks. The Islamic banking sector represented the largest share of the banking sector at 62.4 per cent.

The Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam remains committed to multiply its efforts to create alternative income streams to reduce over-reliance on oil and gas as well as to mitigate the impact of any future shock to the economy.

Like many countries, the banking institution plays a big role in the diversification of our economy and *In Shaa Allah*, BIBD will continue to play an integral role in supporting the nation's economic growth in the foreseeable future.

Partner in Progress for Brunei Vision 2035

BIBD takes pride in our role as a Partner in Progress in the nation's economic and social development. This is reflected in our alignment to His Majesty the Sultan's Brunei Vision 2035 along with our efforts in supporting the development of a dynamic and sustainable economy.

Adopting a Whole of Nation approach and collaborating with key stakeholders from the public and private sector, BIBD is committed to carrying out impactful collaborations that can serve the nation, the industry, our customers as well as our community.

Serving the Nation During Challenging Times

In the face of unprecedented challenges, *Alhamdulillah*, BIBD was able to showcase our 'Bruneian at Heart' spirit.

The BIBD Group collaborated with AMBD and the banking sector to support industries and protect employment at the peak of the pandemic. We played a major role in supporting the collective economic relief package of B\$250 million which was announced by the Ministry of Finance and Economy.

To assure the health and safety of our customers, employees and members of the public, the Group adopted and implemented a range of measures aimed at mitigating the risk of COVID-19 and contain the spread of the virus.

Through our Go! Campaign, we encouraged our customers to Go Cashless and Go Digital by carrying out their banking needs on the digital platforms. The campaign was aimed at reducing the number of customers at our branches and encouraging them to enjoy the full range of digital and cashless services available under the BIBD NEXGEN suite of solutions.

Under the guidance of BIBD's Shariah Advisory Body, BIBD also channeled its Maslahat Umum Fund in support of government efforts to combat the pandemic in Brunei.

We also leveraged our digital strengths by facilitating easy payment of donations to the National COVID-19 Relief Fund via BIBD QuickPay or fund transfer, both methods that could be carried out without physically going to a branch. *Alhamdulillah*, by July 2020, the National COVID-19 Relief Fund had collected B\$14.5 million.

Realising that our success in 'flattening the curve' would only be possible with the help of the entire nation, BIBD helped raise public awareness amongst the public on the importance of being socially responsible by promoting information on preventive measures against COVID-19 through social media, radio, TV and print.

Serving the Industry: Supporting the Financial Sector Blueprint 2016-2025

AMBD in its Financial Sector Blueprint 2016-2025 desires the financial sector to be more innovative and responsive to changing trends as the sector plays a key role in the economy.

In 2020, we extended the reach of our digital ecosystem by partnering with various government agencies and institutions. We continued our Cashless Campus initiative, partnering with Universiti Islam Sultan Sharif Ali (UNISSA), allowing students and vendors to carry out cashless payments through BIBD QuickPay and Progresif Pay, which is powered by the BIBD NEXGEN platform.

Members of the public could also make use of BIBD QuickPay to donate to individual mosques or to the Mosque Construction Fund through our partnership with the Ministry of Religious Affairs, or to pay for health services and facilities under the Ministry of Health.

As part of our contribution to the financial services industry in general, and to the Islamic Banking and Finance sector in particular, we also launched a collection of selected Shariah Advisory Body resolutions, bringing insight into how Shariah concepts are applied to the products and services offered by BIBD, and contributing to the overall industry discourse and knowledge.

This year, we saw the inaugural launch by BIBD Securities of the two new Shariah-compliant Mutual Funds, bringing even more diverse options to our customers and supporting AMBD's national goal of improving financial literacy in the country.

BIBD's proactiveness in this area signifies the bank's commitment to becoming a Partner in Progress through its ongoing support of the Government of His Majesty the

Sultan and Yang Di-Pertuan of Brunei Darussalam towards achieving key strategic initiatives that will benefit the nation.

Serving the Community through a Whole of Nation Approach

As a Partner in Progress, BIBD carried out various Corporate Social Responsibilities (CSR) initiatives to continue our service to the community.

We hosted the BIBD Youth Empowerment Summit (BIBD YES!), to answer the call made by His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam in a titah in conjunction with the New Year 2020, for enhanced cooperation between industries and educational institutions to ensure that local graduates are equipped with the right skills to prosper in the future economy. Through this summit, we hoped to provide a platform for the youth to learn from outstanding young role models locally and abroad, as well as providing an opportunity to network, learn and interact with local industry players.

We are deeply humbled by the presence of Duli Yang Teramat Mulia Paduka Seri Pengiran Muda 'Abdul Mateen ibni Kebawah Duli Yang Maha Mulia Paduka Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah at the event. His Royal Highness' support and active interest in the role of youth to shape the leaders of tomorrow is an impactful act that will undoubtedly inspire our youth to become a generation that drives progress, while staying rooted to our Bruneian values of *'Melayu Islam Beraja'* (MIB).

Our commitment to youth empowerment and ensuring that our future leaders are given every opportunity to succeed is continued through the BIBD ALAF programme. The programme currently supports 243 students across Primary, Secondary and Tertiary institutions both locally and abroad. I am pleased to share that a significant milestone was achieved when an ALAF student from the second batch of the programme became the first student to pursue his studies in the United Kingdom.

When schools in Brunei transitioned to online learning or virtual schooling to curb the risks of further outbreak of COVID-19 in the country, assistance was extended to BIBD's ALAF students, where their virtual education needs were aided by the Bank as well as stakeholders such as Progresif to ensure that they would not be left behind.

In Shaa Allah, we look forward to maintaining our long-lasting collaboration with Ministry of Religious Affairs (MoRA) and the Ministry of Education (MoE) as well as local corporates and members of the public in ensuring the continuity of the

ALAF programme to achieve the objectives of Brunei Vision 2035.

In many ways, adversity can also be an opportunity for growth. At the height of COVID-19, BIBD also unveiled our latest CSR initiative, 'Community for Brunei.' By adopting a Whole of Nation approach, we worked closely with government agencies and local start-ups like Think Axis, The Collective, Alicia Newn and local logistics companies to launch a first-of-its-kind virtual marketplace intended to help small businesses adversely impacted by COVID-19. The Community for Brunei platform leverages technology to bring the community together, providing an online ecosystem with an integrated digital payment gateway as part of our efforts to encourage a digitalised society powered by a cashless economy, in line with BIBD's support of the Digital Economy Masterplan 2025.

These undertakings are a manifestation of our commitment to give back to the community. As the saying goes - *"Alone we can do so little, together we can do so much"*. We deeply value and appreciate the strategic partnerships and collaborations undertaken with both government agencies and the private sector as the nation works together towards realising Brunei Vision 2035.

Raising our benchmark to be the best Islamic bank in Asia-Pacific

Over the past year, we solidified our position and kept raising the bar in our quest to become the **Best Islamic Bank in Asia-Pacific**.

S&P Global affirmed its A- rating on BIBD, which we have maintained since 2015, taking note of the Bank's strong capitalisation and diversified deposit base coupled with strong liquidity despite the COVID-19 pandemic.

BIBD also successfully maintained our ISO9001:2015 certification for 2020 after the completion of a surveillance audit in November 2020. This is a testament to BIBD's commitment to providing an unparalleled customer experience, even in the face of COVID-19 crisis, and reflects BIBD's standing as a local institution that can stand toe to toe against global benchmarks.

The Group won several major awards which included, among others, 'Bank of the Year 2020' by The Banker – widely regarded as the gold standard for banking excellence. The BIBD management also scooped the 'Best CEO 2020 – Brunei' awarded by CEO Monthly, a renowned international business magazine. This has illustrated the depth and breadth of how strong the management team is and how

as a team we were able to ride the waves of adversity with tenacity and a strong camaraderie.

BIBD too was again named by The Asian Banker as Best Retail Bank in Brunei, retaining the title for eight consecutive years, as well as Strongest Bank by Balance Sheet, while Global Finance Magazine also named BIBD the Safest Bank in Brunei.

These awards and recognitions were made possible because of our commitment to ensuring the implementation of sound business practices, strong governance and takes us a step closer towards realising our mission of becoming the **Best Islamic Bank in Asia-Pacific**.

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 current and previous 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 management for their steadfast commitment in driving results and executing BIBD's strategy.

On behalf of the Board, our sincere appreciation goes to all employees for their dedication and for their constant commitment and desire to strive for excellence, all of which strengthens BIBD's position as the premier financial services group in the country.

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

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.

BIBD's contributions signifies the bank's commitment to being a Partner in Progress through its ongoing support of the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam towards achieving key strategic initiatives that will benefit the nation as a whole.

*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 & its Group of Companies

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Our immediate strategy during the height of the pandemic was to remain prudent and selective in our business participation and undertakings, which in turn has allowed us to maintain profitability and growth. We also kept our focus in giving back to the community and contributing to the nation as much as possible during difficult times.”

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

Reflections from Our Managing Director

Dear Respected Shareholders,

Bismillahir Rahmanir Rahim. Assalamualaikum Warahmatullahi Wabarakatuh.

2020 was a challenging year due to the unprecedented COVID-19 crisis which significantly altered the status quo. *Alhamdulillah*, as we look back at a unique and challenging year, I am pleased to report another fruitful year for BIBD and its group of companies, not just in terms of business operations but also our overall productivity, achievements and contribution to Brunei Darussalam's economy and society.

At the beginning of 2020, the Brunei Investment Agency successfully acquired Fajr Capital's stake of 29.73% stake in BIBD, making BIBD a fully Brunei-owned business entity and signalling our readiness for the next phase of our transformative journey.

BIBD's transformation to date has immensely benefitted our customers, shareholders and employees and contributed significantly to the growth of local businesses and job creation in Brunei. We would like to take this opportunity to thank Fajr Capital for their contribution and partnership and we look forward to achieving sustained growth and success towards our goal of becoming the **Best Islamic Bank in Asia-Pacific**.

A robust and resilient organisation in challenging times

Impressed and proud of the BIBD spirit to overcome challenges, I am heartened to share our encouraging results achieved during a year when the global economy was adversely impacted by a major health crisis.

Overall, the Group posted a revenue of B\$329 million - derived mainly from our financing, leasing and investment activities - that helped register a net profit of B\$136 million.

We managed to maintain strong total assets at B\$9.7 billion.

Total capital adequacy ratio for the Group was at 20.0%, a reflection of our ability to maintain resilient capital position to execute our best strategies.

BIBD has always been able to consistently stay well above the minimum regulatory requirement of 10% set by the Sultanate's central bank, the Autoriti Monetari Brunei Darussalam (AMBD).

Our immediate strategy during the height of the pandemic was to remain prudent and selective in our business participation and undertakings, which in turn has allowed us to remain profitable and stable. We also kept our focus in giving back to the community and contributing to the nation as much as possible during difficult times.

A strong governance and robust risk management practices and processes also enabled us to maximise our returns to our shareholders and customers while ensuring our asset quality remained strong.

Flattening The Curve

When the COVID-19 pandemic reached our shores, it was crucial for the Group to position itself to manage the situation. We executed several key strategies throughout the year, to soften the impact of COVID-19 and further mitigate its risks.

BIBD activated our Crisis Management Protocol of '**ANCHOR-SUSTAIN-PROTECT**' along with the formation of a dedicated COVID-19 Action Team, comprising selected members of the Leadership Forum (LF).

Business Continuity Plans (BCP) were activated, to assure that even in times of uncertainty, business operations would not be compromised. The BCP site in Mentiri was immediately activated, with a second new BCP site established to further mitigate the risk of COVID-19. In total, over 150 of our employees were deployed at the BCP sites, spending over three months there, until the threat of the pandemic deescalated.

We also recognised the importance of strong communication to ensure everyone is well-protected from COVID-19. Our first communication to staff began as early as February, to educate staff on appropriate measures to minimise the spread of the virus. We reached out to our customers, via social media and through personal letters, to communicate our plans, reassure them and provide comfort that BIBD stood firm in their commitment to support their needs.

When the first local COVID-19 case was announced, the Bank acted quickly and decisively to safeguard both our staff and our customers. Social distancing markers were installed at all branches, regular disinfectant services were arranged at all BIBD premises and staff were advised to minimise contact wherever possible. In addition to this, Work From Home policies were developed and executed efficiently to ensure that vulnerable employees were able to work safely from home.

BIBD worked closely with the Ministry of Finance and Economy, our regulators AMBD as well as the Brunei Association of Banks (BAB) to come up with a collective economic relief package worth B\$250 million. The package included fee-waivers for inter-bank fund transfers, principal payment deferment, restructuring of facilities and credit card conversion to personal financing or Easy Payment Plan (EPP). The Bank worked tirelessly to accommodate the requests of our clients and where there was a need for consultations, we were ready to support our customers.

We also continued our efforts in supporting the national fight against COVID-19 by handing over a significant contribution of B\$296,160 to the COVID-19 Relief Fund, derived from the *Dana Maslahat Awam* Fund, managed by BIBD in accordance with Shariah Advisory Body guidelines. The donations were for the purchase of 5,000 wrist bands, 6 ventilators and 21 electric beds which are for the National Isolation Centre. Such contribution together with other GLCs, and the community at large, in the midst of all the struggles of the pandemic has helped Ministry of Health focus on bringing the cases down and putting the community at ease.

All these initiatives truly epitomised our 'Bruneian at Heart' spirit and we are proud to have contributed immensely in the national fight against COVID-19 which not only helped stabilise our franchise but also the local economy and our society.

Digital Pioneers in the face of COVID-19

The outbreak of the pandemic pushed the Group to work harder to stay on track and ensure we meet our annual targets. Throughout 2020, we carried out various initiatives and programmes to drive growth for the Bank and its Group of companies as well as to create more engagement opportunities with our society.

Leveraging on the vast amounts of data available to BIBD, the Transformation Group began work towards the creation of a Group-wide Data Warehouse Facility which is slated for completion in 2021. As a core project that will feed all future ambitions for the Group, there remains huge potential to gather proprietary data then organise, analyse and visualise it to help the organisation draw businesses actionable data that are backed with business insights.

COVID-19 has also indirectly accelerated our nation's digitalisation effort with BIBD being at the forefront – for both customers and employees. As we prepare for future growth, technology is no longer the differentiator but an enabler.

Through the Bank's suite of NEXGEN services, our digital penetration rate currently stands at approximately 68%, with over 18.4 million retail transactions recorded in 2020. Our commitment to digital is a strong part of our DNA, and we continued our efforts to support the Digital Economy by actively promoting our branchless banking initiatives.

The implementation of the Go Cashless and Go Digital campaign led to a surge of online and digital transactions as BIBD worked to help the nation 'flatten the curve'.

We continued to pioneer in the digital space with the introduction of e-Duit Raya through the BIBD NEXGEN Wallet. The service enables app users to receive and send cash digitally simply by scanning a QR code – with BIBD being the first bank in Brunei to launch such a feature. Being Bruneian at Heart, we at BIBD recognised the importance of Hari Raya traditions and wanted to find a way to ensure that these could continue, even while the nation was physically distancing. Friends and family were able to digitally exchange 'green packets' through the app and we hope that in the future, the feature will be extended as 'Personal QR' enabling daily peer-to-peer cash transfers to further inculcate the habit of going digital.

Our business activities in 2020

As part of our continuous effort to provide product and service variety especially investment products in Brunei, BIBD Securities Sdn Bhd, held events for two consecutive days in conjunction with the launch of its Franklin Templeton investment funds. The events were aimed at introducing the new funds and share an outlook of the market to potential investors and clients as well as create a greater awareness on the benefits of long-term investing. This will be the start of many more offerings with BIBD partnership with world-renowned investment house and fund managers, to ensure BIBD remains the Bank of choice for all our customer's needs.

BIBD also participated in the Borneo Bulletin Yearbook MSME Festival which demonstrated our commitment to develop local MSMEs and support national efforts of boosting SME-related initiatives and programmes by empowering them with robust and comprehensive digital business solutions. Among the participating start-up enterprises were the latest cohort of mothers from the BIBD SEED programme and BIBD Catalyst participants.

We awarded one lucky winner with B\$250,000 at the culmination of the BIBD Aspirasi 2 Rewards Campaign. When we started this journey two years ago, we wanted to

instil a savings culture among our customers by providing them with a convenient means of saving consistently.

Alhamdulillah, the overwhelmingly positive response to this campaign indicated that subscribers of the programme understood that savings can be financially rewarding. The number of Aspirasi subscribers had doubled since the launch of the campaign and despite the pandemic, savings deposits grew significantly and the BIBD Aspirasi deposits, which is now in its third edition, grew by 136%. We hope to see the trend continue and observe more savings amongst the people of the nation.

We also marked another milestone with the reopening of the Temburong Branch, which has been designated as our Heritage Branch. The reopening of the branch highlights BIBD's ongoing commitment to local communities, to ensure that all levels of society regardless of location are able to access the range of products and services offered by BIBD - another initiative that showcases our 'Bruneian at Heart' spirit.

Empowering our human assets in the midst of a global health crisis

Despite the challenges brought about by the outbreak of COVID-19 in 2020, BIBD remained committed to support the realisation of Brunei Vision 2035 - producing a cadre of local leaders and building a high-quality workforce.

To ensure continuous development of our employees amidst the pandemic, BIBD's HR and Human Capital Division (HRHCD) adapted to the situation by promoting more virtual learning initiatives.

Additionally, over the past year, our staff and colleagues successfully adapted to the new normal of maximising the use of technology to hold discussions and meetings via online video conferencing tools such as Microsoft Teams and Zoom – in fact, BIBD was able to hold a series of board meetings and interactions with all staff by the board members via video conferencing. The engagements have proven to be meaningful for the staff as the outreach gave them a chance to share their progress and updates.

Employees were also provided with access to online learning programmes focusing on topics such as digital transformation, artificial intelligence and robotic process automation (RPA) which are increasingly relevant and important in the era of Industrial Revolution 4.0.

Despite the challenges faced last year, BIBD recorded a higher number of learning days compared to previous years.

To date, BIBD is also the only financial institution in the country to be certified 'COVID-19 Workplace Ready'. Ten staff from the bank completed a training - conducted by the Brunei Red Crescent (BRC) - that provided them with the knowledge and skills to respond to issues involving COVID-19 situations at workplace. The modules for this training are in line with the standard that is provided by the World Health Organisation (WHO) adhering to the facts and Standard Operation Procedures of WHO Guidelines and Global First Aid Reference Centre (GFARC).

BIBD will continue to invest in efforts to develop its excellent workforce and as a partner in progress for Brunei, BIBD stands committed to build the foundation of Brunei's success through its people.

Engaging the society

At BIBD, we strongly believe in giving back and creating more engagement opportunities with our society. One of our biggest initiatives in 2020 was the organising of the BIBD Youth Empowerment Summit or BIBD YES!

The summit, which was launched by His Royal Highness Prince 'Abdul Mateen, was a prime example of our dedication and commitment in playing our role as a 'Partner in Progress' for Brunei. The summit saw the physical participation of over 300 students with over 1200 students dialling in virtually to listen to panel discussions and speakers which aimed to spark the youth's passion and show how they can make an impact. The participants also took part in a 2-km Fun Run which gave them a rare opportunity to network and share their experiences with a panel of government Ministers at the BIBD YES! Closing Dinner.

Emphasising our belief that everyone from all walks of life deserves access to education, we continued to progress and achieve milestones with our flagship Corporate Social Responsibility (CSR) programme, the BIBD ALAF (Advocating Life-Long Learning for an Aspiring Future) which now supports 243 underprivileged students. As the academic year came to a close, we held an appreciation night for the teachers and educators who were involved in the programme. It is through the unwavering support of these teachers that BIBD will continue to support the expansion of the ALAF programme, to support His Majesty's government in striving towards Brunei Vision 2035.

BIBD is also proud to share that one of our BIBD ALAF students, a student from the second batch of the BIBD ALAF programme, became the first student from the programme to go to a prestigious university in the United Kingdom. He will be studying Master of Pharmacy for five years and we

are proud to be able to play a part in his journey to achieve his life-long ambition and *In Shaa Allah*, change the course of his future.

Similarly, the “Special Underprivileged Mothers Empowerment Entrepreneurship Development” (BIBD SEED) continues to gain momentum every year and in 2020, we welcomed our third cohort of the programme. Apart from being provided with participation opportunities at several pop-up markets organised by BIBD, we are very pleased to see that the participants are capable of establishing their own clientele and we are optimistic that the participants will achieve the ultimate goal of this programme which is to transform them into financially independent entrepreneurs who will contribute to the Sultanate’s economic growth.

As COVID-19 broke out, BIBD unveiled another CSR initiative, ‘Community for Brunei’, an integrated e-commerce platform created to help small businesses as well as bring attention to different social and charitable causes that are important to the heart of Brunei – this is a collaboration between the Bank, local start-ups and logistics companies as well as government agencies.

Community for Brunei’s first project was ‘Community for Covid’, a donation platform which provides real-time updates to the public on the needs of healthcare frontliners nationwide. This presents the public with an avenue to support the frontliners and at the same time assist small businesses in Brunei to stay afloat during the challenging period and expand their ability to keep earning.

Through the same platform, BIBD also launched ‘Community for Ramadhan’ – a virtual ‘*gerai ramadhan*’ for the public to purchase food and drinks from vendors who typically participated in the yearly Ramadhan stalls organised by the Ministry of Home Affairs and Ministry of Culture, Youth and Sports. This initiative helped the community to minimise physical interaction during the height of the pandemic as customers were able to enjoy a safe and secure payment environment online while having their *sungkai* meals delivered to their homes.

Elevating the local Islamic Finance Landscape

As part of efforts to increase the overall awareness and understanding on Islamic Banking and Finance in the country, BIBD launched a book compiling a total of 53 selected resolutions on Shariah-related matters – selected by the BIBD Shariah Advisory Body since 1993.

The publication of this book is to serve as an essential guide and reference for those who want to know the

development of the Islamic banking and finance in the country, primarily for stakeholders in the Islamic finance industry, including Shariah scholars, academics, legislature, arbitrators, researchers and last but not least, students who are pursuing their studies in the field of Islamic banking and finance at higher education institutes.

The publication is hoped to benefit the public in understanding Shariah concepts and how they are integrated into BIBD products and we hope that this initiative will enhance public trust and support for the products and services offered by BIBD.

The production of the book is one of BIBD’s initiatives in supporting His Majesty the Sultan of Brunei’s aspiration through the AMBD Financial Blueprint to establish Brunei as an international Islamic Financial hub.

Enhancing collaboration with Government and Strategic Partners

We continued our commitment in maximising the Bank’s potential through collaboration and partnership with key strategic stakeholders and partners. This is to ensure that all collaborations and activities coordinated by the Bank and its strategic partners (Government, corporate and private sectors), are aligned with the Brunei Vision 2035.

One notable initiative in this area is the ‘*1 Kampung 1 Produk*’ (1K1P) Transformation Programme which is jointly implemented in collaboration with the Ministry of Home Affairs (MOHA). The programme is a comprehensive entrepreneurship empowerment programme developed by BIBD and is targeted for 1K1P participants from Mukim and Kampung aimed towards equipping them with crucial and relevant knowledge, entrepreneurial and business operations skills.

The collaboration has helped MOHA to move a step closer towards achieving its objectives in enhancing awareness and promoting the improved 1K1P products and services, in local markets and with the potential of penetrating regional markets.

BIBD will continue to build and maintain close relationship and collaborate with key influencers and decision makers within the Brunei Government, Corporates and relevant international bodies to achieve strategic initiatives and advance the bank towards its Mission.

Accomplishments in 2020 and a bright future ahead

Despite the uncertainty and gloomy economic conditions brought upon us by the COVID-19, the Group still managed to scoop major awards and recognitions which reflected the resilience and perseverance of BIBD as an organisation during challenging times.

Alhamdulillah, we managed to retain our A- S&P rating, the highest for a Bruneian bank, which demonstrated BIBD's robustness and stability.

At the same time, in line with our vision to becoming a benchmark institution, BIBD has successfully maintained its ISO 9001:2015 certification for 2020, also expanding its scope to other important areas. This symbolises our commitment to providing an unparalleled customer experience, even in the face of the unprecedented COVID-19 crisis. It also reflects BIBD's standing as a local institution that can stand toe to toe against global benchmarks.

During the year in review, I am pleased to share that BIBD has been conferred as 'Bank of the Year 2020' by The Banker. This award is long considered as the gold standard for banking excellence and hard work for our people and would not have been possible without the support and guidance of our Board and the Shariah Advisory Body.

Apart from winning other accolades BIBD was also announced as the Safest Bank in Brunei by Global Finance and maintained its position and status as the Best Retail Bank in the Sultanate in the past eight years, as recognised by The Asian Banker.

As situations improve and normalise following the COVID-19 outbreak in Brunei, we at BIBD see many opportunities for us to play a vital role as a Partner in Progress in the Sultanate's economic development.

We will continue to commit and invest our resources in digital banking expertise and knowledge, intensifying investment in BIBD's human assets and to fully understand the expectations and needs of our customers in order to ensure we deliver a superlative customer experience.

Our numerous services and offerings have always put us in an excellent position to support our goals and the aspirations of Brunei Darussalam, while at the same time strengthening our brand value and foothold in both the local and regional markets.

As we continue our journey of progress and growth, *In Shaa Allah*, the nation and the people of Brunei stand to benefit from it in the many years to come.

Our gratitude to outgoing leaders of BIBD and welcoming the new ones

On behalf of everyone at BIBD, I would like to convey my sincerest appreciation and gratitude to our outgoing Chairman of the BIBD Shariah Advisory Body, Yang Mulia Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela bin Haji Yussof for his constant support and guidance – always putting BIBD's interest at the forefront while ensuring our engagement with the community. We also would like to convey our appreciation to other outgoing members of the BIBD Shariah Advisory Body and thank them for their valuable contribution during their tenure.

At the same time, we would like to welcome our new Chairman of the BIBD Shariah Advisory Body, Yang Mulia Dato Seri Setia Dr Haji Mazanan bin Haji Yusof, Assistant Mufti (Buhuth) at the State Mufti Office, and new members of the BIBD Shariah Advisory Body. This year also saw the establishment of dedicated Shariah Advisory Bodies for our subsidiaries, BIBD Securities and BIBD At-Tamwil. We welcome these new members and look forward to their wisdom and expertise as we move forward in the coming year.

We are excited at the prospects created by these new appointments and are confident that their wisdom and expertise will build on the foundations laid by our previous leaders. *In Shaa Allah*, under their guidance, BIBD will continue to be at the forefront of providing the best solutions for our customers and support to our community.

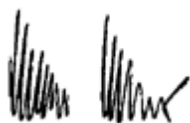
In Appreciation

Our accomplishments and successes in 2020 would not have been possible without the support and guidance of our BIBD Board of Directors and Shariah Advisory Body as well as our strong and dedicated team at BIBD. It has been a privilege to work with this wonderful and strong team with the backing of our Board and Shariah Advisory Body who continue to provide us with wisdom and steer us to continuous achievements. My sincerest appreciation to all of them.

My sincerest appreciation also 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 who continue to believe in us and provide us with endless opportunities to contribute to the development of the local financial industry and Brunei's economy.

And last but not least, our immense gratitude to our customers, for their continued belief, trust and patronage. We will always keep our customers as our primary priority in everything that we do and we look forward to serving them again as we continue our stride to become the best Islamic Bank in Asia-Pacific.

*Wabillahi Taufik Walhidayah Wassalamu 'Alaikum
Warahmatullah Hi Wabarakatuh*



Mr Mubashar Khokhar
Managing Director and CEO
Bank Islam Brunei Darussalam

Our People



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: 3 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

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, and before that was holding 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 80's / early 90's.

Further details of Board Member Directorships and other disclosures are outlined in the Corporate Governance Report.



**Yang Mulia Awang
Junaidi bin Haji Masri**
Independent Director

Date of Appointment: 1 February 2010

Length of Tenure as Director: 11 years

Qualification

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

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.

Further details of Board Member Directorships and other disclosures are outlined in the Corporate Governance Report.



**Yang Mulia Dato Paduka
Iqbal Ahmad Khan**
Independent Director

Date of Appointment: 1 November 2007

Length of Tenure as Director: 13 years

Qualification

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

Relevant Experience

YM Dato Iqbal is the Chief Executive Officer of Fajr Capital, a leading Islamic investment firm headquartered in the Dubai Islamic 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.

Further details of Board Member Directorships and other disclosures are outlined in the Corporate Governance Report.



**Yang Mulia Dr. Jan Hendrik
(Hennie) van Greuning**
Independent Director

Date of Appointment: 31 December 2010

Length of Tenure as Director: 10 years

Qualification

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

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.

Further details of Board Member Directorships and other disclosures are outlined in the Corporate Governance Report.



**Yang Mulia Mubashar
Khokhar**
Managing Director/CEO
Equivalent

Length of Tenure as Director: 5 years

Qualifications

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

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.

Further details of Board Member Directorships and other disclosures are outlined in the Corporate Governance Report.



**Yang Mulia Haji Sofian bin
Mohammad Jani**
Independent Director

Date of Appointment: 19 March 2020

Length of Tenure as Director: 1 year

Qualification

- BA (Hons) Degree in Economic and Social Studies in Accounting & Finance, Victoria University of Manchester, United Kingdom
- Chartered Financial Analyst (CFA)

Relevant Experience

YM Hj Sofian bin Mohammad Jani, CFA has more than 24 years of investment management experience. He is currently the Acting Managing Director for Brunei Investment Agency since July 2018.

He began his career at Portfolio Asset Management Department and later moved to Research and Business Development in 2001. In 2005, he was promoted to Assistant General Manager and transferred to Internal Fund Management. He was appointed as Head of Listed Market in 2012 before heading the Investment Department in 2014. In 2018, he was confirmed as Senior Assistant Managing Director.

YM Hj Sofian is a CFA charterholder.

Further details of Board Member Directorships and other disclosures are outlined in the Corporate Governance Report.

Shariah Advisory Body



Shariah Advisory Body



**Yang Mulia Dato Seri Setia
Dr. Awang Haji Mazanan
bin Haji Yusof**
Chairman

Length of Tenure as Member: 9 years

Qualification

- PhD in Islamic Studies, National University of Malaysia;
- Master's Degree in Islamic Studies, National University of Malaysia;
- Bachelor's Degree in Usuluddin, Al-Azhar University;
- Syariah Judiciary, International Islamic University Islamabad, Pakistan.

Relevant Experience

YM Dato Dr Haji Mazanan is the Assistant Mufti (Buhuth), State Mufti Office, Brunei Darussalam. He has over 10 years of experience in the field of Islamic finance which includes sitting in BIBD and Syarikat Takaful Brunei Darussalam's Shariah Advisory Body (SAB) and supervisory, namely Shariah Financial Supervisory Board (SFSB) of the Brunei Ministry of Finance. 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 Mazanan is a learned and trained scholar to deduce fatwa (Shariah ruling), where he has been trained by Darul Ifta, Egypt in 2003.



**Yang Mulia Dr. Abdul
Nasir bin Haji Abdul Rani**
Deputy Chairman

Length of Tenure as Member: 7 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. Hajah
Mas Nooraini binti Haji
Mohiddin**
Member

Length of Tenure as Member: 2 years

Qualification

- PhD in Islamic Finance, Durham University, United Kingdom;
- Masters in Islamic Studies, National University of Malaysia;
- Bachelor's Degree in Shariah, Al-Azhar University, Egypt.

Relevant Experience

YM Dr Hajah Mas Nooraini is the Dean of Faculty Shariah and Law, Sultan Sharif Ali Islamic University (UNISSA). She is a Member of the BIBD's Shariah Advisory Body since February 2020. She has published many research papers and articles in various academic journals. She also presented in various conferences both local and overseas.



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

Length of Tenure as Member: 3 years

Qualification

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

Relevant Experience

YM Dayang Hajah Noraini is a Senior Istibat Officer in the Ifta Department, State Mufti Office and was appointed as a member of the BIBD SAB since 2018. She also presented in various conferences and speaker in many forums both local and overseas preaching Islamic religion.



**Yang Mulia Dr. Haji Mohd
Aidil Yusrie bin Haji Shari**
Member

Length of Tenure as Member: 1 year

Qualification

- PhD in Syariah, Sultan Sharif Ali Islamic University (UNISSA);
- Master's Degree in Syariah, Sultan Sharif Ali Islamic University (UNISSA);
- Bachelor's Degree in Shariah, Universiti Brunei Darussalam (UBD);
- Investment Foundations Certificate, Chartered Financial Analyst (CFA) Institute.

Relevant Experience

YM Dr Hj Aidil is the Deputy Head of Financing Office, Ministry of Finance and Economy, Brunei Darussalam. He has over 10 years of experience in the field of Islamic finance which includes industry and regulatory. Previously, he was an Assistant Professor (Islamic Finance) at UNISSA and Islamic Finance Specialist at Islamic Development Bank Group (IsDB), Jeddah. He also was the Manager of Capital Market Supervision at Regulatory Department, Autoriti Monetari Brunei Darussalam (AMBD) and at the same time attached to the Islamic Capital Market Business Group of Securities Commission Malaysia (SC). Prior to joining AMBD, he was the Deputy Manager of Shariah Department, BIBD.

Shariah Advisory Body (BIBD Securities)



**Yang Mulia Dr. Haji Mohd
Aidil Yusrie bin Haji Shari**
Chairman

Length of Tenure as Member: 3 months

Qualification

- PhD in Syariah, Sultan Sharif Ali Islamic University (UNISSA);
- Master's Degree in Syariah, Sultan Sharif Ali Islamic University (UNISSA);
- Bachelor's Degree in Syariah, Universiti Brunei Darussalam (UBD);
- Investment Foundations Certificate, Chartered Financial Analyst (CFA) Institute.

Relevant Experience

YM Dr Hj Aidil is the Deputy Head of Financing Office, Ministry of Finance and Economy, Brunei Darussalam. He has over 10 years of experience in the field of Islamic finance which includes industry and regulatory. Previously, he was an Assistant Professor (Islamic Finance) at UNISSA and Islamic Finance Specialist at Islamic Development Bank Group (IsDB), Jeddah. He also was the Manager of Capital Market Supervision at Regulatory Department, Autoriti Monetari Brunei Darussalam (AMBD) and at the same time attached to the Islamic Capital Market Business Group of Securities Commission Malaysia (SC). Prior to joining AMBD, he was the Deputy Manager of Shariah Department, BIBD.



**Yang Mulia
Dr. Amnisuhailah binti
Abarahan**
Member

Length of Tenure as Member: 3 months

Qualification

- PhD in Islamic Finance, International Centre for Education in Islamic Finance (INCEIF)
- Master of Islamic Revealed Knowledge and Heritage, Fiqh & Usul Fiqh (Islamic Jurisprudence) specialising in Islamic Banking (Fiqh Muamalat); International Islamic University Malaysia
- Bachelor of Islamic Revealed Knowledge and Heritage, Fiqh & Usul Fiqh (Islamic Jurisprudence) (Hons) minoring in Comparative Religious; International Islamic University Malaysia

Relevant Experience

YM Dr Amnisuhailah is a Lecturer in the Faculty of Economy and Islamic Finance, UNISSA. She is an Associate Member of Associations of Shariah Advisers in Islamic Finance (ASAS), Malaysia and of the Chartered Institute of Islamic Finance Professionals (CIFFP), Malaysia.



**Yang Mulia Dr. Ahmad
Lutfi bin Abdul Razak**
Member

Length of Tenure as Member: 3 months

Qualification

- PhD in Islamic Finance, International Centre for Education in Islami Finance
- CIMA Diploma in Islamic Finance
- Postgraduate Diploma in Advanced Economics, University of Warwick, United Kingdom
- Master of Science in Economics, University of Warwick, United Kingdom
- Bachelor of Science (Hons) in Economics, University of Warwick, United Kingdom

Relevant Experience

YM Dr Lutfi received his doctorate degree in Islamic Finance from the International Centre for Education in Islamic Finance (INCEIF) in December 2019, with this thesis titled "The Effects of Corporate Social Performance on Credit Risk". He was also awarded the INCEIF President's Award in Recognition of Achieving the Best Academic Performance in the Graduating Class 2019 for the Doctor of Philosophy in Islamic Finance.

Prior to his PhD, YM Dr Lutfi obtained CIMA Diploma in Islamic Finance, Postgraduate Diploma in Advanced Economics (University of Warwick, UK), Master of Science in Economics (University of Warwick, UK) and Bachelor of Science (Hons) in Economics (University of Warwick, UK).

Prior to his PhD at INCEIF, YM Dr Lutfi worked as a Lecturer at the Sultan Sharif Ali Islamic University (UNISSA), Brunei Darussalam. He also worked with the Centre for Strategic and Policy Studies (CSPS), Brunei Darussalam where he worked on a number of national projects, which includes: Land Optimization, National Productivity, Financial Literacy and Ease of Doing Business.

Shariah Advisory Body (BIBD At-Tamwil)



**Yang Mulia Dr. Awang
Abdul Nasir bin Haji
Abdul Rani**
Chairman

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 Economics and Islamic 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 Pg Dr. Md
Hasnol Alwee Pg Haji
Md Salleh**
Member

Length of Tenure as Member: 6 months

Qualification

- PhD in Islamic Finance from Durham University, United Kingdom.
- Master of Science Finance (MSc Finance), Lancaster University, the United Kingdom
- Bachelor's Degree in Business Administration, University Brunei Darussalam

Relevant Experience

YM Pg Dr. Md Hasnol Alwee is a lecturer at UBD School of Business and Economics since 2009. He had taught few modules related to Islamic banking and finance, such as- Introduction to Islamic Banking and Finance, Islamic Business Ethics, Investment in Islamic Finance, and Islamic Microfinance. His expertise and interest are in a research area related to Islamic financial literacy, Financial Literacy, Awqaf, and Social Finance. He has published many journal articles, chapters in books, and research papers in various academic journals and publications.



**Yang Mulia Haji Md
Syahiran bin Haji Md
Sofian**
Member

Length of Tenure as Member: 6 months

Qualification

- Master's Degree in Syariah, Sultan Sharif Ali Islamic University (UNISSA);
- Bachelor's Degree in Shariah, Al-Azhar University, Egypt.

Relevant Experience

YM Hj Md. Syahiran is an Assistant Lecturer at the Seri Begawan University College of Religious Studies (KUPU SB). He has strong Shariah background with relevant banking and finance knowledge. His experience in teaching began in 2007 and to date has conducted many Shariah and Finance courses, namely Principles of Fiqh (Usul Fiqh), Islamic Legal Maxims (Qawa'id Fiqhiyyah), Fiqh Muamalat & Current Issues and Fatwas of jurisprudential rulings (Fatawa Al-Ahkam Al-Fiqhiyyah).

Leadership Forum



Leadership Forum



Yang Mulia Mubashar Khokhar

Managing Director

YM Mubashar 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.



Yang Mulia Hajah Noraini Haji Sulaiman

Deputy Managing Director

YM Hajah Noraini 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, Tabung Amanah Pekerja (TAP), and the 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.



Yang Mulia Haji Minorhadi bin Haji Mirhassan

Acting Chief Operating Officer

YM Haji Minorhadi has thirty years of commercial banking experience with BIBD and the HSBC Group through leadership roles in Retail, Corporate and Institutional banking businesses. His career also includes delivering key project financing and spearheading the set up and development of various functions that include Retail Marketing, Asset & Fund management and Investment Banking disciplines encompassing its respective human capital development. He successfully led the BIBD ISO 9001:2015 Quality Management System accreditation effort. He was the founding chairman for the Brunei Darussalam Capital Market Association (BCMA) and appointed a member of the Universiti Brunei Darussalam Council (UBD), as the chair of the UBD Audit Committee. YM Haji Minorhadi attained the Islamic Finance Qualification (IFQ) from the Chartered Institute for Securities and Investments (CISI) UK and is an Associate of the Institute. He is also a member of the Association of Shariah Advisors in Islamic Finance (ASAS), Malaysia and has completed the Foundations in Design Thinking course with IDEOU US. He holds an MBA from the Singapore Management University (SMU), a BTEC Higher National Diploma (HND) in Business and Finance from the University Technology Brunei (UTB) and an Islamic Financial Planning Certificate.

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

YM Pheng Leong has more than 18 years of experience working in the financial services industry as a Chief Financial Officer (CFO) and auditor of 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, YM 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. YM Pheng Leong has a strong appreciation of global working practices, IFRS and IFRS conversion, having worked with BIBD in Brunei and offices in various countries. YM 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 Effendy Othman****General Counsel & Company Secretary**

Prior to joining BIBD, YM Effendy was in private legal practice in Kuala Lumpur for 24 years, of which 10 years was as a senior partner with the largest regional law firm in Malaysia with presence in all the Asean countries. YM Effendy's clients ranged from local and international financial institutions, multinational, public and public listed companies. YM Effendy is a certified company secretary with the Malaysian Association of Company Secretaries.

He is also the co-author of several publications including the Malaysian Company Law: Principles and Practice (2nd Ed. 2018 - *Wolters Kluwer*), the author for the Malaysian chapter on Asian Conflict of Laws - East and South East Asia (2017- *Wolters Kluwer*), and the contributor for Malaysia for the Global Perspectives on the Hague principles chapter of the Choice of Law in International Commercial Contracts (2021 – Oxford University Press).

YM Effendy graduated with First Class honours in law from the International Islamic University, Malaysia. He also holds Masters' Degree in Law from the University of Cambridge and the London School of Economics and Political Science.

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

YM 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 Edmundo Horacio Uribe Bobadilla****Chief Risk Officer**

YM Edmundo 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. 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. YM Edmundo 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**

YM Habibah brings with her an immense wealth of experience from a variety of corporate Human Resource roles gained during her tenures with Brunei Shell Petroleum (BSP) which spanned over seventeen years, where she last held the role of Department Head of Organisation Effectiveness. Her experience includes a three-year posting in Malaysia as the Regional HR Adviser for Asia-Pacific and Middle East for Shell IT International Sdn. Bhd. YM Habibah has extensive knowledge and skills in organizational issue management, building effective and productive teams, incorporating HR's strategic value and contribution in the business decision-making and policy direction, and introducing strategic changes to HR policies and practices. YM Habibah holds a BA (Hons) in Management Studies from Universiti Brunei Darussalam in 1990.

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

YM 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****Chief Marketing Officer**

YM Hajah Nurul Akmar 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. YM Hajah Nurul was in the Retail Banking Group for more than ten years and is very passionate about delivering superlative customer experience especially with innovations in digital banking. Now tasked to lead the strategic marketing and communications role for the Group of companies to further elevate BIBD's brand equity and brand positioning and be at par with the best within the industry, regionally and globally. YM 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**

YM Irwan 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. As a result of Irwan's leadership, BIBD At-Tamwil became one of the most profitable finance companies in the country, and has enjoyed continuous and uninterrupted increase in profits from 2006 to 2017. YM 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, YM Irwan has a brief stint with Brunei Shell Marketing Company Sdn Bhd. YM 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**

YM 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

YM Salman 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. YM 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
Managing Director of BIBD Securities Sendirian Berhad (BIBDS)

YM Yazid 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. YM 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 CSPA Strategy and Policy Journal, 2011. He is a CFA charterholder.



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

YM Haji Mohd Said 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.

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

YM Hajah Hanifah 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.

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

YM Susanna 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.

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

YM 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, YM 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.

Corporate Governance

- 2.1 Corporate Governance Report
(Financial Year Ended 31 December 2020)
- 2.2 Shariah Advisory Body

02

2.1 Corporate Governance Report (Financial Year Ended 31 December 2020)

Pursuant to the Guidelines for Corporate Governance for Islamic Banks

Introduction

The key towards achieving sustainable and responsible growth of the organisation especially in times of crisis, is to ensure that the BIBD Group embeds and embraces a strong corporate governance framework, standard and culture, which are continuously evolving to attain higher standards of contents, compliance and reach.

2020 has witnessed the extraordinary impact caused by the COVID-19 pandemic at varying degrees on every facet of human activities worldwide, including on economies, businesses as well as the financial sectors. Brunei has been fortunate in that strong leadership and effective measures by the government, has shielded it from the pandemic's devastating effects faced by many other countries, and with the creation of vaccines and their roll-out, there is hope of light at the end of the tunnel. However, the ripple effects of the pandemic on the global economy may be felt in the years to come. Therefore, Brunei's economy, businesses as well as financial sector must continue to be resilient and ready to face on-going and future challenges to ensure sustainable and responsible growth.

The Board of Directors (**Board**) of BIBD realise that the key towards achieving sustainable and responsible growth of the organisation especially in times of crisis, is to ensure that the BIBD Group embeds and embraces a strong corporate governance framework and culture within the organisation, one which are continuously evolving to attain higher standards of contents, compliance and reach. Hence, in this Annual Report, the BIBD Group has come out with a new corporate governance reporting format, in the form of a report which provides a more comprehensive elucidation of the corporate governance values, principles, approach and actions which the BIBD Group embraces, in line with the Principles advocated under the Guidelines for Corporate Governance for Islamic Banks (**Guidelines**) issued by the Autoriti Monetari Brunei Darussalam (**AMBD**).

2.1.1 Risk Management Report by the Chief Risk Officer

2.1.2 Disclosure of other Operational and Financial Related Matters

- I. Matters of Significance affecting Future Operations
- II. Anticipated Developments in Future Operations

2.1.3 Corporate Governance Principles

- Principle 1** - Board and Board Committees – functions and responsibilities
- Principle 2** - Board Composition, and standing of Independent Directors
- Principle 3** - Division of Roles of Chairman and Chief Executive Officer (CEO)
- Principle 4** - Criteria for identification, assessment and appointment of Directors
- Principle 5** - The governance structure and assessment on effectiveness of the Board
- Principle 6** - The Board's responsibilities towards a Group-based governance framework
- Principle 7** - Board meetings and Board members' attendance
- Principle 8** - Remuneration Policy for Senior Management and other employees
- Principle 9** - The Board responsibility on the Bank's performance and risk position
- Principle 10** - The Board's responsibility for the governance of risk
- Principle 11** - Effective independent risk management function within the Bank
- Principle 12** - The Bank's risk management and internal control infrastructure

Principle 13 - The Bank's Audit Committee via the Audit, Finance and Risk Committee

Principle 14 - Internal Audit framework of the Bank

Principle 15 - Management of the Bank's compliance based risk

Principle 16 - Governance approach towards upholding Shareholders' interests

Principle 17 - Shareholders' Engagement

Principle 18 - Steps to encourage shareholder participation at general meetings

Principle 19 - Management of Conflict of Interest situations

2.1.1 Risk Management Report by the Chief Risk Officer

BIBD has placed a significant emphasis on the role of risk management in ensuring the sustained and responsible long-term growth of the Group. In order to support BIBD's aspirations, robust risk management functions and processes have been placed to allow for the independent assessment, monitoring and oversight of financial and non-financial risks across the BIBD Group.

The comprehensive management of all risks faced by BIBD is part of our wider efforts to uphold the highest standards of governance, risk and compliance throughout the Group. BIBD undertakes a wide variety of businesses, and is required to be able to govern, monitor and report all risks in a clear and with a holistic approach.

BIBD has in place various Risk policies intended to cover different risks and businesses that are reviewed annually.

Risk Management Strategy

The BIBD Risk Management Strategy is reviewed and approved by the BIBD Board of Directors on an annual basis. The Risk Management Strategy provides a holistic approach in managing risks to the BIBD Group.

Risk Appetite Statements

Within the Risk Management Strategy, holistic Risk Appetite Statements (**RAS**) are established as primary risk parameters, and are aligned to the Group's overall risk management objectives of:

- a) To consistently exceed minimum regulatory capital requirements
- b) To ensure sufficient levels of liquidity and funding
- c) To manage the level of risk in the portfolio to an acceptable level,
- d) To maintain external debt ratings.

Enterprise Risk Management Framework

The BIBD Group has embraced an enterprise-wide approach, covering 19 (nineteen) core risks, within its operational risk management structure. This is supported by the Enterprise Risk Management Framework (**ERMF**)

which provides as a standardised approach to manage all risks within the Group. One of the key tools used within the ERMF is to establish within each BIBD division, specific RAS and Key Risk Indicators (KRI) that are to be tracked on a monthly basis.

Risk Governance Structure

A strong governance structure is in place to ensure that the ERMF can be implemented effectively. While the Board is ultimately responsible for BIBD's risk management activities, it has delegated its responsibilities on the oversight of BIBD risk management to its Board Committees; the Audit and Finance Sub-Committee (**AF**), the Risk Sub-Committee (**RC**), and the Executive Committee (**EXCOM**). These Board Committees are updated on risk-related matters on a quarterly basis or as and when required. The Shariah Advisory Body has also been delegated by the Board to provide oversight over Shariah risks. The Shariah Advisory Body meets at least quarterly and will be updated accordingly. At the Management level, the Group Risk is managed by the established committees of the Credit Risk Committee (**CRC**), the Asset & Liabilities Committee (**ALCO**), and Enterprise Risk Management Committee (**ERM**). These management committees meet on a weekly, monthly and quarterly basis respectively. Specific matters such as the Capital Adequacy (**ICAAP**) and the Recovery Plan are reviewed within the ERM.

Group Risk Management Model

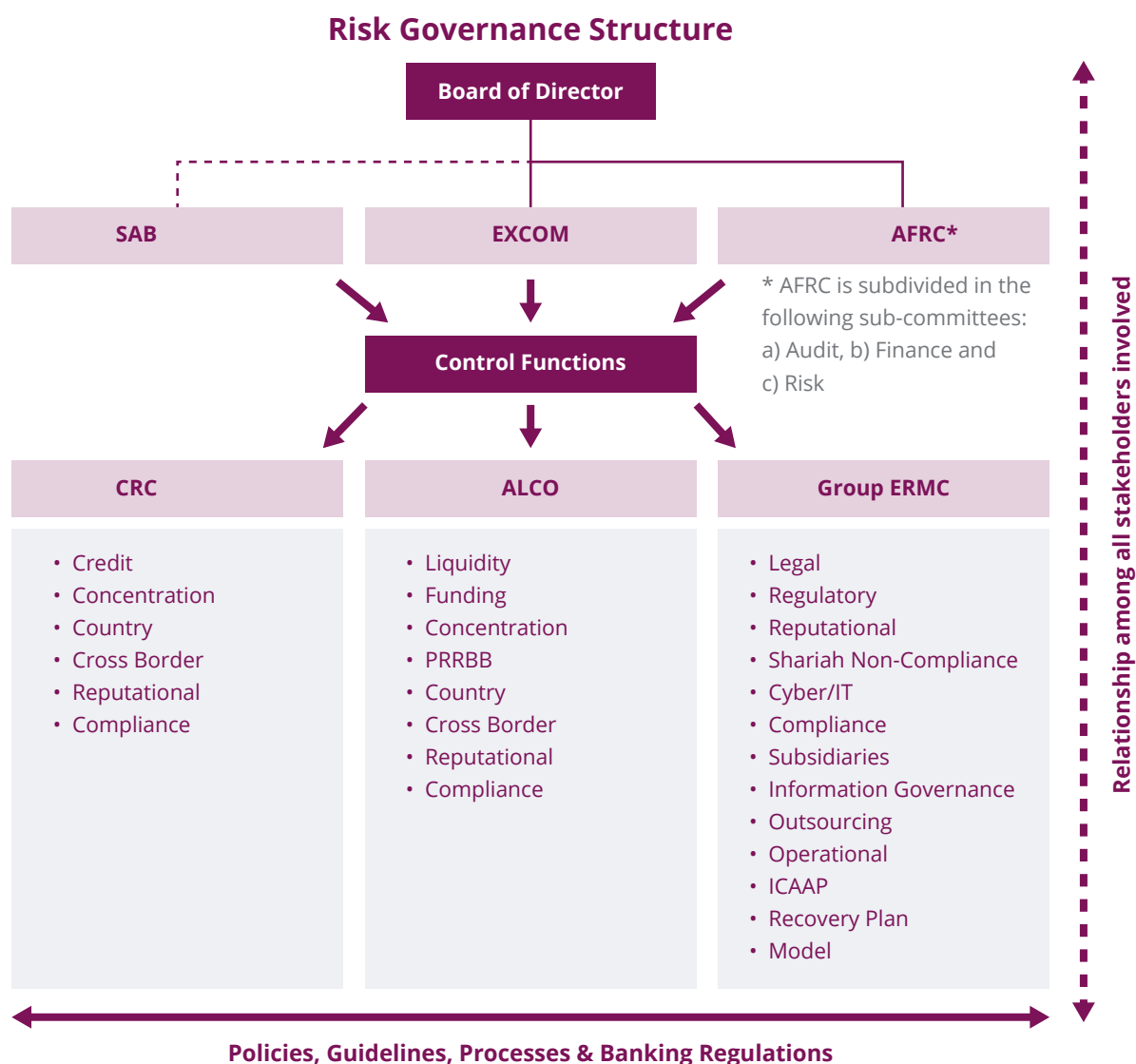
The Group Risk Management model utilises the "Three Lines of Defense" approach, in order to contain any risk. This is achieved by maintaining an ongoing monitoring process, and the proper implementation of respective controls. The responsibilities are shared as follows:

1st Line of Defense (Risk Owner), the Business/Support units.

2nd Line of Defense (Monitoring and Oversight Functions), Risk Management and Compliance.

3rd Line of Defense (Risk Assurance), Internal Audit.

While risks are managed at the point of risk-taking activity, there is a clear accountability of the 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, as a 2nd Line of defense covering:

- | | |
|---|--------------------------|
| • Credit Risk | • Legal Risk |
| • Market Risk | • Regulatory Risk |
| • Operational Risk | • Shariah Risk |
| • Profit Rate Risk Banking Book (PRRBB) | • Compliance Risk |
| • Liquidity Risk | • Cyber Risk |
| • Funding Risk | • IT Risk |
| • Concentration Risk | • Information Governance |
| • Country Risk | • Outsourcing Risk |
| • Cross Border Risk | • Model Risk |
| • Reputational Risk | |

We take the approach of analysing all financing and investment proposals, as well as, evaluating the Group's operational processes in close cooperation with respective business units, to ensure that the Group's exposure to all risks is understood, discussed and managed in a proactive way, in order for all stakeholders' interests be protected.

Financial risks are analysed by performing different stress tests using different economic scenarios within the ICAAP and Recovery Plan frameworks, coupled with other exercises presented in the ALCO.

BIBD adopts a proactive approach in monitoring the Group's risks which are exposed to, by having a robust Operational Risk Framework that utilizes several tools to constantly monitor the risks resulting from People, Systems, Processes and External factors. The Operational Risk responsibility lies with all BIBD's employees, which is strongly driven by regular Risk Awareness and Risk Culture trainings.

There are several initiatives from AMBD that have been adopted or in the process of being adopted by BIBD in order to align the Brunei Banking Sector to international standards. These initiatives include:

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. Market Risk Guidelines
7. IT and Cyber Risk Guidelines
8. Basel II – Pillar 3 Public disclosure document
9. Corporate governance for Islamic banks
10. Prudential treatment of problem assets and allowance for credit losses
11. Shariah Governance Framework
12. Internal Capital Adequacy Assessment Process ("ICAAP")
13. Recovery Plan

Temporary Regulatory Measures (COVID-19)

In March 2020, the AMBD in partnership with the Brunei Association of Banks (**BAB**) implemented a 1-year liquidity relief programme to support Corporate and Retail clients impacted by the COVID-19 pandemic. The relief programme aimed to provide a deferment of principal payments across identified industries and sectors until April 2021; with an application deadline of up to December 2020.

By April 2020, BIBD promptly implemented the directive, by adding this program into the BIBD credit policies. A 2021

extension of this program is under review by AMBD, and directives will be updated within the BIBD policies. AMBD directive has been to further extend the relief program up to 30 September 2021.

Standard & Poor's Credit Rating

As a testament to BIBD's prudent approach to risk management, the Bank was reaffirmed with an A- (Stable) by one of the big three international credit rating agencies, Standard & Poor's (**S&P Global**).

Management of Material Risks

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 performance of the Group's strategic objectives, as follows:

1. Credit and Concentration Risks

A robust credit risk framework is one that embeds prudent financing guidelines to minimize credit defaults and losses, whilst maintaining a credit portfolio that is within the Group's Risk Management Strategy. The Bank has in place several systems in order to control and monitor all risks within the risk management spectrum.

The concentration factor is an important aspect within the Group's portfolio and is continuously tracked. In the Non-Retail spectrum, the Group industry portfolio concentration remained stable with the highest concentration in the oil and gas industry, which has been a historic trend, due to the importance of the domestic oil and gas revenues to the Brunei Economy. In the Retail spectrum, there is no concentration due to regulatory guidelines (Capital Adequacy Framework 13Feb19), whereby, each retail obligor cannot represent more than 0.2% of the retail portfolio.

Non-Retail Portfolio

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 risk levels across financings and investments to facilitate the decision making process.

The analysis process is through a fundamental analysis – the review of qualitative and quantitative information – and financings above one year have additional analysis requirements, where specific projections and assumptions take place. Collateral coverage of financings is high. However, credit decisions are always based on cash flow generation as the primary source of repayment

coupled with the correct facility structuring. All facilities have a specific limit per risk type (Funded, Unfunded and Pre-settlement risk).

There is a general monitoring scope, including two processes:

- Watchlist accounts
This covers all accounts above 1 Day Past Due (**DPD**) as well as movements within the DPD buckets (1-30, 31-60, 61-90 and above 90 days).

- Close monitoring accounts

This covers only current accounts with minor issues that can be a warning if not taken care of, properly.

For accounts above 30 DPD but below 90 DPDs, Exposure at Default (**EAD**) must be transferred to Stage 2 (IFRS9) and when reaching 90 DPDs, must be defined as impaired and EAD transferred to Stage 3 along with their corresponding Expected Credit Losses (**ECL**) or impairments.

Within the Corporate Banking Group, the Special Assets Department (**SAD**) is responsible to continuously follow up and assesses trends for all accounts with DPDs above 30 days, in order to bring possible solutions. Risk Management actively works with the SAD, in order to effectively manage all related efforts as well as the right level of impairment.

Retail Portfolio

In the retail space, the Bank has a portfolio approach assessing individual product types using internal risk models through different scorecards, and in some cases, fundamental credit analysis, for the final evaluation and respective approval. All facilities have specific limits per risk type (Funded, Unfunded and Pre-settlement risk).

There is a constant follow up on market trends/behaviors and portfolio analysis per product type, such as months on books performance and DPDs bucket movement analysis.

Within the retail portfolio, there are secured financings, whereby, collaterals fully covered the financing amounts, and the addition of the salary assignments. For unsecured financings, there is no collateral assigned. However, the majority of obligors have salary assignments in place.

Collections and Recovery

Collections and Recovery Department under the Chief Operating Officer is responsible to track all DPDs and trends, in order to assess the proper strategy for each product type. The Risk Management Division works closely with this department to understand behavioral patterns that can be used for further enhancements to existing policies.

Expected Credit Loss

BIBD had established its IFRS9 process which has enabled us to calculate the Expected Credit Losses or credit impairments. This process provides forward looking expected credit losses for either a 12-month Probability of Default (**PD**) or Lifetime PD, based on statistical historic data with respect to BIBD various portfolio PDs, Loss Given Defaults (**LGDs**) and Macroeconomic overlays.

2. Operational and Shariah Risks

Operational Risk events stemming from People, Systems, Processes and External Factors may lead to losses for the Group. These factors are constantly monitored and reported.

As a continuous proactive measure to better capture all operational risk related events, the Group has placed a strong emphasis on providing regular training to all employees. The Group has assigned employees across all Divisions to capture any operational risk issues, including the Shariah Risks.

Risk Management Division has also implemented several tools and processes to provide a holistic view across the Group. Any Risk Event Report is carefully analysed using a Root Cause methodology together with the respective causal factors in order to identify the proper solution within a reasonable timeline. Another key tool used for operational risk issues is the monthly tracking of the RAS and KRIs implemented by each unit, in agreement with Risk Management Division.

3. Market, PRRBB, Funding, Liquidity, Country and Cross Border Risks

As part of the regular monitoring and reporting of BIBD's market exposures to ensure that these exposures are within the approved risk appetite parameters, the Risk Management team continuously keeps abreast of market developments in different geographies, which may impact BIBD cross border portfolio and specific risk guidelines. BIBD maintains high quality liquid assets and well diversified sources of funding that act as a liquidity buffer.

Another aspect of the market risk are interest/profit rate movements affecting the banking book performance, and the consequent impact on the earnings and capital. This analysis is presented to the ALCO by the Risk Management Division on a monthly basis.

BIBD utilises several processes and analytical techniques to manage relevant risks and support business requirements:

- a) Counterparty Limits Process using qualitative and quantitative techniques,
- b) Country Limits using fundamental economic, political and social analysis,
- c) Cross Border Risk analysis covering the Nationalization, Expropriation, Convertibility and Transferability risks (NECT).

BIBD also uses Country Sovereign International risk ratings, from S&P Global, Moody's and Fitch to ensure further alignment to international practices.

4. Legal, Regulatory, Compliance and Reputational Risks

BIBD Group has placed the utmost priority on compliance to international and local governance guidelines and is well-aware of the proper and proactive implementation to mitigate or avoid all risks related to legal, regulatory, compliance, and the adverse impact to BIBD's reputation.

5. Cyber and IT Risks

Regular reviews, upgrades and testing of all IT systems (hardware and software), as well as BIBD's cyber infrastructure, are performed to avoid any internal and external disruptions that may affect Group's general capabilities to operate. Thereby, ensuring that our customers benefit from the constant technology investments within the Group. These approaches allowed for further strengthening of BIBD's overall IT and Cyber risk management capabilities by implementing best practices. As part of this scope, the IT and Cyber risk framework is assessed and reviewed periodically as BIBD continues in developing a predictive risk management culture.

6. Information Governance and Outsourcing Risks

The BIBD Board and Senior Management has placed significant emphasis on ensuring that risks related to data quality, record management and client data privacy are mitigated and avoided. The BIBD Group has implemented an outsourcing monitoring process in order to be sure that services and data received by external sources are reliable and providers have a sound and proven track record.

7. Model Risk

Risk related to losses resulting from using inappropriate models, data, model's review and service updates. BIBD Group is building its model inventory in order to have a comprehensive record of various models to allow for the control, maintenance and tracking of these different models.

With this model risk framework in place, BIBD will be well prepared to react to market changes and be in alignment with regulators and International Practices.

Foreseeable Risk Factors

The challenges brought about by the COVID-19 pandemic in 2020 were unprecedented and impacted not only BIBD but also the entire global economy. Several measures were taken by governments around the world to alleviate the reduction in domestic and international economic activity.

While the spread of COVID-19 has relatively subsided and the global economy has slowly resumed productivity, the impact of the pandemic is still being felt.

It is expected that consumer spending – fueled by monetary stimuluses provided by several governments – would increase. There is also the possibility of inflation rising above expectations resulting in the increasing of long term interest rates, which would a repricing effect on several financial asset types that will affect financial institutions.

Domestic (Brunei)

- Limited aggregate demand growth across all the economy.
- Limited new major governmental projects, within next 12 months.
- Concentration still in oil & gas (circa 51% of Brunei GDP is oil and gas related).
- Several industries affected by COVID, due to travel bans as Brunei is expected to continue its cautious approach to ensure public wellbeing.
- Domestic spending has increased due to the containment of the pandemic within Brunei resulting in the gradual de-escalation of pandemic measures.

International

- Worldwide economy full reactivation for 2021 with an uncertain pace.
- Vaccination programs may suffer delays during the implementation process.
- Vaccination effectiveness still uncertain (side effects).
- Trends in long term interest rates, upwards.

2.1.2 Disclosure of other Operational and Financial Related Matters

Statutory/Regulatory Provision	Disclosure Requirement	Disclosure Response
Reg 18(3)(d) SMR, 2015	Disclosure of the details of any matter or circumstance that have arisen since the end of the financial year that have significantly affected or may significantly affect	- There are no significant subsequent events, between the financial year ended 31 December 2020 and the date of the financial report of 20 March 2021, that affects: (i) the reporting entity's operations in future financial years; (ii) the results of those operations in future financial years; or (iii) the reporting entity's state of affairs in future financial years. - Consequently, no such disclosures are made in the audited financial statement for the year ended 31 December 2020.
Reg 18(3)(e) SMR, 2015	Disclosure of the likely developments in the reporting entity's operations in future financial years and the expected results of those operations.	- 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 (together with the Bank is referred to as the BIBD Group) 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 ended 31 December 2020. - The BIBD Group expect to continue its similar principal activities with the results of the operating reflecting these activities in the foreseeable future financial years. - The operational results of these activities are subject to the following risk namely, credit risk, market risk, liquidity risk and operational risk from financial instruments and put in place financial risk management processes and controls to manage these risk as set out in note 36 of the Audited Financial Statements for the year ended 31 December 2020.

2.1.3 Corporate Governance Principles

PRINCIPLE 1

Every Bank should be headed by an effective Board to lead and control the Bank. The Board has ultimate responsibility for the Bank's business strategy and financial soundness and is collectively responsible for the long-term success of the Bank, including approving and overseeing management's implementation of the Bank's strategic objectives, governance framework and corporate culture. The Board works with Senior Management to achieve these objectives and Senior Management remains accountable to the Board.

The BIBD Board of Directors' (**Board**) primary role is to determine BIBD's strategy, objectives and policies to deliver sustainable value to its shareholders. The Board provides the Management with the guidance and leadership necessary for the BIBD Group.

To ensure that the Board's obligation to its shareholders and other stakeholders (employees, customers, regulators, etc.) remains paramount, the following aspirations and values are propagated throughout the BIBD Group:

BIBD Vision

Serving Brunei through Islamic Solution as its leading financial institution through responsible fusion of Islamic Values, Real Economy and Finance.

BIBD Mission

The Best Islamic Bank in Asia Pacific. As such, BIBD is driven by the **ABCDEF** strategy:-

- A** - Aligned
- B** - Bank of Choice
- C** - Customer Trust
- D** - Digital
- E** - Employees
- F** - Focus and Finish

I-CUE Values

- I**ntegrity
- C**ustomer Focus
- U**nity of Purpose
- E**xcellence

The duties and responsibilities of the Board are clearly established in accordance with the law and guidelines issued by the regulator as set out in the Terms of Reference (**TOR**) of the Board.

Under the BIBD BOD TOR dated 12 September 2019, the responsibilities of the Board are set out below:

- Provide oversight of management on behalf of shareholders.
- Oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance with law and the Group's Code of Conduct.
- Evaluate and determine the compensation of the Managing Director.
- Review the Group's compensation and benefits programs as well as its succession planning and diversity programs.
- Review major strategic initiatives inclusive of digitalization financial and other objectives / initiatives of the BIBD Group.
- Review the Group's community-oriented activities.
- Nominate directors and evaluate the structure and practices of the Board to provide for sound corporate governance.

- Receive updates from all Board committees on key matters discussed, decisions made at the Board Committee meetings for review and approval.
- Question and critically review explanation and information provided by senior management.
- (Provide balanced and understandable assessment of BIBD's performance, position and prospects (including interim and other price sensitive public reports), and reports to regulators (as required)
- Approve material transactions of the BIBD and its Group including related party transactions.
- Receive an annual assurance from the Shariah Advisory Body that the operations of the BIBD and its Group are in compliance with Shariah rules and principles.

Additionally, to ensure that its responsibilities and oversight over the BIBD Groups business and operations can be effectively undertaken, the Board has delegated its authority to the following key Board Committees which operate in accordance with their roles and responsibilities as defined in their respective TORs:

Audit, Finance, Risk Committee (AFRC)

The Committee ensures that a risk governance framework is established for the Group that includes well-defined organisational responsibilities for risk management, typically referred to as the three lines of defence;

- (a) the Business Line (**1st Line of Defence**);
- (b) a risk management function and a compliance function independent from the first line of defence (**2nd Line of Defence**); and
- (c) an internal audit function independent from the first and second lines of defence (**3rd Line of Defence**).

The Committee is constituted as two separate sub-committees (Sub-Committees) – namely:

- (a) The Audit and Finance Sub-Committee (**AFSC**);
- (b) The Risk Sub-Committee (**RSC**); and

Under the AFSC TOR, the committee must comprise entirely of non-executive directors that are deemed independent. Whilst the RSC is comprised of at least a majority of non-executive directors that are deemed independent. The chairman of the Board is not a member of the Committees. The AFSC is responsible for:

- recommendations to the Board on appointment, re-appointment, remuneration and dismissal of the External Auditors and the scope of external audits and other services, to be put to the members for approval at the Annual General Meeting;

- providing the opportunity for the Internal Auditors and External Auditors to meet and discuss findings;
- reviewing with the External Auditors the end of year financial statements;
- framing policy on internal audit and financial reporting;
- overseeing the financial reporting process;
- providing oversight of and interacting with the Bank's Internal Auditors and External Auditors;
- reviewing and approving the audit scope and frequency;
- receiving key audit reports and ensuring that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non compliance with policies, laws and regulations, and other problems identified by auditors and other control functions;

- overseeing the establishment of accounting policies and practices by the Bank;
- reviewing the third-party opinions on the design and effectiveness of the overall risk governance framework and internal control system; and
- such other responsibilities as the Board may determine.

The Risk Sub-Committee (RSC) - Internal Control

- The RSC should discuss, advise on and approve all of the Bank's risk strategies and policies in respect of financial and non-financial risks on both an aggregated basis and by type of risk and make recommendations to the Board thereon.
- The RSC shall discuss, advise on and approve the Bank's risk appetite statement (RAS).
- The RSC shall continually and at least annually review the effectiveness of the Bank's risk management and internal control policies and systems including, but not limited to financial, operational, compliance and information technology controls. Such review may be carried out internally or with the assistance of any competent third parties.
- The RSC should oversee that Senior Management has in place processes to promote the Bank's adherence to the approved risk policies.

In relation to risk assessment, the RSC shall:

- keep under review the Bank's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
- review regularly and approve the parameters used in these measures and the methodology adopted; and
- set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.

Executive Committee (ExCom)

The Committee consists of a majority of non-executive directors and the Company Secretary of the Bank shall be the Secretary of the Committee. The responsibilities of the Committee are set out below:

- Function as a discussion forum for Board matters and as a forum for decisions on matters not requiring full Board approval.
- Oversight of significant management decisions.
- Review of major strategic matters including the Annual Operating Plan and Financial Performance prior to Board approval and operations of the BIBD Group.
- Review and approval of domestic financing proposals with a net exposure equal to or greater than B\$20,000,000 based on recommendations from the Credit Risk Committee.
- Review and approval of Treasury related exposures, new country / FI Limit applications and offshore exposure proposals with a gross exposure greater than US\$20,000,000 based on recommendations from the Credit Risk Committee.

Human Resources Remuneration and Nomination Committee (HRNC)

The HRNC of BIBD was set up by the Board in line with its corporate governance responsibility under the AMBD Guidelines for Corporate Governance for Banks. The responsibilities of the HRNC are:

- to make recommendations to the Board on all appointments to the Board and Senior Management.
- to establish a formal and transparent process for the identification, assessment, appointment and reappointment of directors to the Board and ensure that the appropriate succession plan for the Board is in place.
- to assist the Board to formulate, implement and review the remuneration policies and procedures for the Board, Senior Management and all personnel of BIBD which are not only in line with the Bank's ethical values, objective and culture but also promote recruitment, motivation, loyalty and retention.

In relation to the Remuneration of the Board, Senior Management and Personnel of BIBD, the responsibilities of HRNC are as follows:-

- Formulate, implement, and review the remuneration policies and procedures for the Board, Senior Management and all personnel of BIBD (**RPP**).
- Ensure that the remuneration of Directors is sufficient to attract and retain directors of calibre, but which is proportionate to the need to ensure that the Bank's funds are not used to subsidise excessive remuneration packages and not compromising the ongoing viability, solvency and reputation of the BIBD.
- The HRNC should work closely with BIBD's Risk and Human Resources Divisions to ensure that the formulation of the RPP takes account of the following factors:
 - (a) Capital and liquidity of BIBD.
 - (b) The Bank's ethical values, objective and culture.
 - (c) Promotion of sound risk culture i.e., ensuring that BIBD personnel act in the interest of BIBD and its customers instead of for themselves or only for their business lines. In other words, the RPP should not incentive personnel to take unnecessary risk.
 - (d) Alignment with current industry standards - so that remuneration, as far as practicable, is competitive and able to promote recruitment, motivation, loyalty and retention.
- Work with the Human Resources Division to establish an objective and transparent performance evaluation framework (**PEF**) which incorporates the requisite criteria (including KPIs) by which performance can be measured annually.
- Carry out periodic review of the RPP and PEF (as deemed appropriate by the HRNC) to ensure alignment with current applicable laws, governance practices and industry standards.

The Board continues to give its unwavering commitment to maintain BIBD's exceptional standards of corporate governance and ensures values and behaviours are consistent across the business. The Board manages the affairs of the Group not by merely following prescribed rules and regulations, but by promoting open and transparent discussions. Additionally, the Board continues to ensure best practices and strong governance process, which are

integral to BIBD's strategy and decision-making processes. Thus, these values are maintained for the benefit of BIBD's shareholders and other stakeholders.

For the First-Time Directors, BIBD requires the appointed Directors to attend BIBD's Board induction programme to familiarise themselves with the Group's operations and to build a strong foundation of knowledge about the Group.

Similarly, the Board also ensures that individual directors attend ongoing and regular training on relevant issues including amongst others training on any relevant new laws, regulations and changing commercial risk, financial and any other relevant trainings.

The list of trainings attended by the Board members for the year 2020 is set out below:

1. YM Dr Jan Hendrik van Greuning

No.	Name of Course/Training etc.	Provided by	Medium
1	World Bank publication	Dr Jan Hendrik van Greuning	Research/Training Publication
2	Detailed analysis of Basel III regulatory requirements	Dr Jan Hendrik van Greuning	Research
3	Operational risk developments	Dr Jan Hendrik van Greuning	Research
4	Data governance	Dr Jan Hendrik van Greuning	Research
5	Ethics and Corporate Governance	Dr Jan Hendrik van Greuning	Research/Publication

2. YM Dato Paduka Iqbal Ahmad Khan

No.	Name of Course/Training etc.	Date(s) Attended	Organiser	Medium
1	Emerging Trends - Compliance & Regulatory in the World	15 January 2020	Rt Hon Juan Zarate of Financial Integrity Network	Seminar
2	Annual MASIC Forum 2020 - Impact Investment: How investors are changing the world	2 February 2020	MASIC	Conference
3	Board of Advisors Meeting - Meeting of private sector leaders that advise the Harvard Kennedy School	27 April 2020	Harvard Kennedy School	Conference
4	Special COVID-19 Series with Dani Rodrik	30 April 2020	Harvard Kennedy School	Conference
5	Islamic Finance: Past, Present and Future	10 June 2020	Islamic Markets	Webinar
6	FBD Webinar on Take-Privates in GCC, SE Asia	17 June and 29 June 2020	Freshfields	Webinar
7	Praesidium	1 July 2020	Annual AML and Compliance Training	Seminar
8	Global Impact Investment Network	1 September 2020	The Values, History, and Evolution of Islamic Finance	Webinar
9	GEM20 Special Session Celebrating the 2019 Nobel Laureates in Economic Sciences and Understanding Tight and Loose Cultures and How they Shape our World	23 Sep 2020	Harvard Kennedy School	Conference

10	A 360 degree look at Global Private Markets	15 October 2020	Stepstone	Conference
11	Growth Markets Virtual 2020	30 November 2020	SuperReturn Emerging Markets	Conference
12	How to build your emotional resilience: A practical session for today's professionals	10 December 2020	Hult Ashridge	Webinar
13	State of the Global Islamic Economy Report 2020/21	15 December 2020	DinarStandard	Webinar

3. YM Haji Sofian bin Mohammad Jani

No.	Name of Course/Training etc.	Date(s) Attended	Organiser	Medium
1	Boards' Executive Education (BEE) Programme	11- 13 August 2020	CIBFM/BILIF	Webinar

4. YM Mubashar H. Khokhar

No.	Name of Course/Training etc.	Date(s) Attended	Organiser	Medium
1	Boards' Executive Education (BEE) Programme	11- 13 August 2020	CIBFM/BILIF	Webinar

The Board's alignment with Senior Management

The Board also ensures that the BIBD Group's vision, mission, values, aspirations and objectives are aligned with the business activities carried out by the senior management. In this regard, the Leadership Forum (LF) has been established.

LF is a committee which comprises of senior management responsible for the overall management of the BIBD Group. The LF meets at least once every month on the first working Monday of every month. Meetings are held to resolve important matters impacting the BIBD Group. The roles and responsibilities of the LF are as follows:

- To undertake the Ownership, Governance and Execution of the day-to-day operations and strategic projects;
- To provide collective, aligned and coordinated leadership towards the BIBD Group's ABCDE strategy;
- To consider and execute appropriate decisions on critical matters affecting the BIBD Group.

Apart from the LF, the emerging Leadership Forum (eLF) is set up as a 2nd tier collaborative committee of senior management which the Bank aspires, as part of its succession plan, to assume the LF roles in future. The main objective of eLF is to fully support the LF in providing

innovative ideas in line with the BIBD Vision, Mission and ABCDE strategy guided by BIBD's core values of I-CUE. The roles of the eLF are as follows:-

- To identify, evaluate, and agree on solution-based action plans to grow BIBD's team unity, branding, customer loyalty and businesses' profitability.
- To identify and create inter-divisional partnerships and leverage on available resources to improve overall BIBD staff engagement and customer service experience.
- To review internal processes, enhance sense of responsibilities and ownership of each employee to facilitate business opportunities, identify and take actions on any impediments faced by businesses.
- To identify bold and key value propositions that shall help BIBD elevate its branding to achieve the ABCDE strategy including the CSR aspect in the strategy.
- To report to the Chairman of LF the progress of projects on a quarterly basis or as and when required.
- To target a minimum of 1 (one) key deliverables based on the ABCDE strategy every half year. Target deliverables shall be defined based on short, medium and long-term strategy.

PRINCIPLE 2

There should be an effective Board composition, with a strong independent element where no individual or small group of individuals should be allowed to dominate the Board's decision making.

There are 6 members in the BIBD Board comprising of 5 independent directors and 1 executive director who between them bring to the BIBD Group a broad range of experience, knowledge and management skills in the banking, finance and governance sectors.

Board Composition

Director	Designation
YB Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah	Independent Director (Chairman)
YM Dr Jan Hendrik van Greuning	Independent Director
YM Dato Paduka Iqbal Ahmad Khan	Independent Director
YM Junaidi bin Hj Masri	Independent Director
YM Hj Sofian bin Mohammad Jani	Independent Director
YM Mubashar H.Khokhar	Executive Director (Managing Director)

The Board acknowledges the importance of a clear division of responsibility between the Chairperson and the Group CEO. The roles of Chairperson and Group CEO are therefore exercised by separate individuals to ensure optimal balance, resulting in increased accountability and enhanced decision-making.

The Board is chaired by YB Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah (**Dato Amin**) an Independent Director, who plays a key role in ensuring the Board operates effectively and fully discharges its legal and regulatory responsibilities.

BIBD also ensures that an Independent Director is independent of Management and free from any business or other relationship which could interfere with his ability to act in the best interests of BIBD. Thus, the Independent Director is able to:-

- provide and enhance the necessary independence.
- ensure checks and balances on the Board.
- mitigate any possible conflict of interest between policy making process and day-to-day business activities.

As the Chairperson, YB Dato Amin also leads the Board in the oversight of the Management and in inculcating the right culture, values and behaviours, both at the top and throughout the entire organisation. The Board delegates responsibility for the overall business and day-to-day management of the BIBD Group to the Group CEO, YM Mubashar H. Khokhar. The Group CEO is responsible for leading Management and for making and implementing operational decisions. In addition, the Group CEO will also be able to track and measure the performance of core programmes against the agreed strategies and roadmap and provide regular feedback and ensure timely course corrections.

In addition to the above, some members of the Board are also appointed as Chairman or as members of the board of BIBD's wholly owned subsidiaries (**Subsidiary Boards**). This practice provides a bridge between the Board and Subsidiary Boards, from which the overall goals and objectives of the Group Business Plan and Strategy could be conveyed to the Subsidiary Boards, for better alignment and execution of the Group Business Plan and Strategy.

PRINCIPLE 3

There should be a clear division of responsibilities between the leadership of the Board and those executives responsible for managing the Bank's business. Decision making power should not be concentrated in the hands of one individual.

As explained in **Principle 2**, the positions of BIBD Chairman and CEO are held by different individuals as shown in the table under the Principle 2 with clear division of roles and responsibilities in line with best practices. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach facilitates efficiency and expedites decision-making.

PRINCIPLE 4

There should be a formal and transparent process for the identification, assessment, appointment and reappointment of directors to the Board. The Board, not Senior Management, nominates candidates and promotes appropriate succession planning of directors.

The Human Resource Nomination Committee (**HRNC**) is responsible to make recommendations to the Board on all appointments to the Board and Senior Management including to ensure that the relevant selection processes are complied with.

HRNC will assess of the need to hire a new director or to fill in a vacancy for the board as an independent or non-executive director. The committee will then develop the candidate profile such as the industry they major in, gender and proof of qualification. Selection will be based on the candidacy from the Board of directors, Major shareholder and the committee's own search, and shortlisted candidates will be shortlisted.

The shortlisted candidates will be assessed based on the following criteria.

For new directors:

- Knowledge, skills & experience promoting diversity.
 - Understands local/regional economy & market.
 - Integrity & good repute
 - Ability to commit time.
 - Character – able to work collectively without affecting independent voice, i.e., avoid group thinking.
 - No conflict of issue to join BOD – assess other directorship(s)

(Additional) for independent director:

- Not disqualified under rules 4 and 5 of the companies (corporate Governance) (Public companies) Rules, 2016.
- Fulfill independence criteria under principle 2.11 of AMBD Corporate Governance Guidelines for Banks.

Interview process commences before the final assessment prior to submission of recommendation to the Board. Finally, if approved by the Board, the following actions are carried out:

- Issue appointment letter;
- Secure the signing by the new director of the Letter of Undertaking to maintain Confidentiality.
- Submit application for AMBD's approval.
- In the case when the appointment requires Shareholder's approval, the necessary members resolution will be prepared to be tabled to the Shareholders.

Effective from 19 March 2020, BIBD has ceased to have any alternate directorship appointment on its Board.

The key information regarding directors, such as academic and professional qualifications, shareholding in the bank and its related corporations, Board committees served on and date of appointment as a director can be found in the directors' profile section of this Annual Report.

In respect of Principle 4.7 of AMBD's Corporate Governance Guidelines for Islamic Banks relating to Board members' other directorships, the list of Directorships held by Members of the Board of BIBD are displayed below:

A. YB Dato Seri Setia Dr Hj Awang Mohd Amin Liew bin Abdullah (as of 8 April 2021)

1. Jerudong International School Sdn Bhd
2. Brunei International Gateway Sdn Bhd
3. Jerudong Park Medical Centre Sdn Bhd (JPMC)
4. Gleneagles Jerudong Park Medical Centre (GJPMC)
5. JPH Sdn Bhd
6. Muara Port Company Sdn Bhd
7. Brunei Shell Tankers Sendirian Berhad
8. Brunei Gas Carriers Sdn Bhd
9. Brunei Shell Marketing Company Sendirian Berhad
10. Brunei Shell Petroleum Company Sendirian Berhad
11. Brunei LNG Sendirian Berhad
12. Lembaga Dana Sustainability (SF)
13. Lembaga Eksekutif Dana Modal Pembangunan Strategik
14. Brunei Fertilizer Industries Sdn Bhd
15. Marzuq Holdings Limited
16. Amann Shipping Group Sdn Bhd
17. Makmur Holdings Limited
18. Hengyi Industries Sdn Bhd
19. Damai Holdings Limited
20. Khazanah Satu Sdn Bhd
21. Bursa Brunei Darussalam Sdn. Bhd.
22. Bank Usahawan Berhad
23. Brunei Investment Agency
24. Darussalam Enterprise
25. Steering Committee of Fixed Direct Investment (FDI)
26. Downstream Industry Investment
27. Bank Islam Brunei Darussalam Berhad (BIBD)
28. Pantai Jerudong Specialist Centre (PJSC)
29. Autoriti Monetari Brunei Darussalam (AMBD)
30. Takaful Brunei Darussalam (TBD; TBA & TBK)
31. Brunei Economic Development Board
32. Unitisation Advisory Committee

B. YM Hennie van Greuning

1. Bank Islam Brunei Darussalam Berhad

C. YM Dato Paduka Iqbal Khan (as of 29 March 2021)

1. Fajr Capital Limited
2. Bank Islam Brunei Darussalam Berhad (BIBD)
3. MENA Infrastructure (GP) Limited
4. Saudi Mechanical Industries Company
5. Cravia Group Holdings Limited
6. Jadwa Investment
7. Syarikat Takaful Brunei Darussalam Sdn Bhd
8. Syarikat Takaful Brunei AM Sdn Bhd
9. Syarikat Takaful Brunei Keluarga Sdn Bhd

D. YM Junaidi bin Haji Masri (as of 9 April 2021)

1. Amann Shipping Group Sdn Bhd
2. Amann Shipping Container Line Sdn Bhd
3. Bank Islam Brunei Darussalam Sdn Bhd
4. Barramundi Asia (B) Sdn Bhd
5. BIBD Tamwil
6. Blue Ocean Tech Sdn Bhd
7. Brunei Energy Services & Trading Sdn Bhd
8. Brunei Fertilizer Industries Sdn Bhd
9. Brunei Methanol Company Sdn Bhd
10. CAE Brunei MPTC Sdn Bhd
11. Darussalam Pilotage Services Sdn Bhd
12. Everbright Adv Investments Sdn Bhd
13. Fajr Capital Limited
14. Hengyi Industries Sdn Bhd
15. Jets Sdn Bhd
16. Jerudong Park Hotel Sdn Bhd
17. Jerudong International School Sdn Bhd
18. Lianfeng Investments Sdn Bhd
19. Makan Ceria Sdn Bhd
20. Piper Aircraft Asia Sdn Bhd
21. Polygel Organometallic (B) Sdn Bhd
22. Progresif Sdn Bhd
23. RBA Golf Club Sdn Bhd
24. RBGCC Sdn Bhd
25. Royal Brunei Trading Sdn Bhd
26. Saahtain Asia Sdn Bhd
27. SBI (B) Sdn Bhd
28. Simpor Pharma Sdn Bhd
29. Syarikat P3 Sdn Bhd (Syarikat P Cube)
30. Takaful Brunei Am
31. Western Foods & Packaging Sdn Bhd

E. YM Haji Sofian bin Mohammad Jani (as of 6 April 2021)

1. Tabung Amanah Pekerja
2. Royal Brunei Culinary
3. Badan Tanmiah Harta Majlis Ugama Islam
4. DST Digital
5. Bursa Saham Brunei Darussalam (BNX)
6. Bank Islam Brunei Darussalam Berhad (BIBD)
7. Oman Brunei Investment Company (OBIC)
8. Pak Brunei Investment Company

F. YM Mubashar Hanif Khokhar

1. Bank Islam Brunei Darussalam Berhad
2. BIBD At-Tamwil Berhad
3. BIBD Securities Sdn Bhd
4. BETTER Sdn Bhd
5. BIBD (Middle East) Limited
6. Brunei Institute of Leadership & Islamic Finance (BILIF)

PRINCIPLE 5

The Board should define appropriate governance structures and practices for its own work and put in place the means for such practices to be followed and periodically reviewed for ongoing effectiveness. There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.

BIBD Board of Directors' (**Board**) primary role is to determine BIBD's strategy and objectives and policies to deliver sustainable value to its shareholders. The Board provides the Management with the guidance and leadership necessary for the Group. As explained in Principle 1, the Board and Management Committees assist the Board in providing effective oversight over the Bank's operations. The Board would review the structure periodically and advise on the current structure if deemed necessary.

The effectiveness of the Board and Board Committees is further strengthened by the majority (5 of 6) composition of the Independent Directors on the BIBD Board as well as the chairmanship of the Board Committees which all held by Independent Directors as set out below:

- **ExCom and HRNC** – YM Dato Paduka Iqbal Ahmad Khan
- **AFRC** – YM Dr. Jan Hendrik Van Greuning

In addition to the above, YM Effendy bin Othman, who is the General Counsel for the Bank and a certified member of the Malaysian Association of Company Secretaries, has also been appointed as BIBD's Company Secretary. He and his team provide legal, secretarial and governance support to the Board. The following are some of the key responsibilities of the Company Secretary:

- Administer all Board and Board Committee meetings including the scheduling, taking of minutes, preparation of Board meeting materials and information supplied to the Board.
- Ensure information supplied to the Board such as meeting minutes are accurate, timely and adequate for the Board to carry out its function.
- Ensure proper record keepings off all deliberations and decisions of the Board and Board Committees
- accord the Board with regular updates and advice on changes to statutory and regulatory requirements including those related to governance matters.
- facilitate a two-way communication between Senior Management and the Board to ensure Board's decision are communicated in a timely basis.

Minutes of Board meeting and Committees meeting are recorded and documented appropriately by the Company Secretary. Such records are made available to AMBD upon request, for its assessment to ensure the effectiveness of the Committees.

Independent Assessment of the Board and Shariah Advisory Body (SAB).

To ensure that the effectiveness of the Board and the SAB, the Board had approved an independent assessment of the Board and the SAB to be undertaken by PricewaterhouseCoopers (PWC). This assessment which involves response to questionnaires and one to one interview sessions is expected to be completed at the end of June 2021 or early July 2021. The objective is hold this independent assessment exercise biennially and a self-assessment exercise every other year.

PRINCIPLE 6

In a group structure, the Board of the parent Bank has the overall responsibility for the group and for ensuring the establishment and operation of a clear governance framework appropriate to the structure, business and risks of the group and its entities. The Board and Senior Management should know and understand the Bank group's organisational structure and the risks that it poses.

The wholly owned subsidiaries of the Bank are as follows:

- BIBD Securities Sdn Bhd
- BIBD At-Tamwil Berhad
- BIBD (Middle East) Limited
- BIBD Management & Services Sdn Bhd

To ensure that the BIBD Group adheres to consistent governance framework to manage its business and operational risks, BIBD as the parent company has established a group structure which includes the Bank having Board representation across the subsidiaries to cascade down the Bank's corporate governance values, principles, approach for its subsidiaries to adopt to the extent they do not conflict with the interests of the subsidiaries and their own legal or regulatory requirements.

All major decision which may impact the interest of the Bank, or the Group will be assessed by the Board and the Bank as the shareholder may make decisions for the benefit of the subsidiaries and in line with the BIBD Group Corporate Governance framework.

The Board recognises the responsibilities of the directors of the BIBD subsidiaries to exercise judgement and to make decisions in accordance with the best interest of the subsidiaries even where those interest may conflict with the best interests of the Bank. This is further displayed as the subsidiary board and senior management structure have clearly defined roles and responsibilities.

The Bank's Audit, Risk, Compliance, Finance, Legal and Shariah divisions also have an oversight of the subsidiaries in these areas whereby consultation between these Bank's divisions and the subsidiaries are held from time to time to address any arising matters in those areas. To that end, the BIBD Senior Management is responsible for developing policies, procedures and processes which benefits the BIBD Group. They are responsible for establishing group corporate strategy and direction (**Group strategy**).

Once the Group Strategy is approved by the Board of the Bank and its subsidiaries the management of the respective subsidiaries shall be directed to implement the same and report on the progress of such implementation to their respective boards. Additionally, the operations of the subsidiaries are reviewed periodically by the Bank's Internal Audit and Risk divisions.

PRINCIPLE 7

The Board should meet regularly and be duly furnished with complete and timely information.

The Board meets on a regular basis, with a minimum of 4 scheduled meetings in a financial year or more frequently as circumstances dictate. The dates of these scheduled meetings are determined well in advance to enable the Directors to plan ahead.

In 2020, the Board members attended all the quarterly Board and Board Committee meetings are detailed below:

Role	Name	Board Committees for 2020									
		BOD		HRNC		ExCom		AFRC		AGM	
		H*	A**	H	A	H	A	H	A	H	A
Chairman	YB Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah	4	4	N/A	N/A	N/A	N/A	N/A	N/A	1	1

Director	YM Awang Junaidi bin Haji Masri	4	4	4	4	4	4	4	4	1	1
Director	YM Dato Paduka Iqbal Ahmad Khan	4	4	4	4	4	4	4	4	1	1
Director	YM Dr Jan Hendrik van Greuning	4	4	N/A	N/A	N/A	N/A	4	4	1	1
Director	YM Haji Sofian bin Hj Mohd Jani (appointed on 20 March 2020)	4	3	4	3	4	3	4	3	1	1
Managing Director/CEO	YM Mubashar H. Khokhar	4	4	4	4	4	4	N/A	N/A	1	1

H* = Held

A** = Attended

N/A = Not applicable as the director is not a member of the Committee

For the Board meeting the Company Secretary ensures that the agenda of the meeting and the presentation deck are issued at least 7 days prior to each Board meeting to allow sufficient time for all directors to consider the relevant information. The agenda of meeting includes amongst others matters specifically reserved for the Board's decision. The discussions and conclusions of the Board meetings are minuted, in a clear, accurate, consistent, complete and timely manner. The minutes amongst others record the decisions of the Board, including key deliberations for each decision made. The draft minutes will then be tabled at the following meeting for approval and signing.

In line with proper governance on records, the minutes are entered into the Minutes Register kept by the Company Secretary which may be accessed by the Board at any time. To ensure accuracy and consistency in form and contents, reproduction of any part of the minutes can only be made by way of request to the Company Secretary who will certify the said minutes.

In June 2020, the Board had duly appointed YM Effendy Othman as the Company Secretary. Prior to joining BIBD, YM Effendy was in private legal practice in Kuala Lumpur for 24 years, of which 10 years was as a senior partner with the largest regional law firm in Malaysia with presence in all the Asean countries. YM Effendy's clients ranged from local and international financial institutions, multinational, public and public listed companies.

In addition to acting as counsel in a wide range of commercial

and corporate disputes, YM Effendy also counselled clients on contractual claims, corporate compliance, shareholders disputes, banking related matters, regulatory investigations, receivership and corporate insolvency. YM Effendy was also the lead counsel in obtaining the relevant court orders for several restructuring exercises and mergers of public listed companies and financial institutions in Malaysia.

YM Effendy is a certified company secretary with the Malaysian Association of Company Secretaries.

He is also the co-author of several publications including the Malaysian Company Law: Principles and Practice (2nd Ed. 2018 - *Wolters Kluwer*), the author for the Malaysian chapter on Asian Conflict of Laws - East and Southeast Asia (2017-*Wolters Kluwer*), and the contributor for Malaysia for the Global Perspectives on the Hague principles chapter of the Choice of Law in International Commercial Contracts (2021 - Oxford University Press).

YM Effendy graduated with First Class honours in law from the International Islamic University, Malaysia. He also holds Masters' Degree in Law from the University of Cambridge and the London School of Economics and Political Science.

PRINCIPLE 8

There should be a formal and transparent procedure for fixing the remuneration packages of Board members, Chief Executive Officers and Senior Management and the remuneration policies and practices should be in line with the Bank's ethical values, objectives and culture.

The remuneration policies for Senior Management and all other employees of the Bank are under the supervision and oversight of the Human Resources and Nomination Committee (**HRNC**) whereby the implementation of these policies is carried out by HR and Human Capital Division. The members of the HRNC are comprised of 3 Independent Directors and 1 Executive Director. The functions of the HRNC in terms of remuneration policy are amongst others-

- ensure that the remuneration policy supports the Bank's objectives, culture and strategy;
- remuneration and employment conditions of the industry;
- the Bank's relative performance for the relevant financial year;
- the performance -related elements of remuneration should form a significant proportion of the total remuneration package of executive directors. However, salary scales should be within the scope of the general business policy and not be solely based on short-term performance to avoid incentives for excessive risk taking;
- to cover all aspects of remuneration including director's fees, salaries, allowances, bonuses, options and benefits-in-kind and termination benefits; and
- other key responsibilities are set out in HRNC Terms of Reference

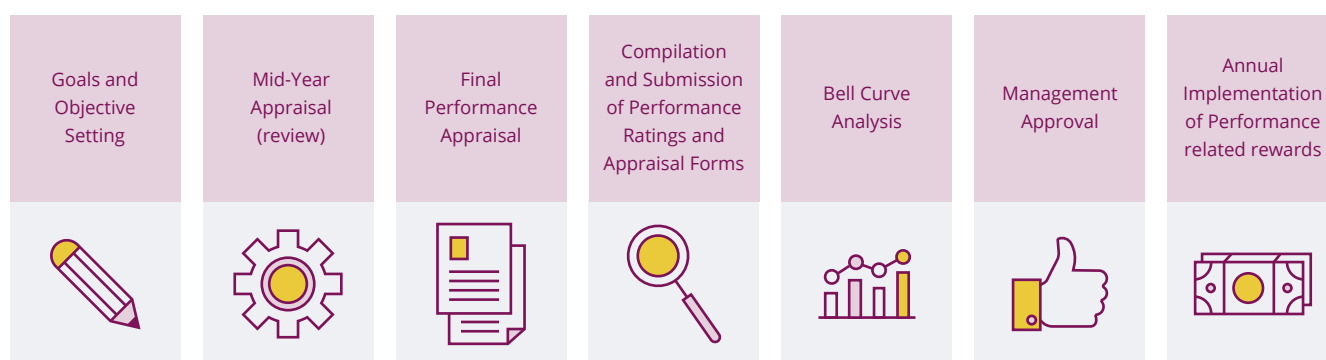
The philosophy for the Bank's remuneration is to be competitive in the market with the aim to attract the right talents for the organisation. In terms of the local practices and statutory requirements, we ensure that we are aligned, meet the minimum requirement or better than what has been prescribed by both. The business objective is one of the main influences in driving our compensation policy.

The Bank's values are based on the history and culture, which are derived from the internal culture, the external environment, and the market that we are operating in.

The Bank's remuneration policy is primarily in compliance with international best practices and there is on-going exercise to enhance alignment of its remuneration policy including Board/Committee mandates, treatment of Material Risk Takers and its Performance Management System with these international best practices. To this end, the Bank will participate in the yearly compensation and benefits benchmarking survey against the practices of our competitors. From this benchmarking exercise, the Bank will be able to assess where the organisation is against its competitors through its benchmark positioning.

This exercise also provides competitive reference on the compensation market rates which can help the organisation formulate the overall compensation strategies, make decisions on current compensation policies, and provide the right remuneration package for new jobs and diagnose compensation problems.

In terms of compensation assessment process, the compensation/remuneration for the Leadership Forum/ Senior Management and all employees, is based on current market practices, and they are assessed yearly for their performance weighted against financial, non- financial as well as behavioral considerations. These considerations are assessed based on performance targets which are generally set at the outset of the financial year. This is further illustrated by the following diagram:



The assessment is based on the following criteria:

Financial and Non-Financial	Audit	Behaviour	Learning and Development
Your objectives should provide you with clear direction, priorities and expectations for your performance as well as clarify how your priorities are aligned to your business and BIBD Strategy. Objective settings can be broken down into Financial and Non-Financial. Your objectives should provide the basis for managing and assessing your performance throughout the year.	The Audit section must be completed by and applies to all Heads of Division, relevant Department. Heads and staff who hold the responsibility and tasks in enduring Audit Action items are acted upon. Staff who do not hold a responsibility for actioning audit action items are exempted from completing this section.	This is MANDATORY for the purpose of assessing the behaviour and values of the staff.	Staff and line manager to jointly complete this section to identify development areas to focus on and to help staff achieve their performance and/or career aspirations.
Weighting			
50% Financial and Non-Financial		50% Audit (up to 20%) and Behaviour	

The Human Resource and Human Capital Division will compile the completed performance appraisal from all divisions and business units of the Bank and will undertake a moderation exercise to ensure a balanced overall appraisal which will then be tabled at the HRNC meeting for its endorsement.

PRINCIPLE 9

The Board should present a balanced and understandable assessment of the Bank's performance, risk position and prospects.

Overall, the Board has clear understanding, skills and experience to assess BIBD's performance risk position and prospects. The Board too has established a strong internal control governance and risk management framework to facilitate its risk and control oversight responsibilities over the BIBD Group.

To ensure alignment in the appreciation and seamless implementation of the business strategy, risk appetite and other policies approved by the Board in BIBD's business activities and operations by its Senior Management, the Board has established a 2-level Committee within BIBD, namely:

1) Board Level Committees (as detailed in Principle 1):

- a) Board
- b) AFRC
- c) EXCOM
- d) HRNC

2) Management Level Committees

Types of Management Level Committees	Description
Enterprise Risk Management Committee (ERMC)	Primary purpose is to perform a centralised risk oversight, policy-setting, information gathering, and communication to the Board of Directors, regarding important risks and risk management activities related, monitoring open Audit and Risk Issues. In addition, the Committee will assist the Board in fulfilling its oversight responsibilities related to the company's risk assessment and management processes. ERM also addresses Capital Adequacy (ICAAP) and Recovery Plan issues. ERM meetings are held quarterly.
Credit Risk Committee (CRC)	The Credit and Risk Committee has a duty to approve credit based on recommendation from the respective recommending authorities. Approvals are made after consideration of various risk perspectives. Risk approvals must be made within the boundaries of BIBD's risk appetite as guided by ExCom and the Board. CRC meetings are held weekly.
Asset Liability Committee (ALCO)	The Committee is responsible to review BIBD Group's liquidity, funding and gapping policies and positions, profitability and efficiency including the assessment and management the Balance Sheet and Capital Management. ALCO meetings are held monthly.

These Management Level Committees' comprise of members of the Senior Management and Managing Director, and they provide input and approvals, and where needed, escalate recommendation to the relevant Board Committees and if necessary, the Board.

PRINCIPLE 10

The Board should present a balanced and understandable assessment of the Bank's performance, risk position and prospects.

The Group has in place a Risk Management Strategy Document which is a holistic set of Risk Appetite Statements (RAS) to ensure that BIBD remains within acceptable Risk thresholds.

BIBD also has in place the Enterprise Risk Management Framework (ERMF) which functions as a standardized approach to manage its risks. A strong governance structure is equally important to ensure that the ERMF can be implemented effectively.

The Group Risk Management model is based on a "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 Board is ultimately responsible for BIBD's risk management activities, and it is supported by AFRC and ExCom which convene a minimum of 4 quarterly meetings, as well as the SAB which holds meetings as and when needed.

At Management level, management of the 19 risks for the BIBD Group is undertaken by the following committees which functions and frequency of meetings have been detailed in **Principle 9** above:

- ERM
- ALCO
- CRC

PRINCIPLE 11

Banks should have an effective independent risk management function, under the direction of a chief risk officer (CRO), with sufficient stature, independence, resources and access to the board.

BIBD has a Group CRO with 33 years of work experience in the Banking sector, across six different countries (Mexico, USA, KSA, Qatar, UAE and Brunei). His experience accounts for 23 years in global leading banks, such as Bank of America, Chase Manhattan Bank and Citibank.

The Group has in place the Risk Management Strategy Document, which is a holistic set of Risk Appetite Statements (RAS) to ensure BIBD is within acceptable Risk thresholds. Also, the Group has specific RAS and Key Risk Indicators (KRI) across each unit within the Group, which are reviewed on a monthly basis, as part of the Operational Risk Management process.

BIBD has in place the Enterprise Risk Management Framework (**ERMF**) as a standardised scope or approach to manage all its risks (19 in total) which are reviewed on a quarterly basis by the Enterprise Risk Management Committee (**ERMC**).

For 2021, the BIBD Group is embarking on a Risk Awareness/Culture program, which consists of fortnightly risk trainings to the BIBD Group employees, in order to create Risk Awareness/Culture among all members of the BIBD Group community.

The Credit Risk control architecture is premised on constant monitoring undertaken by several processes across the BIBD Group daily, weekly and monthly. Any breach must be recognised by the respective approving level, and all such issues are to be discussed by the respective committees.

The Risk Group has 26 personnel which may see growth if such a need arises. External and internal trainings, as well as on the job continuous mentoring are in place to ensure continuous upgrading of skillsets and experience amongst the personnel.

PRINCIPLE 12

Risks should be identified, monitored and controlled on an ongoing bank-wide and individual entity basis. The sophistication of the Bank's risk management and internal control infrastructure should keep pace with changes to the Bank's risk profile, to the external risk landscape and in industry practice.

The Group has in place the Risk Management Strategy Document which is a holistic set of Risk Appetite Statements (RAS) to ensure BIBD is within acceptable Risk thresholds. As explained in Principle 11, BIBD has in place the ERMF which effective implementation can only be realised through a strong governance structure. The Board through its Committee, the AFRC, is ultimately responsible for BIBD's ERMC outcome. The AFRC will review the ERMF on a quarterly basis.

As part of its governance structure, BIBD has different set of policies/guidelines across the Group. Risk related policies/guidelines apply across the Group to cover areas such as Credit, Market Risk, Middle Office, Operational Risk, IT & Cyber and Capital Management, which are reviewed and approved by the respective Board committees and related regulator.

- Credit related limits are analysed per risk type, such as funded, unfunded and Pre settlement. Analysis contemplates a qualitative and quantitative approach, coupled with external factors that may affect.
- Liquidity Risk is monitored on a daily basis.
- Capital Management is monitored on a monthly basis, whereby the Capital Adequacy Ratio is calculated and stressed assuming full credit pipeline available at the time.

Additionally, BIBD has adopted several stress exercises such as ICAAP and Recovery Plan, which are duly submitted to AMBD as required. Different modelling techniques, offered by Standard & Poors, Moody's, Bloomberg and others, are adopted by BIBD to carry out a more extensive risk assessment.

PRINCIPLE 13

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties. The Chairman must be an Independent Director and must not be the Chairman of the Board or of any other committee.

On 19 January 2011, the Board established an Audit Committee known as the Audit, Finance & Risk Committee (**AFRC**). The terms of reference and the constitution of the AFRC are as provided in Principle 1. The AFRC oversees the Bank's risk management framework and policy. This is further elaborated in **Principles 10, 11 and 12** of BIBD's Corporate Governance report.

The Bank's AFRC consists of non-executive directors, all of whom are deemed independent. The Committee Chairman (**Chairman**) who is an Independent Director is appointed by the Board of Directors of BIBD.

The membership of the two distinct sub-committees of the AFRC has been detailed in **Principle 1**. The Bank also ensures that at least 1 member of the AFRC is a Chartered Accountant and a member of an accounting body (that is

a member of IFAC), and at least 2 members have extensive professional experience in the field of financial reporting, risk management or auditing.

The requirements stated in **Principle 13.3** have been incorporated into the TOR of the AFRC.

AFRC meetings are held no fewer than 4 times a year and are held prior to Board meetings. Hence, should there be any deliberations in AFRC meetings requiring approval or guidance of the full Board, the Chairman of AFRC will escalate such matters at the Board meeting for its approval or guidance.

PRINCIPLE 14

The Bank should establish an effective internal audit function that is adequately resourced and independent of the activities it audits. The internal audit function should provide independent assurance to the board and should support board and senior management in promoting an effective governance process and the long-term soundness of the Bank.

Internal Audit is governed by an Internal Audit Charter. The BIBD Internal Audit Division reports directly to the Audit and Finance Sub-Committee and provides the sub-committee and ultimately, the Board of Directors with objective and independent assurance on the design and operation of the system of internal controls within BIBD and its subsidiaries.

Internal Audit adopts a risk-based approach to audits, focusing on high-risk areas across the Bank and its subsidiaries and the frequency of audits vary from one entity to another. Audits conducted are inclusive of compliance to Shariah framework and Shariah Advisory Body resolutions in relevant areas.

In 2020, Internal Audit executed its Audit Plan and carried out risk-based audits on BIBD and its subsidiaries and strengthened the internal audit function based on International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors and its Code of Ethics and comply with the regulatory guidelines on Internal Audit Function and Corporate Governance for Banks.

PRINCIPLE 15

The Bank's board of directors is responsible for overseeing the management of the Bank's compliance risk. The board should establish a compliance function and approve the Bank's policies and processes for identifying, assessing, monitoring and reporting and advising on compliance risk.

BIBD's Compliance Division acts as a trusted advisor on matters related to regulations, anti-money laundering, sanctions and terrorism financing and supports BIBD by protecting its value and image through the monitoring transactions and ensures compliance with relevant laws and regulations.

The division is made up of four sections:

- 1) Regulatory Compliance (RC), which is the centralized point for all regulatory engagement.
- 2) Financial Crime Compliance (FCC) Policies.
- 3) Advisory and Training ensures all FCC-related policies are up to date and provides Group training as well as advisory guidance.
- 4) FCC Operations and Compliance Assurance conducts monitoring and testing to ensure ongoing compliance with regulations.

The Compliance Division's focus for 2020 included ensuring in-depth review of policies and procedures to ensure they were fit-for-purpose and delivery of a Group assessment on AML risks. The Compliance Program also saw further enhancement through an update to the BIBD's Online training platform.

BIBD continues to invest in Compliance with a drive towards training and certification of the compliance personnel. In addition, BIBD continues to engage with international experts in the field of financial crime compliance with the aim of aligning BIBD's compliance framework with global standards.

PRINCIPLE 16

Banks should treat all shareholders 1) fairly and equitably, and 2) should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In compliance with R18(1) – (3) of the SMR 2015, BIBD ensures that all relevant and material information or changes in the Bank's financial information, operations or businesses are clearly stated in its Annual Report.

In relation to the status of the Bank's share ownership, the list of the Bank's major shareholders is set out in the following Table:

Shareholder Name	Percentage of Shares Held
Khazanah Satu Sdn Bhd	33.87%
Salam Investments Limited	29.73%
Yayasan Sultan Haji Hassanal Bolkiah	25.24%
Public	11.16%

Furthermore, in ensuring that there is transparency and full disclosure of material information, shareholders may access information on the Bank's financials, operations and businesses via BIBD's website which is updated when there is any important development in these areas.

As part of the BIBD's efforts to ensure that there is a meaningful and informed engagement between the shareholders and BIBD's Board at the Annual General Meeting (**AGM**), the Annual Report is made available to the shareholders ahead of the AGM including via online on its official website. The shareholders are thus given opportunity to review the Annual Report and the Financial Statement and raise any issues or concerns on any aspects relating to the Bank's operations or management at the AGM.

Additionally, BIBD has put into place proper and systematic procedures to ensure:

- 1) All procedural aspects of the AGM are carried out in accordance with the law.
- 2) Shareholders who are not able to attend the AGM in person are entitled to appoint proxies to attend the AGMs.
- 3) Prior to the commencement of the AGM, shareholders are properly briefed of the voting procedures and as explained above are subsequently given the opportunity to raise any issues or concerns to be addressed by the Chairman of the AGM or if required, by members of the SAB or senior management.

PRINCIPLE 17

Banks should actively engage their shareholders, depositors and other relevant stakeholders and put in place an investor relations policy to promote regular, effective and fair communication with stakeholders.

As part of the BIBD's efforts to ensure effective, transparent and fair communication with its stakeholders, all information relating material changes or developments in BIBD financial information, its operations and/or businesses, is disseminated through various communication channels including its official website.

BIBD's website is maintained by its Chief Marketing Office (**CMO**) and is regularly updated to ensure that its stakeholders are kept abreast with any development relating to BIBD's financial information, operations and businesses. Further, BIBD is also acute to the critical role which social media platforms have assumed in recent years in the area of information communication. To that end, as and when considered appropriate, news, and notices relating to its operation, business and products are relayed to its customers through its official social media platforms such as Instagram and Facebook.

BIBD's Annual Report which is published annually coinciding with its AGM provides material information relating to the constitution of the Board and its Committees, their roles, functions and responsibilities, relevant information on its financial performance for the preceding accounting period, as well as updates on its corporate governance initiatives and actions.

With regard to BIBD's compensation policy, this has been addressed under **Principle 8** of this Report whilst its risk exposure and risk management strategies have been explained in detail under Principles 9 to 12 of this Report.

With regard to its dividend policy, this has been disclosed in **Note 41 "Capital Management"** in the Audited Financial Statements for the financial year ended 31 December 2020 which states as follows:

"The Group and Bank has a dividend policy to distribute dividend which takes into consideration capital requirements, available distributable retained profits, liquidity and other factors while ensuring compliance with the prevailing laws and regulations".

PRINCIPLE 18

Banks should encourage greater shareholder participation at general meetings of shareholders and allow shareholders the opportunity to communicate their views on various matters affecting the Bank.

As explained in **Principles 16 and 17**, BIBD has put in place the necessary legal and procedure based governance features to encourage a meaningful and informed shareholders participation and engagement at its AGMs.

In the case a physically convened AGM, prior to its commencement, the Share Registrar will provide hand-outs to the shareholders on the use of the voting devices. Results of voting on each resolution, showing the number of votes cast will be announced and displayed during the AGM.

The Chairman and members of the Board including the members of the SAB are present at the AGMs and are readily available to address any issues or concerns raised by the shareholders. BIBD's external auditors are also present at the AGMs to address any queries pertaining to the conduct of audit and any matters relating thereto.

All the agenda items for the AGM are raised and dealt with separately. There are separate resolutions passed for each agenda item which requires the shareholders' approval. The proceedings of the AGM including the comments or queries raised by the shareholders are properly recorded. The Corporate Secretary is tasked with the preparation of the minutes of the AGM. Shareholders are entitled to request for a copy of the minutes of the AGM and shall be duly provided with the same.

Where a physical AGM cannot be held in 2020 due to the Covid-19 pandemic health safety concerns, the AGM via Proxy Arrangement facilitated shareholders to highlight any issues to the Designated Proxies for them to raise at the AGM.

PRINCIPLE 19

Persons empowered with decision making authority (including directors) should exercise care to avoid situations that may give rise to a conflict of interest situation.

Policy on Conflict of Interest & Fiduciary Duty

BIBD through its Board has put in place a Conflict of Interest (COI) Policy which applies across the board, from members of the Board to all of its employee for the purpose of ensuring that its business is carried out with the highest level of ethical values.

COI situations call into question the ability of a person involved in the conflict to act objectively in the best interest of BIBD. The COI situations which may arise are as follows:

- Situation where they have a private or personal interest and may influence their performance of their duties.
- Director of the Board or a Bank's employee receiving from any source any benefit, reward, remuneration or gift in excess of a customary or negligible amount whether financial or non-financial.
- Non-disclosure of any financial interests which a member of the Board or a BIBD's employee may directly or indirectly possess.

- A Board member's participating in any discussion or decision-making process with respect to matters where there is or a potential COI situation.
- When reporting lines and information flow between the Bank, and/or other subsidiaries can lead to the emergence of conflicts of interest situations.

To manage potential COI situations, the Board has implemented the following steps:

- implementation of a BIBD Group Corporate Governance Policy;
- introduction of BIBD's Gifts Borrowing & Corporate Hospitality Policy;
- introduction of the "Fitness and Propriety/Conflict of Interest Questionnaire" administered by the HR and Human Capital Division;
- the mandate for a full disclosure by any member of the Board who has interest in the subject-matter of a

decision or contract made by BIBD of the nature of his/her interest at the first meeting of the Board after the relevant facts have come to his/her knowledge and such disclosure will be recorded in the minutes of meeting of the Board;

- establishing a BIBD Group structure and corporate governance framework with clearly defined roles and responsibilities, whereby the COI Policy will form an integral component of the governance framework to provide defined appropriate processes and controls to identify and address potential intragroup COI situations.

A breach of the COI policy by any director, member of the SAB or employee constitute a serious misconduct which entitles BIBD to take all necessary action to protect its interest.

Where a COI situation cannot be prevented, it shall be responsibly managed and disclosed to AMBD in accordance with AMBD's notification procedure.

Policy on Related Party Transactions (RPT)

In addition to the COI, BIBD has put in place a RPT Policy which applies to any financial transaction or relationship where BIBD or its subsidiaries is a participant, and a director (including nominee), senior manager, 5% shareholder, an immediate family member or primary business affiliate has or will have a direct or indirect material interest (**Related Party Transaction**).

The AFRC plays a central role in ensuring effective implementation of and compliance with the RPT as it is responsible to review, approve, ratify, disapprove or reject any RPT.

AFRC will review the following information when assessing an RPT:

- The terms, related person's interest, and purpose and timing of such transaction.
- Whether the Bank is a party to the transaction, and if not, the nature of the Bank's participation in the transaction.
- If the transaction involves the sale of an asset, a description of the asset, including date acquired and costs basis.
- Information concerning potential counterparties in the transaction.
- The approximate monetary value and the related person's interest in the transaction.
- Description of any provisions or limitations imposed as a result of entering into the proposed transaction.
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction.
- Any other relevant information regarding the transaction.

Except with the approval of the AFRC, no Director or senior manager may invest in a 3rd party entity if the investment opportunity is made available to him or her as a result of such individual's status i.e., a Director or a senior manager of BIBD.

The AFRC shall consider all of the relevant facts and circumstances set out above, and shall evaluate all options available to BIBD, including ratification, revision or termination of the RPT. The AFRC shall also examine the facts and circumstances pertaining to any failure to report such RPT, and shall take any appropriate action including to refer the matter to the General Counsel for consideration of disciplinary action.

2.2 Shariah Advisory Body

1. The members of the SAB are:

- YM Dato Seri Setia Dr Awang Haji Mazanan bin Haji Yusof (Chairman)
- YM Dr Abdul Nasir bin Haji Abdul Rani (Deputy Chairman)
- YM Dr Hajah Mas Nooraini binti Haji Mohiddin (Member)
- YM Dayang Hajah Noraini binti Haji Buntar (Member)
- YM Dr Haji Mohd Aidil Yusrie bin Haji Shari (Member)

The SAB members' appointments are approved by the Syariah Financial Supervisory Board (SFSB) of Ministry of Finance and Economy (MOFE) for the period of 3 effective from 1st February 2020 until 31st January 2023.



The primary duties and responsibilities of the SAB are to:

1. Oversee Shariah matters related to the Bank's operations and business activities.
2. Attend any training as required by the Bank from time to time.
3. Advise the Board and Management on Shariah related matters in order for the Bank to comply with Shariah rules and principles at all times. The SAB members are responsible and accountable for all Shariah decisions, opinions and views provided by them.
4. Approve Shariah related policies and guidelines.
5. Advise related parties such as the Bank, clients, legal counsel, auditors or consultants on Shariah matters upon request.
6. Provide written Shariah resolutions and/or opinions in circumstances where the Bank refers to the SAB for further deliberation or where the Bank submits application to AMBD for new product approval.
7. Approve the Zakat calculation methodology and distribution of Zakat of the Bank.
8. Approve the channeling of Shariah Non-Compliant income to charity.
9. Approve products and services to ensure compliance with Shariah rules and principles which includes:
 1. Validating the terms and conditions contained in the forms, contracts, agreements or legal documents used in executing the transactions.
 2. Validating the product manual, marketing advertisements, sales illustrations and brochures used to describe the product and services.
10. Assess the works carried out pursuant to Shariah review and Shariah audit which form part of the SAB duties in providing the assessment report on of Shariah compliance and assurance in the Annual Report of the Bank and its Group upon consultation with the Bank's subsidiaries' SAB.
11. To review findings and reports carried out by the Shariah review and Shariah audit functions in order to ensure compliance with Shariah governance.
12. To advise the bank on matters to be referred to the SFSB. The SAB may advise the Bank to consult the SFSB on Shariah financial matters which cannot be resolved.



Frequency of Meetings

The SAB meeting are held no fewer than four (4) times a year or more frequently as circumstances require.

Meeting Attendance

The minimum quorum for meeting shall be two-thirds (2/3) with majority of attending members must be members with Shariah background.

No.	Name	Position (Terms)	SAB Meetings	
			Held	Attendance
1	YM Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof	Chairman (2018-2020)	1	1
2	YM Dato Seri Setia Dr Haji Japar bin Haji Mat Dain@Maidin	Deputy Chairman (2018-2020)	1	1
3	YM Dato Seri Setia Dr Awang Haji Mazanan bin Haji Yusof	Chairman (2020-2023)	8	8
4	YM Dr Abdul Nasir bin Haji Abdul Rani	Member (2018-2020) Deputy Chairman (2020-2023)	9	9
5	YM Associate Professor Dr Hajah Rose binti Abdullah	Member (2018-2020)	1	1
6	YM Dr Hajah Mas Nooraini binti Haji Mohiddin	Member (2020-2023)	8	7
7	YM Hajah Noraini binti Haji Buntar	Member (2018-2020) Member (2020-2023)	9	9
8	YM Dr Haji Aidil Yusri bin Haji Shari	Member (2020-2023)	8	8

Note: The SAB membership for the 2018-2020 term expired on 31st January 2020, and new SAB members were appointed for a 3-year term from 1st February 2020 until 31st January 2023.

Summary of Meetings in 2020

1. Nine (9) SAB meetings were held since January to December 2020

No.	Proposal by Businesses and Subsidiaries	No. of Proposal
1	Retail Banking Group (RBG)	6
2	Corporate Banking Group (CBG)	2
3	Treasury and Global Markets (TGM)	4
4	Internal Audit Division (IA)	1
5	Finance and Strategy Group (FSG)	4
6	Shariah Division (SD)	4
7	Government Relation and Special Project Division (GRSP)	1
8	Corporate Social Responsibility (CSR)	4
9	BIBD At-Tamwil Bhd (BIBD ATW)	2
10	BIBD Securities Sdn Bhd (BIBDS)	2
11	Information Technology Division (ITD)	1
Total		31

2. The SAB has reviewed, advised and approved all the business proposals including legal documentations for products and services submitted by BIBD's businesses and BIBD Subsidiaries.

SAB Members Training Summary

The SAB members attended various virtual forums and trainings to enhance their knowledge and understanding as well as keeping them abreast of the latest development in Islamic Finance industry.

No.	Training Details	SAB Members				
		YM Dato Dr Hj Mazanan	YM Dr Abdul Nasir	YM Dr Hj Mas Nooraini	YM Hj Noraini	YM Dr Hj Mohd Aidil
1	Muzakarah Ilmuan Kewangan Islam (CIBFM)			✓	✓	✓
2	Islamic finance online learning by IslamicMarkets.com A digital learning platform subscribed by BIBD	✓	✓	✓	✓	✓
3	Board Executive Education Program (BEE) by CIBFM			✓	✓	✓
4	AAOIFI-18th Annual Shariah Boards Conference (Virtual)	✓	✓	✓	✓	✓
5	Shariah Audit Conference 2020		✓			
6	15 th International Shar'ah Scholars Forum (ISSF2020)			✓	✓	✓
7	3 rd Islamic Fintech Dialogue (IFD2020)			✓	✓	✓
8	14 th Muzakarah Cendekiawan Syariah Nusantara	✓	✓	✓	✓	✓
9	CIBFM-IRTI Islamic Finance Executive Programme			✓	✓	✓

2020 in Review

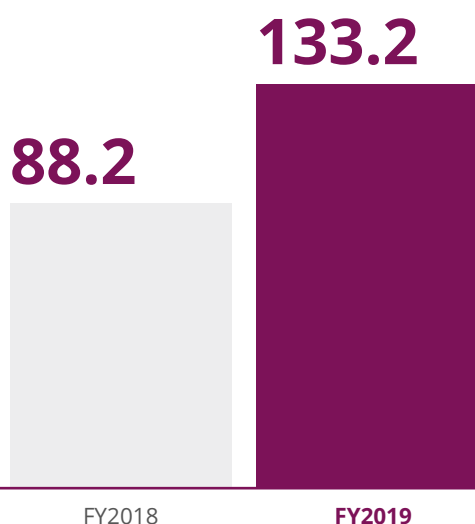
- 3.1 BIBD at a Glance
- 3.2 Group Financial Highlights
- 3.3 Awards & Recognition

03

3.1 BIBD at a Glance

Shareholder Value

Total Dividends Paid (B\$ Million)



B\$0.174

Dividend Paid Per Ordinary Share FY2020

Digital Banking



18.4M

No. of Digital Banking Transactions

B\$1.9B

Digital Banking Transactions



Retail Banking

Total Banking Customers

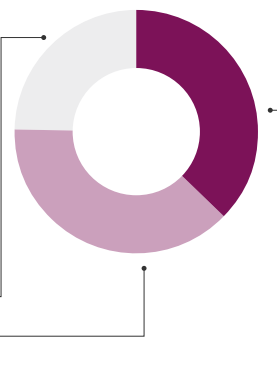


Assets: 64% (63.98%)

Financing Share: 65% (64.78%)

Cards: 42% (42.32%)

Retail Market Share



Total Card Base



>200,000



No. of merchant transactions



Value of merchant transactions

Corporate Banking



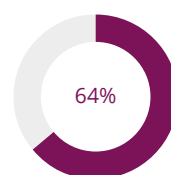
>11,000

Bruneian Corporate Customers

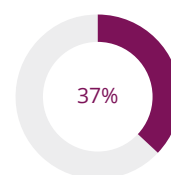


>80%

Corporate Customers are SMEs



BizNet Penetration



Growth of Annual Corporate Digital Banking Transactions

3.2 Group Financial Highlights

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



Operating Profit (B\$ Million)



Total Assets (B\$ Million)



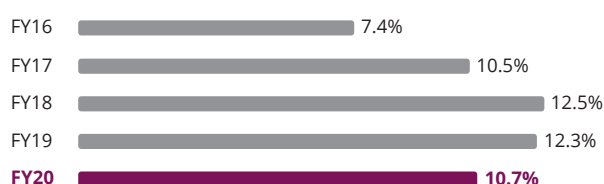
Deposits from Customers (B\$ Million)



Return on Asset – Before Taxation (%)



Return on Equity – After Tax (%)



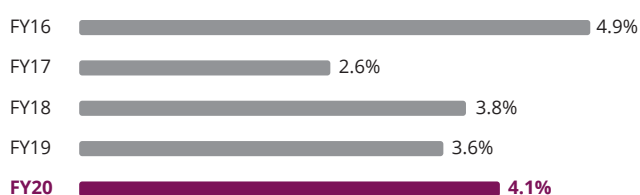
Capital Adequacy Ratios Core Capital (Tier 1) (%)



Total Capital Adequacy Ratio (%)



Gross impaired financing as a percentage of gross financing and advances (%)



Cost to Income Ratio (%)



* due to implementation of Capital Optimisation Strategy

3.3 Awards & Recognition

International Awards & Recognition

In 2020, we received several accolades from renowned international publications. Each award is a testament to our commitment to deliver excellence for our shareholders and customers, as part of our values. These accreditations are critical as a means for us to also validate our hard work by independent industry experts and to ensure we remained robust in all aspects of our business and governance when compared to the industry landscape regionally and globally. As we aim to be the Best Islamic Bank in Asia Pacific, we will continue to seek this independent assessment and accreditations.



S&P Global
Ratings

S&P Global A-
Rating (Since 2015)



ISO 9001:2015
Certification



The Banker
Bank of the Year 2020



Global Finance
Best Islamic Financial
Institution 2020



Global Finance
Safest Bank in
Brunei 2020



The Asian Banker
Strongest Bank by
Balance Sheet 2020



The Asian Banker
Best Retail Bank 2020



**Global Banking
& Finance Review**
Best SME Bank 2020



**Global Banking
& Finance Review**
Best CSR Bank 2020



CEO Monthly
Best CEO 2020 Brunei

Serving the Nation



- 4.1 COVID-19 Flattening the Curve Together
- 4.2 Celebrating Our Heritage
- 4.3 Sharing Our Blessings

04

4.1 COVID-19 Flattening the Curve Together

Prioritising the Health and Safety of our Staff, Customers and the Public.

In March 2020, following the announcement of the first identified COVID-19 cases in Brunei, BIBD immediately implemented various precautionary measures against the virus.

With close to 1,000 employees spread over 10 different locations, it was immediately clear that BIBD's readiness as an organisation would require a clear and coordinated response. A COVID Action Team (CAT) was created, consisting of BIBD leadership and key management to provide guidance, to facilitate and to coordinate activities across the range of BIBD staff. Frequent communications were issued to staff, conveying Management updates, various guidelines on protecting themselves and other relevant information.

BIBD's Business Continuity Plan (BCP) was activated at an established off-site location to assure continuity of business operations. However, given the nature of COVID-19, a plan was quickly adapted for the situation and a new BCP site was created within 3 days, and operational within just 7 days.



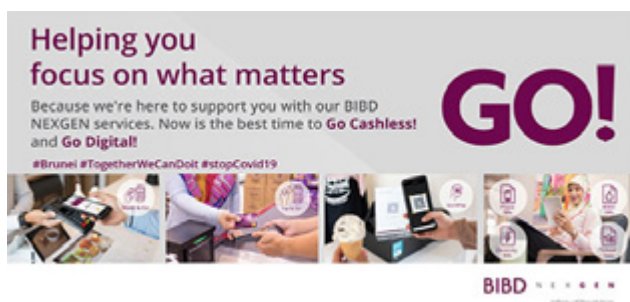
Even amid high demand and global shortages, over 600,000 pieces of PPE were secured and distributed to all employees, with special emphasis on frontline staff. Hand sanitisers were also quickly made available at all BIBD premises and branches.

At the same time, Work From Home policies were drafted and developed quickly, to provide appropriate guidance and allow the most vulnerable employees to work from home.

Where working from home was not possible, special efforts were taken to maintain workspace cleanliness through regular disinfectant of work surfaces and general areas at the BIBD premises. All of BIBD's branches also marked out specific areas with tape on the floors and seating areas to encourage physical distancing. Furthermore, to reduce overcrowding, all branches began limiting the number of customers allowed in the banking lobby at any one time.

Embracing Technology in the New Normal

In attempting to minimise the impact of COVID-19 to our customers, the Bank launched a **Go Cashless! Go Digital!** Campaign, promoting the habits of doing their banking needs through the full range of digital and cashless services available under the BIBD NEXGEN banner. As a result, digital transactions from both Retail and Corporate customers saw an increase during the COVID-19 period.



Supporting the COVID-19 Relief Fund

In the spirit of national solidarity and support, BIBD also leveraged on its digital services in order to ease contributions to the COVID-19 Relief Fund. Simply by scanning a QR code via the BIBD NEXGEN Wallet, members of the public would be able to donate directly into the COVID-19 Relief Fund, without the need to key in an account number manually. ProgresifPay customers were also able to use the QR code to donate directly from the ProgresifPay app.

In order to encourage widespread and ongoing support of the fund, BIBD also urged public and private sector organisations to print and display the QR code at their premises. The COVID-19 Relief Fund QR Code was made available for download through BIBD's social media account.

As of 22 July 2020, the COVID-19 Relief Fund collected a total of B\$14,597,940 and closed on 1 August 2020.

Extending Support as a Partner in Progress

As a Partner in Progress, BIBD also supported various government ministries in the fight against COVID-19.

The Bank handed over a contribution from the General Maslahat Fund which is managed by BIBD. The donations were for the purchase of 5000 wrist bands, 6 ventilators and 21 electric beds for various health facilities throughout Brunei Darussalam.

BIBD also helped raise public awareness on the importance of being socially responsible by promoting information on preventive measures against COVID-19 through social media, radio, TV and print.

When schools nationwide began reopening as part of the second phase of de-escalation, the Bank also donated hand sanitisers, glove and face masks to the Ministry of Education and Ministry of Religious Affairs to assist these agencies in ensuring the health, safety and well-being of students and teachers as they return to school.

BIBD's unwavering support to government agencies, combined with the bank's ongoing CSR initiatives are, among others, part of the bank's commitment to be a Partner in Progress as the nation strives towards achieving Brunei Vision 2035.



4.2 Celebrating Our Heritage

BIBD added a new landmark to the Green Jewel of Brunei with the reopening of the Bank's Temburong Branch, located at the Bumiputera Complex in Pekan Bangar.

The event perfectly illustrates BIBD's role as a Partner in Progress for the nation. Through a Whole of Nation approach and close collaboration with the Temburong District Development Authority (AKDT), the Ministry of Home Affairs and other relevant authorities including Autoriti Monetari Brunei Darussalam (AMBD), it was hoped that the project will upgrade the district's profile as a business and tourist destination.

The reopening of the Heritage Branch highlights BIBD's ongoing commitment to local communities, to ensure that all levels of society regardless of location are able to access the range of products and services offered by BIBD.

BIBD has always positioned itself as one of the key drivers of progress and development of the country from various fronts, including a network of branches that has become a hub of innovation and enrichment of customer experience. This is in keeping with and true to the spirit of being Bruneian at Heart.

"Alhamdulillah, this event perfectly illustrates BIBD's role as a Partner in Progress for the nation. Through a Whole of Nation approach and close collaboration with AKDT, the Ministry of Home Affairs and other relevant authorities including Autoriti Monetari Brunei Darussalam (AMBD), it is hoped that this project will upgrade the district's profile as a business and tourist destination."

**Yang Berhormat Dato Seri Setia
Dr. Awang Haji Mohd Amin Liew bin Abdullah**
Minister at the Prime Minister's Office
and Minister of Finance & Economy II
Chairman of BIBD



4.3 Sharing Our Blessings

Caring for the Less Fortunate

BIBD handed over B\$221,800, distributed to over 4000 orphans registered under the Community Development Department (JAPEM), as part of the bank's support to those in need amongst our community, and collaborated towards the annual initiative organised by the Ministry of Culture, Youth and Sports.

Presenting the mock-cheque was Yang Berhormat Dato Seri Setia Dr Hj Awang Mohd Amin Liew bin Abdullah, the Minister at the Prime Minister's Office and Minister of Finance and Economy II in his capacity as the Chairman of BIBD, to Yang Berhormat (R) Major General Dato Paduka Seri Haji Aminuddin Ihsan bin Pehin Orang Kaya Saiful Mulok Dato Seri Paduka Haji Abidin, Minister of Culture, Youth and Sports.

The donations to orphans are part of an annual event organised by the Ministry of Culture, Youth and Sports in collaboration with the District Offices under the Ministry of Home Affairs as well as BIBD. Typically held in the month of Ramadhan, the donations are hoped to lessen the financial burden of families preparing for the upcoming festive season.



Over
B\$221,800

Distributed to over
4000 orphans

B\$6,700

Contributed as part of the
Excellent Students Incentive
Scheme

In light of COVID-19, the donations were distributed via drive-through at respective areas in all 4 districts, combined with direct handover. Donations handed over directly were organised in accordance to the guidelines on mass gatherings by the Ministry of Health.



BIBD also contributed B\$6,700 as part of the Excellent Students Incentive Scheme, specifically for those who excelled in their examinations in 2019. The contributions were handed over by Yang Berhormat Dato Seri Setia Dr Hj Awang Mohd Amin Liew to BIBD's Managing Director and CEO, Mubashar Khokhar. The contributions will be handed over to 9 orphans who achieved excellent results in their A'Level, O'Level, Brunei Islamic Exam Certificate (*Sijil Peperiksaan Ugama Brunei*) and Primary School Examination (*Peperiksaan Penilaian Sekolah Rendah*).

BIBD has been presenting monetary incentives for excellent academic results for over 10 years, in close collaboration with the Ministry of Culture, Youth and Sports. The Excellent Student Incentive Awards Scheme is part of BIBD's initiative

to share its blessings and give back to the community, while at the same time, recognising and rewarding excellence in education. The bank is committed to being a Partner in Progress for government ministries and agencies through partnership and support for various education and community-building initiatives.

Uplifting Communities through Sirah Amal

BIBD's Sirah Amal initiative has been providing support and relief to underprivileged members of Brunei Darussalam's community in all four districts. This year's initiative was conducted prior to the start of Ramadhan, to ease the burdens of the families' as they prepare for the festive season.



Small groups of employees representing each division in BIBD participated in the initiative, which was conducted in accordance with the Ministry of Health's advice on physical distancing.



Commemorating Aidil Adha

Despite the COVID-19 pandemic, BIBD continued in our determination to serve the underprivileged. Each event was carefully planned and held in accordance with physical distancing protocols to prevent further spread of the disease.



The bank held an Ibadah Korban to commemorate Hari Raya Aidil Adha at the Masjid Pehin Khatib Abdullah in Kampong Kulapis. A total of 5 buffaloes were sacrificed and distributed to 15 BIBD ALAF families. In accordance with physical distancing measures, the meat was distributed via drive-through. BIBD also contributed 50 Yaasin books which were handed over as wakaf to the mosque.



Serving Our Industry



5.1 COVID Relief

5.2 Raising Awareness on Islamic Banking

5.3 Bringing Shariah-compliant Investment Products to the Local Market

5.4 MSME Showcase

05

5.1 COVID Relief

Offering Relief during Troubled Times

In light of the COVID-19 pandemic, BIBD together with MOFE, AMBD and the Brunei Association of Banks (BAB) introduced a collective Economic Relief Package valued at B\$250 million, to qualified customers and corporate clients, as part of our efforts to ease their financial situation.

Our corporate customers were able to take advantage of deferment of financing principal payments up to March 2021, restructuring of their financing as well as a number of transaction and fee waivers. It was hoped that these measures would increase the liquidity of our corporate customers, thereby assuring the job security of their staff. Individuals affected by COVID-19, especially those who were self-employed, were also eligible for economic relief.

This included options for deferment of financing principal payment, restructuring of financing and conversion of credit card balances to term financing facilities. Additionally, affected individuals were given the option of deferring or restructuring their personal and car financing facilities with deferment of financing principal payment offered for mortgage financing.

As part of the Bank's support to our customers, local transfer fees and processing fee waivers were also offered.

COVID-19: BIBD Whole of Nation and Whole of Society Approach

BIBD	Corporate	Individual	Nation
Our Commitment  - Strong Balance Sheet - Strong Liquidity	Our Relief  - Deferment of financing principal payment up till 31 Mar 2021 - Restructuring (case to case) - Local Transfer Fee Waivers up till 01 Oct 2020 - Trade and payment transaction fee waivers except for 3rd party charges for businesses in the 6 sectors - BIZNET Onboarding & Monthly Subscription Fee Waivers up till 01 Oct 2020	Our Relief  - Applicable to all individuals affected by COVID-19 including self-employed - Deferment of financing principal payment - Option to restructure - Credit Card Balance Conversion to Term Financing - Local Transfer Fee Waivers up till 01 Oct 2020 - Processing Fee Waivers up till 30 Dec 2020	Overall Stimulus  Through Ministry of Finance and Economy under Autoriti Monetari Brunei Darussalam - B\$250 Million Package
Our Support  - Deferment of financing principal payment - Personal and Car Financing restructuring - Credit Card Balance Conversion - Local Transfer Fee Waivers - Bank Financing Processing Fee Waivers - BIZNET Online Fee Waivers	Applicability  - Focus: 6 sectors (Tourism / Hospitality / Restaurants & Cafes / Aviation & Transport / Importers of Food / Importers of Medical Items) - Business Sectors - Companies, Partnerships, Sole Proprietors & Micro Small Medium Enterprises - Applications up to 30 Dec 2020 for relief & fee waivers - Online Fee Waivers	Financing  - Personal and Car Financing: - Deferment of financing principal payment up till 31 Mar 2021; OR - Restructuring up to 10 years - Mortgage Financing: - Deferment of financing principal payment up till 31 Mar 2021	Our Caring & Inclusive Society  - Practising Precautionary Measures - Encourage Volunteerism - Upskilling students (e.g. Hospitality & Tourism IBTE) - Donation-COVID-19 Relief Fund - Collaboration with Non-Government Organisations
Our Sustainable Future  - Step up Digitalisation Efforts - NEXGEN Services - GO! Campaign - Virtual Market Place (Micro-Small Biz)	Downstream benefits to Employees  - Benefits from liquidity for Staff job security - Trust > Support > Loyalty > Productivity > Retention	Credit Card  Conversion of Credit Card outstanding balance to Term Financing up to 3 years	Our Health System Stimulus  Artificial Intelligence System Real Time Info

*Subject further changes advised from time to time. Terms & Conditions apply.



Bruneian at Heart

5.2 Raising Awareness on Islamic Banking

As part of efforts to increase overall awareness and understanding on Islamic Banking and Finance in the country, BIBD launched a collection of selected resolutions on Shariah-related matters.

The book was launched by Yang DiMuliakan Pehin Orang Kaya Paduka Setia Raja Dato Seri Setia Haji Awang Suhaili bin Haji Mohiddin, Shariah Appeals Court Judge and Deputy Chairman of the Shariah Financial Supervisory Board.

The compilation, contains a total of 53 resolutions selected by the BIBD Shariah Advisory Body from 1993 – when the body was established – until 2016. The book opens with an introductory chapter which contains a brief profile and history of the establishment of the bank; Acts related to Islamic banking operations; and appointments and responsibilities of the Shariah Advisory Body (SAB) in ensuring that the business and operations of the bank comply with Shariah principles.

The compilation is divided into three parts, namely 13 selected SAB-Islamic Bank of Brunei (IBB) resolutions (1993-2005), five SAB-Islamic Development Bank of Brunei (IDBB)

resolutions (2000-2005) and 35 SAB-BIBD resolutions (2006-2016). Each selected resolution shares the background of problems and financial issues.

It is hoped the book can be used by the public in understanding the concepts of Shariah and how the concepts are applied into the products and services offered by BIBD, as part of promoting transparency and clarity and enhancing the public's trust and support.



5.3 Bringing Shariah-compliant Investment Products to the Local Market

In 2020, BIBD Securities launched two new Mutual Funds, namely the Franklin Global Sukuk Fund and the Templeton Global Equity Fund. The investment products are both Shariah-compliant products from Franklin Templeton Investments - a global leader in asset management with more than seven decades of experience.

The Franklin Global Sukuk Fund invests in a fund that offers monthly dividend pay-out and access to a diversified portfolio of Sukuk securities issued by government, government-related and corporate entities located in developed and developing countries.

Meanwhile the Templeton Global Equity Fund, is an investment fund that offers long-term capital growth with access to a fully-diversified Shariah-compliant global investment across various countries and sectors.

BIBD Securities held two separate client events in Bandar Seri Begawan and the Belait district in conjunction with the launch of the new products.

"We wanted to bring into the market products that are not complicated, to slowly educate and familiarise them with investment products. This is to support Autoriti Monetari Brunei Darussalam (AMBD)'s national goal of improving financial literacy in Brunei and eventually create a society that is able to participate in the local capital markets."

YM Haji Muhd Yazid bin Dato Paduka Haji Mahadi
Managing Director, BIBDS



5.4 MSME Showcase

The MSME Showcase was an opportunity for members of the public to learn more about the Bank's all-in-one SME360 platform; a comprehensive banking solution that complements the needs of businesses, especially SMEs, which includes a dedicated relationship management team, financial solutions and digital payments.

BIBD MSME clients like Dil's Coffee Trail, Gelatiamo, At Taqwa Travel & Tours, all locally owned and operated businesses who have benefited from the SME360 ecosystem, were also present at the MSME Showcase.

SME 360 has also been active contributors and facilitators to programs such as Livewire, 1Kampung 1 Produk, BIBD SEED and few others. This is primarily to contribute our services and assist in elevating and accelerating the growth of the micro, small and medium enterprises.



"BIBD has always been committed to the development of local MSME's and have complemented national efforts by boosting its SME-related initiatives and programmes by empowering them with robust and comprehensive digital business solutions. Products such as BIBD BizNet, the MSME Current Account and BIBD QuickyPay have helped fill up gaps and improve the operations of MSMEs, in line with the Bank's objectives to serve the needs of all types of MSMEs."

YM Koh Swam Sing

Head of BIBD's Corporate Banking Group



Serving Our Customers



6.1 Enabling a Cashless Society

6.2 Fulfilling Your Aspirations

06

6.1 Enabling a Cashless Society

Embracing Digital Payments in a Cashless Campus

To further heighten efforts and support Brunei's vision of creating a fully digital and cashless economy, the Bank has consistently championed initiatives to increase adoption of cashless payments among all segments of society. To that end, BIBD signed a Memorandum of Understanding (MOU) with Universiti Islam Sultan Sharif Ali (UNISSA). This MOU is a continuation of the Cashless Campus Initiative which began in 2019, involving Universiti Brunei Darussalam (UBD) and Universiti Teknologi Brunei (UTB).

Through the MOU, UNISSA students can use digital payments of BIBD QuickPay and Progresif Pay, which is powered by the BIBD NEXGEN platform, to make cashless transactions across the entire campus while at the same time providing businesses based at the campus with increased security and efficiency as they no longer need to manage large sums of cash for their business.

The implementation of the Cashless Campus Initiative is 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 for the 4th Industrial Revolution mindset.



Public Healthcare goes Cashless with BIBD QuickPay

Through close collaboration and partnership between BIBD and the Ministry of Health, members of the public will now be able to conduct cashless payment transactions using BIBD QuickPay at all health centres and facilities under the Ministry of Health.

Powered by BIBD NEXGEN, BIBD QuickPay allows customers to make payments by simply scanning a QR code through the BIBD NEXGEN Wallet on their smartphones.

The introduction of the cashless payment is aimed at providing greater convenience to members of the public in making payments for services offered by the Ministry of Health, while at the same time, promoting greater efficiency through reducing workload related to cash acceptance and collection.

The digital payment solution is one of BIBD's branchless banking initiatives that make use of the BIBD NEXGEN platform in partnership with various industries outside the banking sector, while encouraging the creation of a cashless economy.



Bringing a Digital Twist to Charitable Donations

Through a partnership with the Ministry of Religious Affairs, members of the public donate to individual mosques or to the Mosque Construction Fund via BIBD QuickPay.

Through this latest initiative, members of the public can make donations by scanning and donating 'digitally'; these donations will then be transferred directly to the respective mosque accounts, avoiding the risk of loose cash and theft.

Currently, 65 mosques, suraus and religious halls around the country will accept donations to their respective mosque funds via BIBD QuickPay. Additionally, members of the public can also contribute to the Brunei Darussalam Mosque Construction Fund. The fund was first established by the consent of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam in 2015.

"Brunei has over 500,000 mobile users, but there is still plenty of room for growth in terms of embracing the usage of digital payments. One of BIBD's priorities is to support the nation as we head into a cashless society. We are honoured to partner with the Ministry of Religious Affairs, and are confident that this collaboration will serve as a great example to drive a cashless society."

YM Mubashar Khokhar
BIBD Managing Director & CEO



6.2 Fulfilling Your Aspirations

BIBD awarded a life-changing grand prize of B\$250,000 at the culmination of the BIBD Aspirasi 2 Rewards Campaign.

BIBD Aspirasi was initially introduced to support both national and AMBD objectives of promoting better financial management skills and encourage the discipline of saving amongst the people of Brunei Darussalam.

When the Aspirasi journey 2 years ago, BIBD intended to instill a savings culture among our customers by providing them with a convenient means of saving consistently. The overwhelmingly positive response to this campaign indicates that subscribers of this programme understand that savings can be financially rewarding. The number of Aspirasi subscribers has doubled since last year, and it is hoped this trend will continue into the next cycle of Aspirasi.

The Aspirasi 2 Rewards Programme has awarded a total of 441 winners with cash prizes as part of the monthly, quarterly and grand draws - over 400 of those were unique customer winners from all walks of life.

Apart from being fully subscribable and redeemable through the BIBD NEXGEN Mobile Wallet, without the need to go to a branch, no other financial institution in the local market has provided such an attractive scheme for a savings product making Aspirasi a truly unique and rewarding product.



Serving Our Community



- 7.1 Empowering Our Youth
- 7.2 Investing in Future Leaders
- 7.3 Nurturing Entrepreneurship
- 7.4 A Platform for Community Causes

07

7.1 Empowering Our Youth

As part of BIBD's commitment to empowering the youth, the BIBD Youth Empowerment Summit (YES!) was launched, to provide a platform for youth to network and discover their passions, while at the same time, building resilience in order to make an impact.

At the opening ceremony of BIBD YES!, His Royal Highness Prince Abdul Mateen urged the youth to become leaders and make immediate positive impacts for the development of the nation.

The Summit also underscores the importance of driving progress while staying rooted to our Bruneian values of '*Melayu Islam Beraja*' and aligning any initiatives towards the Smart Nation 2035 in preparation for a digitised ecosystem.

BIBD YES! was attended by representatives from the government and private sectors, the summit's special guests, along with 300 youth participants from 32 schools nationwide.



The two-day summit which carries the theme "It's Your Turn", consisted of plenary sessions with 51 different speakers, ranging from Brunei-based speakers and international speakers, speaking about topics that highlighted the power that the youth holds, further strengthening the need to empower the youth's mindsets. BIBD YES! featured 41 prominent local speakers and 10 international panelists dialing in live via Zoom from Hong Kong, Singapore, Indonesia, Philippines, Malaysia and Hungary. The virtual presence of the speakers allowed students to view the topics they approached through a global lens.

350 AUDIENCE

1200 VIRTUAL PARTICIPANTS

A testament to the community's demonstration of support, commitment and solidarity to root for the success of the Future Generation

51 SPEAKERS,
DAY 1 & DAY 2

41 BRUNEI BASED
10 INTERNATIONAL

37 PARTNERS & SUPPORTERS

Government Departments, Sponsors, Benefactors and Supporting Organizations

24 VIRTUAL PARTICIPATING SCHOOLS

32 ONSITE PARTICIPATING SCHOOLS

The Summit also had 27 Breakout Sessions adopting a more proactive approach on learning, with on-site classes that gave students a fresher perspective through topics such as Arts, Career, Technology and Fitness.

Some of the breakout sessions were conducted in locations such as Tasek Lama, where participants connected with nature; Jab Gym and Fitness Zone, where students got the chance to explore the unique sides of fitness, and even explored their creative sides at Laksamana College of Business, Mahakarya Institute of Arts Asia and Relentless Academy of Performing Arts.

BIBD YES! is the first summit of its kind in Brunei that combines both physical and virtual participation by both speakers and delegates. It was simultaneously broadcasted to 24 different schools to hundreds of students, while more than 300 students physically attending at the JIS Arts Centre. The summit is a testament to the community's demonstration of support, commitment and solidarity in rooting for the success of the future generation. This is demonstrated by the 37 different partners and supporters for the event, comprising of government departments, private sector sponsors, personal benefactors as well as other supporting organisations.

“As the future catches us, it is inevitable that our youth will inherit a digital age. With the advent for the 4th Industrial Revolution, it is paramount that we make preparations together, to ensure that our youth are equipped with the technological know-how so that they can embrace technology and a digital future. It is hoped that the youth will adopt a Whole of Nation approach, and embrace the vision of a Smart Nation, which will be one of the major pillars propelling Brunei Darussalam towards the realisation of Brunei Vision 2035.”



BIBD YES! was led by BIBD as the host sponsor, while Progresif was the Platinum Sponsor. CIC Environmental Services and Total E&P Borneo B.V. were the Gold Sponsors, and Brunei LNG was the Silver sponsor. The event was organised by Curious Minds, endorsed by Brunei Tourism Board, Ministry of Culture, Youth & Sports and Ministry of Education, and supported by Young Entrepreneur Association Brunei, Global Shapers and Young Professional Network Brunei. This is an illustration of the strong strategic partnerships with key stakeholders which BIBD brings to the table to collectively work towards achieving national objectives.



7.2 Investing in Future Leaders

BIBD's Commitment to Lifelong Learning

"The BIBD ALAF programme is a manifestation of BIBD's belief in the value of life-long learning in line with the objectives of Brunei Vision 2035, to develop into a nation which will be widely recognised for the accomplishments of its well-educated and highly-skilled people."

YM Noraini binti Haji Sulaiman

Chairperson of BIBD ALAF Board of Trustees & Deputy
Managing Director of BIBD

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 that opportunities for success remain abundant 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.

As a result of the close collaboration and cooperation between BIBD, the Ministry of Religious Affairs and Ministry of Education along with the support of local corporates and members of the public, the BIBD ALAF programme currently supports 243 students.

Despite the disruptions brought about by COVID-19, BIBD ALAF students sitting for public examinations such as the GCE 'A' Level Examinations and the Lower Primary Assessment (PSR) Examination recorded excellent results with a 100% pass rate. The achievement rate at the highest levels, for example the percentage of students who achieved 5 A's in the PSR exam and 3 A' Levels in the GCE A' Level exam, was either better or on par with the national rate. This is evidence of both the individual capabilities of the BIBD ALAF students as well as the collective impact of BIBD ALAF's support and capacity building efforts.

The BIBD ALAF programme aims to produce students that are educated, well-rounded and equipped with the appropriate skills and knowledge to be industry-ready. Throughout 2020, the students were exposed to soft skills training such as a public speaking workshop. This culminated in the BIBD ALAF Convention, where students were required to debate issues and ideas on topics such as Artificial Intelligence, Virtual Reality and the Internet of Things.



243 STUDENTS

43	Primary
162	Secondary
22	Pre Uni
2	Waiting for KUPUSB
4	Waiting for University
10	in Polytechnic / University

7.3 Nurturing Entrepreneurship

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.

After an initial selection phase, BIBD welcomed 10 participants into the 3rd Cohort of the BIBD SEED programme, consisting of 6 F&B vendors, and 4 vendors in the creative industries.



The participants were exposed to various personal development and entrepreneurship workshops before participating in a variety of marketplaces to gain real-world experience and start building their own customer base.



BIBD Catalyst

5 local fashion and beauty entrepreneurs are currently enrolled in the 2nd 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.

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.



7.4 A Platform for Community Causes

“BIBD is proud to be part of an initiative that will enable individuals to come together for collective action, extending assistance to those in need while at the same time, protecting the livelihoods of our local MSME’s. The Community for Brunei platform leverages technology to bring the community together, providing an online ecosystem with an integrated digital payment gateway as part of our efforts to encourage a digitalised society powered by a cashless economy. We hope Community for Brunei will become the premiere destination for local businesses, enabling them to scale and grow while at the same time, allowing a place for the public to give back to the community.”

YM Hjh Nurul Akmar binti Hj Mohd Jaafar
Chief Marketing Officer

At the height of the COVID-19 pandemic, BIBD also unveiled its latest CSR initiative, ‘Community for Brunei’, a virtual marketplace designed to help small businesses, highlighting different social and charitable causes to the heart of Brunei. This initiative was launched with close collaboration between the Bank, local start-ups like Think Axis, The Collective, Alicia Newn and logistics companies, as well as government agencies.



Community for COVID

Community for Brunei’s first project was ‘Community for Covid’, a way for members of the public to support medical front-liners through the virtual marketplace and assist small businesses in Brunei to expand their ability to earn. Customers were able to purchase food and beverages, care packages and services from the platform that were delivered directly to front-liners at various hospitals across the country. Uniquely, the exact needs of front-liners at medical centres and hospitals throughout the country would be informed to the general public through an online tally. This ‘supply and demand’ approach was aimed at ensuring a more effective distribution of contributions as well as reduce wastage.



Community for Ramadhan

Our local practices and yearly Ramadhan traditions were not spared the effects of COVID-19. In order to assure the safety of the public, mosques were closed and restaurants were unable to serve dine-in customers. The annual 'Gerai Ramadhan' was only cancelled as a safety precaution.

In order to assist local MSME's, many of which depend on the yearly Gerai Ramadhan for their revenue, BIBD also 'Community for Ramadhan' – a virtual '*gerai ramadhan*' which enabled customers to purchase food and drinks from vendors who typically participated in the yearly Ramadhan stalls organised by the Ministry of Home Affairs and Ministry of Culture, Youth and Sports.



Making an Impact with Jab Gym

Beyond COVID-19 and Ramadhan, Community for Brunei also continued its efforts to highlight and support different community and charitable causes important to the heart of Brunei. Their collaboration with Jab Gym raised over B\$23,000 in funds for Pusat Ehsan Al-Ameerah Al-Hajjah Maryam through the sale of juices and energy bars on the Community for Brunei platform. 100% of proceeds from the campaign will be donated towards Pusat Ehsan to help them continue to run their programs which provide training, assistance and care for individuals with special needs so as to achieve their full potential in society. Community for Brunei was hopeful that the collaboration would be an impactful initiative for Brunei Darussalam's special needs community, especially in light of the COVID-19 pandemic, and as a positive community strengthening initiative overall.



Serving Our Employees



8.1 Team Cohesion and Alignment

8.2 Promoting Greater Employee Engagement

08

8.1 Team Cohesion and Alignment

As the First Choice Banking Institution in Brunei, BIBD always strives to provide the best place for our employees to work and succeed. Serving our staff has been a cornerstone of this commitment, which aims to promote team cohesion and alignment, encourage effective engagement and rapport between Management and employees, and to create the right working environment and culture. In serving our staff, we always strive to ensure that all our employees feel like they are valued and important members of our BIBD family.

The Bank's ethos, Bruneian at Heart, truly encapsulates how we care of our BIBD family. Being Bruneian at Heart with our employees means that, to our core, we value and care for them, weaving the culture of our nation into the working experience of our employees.

The Employee Unity and Teamwork (EUTW) Committee was formed with the aim of championing a spirit of camaraderie among our employees. Each employee in BIBD is assigned to one of six teams, or "Kueh" as each team is named after a local dessert.

This initiative was introduced to promote wellness and cohesiveness among our employees, as each kueh member will be pulled from different business units in the Bank.



Throughout the year, different activities are planned in order to encourage teamwork, promote a sense of belonging and pride, and ultimately to provide a fun work-life balance. Many of the activities are employee-lead, and are well-received by their colleagues.



8.2 Promoting Greater Employee Engagement

BIBD has an internal Instagram account, aimed at providing greater transparency within the organisation and increased engagement between employees. Through this account, employees are recognised, showcased, and celebrated for their efforts and hard work. Regular contests and quizzes are hosted to keep employees' activity on the social platform high. This has helped raise employee engagement, making employees feel more connected to the Bank.

BIBD's Management Team also regularly conducts visits to branches to further boost employee engagement. This is a way of showing appreciation to employees and promoting greater trust and rapport between employees and Management.



Due to COVID-19, engagement events only resumed towards the end of the year. Various events were organised between Management and Branch Managers, Sales Managers as well as Contact Centre staff.



Towards the end of the year, BIBD's Board of Directors also took the time to visit BIBD offices and selected branches. This was part of the Board's efforts to appreciate, recognise and encourage the effort and hard work given by the employees throughout a challenging year.



Our Business Activities



- 9.1 Retail Banking Group
- 9.2 Corporate Banking Group
- 9.3 Treasury & Global Markets
- 9.4 BIBD Securities

09

9.1 Retail Banking Group



Positive Growth in Challenging Times

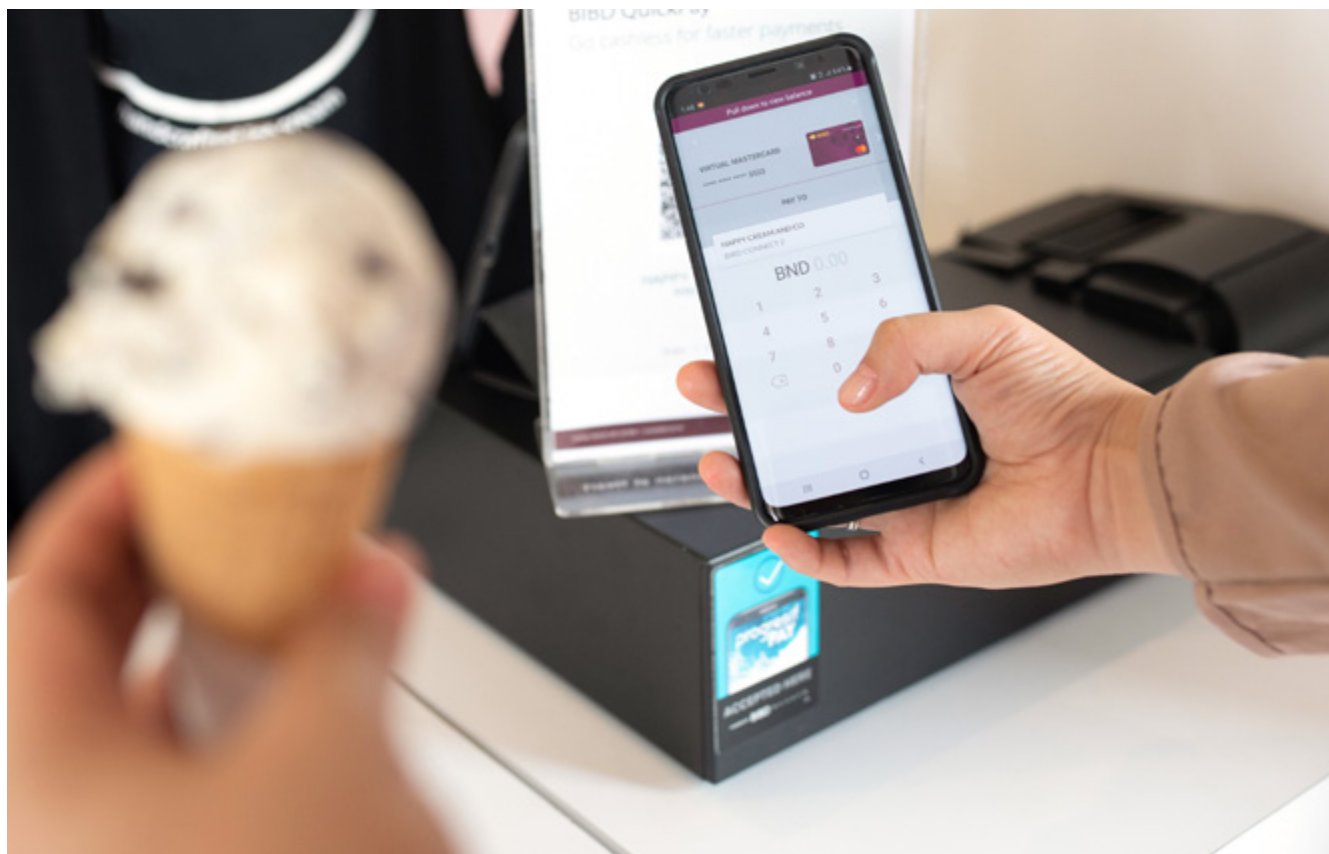
Despite the downward pressure on returns, and a drop in overseas card spend, the bank continued to see positive growth in its portfolio, specifically a 9% growth in home financing; a 21% growth in Ar-Rahnu financing; a 30% growth in naqad financing; and a 7% growth in Ijarah financing.

As a result of active and targeted product campaigns, the bank managed to increase its retail market shares, as a percentage of the total banking assets.

The arrival of COVID-19 in March 2020 was a pivotal moment that brought about unprecedented disruption. With the introduction of international travel restrictions and physical distancing becoming the new norm, there was an unavoidable impact on the economy as a whole.

In particular, the Bank has experienced positive growth in its personal financing market share. Despite the COVID-19 pandemic, savings deposits grew significantly and our BIBD Aspirasi deposits, now in its third campaign cycle, grew by 136%. Overall card swipes increased by more than 10%, as digital adoption increased as a result of the pandemic. QuickPay, BIBD's QR code based e-wallet solution, for example, recorded a 96% increase compared to the full year of 2019.

In appreciation of our customers' steadfast and continuous support, the Bank has also been actively rewarding customers with promotions and campaigns throughout the year, including offering attractive discounts of up to 50% for using its cards during festive seasons, and giving away a life changing reward of B\$250,000 as part of the Aspirasi rewards campaign.



The Bank was also actively supporting the government's initiative to alleviate the financial burdens of customers affected by the COVID-19 pandemic. BIBD offered a COVID-19 relief package, with options of one-year principal payment deferments or restructuring options of up to 10 years, and waiving inter-banks local fund transfer fees from its NEXGEN mobile and online banking platform. To date, BIBD has approved almost over B\$12 million in overall principal amount to assist our customers.



Leveraging our Digital Strengths

The Go! Cashless and Go! Digital campaign was launched almost immediately after the outbreak of COVID-19 in the country; as a result, our mobile banking penetration rate increased to over 67% of our customer base. Resulting to the increasing demand for e-commerce and online transactions, the Bank has also successfully upgraded its online payment platform from MiGS to MPGS, offering new features including tokenisations and more frictionless payments.

Moving Towards Bank 4.0

Responding to rapidly shifting consumer behaviour towards digital, RBG is in the process of revamping its operating models by building in new capabilities to take advantage of the amazing growth opportunities presented in the era of Bank 4.0, specifically fast adoption of new mobile platform that is driven by Artificial Intelligence to deliver meaningful, personalised, and contextual engagements with our customers. Obviously, customer privacy and confidentiality remains a top priority for BIBD. The Bank 4.0 agenda have brought focus in this area, and the bank is in the process of adopting best practices to implement its own Personal Data Protection standards. To protect its customers, and to ensure sustainable long-term growth, the Bank will continuously strengthen its internal controls frameworks, including adopting international best practices and standards.

BIBD also introduced e-Duit Raya during the festive Hari Raya Aidilfitri period, which allowed customers to send money to family and friends, as an alternative to the traditional Duit Raya or green envelopes. This was to support the Ministry of Health's social distancing measures, at a time when crowded Hari Raya gatherings were discouraged. Moreover, the Bank extended its QuickPay services to the Ministry of Health to enable patients to make digital payments. In addition, BIBD's partnership with the Ministry of Religious Affairs meant that the QuickPay service was made available to more than 60 mosques in Brunei, allowing the general public to make donations by scanning a QR code.



9.2 Corporate Banking Group



With a once-in-a-lifetime pandemic changing the landscape of the global economy, Brunei Darussalam in general and BIBD in particular were forced to adapt their business practices in line with the 'new normal'.

To mitigate the potential risks of COVID-19, BIBD had activated its Business Continuity Plan (BCP) and scaled down certain business operations. Nevertheless, the Corporate Banking Group (CBG) was able to seamlessly meet with the demands of our customers, embodying the Bank's values of Customer-Focus and proving that BIBD has the ability to function in whatever circumstances.

In line with the Ministry of Health's advice on maintaining physical distancing, all physical banking interactions were minimised. However, out-of-the-box thinking and leveraging available technology meant that CBG was able to strengthen and maintain our customer-bank relationship through virtual channels.

2020 was a challenging year with the COVID-19 pandemic changing the landscape of global economy. It forced important changes in the daily lives of individuals and companies worldwide, with many industries including the financial sector, adapting to new norms of doing businesses.

Customer Recognition

Customer satisfaction and quality product services are two prominent priorities for CBG. In 2020, BIBD was certified ISO:9001 for payroll/bulk payment services and Corporate Credit Card processes. The certification is a testament to BIBD's commitment to providing an unparalleled customer experience, even in the face of an unprecedented COVID-19 crisis.

BIBD was also awarded Best SME Bank Brunei 2020 by Global Banking and Finance Review, in recognition of BIBD's focus on delivering comprehensive solutions making banking more efficient, cost-effective and readily accessible to SME clients as well as creating long-term support and sustainable change through education, community and development of local entrepreneurs.



Helping Our Clients

Last year, almost all businesses were affected by the pandemic. The country's economic activities were moving at a slower pace. The global travel restrictions and lock down period for some major countries are part of the negative impact to the country's business activities. For this reason, the Government through the Ministry of Finance & Economy and Authority of Monetary Brunei (AMBD) have set in motion huge steps on helping businesses to sustain during the difficult period. In support of the Government's effort, BIBD has introduced its COVID-19 Relief measures to affected corporate and MSME clients. Through this measure, clients were offered a moratorium on their financing obligation to up to six months. The bank has also taken part in the Government's initiatives to waive charges of interbank transfer made by our clients as to spur the usage of online transaction during the pandemic period.

The outbreak of COVID-19 has forced businesses to adapt and accelerate their digital adoption. This is evidenced in the increase in the number of companies onboarded to our online BizNet platform. In addition to that, the total number of transactions has increased by approximately 29%. The total number of online billers has also increased by more than 30% in the span of 9 months; currently BIBD offers online bill payments via the NEXGEN Wallet from 92 different companies.

Helping you focus on what matters

Because we're here to support you with our BIBD NEXGEN services. Now is the best time to **Go Cashless!** and **Go Digital!**

GO! BIBD BIZNET

- Balance Inquiry
- Interbank Fund Transfers
- Telegraphic Transfers
- Top up
- Cheque Book Services
- Payroll Services
- Standing Instruction Services
- Pay Bills
- Make a Donation

Aside from relief measures for banking convenience, CBG was also heavily involved in the contribution of 10,000 units of Face Shields for COVID-19 front liners, in collaboration with FERA Health and Nursing Care through the Ministry of Culture, Youth and Sports.



Sharing Expertise and Knowledge

Despite the pandemic, the Bank continued its commitment to being a Partner in Progress for the nation by sharing our knowledge on business financial literacy.

The One Kampung One Product, a collaboration between Ministry of Home Affairs and BIBD saw the Corporate Banking Group mentoring 19 selected entrepreneurs. This mentorship is aimed to transform their cottage businesses into a dynamic and thriving company producing premium local products.

The Bank also continued to support LiveWire AgroBiz for the second consecutive year. This year mark another milestone when 7 tons of Sembada 188 were harvested during its first harvest in February 2020.

CBG was also actively involved in organising educational clinics such as 'Become a Successful Owner Manager (BSOM) Workshop' with LiveWire Brunei, a social investment flagship of Shell Brunei. For the second consecutive year, the bank continued its collaboration in managing the Business Award funding scheme with the said organisation.

This scheme has shown its potential as Al Huffaz Management, one of the companies under the scheme and one of Corporate Banking Group's clients, was awarded the "ASEAN Ricebowl Startup Awards" multiple times, also winning the Excellent Project award for Youth Award in conjunction with Brunei's National Youth Day.

9.3 Treasury & Global Markets



Treasury and Global Markets (TGM) ensures that BIBD's financial obligations are comfortably met when they fall due. As the first line of defence and the focal point of the Bank, it plays a vital role to protect the Bank against financial market stress and extreme volatility through the prudent management of capital and liquidity. TGM is also responsible for Bank's entire international operations and it plays the key role in the expansion of the Bank's footprint the global market plays. Maintaining and developing financial institution relationships and trade finance product suite, both globally and regionally is also entrusted to the TGM.

BIBD Treasury & Global Markets Division (TGM) is one of the main profit centres for BIBD. BIBD's TGM has proven itself as one of the most sophisticated and contemporary Islamic treasury setups in the global financial markets. TGM is primarily responsible for the management of the Bank's overall cash flow in the global financial markets.

TGM's key business focus is to ensure sustainable and responsible growth of the international asset book via contemporary risk management and yield optimisation principal. Continuous improvement of our net profit margin is one of the key objective of TGM's business. TGM's dealing room serves as a one-stop shop to countries' institutional and corporate entities cash management needs. TGM is proud to be the House Bank for Government Linked Companies (GLC's) due to its wide range of products and services and exceptional service standards.

BIBD's TGM has been instrumental in developing alternative funding and investing opportunities in the international financial market. TGM embarked on a comprehensive Repo and Reverse Repo program in 2020 which will be fully implemented in 2021, making it one of the very few Islamic institution in ASEAN to offer such product structures.

In 2020, BIBD's TGM proudly executed unfunded structure both on the credit and trade finance asset classes resulting in diversification of risk away from its traditional markets. Throughout the year, TGM also continued with its strategy to upgrade its international presence both in Singapore and Dubai and both these entities expected to become full fledge branches towards the end of 2021. Furthermore, TGM added new partnerships with international investors who, for the first time, placed significant volumes with BIBD TGM which helped the Bank diversify its liabilities base.

2020 was perhaps one of the most challenging year for the global market players due to the global pandemic. However, BIBD's TGM managed to successfully weathered the storm and avoided any significant volatility.

2021 is expected to be a difficult year for the global market participants as well and TGM aims to protect and improve its margins throughout 2021 while reducing exposure to volatile markets and asset classes. TGM will continue to focus on enhancing its commission/fee income by offering fee-based product and services through its growing distribution network.

BIBD's TGM, being the first choice financial services shop providing 32 major and minor currencies spots and forwards, wholesale depots and hedging solution to multiple customer segments in the country at highly competitive margins, enable national institutions to optimize cost. TGM's market research and analysis in the financial market provides intelligent insight to our ever-growing national clientele. BIBD's TGM has been instrumental in training and developing young Bruneian talents on the job and has produced exceptional Treasury professionals who not only serves the TGM but other BIBD businesses alike.



9.4 BIBD Securities



BIBD Securities Sdn Bhd (BIBDS) was established in 1993 and is a wholly owned subsidiary of BIBD Berhad. BIBDS provides investment solutions to both retail and institutional clients. On the retail side, BIBDS provides both brokerage services to clients wishing to trade BIBD shares and shariah compliant securities listed on the Singapore Stock Exchange and Bursa Malaysia, and distribution of shariah compliant mutual funds. On the institutional side, BIBDS services clients through its asset management arm.

BIBD Asset Management (BIBD AM) offers capabilities in both fixed income (through professional in-house Sukuk management) and Equities (through strategic alliances with renowned investment management partners with a global footprint).

Key Initiatives in 2020

Retail

BIBDS is the sole distributor of shariah-compliant mutual funds in Brunei. Currently, BIBDS offers both equity and fixed income investment solutions through 6 mutual funds from 2 fund houses: NCB Capital and Franklin Templeton. In September 2020, BIBDS successfully launched two new offerings that include Franklin Global Sukuk Fund and Templeton Shariah Global Equity Fund. With the Franklin Global Sukuk Fund, clients are now able to diversify their investment holdings into the fixed income space in a shariah-compliant manner. Over the entire year of 2020, BIBDS has seen significant asset growth, attributed to the newly launched funds and an increasing demand for shariah-compliant investment solutions.

At BIBDS, investor education is at the forefront in our relationships with individual retail investors. We believe that financial awareness is the first step to achieving their personal financial goals. Retail clients are serviced by twelve licensed financial planners (from two at the beginning of the

year). In 2020, BIBDS completed 15 roadshows and a number of smaller, tailor-made client pocket events covering over 350 individuals, to showcase the importance of financial planning and ways to achieve the clients' respective financial goals through shariah-compliant means.



Institutional

2020 was a momentous year for BIBD AM – on the fixed income side, BIBD AM saw the inception of a number of global Sukuk mandates managed in-house by BIBD AM on behalf of institutional clients. This initiative is the first of its kind in Brunei and is in-line with national development goals set out in Brunei's Wawasan 2035 and AMBD's Financial Blueprint 2016-2025. The initiatives undertaken in 2020 brings BIBDS closer to its ambition of creating a world-class shariah-compliant asset management platform.

On the equities front, BIBD AM provides Islamic global equities solutions through the strategic partnerships achieved with a number of global investment management firms. Through the diverse networks we have built up, BIBD AM has been able to identify a niche selection of differentiated investment strategies with established track records. BIBD AM works closely with our Strategic Partners to offer a Shariah compliant version of these investment strategies.



Focus Areas for 2021

Retail

BIBDS will continuously look for opportunities to further expand its shariah-compliant mutual funds offering with the aim of assisting our clients to achieve their financial goals given their risk/return characteristics. This will come hand-in-hand with expanding our investor education initiatives and awareness on the importance of investing.

Institutional

After seeing strong Assets Under Management (AUM) growth in 2020, we aim continue the momentum into 2021 and the following years. BIBD AM will embark 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. 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 long term target. This includes establishing the international distribution framework and ensuring sufficient resourcing for these functions.

Environment Social Governance (ESG) investing has also been one of the main focus areas identified for 2021 and beyond. We aim to develop ESG-focused strategies in both the fixed income and equities space by integrating systematic ESG.

screening into our in-depth security selection, as well as leveraging off strategic partners. As investors and individuals, we believe ESG should be at the forefront of our decision making in not just investments and capital allocation, but also in other areas of our lives.

We are also looking at expanding our research and analysis capabilities, in particular widening the outreach of the rigorous in-house research we produce. We hope to share the internal research we have conducted in 2020 via white papers and thought pieces with the aim of knowledge-sharing and sparking intellectual discussion.

Looking Towards the Future

On the retail side, investor education will always be at the forefront of the way BIBDS operates. We aim to elevate our clients' and potential clients' financial literacy in order to help them achieve their financial goals through combining informative financial education with a suite of handpicked investment products. It is our hope to shed light on investing and financial planning; areas that some may find difficult to navigate on their own.

On the institutional side, being the first and only fully licensed asset manager in Brunei is in line with the development goals as set out in Wawasan 2035 and AMBD's Financial Blueprint 2016-2025. We aim to not just drive growth and advancement in Brunei's own financial eco-system, but also aspire to be the regional champion of Islamic investing by offering a full suite of Islamic asset management products to our clients.



Our Business Support



Compliance Division



Risk Management Division



Internal Audit Division



- 10.1 Chief Operating Office
- 10.2 Finance & Strategy Group
- 10.3 Human Resources & Human Capital Division
- 10.4 Chief Marketing Office
- 10.5 Shariah Division
- 10.6 Government Relations & Special Projects Division

10

10.1 Chief Operating Office



The Chief Operating Officer (COO) Division develops, supports and executes the operational strategic plan and performance management plans that align with the bank's objectives and strategies. These plans support the businesses and all the other divisions in the bank. It also manages the business contingency planning, activation and deployment.

The COO Division's focus is to provide full support to businesses and divisions across the bank towards achieving its strategic goals and targets.

The COO Office consists of these departments: Branch Banking Operations & Services, Service Quality, Operations & Customer Service, Project Management Office, Business Intelligence & Support, Credit Operations & Administration, Digital Solution, and Collection & Recovery.

Focus Areas

In 2020, COO Division's activities focused on the following key priorities:

Enhancing Customer Experience

As a bank that is Bruneian at Heart, meeting the needs of our customers is at the core of everything we do. COO is committed to servicing the needs of customers at our branches with accuracy and in a timely manner. This included monitoring and ensuring that customers feedback are handled according to service standards. Effective management of fraud prevention was also a key focus area to ensure that our customers continued to feel safe when banking with us.



Pushing a Digital Transformation

COO continued to explore ways to promote usage of the vast range of digital services available to our customers. We worked together with Retail and Corporate Banking Groups, to strategise and execute plans to reducing cash transactions and encourage customers to Go Cashless or Go Digital, a campaign that was pushed by the CMO Division.

The division also actively promoted the drive towards a digital economy by working to increase payments conducted through the BIBD NEXGEN Wallet. COO collaborated with various stakeholders to understand problem statements and identify where digitisation can make improvements in efficiency and overall service quality. Among others, we worked with stakeholders on the strategy, processes and workflows for bank wide digital initiatives by advising them on the latest banking technological trends and identifying the right fit for the bank.

Providing customer more accessibility to BIBD through the launch of new ATM sites at KOWIRA in Berakas Garrison and the launch of the new BIBD NexGen in UBD Core.



Ensuring Excellent Service Delivery

Our key priority was to maintain the Bank's ISO9001:2015 certification in "Provision of Retail Customer Onboarding, Financing (Personal & Home), Payments (Payroll & Bulk Payments) and Card Services" for the 2nd year.

COO also continued to support business departments with the administration and operations of credit facilities, with an

aim to maximise revenue while minimising risk generated by the credit facilities. Activities included preparation of financing agreements, disbursement of financing, and limit and collateral monitoring.

Key Initiatives in 2020

Adapting to the New Normal: Our Response to the COVID-19 Pandemic

In order to mitigate the risk of COVID-19 among our staff, customers and members of the general public, BIBD branches were quick in responding to the new norms' requirements. Front-line staff were equipped with Personal Protective Equipment which included face masks, gloves for cash handling and the installation of Acrylic Protection Screens for counters

Business Continuity Plan (BCP) was activated with rapid set-up and organisation of staff at off-site locations to ensure continuity of day-to-day operations, with an additional BCP site created within 3 days and operational within 7 days.

Thermometer checking for all staff prior to entering the BIBD Headquarters, and all customers prior to entering the branches were soon put in place.

Anticipating an increase of customers at the bank during certain periods, opening hours for branches were extended during Government Pay periods. Branches opened earlier to cater specifically to pensioners who may be more vulnerable; this enabled them to conduct their transactions while avoiding large crowds of customers. The Bank also actively supported the Government's initiative in automating certain payments such as allowances under Skim Kebajikan Negara (SKN) such as recipients for MUIB and Old Age Pension via TAFIS.

As a result of these activities, BIBD was able to operate in the new normal even during the pandemic period. In fact, a service research program conducted by the Service Quality Department showed that there was an improvement in the scores in 2020 in comparison to 2019. This showed that BIBD's front-liners continued to be dedicated in providing excellent customer service despite the challenging situation.



Driving Digital Transactions

Within COO, the Service Quality Department and Branch Banking Operations and Services worked closely with Retail and Corporate Banking Groups in reducing Branches' cash transactions by encouraging customers to Go Digital. Coordinated initiatives such as upgrades to the BIBD NEXGEN Wallet to enhance virtual card activities and enable card management functions were also introduced.

Maintaining BIBD's ISO9001:2015 Certification

This certification was confirmed after the completion of BIBD's second year surveillance audit, completed in November 2020. BIBD continues to be ISO9001:2015 certified in Provision of Retail Customer Onboarding, Financing (Personal & Home), Payments (Payroll & Bulk Payments) and Card Services. This expansion makes BIBD the only bank in Brunei Darussalam to be awarded this certification consistently across all its branches.

This achievement is the result of the strong spirit of teamwork and collaboration within the bank. Being able to maintain BIBD's certification portrays our strong commitment in pursuing continuous improvements and increasing efficiency and productivity, while embodying its values of Integrity, Customer Focus, Unity and Excellence.

The ISO 9001:2015 certification is a globally recognised standard, regularly checked by an independent certification body and is used by organisations to demonstrate their ability to consistently provide products and services that meet customer and regulatory requirements and to demonstrate continuous improvements in efficiency and productivity.



Launching of the Temburong Heritage Branch

The new site offers better ambience and is more spacious, thus improving customers' experience. More space were provided to allow all segments (retail, SME and corporate customers) to comfortably bank with us through an enhance customer service experience. With the opening of the Sultan Haji Omar Ali Saifuddien Bridge,

Temburong Heritage Branch is expected to be one of the local attractions in the district. Branded as the Heritage Branch for BIBD befits the design and location of the branch, which further supports the district persona as the 'Green Jewel of Brunei'.



Think Big - Empowering Front Liners With Innovation

This is an initiative intended to elicit opportunities for innovation from BIBD employees and facilitate the idea development process through a highly experiential, collaborative and project-based learning program. Additionally, it is hoped to bring more inclusion to the Bank's digital drive and a greater sense of camaraderie with all levels of staff within the Bank.

Facilitated by COO division, this is to enhance front-liners' readiness to handle evolving customer expectations.



SME Satisfaction Survey & NPS Scoring

Based on customer focus group conducted by COO Division, key activities were identified that can greatly add-value to SME customers and enhance overall service quality. After these actions were taken, an SME satisfaction survey research was conducted and benchmarked against the results conducted in 2017. Results showed that:

- NPS scoring for SMEs improved from -4 NPS in 2017 to +16 NPS in 2020, which is +43 higher than the nearest competitor (-27 in 2020). Other banks are scored at -50 NPS in this latest study.
- Key improvements in perception is that SME customers feel that BIBD offers "innovative products and services" for SMEs (From 74% in 2017 to 79% in 2020).
- Customers also feel that BIBD makes "banking simple and hassle free" (Improved from 78% in 2017, to 84% in 2020).

Focus Areas for 2021

Customer Experience

In 2021, COO will continue our commitment to customer experience. This will be done through specialised training and process improvements to enhance customer service across all branches as well as improving the complaint management system to better capture customer feedback and systematically record service request for timely resolution.

We hope to enhance efficiency by automating various manual processes within COO Division, drive process improvement through a range of initiatives and conduct continuous Service and Digital Awareness Campaigns across branches throughout the year. Maintaining ISO9001:2015 certification continues to be a priority, which COO will carry out by driving continuous improvement towards achieving quality objectives.



Driving Digital

As one of the main customer touchpoints, COO will continue to educate and encourage customers to adopt the bank's digital solutions. However, the push towards digital should not come at the expense of customer experience, therefore efforts will be made to ensure seamlessness and user friendliness of all digital products and services in order to maintain the quality service rendered through all digital channels.

Developing Our People

In 2021, there will be a greater focus in developing capabilities to enhance service and overall customer experience at front-line. We hope to enhance training and increase the pool of additional approvers from within COO Division in meeting the growing business objective, empowering and coaching our front-liners in providing ideas to enhance customer experience and developing program to enhance skills of Branch Leaders.



10.2 Finance & Strategy Group



Showing Resiliency in Challenging Times

2020 was a challenging year for the staff within Finance & Strategy Group (FSG) and the Bank in general, with the onset of the virus. The human resource within FSG showed resilience and even when the situation was difficult; the timeliness, range and depth of Financial Intelligence and data was improved.

Financial Data plays a pivotal role in FSG as FSG provides management intelligence for strategic review and various Leaderships Committee and Board Committees. Financial Data are also used for statutory reporting to external stakeholders such as shareholders and regulators. The usefulness of Financial Data is enhanced with the implementation of strong management controls and the continued investment in human resource within FSG to achieve the key goal of providing timely and accurate data and intelligence.

FSG has 2 main departments, namely Finance and Strategy. The Finance Department is responsible for the group financial reporting, budgeting, vendor payments and financial information. The Strategy Department's was newly created in 2020 to provide support and facilitate Group level strategy, economic research and resources for strategic projects of the Group.

Expansion of Finance Division role to Finance and Strategy Group in 2020

There was a heightened focus of the Group's financial growth and financial strength, especially with the onset of the Covid virus. The responsibility of Finance Division was expanded in January 2020 to include Strategy Department within Finance Division and the expansion of the Division mandate to Finance and Strategy. In alignment of this objective and the Group's digital journey, FSG is focused in streamlining its functions and operations in positioning its role.

Development of Talented and Committed Finance Practitioners Forms the Core of FSG

BIBD aims to play a strong role in the development of Islamic banking and continuously demonstrating specialized talent in diversified areas. With this objective, FSG continues to fortify the team's development and competency in alignment to Bank's journey in innovation and digital. Further with the evolution of Islamic banking and finance, developing the team includes their exposure in understanding more complex Islamic finance transactions and digital services. As such, investment in the team's capability via training with accredited accounting certifications has always been a continuous focus.

Focusing FSG support role for Business.

This include the creation of a new supportive role in partnering with Businesses, enhanced analytical insights and data management. The aim is to provide a valuable impact in bringing BIBD closer towards achieving its mission, vision, and strategic plan.

Looking to the Future

FSG aspires to value add in the catalyst and strategist roles, in promoting BIBD's digital journey with relevant skillsets and competencies. This will be a continuous journey which we believe will enhance the teams' competencies, skills and knowledge in Islamic banking, accounting, and finance by providing exposure on the foundation and philosophy of Islamic finance and its operational applications. Evaluation of capabilities e.g. human, system, data are always critical assessment in ensuring the fit to the Bank's journey of growth towards digital world.

10.3 Human Resources & Human Capital Division



Human Resources and Human Capital Division (HRHCD) continues to build a high staff engagement and empowerment culture. This was done through regular engagement and communication between staff and management about business direction, strategies and important projects. These activities helped create a positive place for staff, a work culture of alignment, high performance and productivity.

For 2020, HRHCD focused 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:

- Enhanced digitalization of HR through automation and digitalization of HR functions and processes; and Improving employee digital literacy and skills.

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.

- Strategic talent acquisition and retention by being the employer of choice and ensuring effective knowledge transfer to local talents.
- Alignment of BIBD Compensation Policies with AMBD Guidelines through a robust corporate governance policy.
- Instill strong compliance values and work culture of front-line employees in order to maintain high integrity and strong reputation of the Bank in the eyes of our customers and other stakeholders

Rising to the Challenge in 2020

Despite facing the unprecedented Covid 19 crisis in 2020, HRHCD has risen to the challenges and achieved the following successes:

Effective Handling Of Covid19 Response

At the start and during the crisis, HRHCD's role was to ensure that the welfare, health and safety of all employees were effectively and sensitively managed while at the same time helping to ensure that BIBD's essential operations can continue. Balancing this during COVID was a challenge. HRHCD adapted to the situation swiftly by setting up the HR Emergency email and Hotline to manage employees' queries and concerns. HRHCD also became the focal point to coordinate staff related activities, which include monitoring of employee well-being, provision of support for affected employee, coordination of management visits to branches, frequent dissemination of information, guidelines and management updates to the employees through frequent emails, updates in the BIBD Family IG and visits to the branches.

Policies and guidelines were developed, expedited and adapted to support the needs of the evolving situation. Work-From-Home Guidelines was developed and implemented swiftly, to provide appropriate guidance and allow the most vulnerable of employees to work from home. Working with GRSP, HRHCD also has taken steps to be more prepared by having 10 of our employees certified for Covid-19 Workplace Ready Training by the Brunei Red Crescent (BRC). Subsequently, BIBD received the recognition as the first bank in the country to be certified as COVID-19 Workplace-Ready. HRHCD also worked closely with the BCP team through the identification of over 130 critical personnel and the provision of necessary WFH toolkits to enable continuity of essential business operations should a total lockdown happen.



During the month of Ramadhan, HRHCD has also successfully carried out the 'Kurnia' project with the support from 100 bank employees. Each employee personally delivered the Kurnia to residences of 350 recipients within ten days.

Cost Alignment

To support the Bank's cost alignment effort, HRHCD has contributed tremendously in cost saving (approximately BND3.5 million) through active vendor negotiations, reduced staff engagement activities, more streamlined learning and focused recruitment.

Targeted Learning & Development

To achieve our learning mission "To Build a Future-Smart, Innovative & Tech-Savvy (FIT) Ready workforce", learning activities were focused on the following five (5) key areas:

1. Digitalization

To enable our employees' readiness to embrace Fourth Industrial Revolution (IR 4.0) and digitalization, an eLearning module "Introduction to Digital Transformation" was successfully launched with a completion rate of 99% of employees. Through this programme, employees learned the principles of Digital Transformation and gained theoretical knowledge on Artificial Intelligence (AI), Machine Learning, Blockchain, Internet of Things (IOT), Robotics Process Automation (RPA), Virtual and Augmented Reality (AR) and many more.

2. Islamic Finance

To support BIBD's mission to be the Best Islamic Bank in Asia Pacific, Islamic Finance competencies development framework was developed which focussed on three (3) key areas, namely enhancement of Shariah compliance culture, employees' credentials with certifications and accessibility of programs through online learning. Three (3) competency levels are set from Awareness, Proficiency to Specialised (Expert) in the BIBD Shariah Training Policy (STP). In developing Islamic Finance expertise, BIBD collaborated with IBFIM for the Islamic Financial Planner™ (IFP™) and Certified Qualification in Islamic Finance (CQIF) – Wealth Management. To date, BIBD has 58 IFP™ and 19 CQIF-WM certified employees. BIBD also works closely with CIBFM on Islamic Finance and Financial Planning programs such as Fiqh Mua'malat Professional Program (FMPP), Islamic Finance Qualification (IFQ), Financial Planning Practitioner Program (FPPP) and Leadership in Islamic Finance & Economics (LIFE). To date, BIBD has 8 FMPP, 1 IFQ and 13 FPPP qualified employees.

Despite the Covid-19 pandemic, BIBD managed to organize Islamic Finance related courses facilitated by In-house trainers, online programmes & webinar sessions. Through these initiatives, BIBD recorded 325 trainee days participated by employees for programmes related to Islamic Finance and Shariah.

3. Controls & Governance

BIBD continuously provides compliance related learning opportunities to all employees to further strengthen responsibility and accountability in complying to policies, procedures and regulatory guidelines. For general awareness, 2 (two) eLearning programmes on Anti-Money Laundering (AML) and Counter-Terrorist Financing (APAC) were made mandatory for all employees to complete. In addition, an in-house programme facilitated by the respective Subject Matter Expert (SME) from Compliance Division were conducted for 424 front-line employees. Additionally, targeted programmes and certifications such as Certified Anti-Money Laundering Specialist (ACAMS), ICA Certificate in AML and Certificate in KYC and CDD were encouraged for participation by employees in the specific control functions. 2020 recorded 3 new certifications for ICA in AML and 2 new certifications for ICA in KYC and CDD.

4. Leadership

Developing strong leadership capabilities in the organisation continues to be a focus for BIBD, with 32% of programmes conducted in 2020 dedicated to Leadership and Professional Development. 23 Employees graduated from The Communication Manual (TCM), a core leadership programme that aims to transform participants into influential speakers, TCM also addresses other core leadership skills such as: giving and receiving effective feedback, managing conflict, and running effective meetings.



Development program for future leaders has also been addressed with two main initiatives, i.e. Work Attachment Programs and Graduate Management Trainee (GMT) Program. For the former, two of BIBD talents had one month attachment with our business partners in Kuala Lumpur, Malaysia in February 2020. The objective of the attachment program is to provide more international work exposure for our future leaders as well as for them to exchange best practices with our business partners. These future leaders were tasked to propose and implement relevant improvement projects upon their return to work. Meanwhile, end of June 2020 marked the completion of the BIBD Graduate Management Trainee (GMT) first year program. During the first year, the GMTs had their work rotation to 3 divisions and tasked to propose, present and implement a couple of improvement projects which would improve customer service experience, increase process efficiency or reduce operational cost. Coaching was provided and their progress were monitored. They have also been enrolled for Professional Banker Certificate as part of their training program.



5. Certification

BIBD remains committed to enhancing staff credibility and work performance by continuing to invest in professional certifications provided by recognised benchmark institutions. In 2020, a total of 32 employees successfully achieved professional certifications, taking the total number of certified employees to 279, with a further 27 employees still undergoing various programmes. To add to the diversity of certification programmes on offer, new programmes were added, such as Professional Banker Certificate by The Chartered Bankers Institute (CBI) and Certificate in Relationship Management (CertRM) by The London Institute of Banking and Finance (LIBF).

The learning culture was further strengthened by the appointment of Learning Liaisons for each Division who act as advocates for learning and work in partnership with the Learning and Development Department (LDD) to promote various learning initiatives.

Furthermore, progressing from previously held Ted Talk Video Sessions, BIBD launched its very own bite-sized learning programme. The IGNITE (Inspire, Grow, Network, Innovate, Transform and Empower) programme provides a platform for employees to share and develop ideas. Over the course of the year, in-house speakers showcased their public speaking abilities, presenting topics that relate to the themes under the IGNITE acronym. The final session in the series featured a behavioural analysis tool designed to reveal employee's career drivers.

In 2020 HRHCD has swiftly adapted to online learning in order to ensure continuous provision of learning programs for our employees. Despite many deferments and cancellations of training programs due to Covid-19, a total of 3,423 learning days (a 5% increase compared to 2019) were recorded - of which 65% were online programs.



Strengthening Corporate Governance

To strengthen our corporate governance and providing better guidelines, a number of new policies and guidelines were introduced in 2020 such as Work-From-Home Guidelines, Work Handover Policy, Corporate Credit Card, Drug and Alcohol screening and Dual Hatting Allowance. A Stress Management guidelines was also introduced to assist staff who may be experiencing high work stress levels.

Employee Communication And Engagement

During Covid-19 crisis management, frequent communication and engagement with the employees were done via emails, BIBD Family IG, online meetings with management team and face to face branch visit by the HRHCD (through EIR team). Lunch/dinner with the management resumed in the fourth quarter when the Covid-19 measures have been relaxed. Three interhouse games under Employee Unity and Team Workgroup (EUTW) were also continued and organized in 4Q.



Looking to 2021

Post COVID-19, the plan for 2021 is to ensure that HRHC initiatives and core functions are aligned with and take into consideration the business expansion and digitalization efforts, the corporate governance emphasis and cost alignment priorities. Thus, HRHCD will focus on the following areas:

1. Digitalisation

To enhance the employee digital knowledge beyond the awareness level, continuous effort will be placed to further deepen employee's literacy in specific areas as well as to obtain more certifications. In its effort to digitalize HR processes, HRHCD will launch a pilot implementation of Competency Development Framework, which was deferred due to Covid 19.

2. Employee Engagement And Culture Building

Programs to increase management visibility and staff engagement will be continued with special focus on higher engagement with selected talent group to ensure retention. To instill Performance, Code of Conduct and Compliance behaviors, townhall sessions will be organized bank-wide and Compliance Program customized for supervisors will be conducted. HRHCD will also continue to provide avenues for employees to address and manage stress level in the current challenging environment.

3. Selective Recruitment And Learning

As part of cost alignment effort, recruitment will remain to be selective for new businesses, Graduate Management Trainees and other selected roles. There will also be high focus on Online Learning and obtaining certifications and licenses, such as FPPP, CMSL, ORM, IT, CISA, etc.

4. Achieve Higher Alignment And Real Partnership With The Line And Businesses

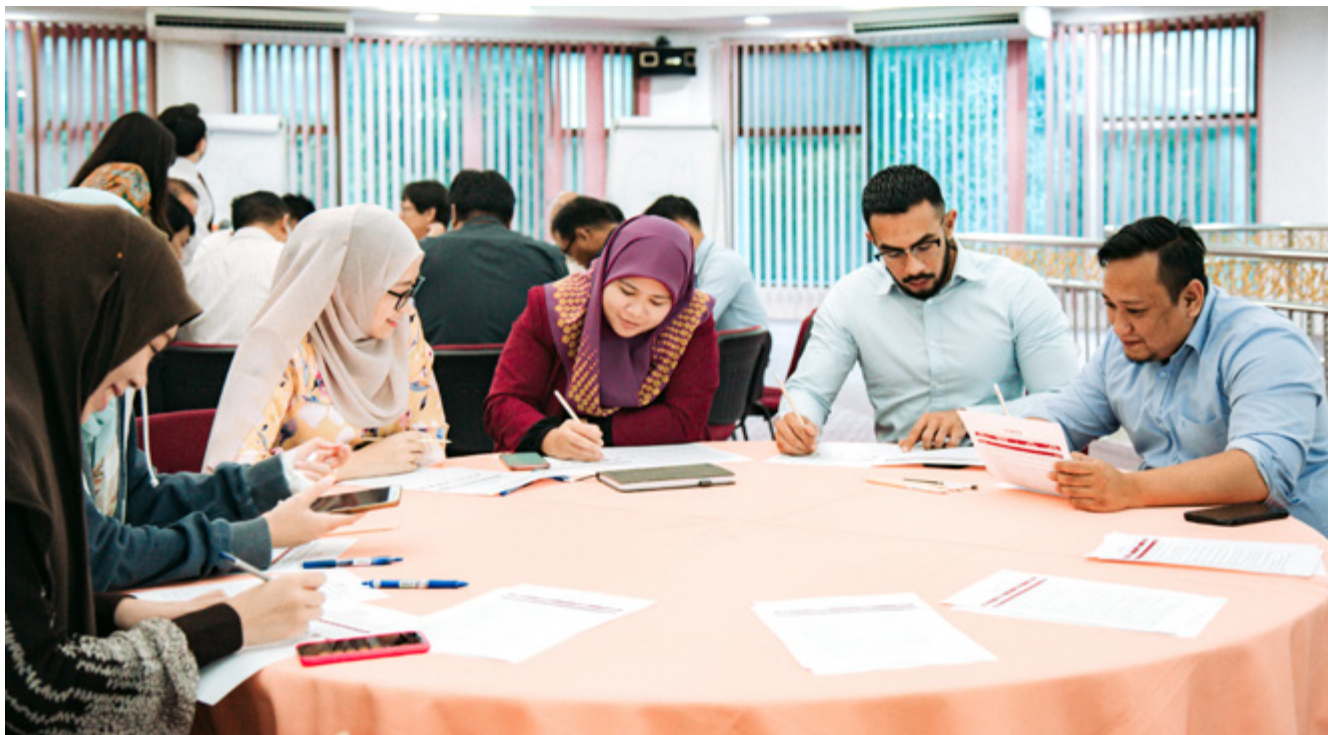
HRHCD will continue to establish a strong partnership with the business and line through provision of focused HR support as well as active involvement in their strategic projects and change initiatives.

Moving Towards Success

In 2021, it is foreseen that HRHCD will be working under stringent budget, frequent changes of policies and requirements from regulators as well as possibilities of high priority ad hoc projects. To mitigate these challenges, HRHCD 2021 planner that includes action points and milestones to be achieved has been prepared. The programs/initiatives will also be shared with the relevant parties to ensure HRHCD receives maximum support from them.

Our nation's 2035 vision is to make Brunei Darussalam into a nation which will be widely recognized for the accomplishment of its well-educated and highly skilled people measured by the highest international standards; quality of life that is among the top 10 nations in the world; and a dynamic and sustainable economy with income per capita within the top 10 countries in the world.

HRHCD's mission in building human resources capabilities and creating a positive, fair and performance-driven work culture that motivates employees to be a highly talented and most productive workforce, is aligned to Brunei's 2035 vision on human capital development.



HRHCD is committed to ensuring our workforce is ready and able to meet the changes that will be brought on by exciting global and local trends. This is evident in multiple talent recruitment, development and retention activities carried out by HRHCD.



10.4 Chief Marketing Office



Chief Marketing Office (CMO) Division is a strategic set up aimed at overseeing and managing the holistic development and execution of the bank's brand strategy, marketing activities and communications for the Group as a whole.

The CMO Division consists of these departments: Creative, Branding & Digital Marketing Department, Customer Experience Management Department, Corporate Communications Department, and Marketing Operations & Governance Department.

Group Objectives and Alignment

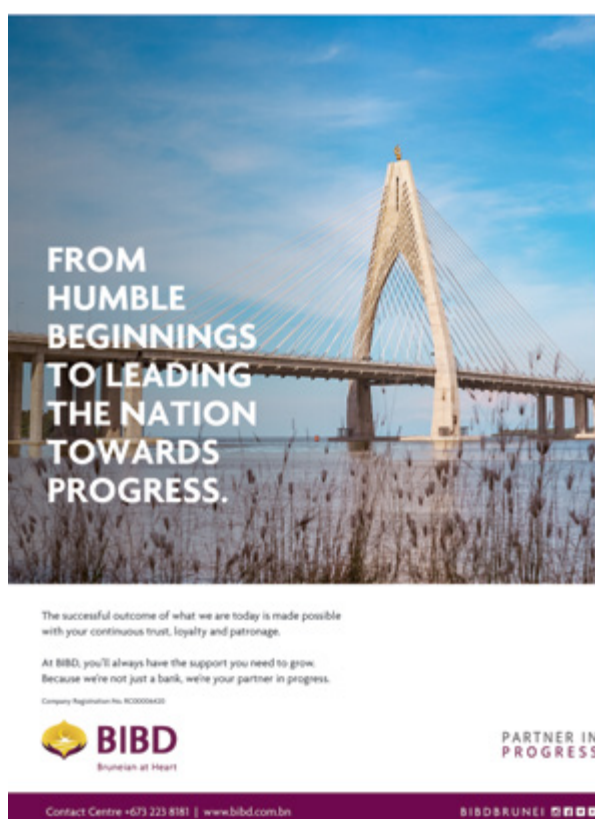
All the value-add from the CMO Division will be to align every stakeholder's business decisions and plans towards achieving the 3-year mission of becoming the Best Islamic Bank in Asia-Pacific by 2022.

The division is also the focal point for the bank's ongoing management of the Corporate Social Responsibility (CSR) and Corporate Sustainability (CS) Initiatives.

Lead by the Chief Marketing Officer, the CMO Division is responsible for ensuring that the Group's marketing, customer experience and engagement, communications, strategic campaigns, digital executions, customer touchpoints, brand profiling and brand positioning are all supported through value creation and addition to the requested works.

Brand Positioning

In June 2020, the Partners in Progress (PIP) brand campaign was launched. The PIP campaign, which will run for 18 months, is a strategic communications of the Group's brand positioning support towards achieving our mission. By making use of different customer journeys, the brand campaign aims to reinforce our positioning in terms of long-term partnership, from fulfilling individual aspirations to assisting local business and supporting large corporations. The term 'Partners in Progress' highlights BIBD's status as a national supporter and partner in all aspects of Brunei and its people's progress.



Throughout 2020, CMO has focused on embodying the Partners in Progress ethos by providing strategic support to key government initiatives, our customers and the community at large. During the peak of the COVID-19 pandemic, CMO actively supported the Ministry of Health by producing videos and collaterals intended to raise awareness on the COVID-19 pandemic in order to flatten the curve. In support of the Ministry of Finance and Economy, CMO also produced marketing assets such as videos ads and collaterals to encourage the public's use of QuickPay,



NEXGEN Wallet and other means to contribute to the Brunei COVID-19 Relief Fund. Over 36 initiatives were carried out throughout a three-month period. Go! Digital and Go! Cashless Campaign was also launched during the height of the pandemic to bring more awareness on digital solutions BIBD is able to provide to make their daily transaction needs accessible hence the convenience. The drive towards a cashless economy and BIBD's alignment to support the Smart Nation 2025 initiative has successfully perpetuated the digital transactions and volumes to new strong levels.

On the CSR front, the Bank launched its latest initiative, Community for Brunei, a virtual marketplace designed to help small businesses, highlighting different social and charitable causes important to the heart of Brunei. Among the measures intended to curb the spread of COVID-19 was the closure of restaurants and marketplaces for dine-in customers. Community for Brunei was launched in order to assist small businesses who had been massively impacted by COVID-19, providing an online ecosystem with an integrated digital payment gateway at zero (0) MDR as part of the Bank's efforts to boost online payments and support MSME's to sustain their business during unprecedented times.



BIBD too was part of the stakeholders that support the Youth Empowerment Summit where BIBD was the main host sponsor. Youths are key assets of the country which will steer the nation's vision beyond 2035. The summit saw more than 1500 (1200 virtually) students benefited the programs outlined within the summit, and involved more than 51 reputable local and international speakers to enlighten and enable the youths with skills needed in leadership position. The summit was also graced by HRH Prince Abdul Mateen and this gave a beacon of hope, motivation and encouragement to the youths as HRH's sabda or speech resonates positively towards the call to support the nation's growth and development.



Brand Reputation

CMO Division is also responsible to manage all the preparation and pitch for highly reputable awards such as the Bank of the Year (The Banker), Best Retail Bank (The Asian Banker), Best SME Bank, Best CSR (Global Finance Review), and provide campaign awareness to accreditations such as A- rating by Standard & Poor's and the ISO9001:2015.

Internally, CMO also focused on introducing more rigorous governance procedures through various processes, procedures and policies in order to optimise the management and execution of Group-wide marketing functions. Throughout 2020, CMO Division received more than 450 work requests with a 100% completion rate.

Embracing the new normal for 2021

With the global efforts to regain our footing and embrace the new normal, CMO division aims to continue to provide support to all stakeholders and elevate profile of our brand and leadership, regionally and internationally. With strong foundation on home ground, we will still continue to uphold our values and rally the brand loyalty of our customers to spill to those of the next generation, so BIBD can remain truly a Brunei bank with an outreach and brand that touches the world with its professionalism, integrity and the 'Bruneian at Heart' grace.

10.5 Shariah Division



The Shariah team jointly develops, reviews and enhances new and existing products and services with businesses and conduct rigorous and diligent research on Shariah to ensure all aspects are in compliance to Shariah principles. This is imperative to ensure it conforms to the Shariah governance and inline with international best practice.

To strengthen Shariah compliance and instill customer's trust and confidence towards the group, the Division has formulated and implemented Shariah-related internal policies/manuals and guidelines. This will assist respective units in complying with Shariah principles.

Adherence to Shariah principles is fundamental 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 relevant business, controls and support functions group wide.

Key Initiatives in 2020:

- Strengthen Shariah governance to align with AMBD guidelines;
- Support the initiatives of BIBD Securities and Asset Management;
- Strengthen customer documentation on Shariah perspectives;
- Review business processes to support the re-engineering initiatives to align with the digital journey strategies;
- Share and disseminate knowledge and information of the Shariah Advisory Body 's (SAB) decisions on products, services and operations to the public through the publication of 'Selected BIBD Shariah Advisory Body Resolutions (1993-2016.)

To achieve these goals, the Division worked closely with key stakeholders within the industry, especially our regulator the AMBD and was heavily involved in digital process re-engineering initiatives. The Shariah Division was also committed in enhancing and developing the capabilities of Shariah personnels through continuous capacity-building and training programs, especially in the business knowledge and analytical skills.

This year also saw a significant redefinition of Shariah Division's business focus; following the Shariah Financial Supervisory Board (SFSB)'s decision which requires each respective BIBD subsidiary to establish and appoint their own SAB members, the Division spearheaded extensive efforts to select new SAB members for BIBD At-Tamwil and BIBD Securities.

Focus Areas for 2021:

- Heighten the Shariah compliance in order to enhance a Shariah compliance functions ecosystem through the formulation and implementation of Shariah compliance internal policies (Shariah standards);
- Elevate the Shariah team's involvement to ensure compliance in the initial stage of product and service proposals and business dealings are rigorous and with prudent Shariah assessments;
- Expand the Division's Research and Secretariat role and functions with additional key areas, namely governance and assurance.

In order to achieve these goals, the BIBD Shariah Division aims to work closely with relevant stakeholders under the control functions within the Bank, and also recruit additional human resources to support key Shariah initiatives and also grow the talent pool.

10.6 Government Relations & Special Projects Division



The Government Relations and Special Relations (GRSP) Division comprises of 3 main units, namely the Facilities Management and Security Unit, Procurement and Data Repository Unit and the Strategic Relationship Management Unit.

Ensuring Safety and Security

The Facilities Management and Security Unit (FMSU) ensures the effectiveness and efficiency of the Bank's operations by protecting and maintaining a secure and safe environment for the Bank's personnel, visitors, customers, service providers and contractors.

In 2020, the unit executed and completed multiple renovation works aimed towards improving the overall conditions of BIBD's premises, facilities and branches. This was to ensure the security and comfort of employees and

provide a conducive banking space for both customers and stakeholders, in accordance with national HSE standards.

Among the notable projects was the renovation and establishment of the Centre for Excellence and Empowerment (CEE) and the PGGMB Building, the construction and refurbishment of the Bank's Heritage Branch in Temburong as well as various off-site ATM's.

The unit also implemented several readiness initiatives related to COVID-19 in order to mitigate risk of COVID-19 outbreaks in the Bank and ensuring the safety, health and well-being of employees, customers and stakeholders are well assured.

Among the readiness initiatives were the establishment of a Business Continuity Plan (BCP) and the development of a 2nd BCP site. The unit also implemented a COVID-19 Plan of Action, with activities such as distribution of Personal

Protective Equipment for front-liners, installation of hand sanitizers and thermometer units at all BIBD premises, social distancing and acrylic barriers as well as regular disinfection services.

The Facilities Management & Security Unit continues to be a significant part of providing support services to the Bank in ensuring continuous and uninterrupted operations. The unit strives to provide round-the-clock services to ensure that both Business and Support are able to perform and deliver their Business As Usual (BAU) activities effectively, by providing a work environment that is safe, functional and secure.

Streamlining Procurement Processes Towards Greater Efficiency

The Procurement and Data Repository Unit is tasked with the acquisition of goods and services required by the Bank, through the selection of vendors, vetting and negotiation of contracts and purchase of actual goods and services. The Unit also provides administrative support to internal stakeholders by managing mailing functions, and in an archival function by ensuring the effectiveness of record management.

In 2020, the Unit remained focused in their efforts to maintain an effective and efficient Procurement, Mailing and Archival system, working closely with the Service Quality Department under Chief Operating Office to streamline and improve the procurement process and ensure timely support and processes in accordance with ISO9001:2015 standards.

Despite the challenges of 2020, the Unit managed to streamline several processes by establishing contracts with key vendors to improve efficiency and productivity in procuring goods and services. Through continuous monitoring and administration of the internal procurement system, the Unit was able to secure savings for the Bank amounting to B\$112,076.08 through various commercial discounts and negotiations.

In 2021, the Procurement and Data Repository Unit will continue pursuing bottom-line improvements that can significantly impact the way the bank conducts business. This includes conducting ethical business through implementation of comprehensive policies and governance as well as best practices in Service Level Agreement (SLA).

BIBD's collaboration and relationship with selected and relevant suppliers will emphasise the significance of preserving the Environment, being Socially responsible and

ethical in managing our business through a comprehensive corporate Governance approach, which embodies the Bank's commitment to ESG, hence leading towards a more sustainable business and financial stability for all parties.

Adopting a Whole of Nation approach through Strategic Partnerships

The Strategic Relationship Management Unit continues with its commitment to maximising the Bank's potential by forging partnerships with key strategic stakeholders and partners. By ensuring that all activities coordinated by the Bank and its strategic partners are aligned and supporting the Brunei Vision 2035, the Unit is able to maintain alignment as well as long-term and sustainable outcomes for all parties involved.

Among the key priorities for the Unit in particular and GRSP in general are to amplify the Bank's relationship through supporting national agenda advocated by key government agencies, and in the preservation of BIBD's brand equity by positioning itself as the Bank of Choice in the country and abroad.

Notable strategic initiatives under a Whole of Nation approach include the 1 Kampong 1 Produk (1K1P) Transformation Programme. Held in collaboration with the Ministry of Home Affairs (MOHA), BIBD jointly implemented a comprehensive empowerment entrepreneurship programme developed by BIBD for MOHA.

The training is targeted at 1K1P participants from Mukim and Kampung, aimed towards equipping them with crucial and relevant knowledge and skill in entrepreneurship and business operations. The programme also helped participants in transforming cottage industry products and services into high quality merchandise, which includes F&B, health and beauty, herbal healing oil and soap, and traditional handicrafts.

A total of 17 1K1P participants completed the programme. The main highlight of the event was the launching and introduction of products and services that have been transformed and rebranded, and was presented to the Minister of Home Affairs Yang Berhormat Pehin Orang Kaya Seri Kerna Dato Seri Setia (Dr.) Haji Awang Abu Bakar bin Haji Apeng.

The collaboration and this programme has helped MOHA to take a step closer towards achieving its objectives in enhancing awareness and promoting on the improved 1K1P products and services, in local markets, and with the potential of expanding to regional markets.



Throughout the COVID-19 pandemic, the GRSP Division also supported numerous ministries and NGO's. In line with the Bank's Go Cashless Go Digital campaign, GRSP supported business divisions in facilitating and expediting registration and implementation of online banking systems and platforms for digital payments. Among them included the Ministry of Transportation and Info-Communications, the Ministry of Culture Youth and Sports, the Ministry of Health, the Ministry of Religious Affairs, the Ministry of Finance and Economy and the Ministry of Home Affairs.

This initiative encouraged the public sector as well as MSME's to introduce digital and cashless payments through BIBD BizNet and BIBD QuickPay, providing better efficiency and effectiveness in money management for the stakeholders as well as reducing physical interactions in light of COVID-19. Importantly, this also helped further drive and align with the government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam's initiative, through the Digital Economy Masterplan 2025, towards transforming Brunei into a Smart Nation.

Let's Do Our Part

Let's show our appreciation to everyone involved in the fight against COVID-19. Make a donation to the **COVID-19 Relief Fund** via our BIBD NEXGEN Wallet or transfer to account number **1010070123**

GO DIGITAL! #Brunei #TogetherWeCanDoIt
#stopCOVID19 #flattenthecurve

BIBD NEXGEN
Infinity of Possibilities

In 2021, GRSP will continue to be the focal point for the Bank and His Majesty's Government in facilitating, conveying, implementing and achieving the divisional and bank-wide goals and strategic efforts, in ensuring that the Bank's activities are aligned with His Majesty's Government's initiatives.



Additionally, GRSP will continue to build and maintain close relationships with key influencers and decision makers within the Government, corporates and relevant institutional bodies. All of the above are executed with emphasis on key approaches and efforts adopting a Whole of Nation approach, aligned with the Bank's commitment as a Partner in Progress, and in support of ESG and SDG goals.

Bank Islam Brunei Darussalam Berhad and its Subsidiaries



Financial Statements

Year Ended 31 December 2020

Registration Number: RC00006420

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Directors' Report

The directors have pleasure in presenting this report together with the audited financial statements of Bank Islam Brunei Darussalam Berhad ("the Bank") and its subsidiaries ("the Group") for the financial year ended 31 December 2020.

Principal activities

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

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

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

Results

	Group B\$'000	Bank B\$'000
Profit for the year		
Attributable to:		
Equity holders of the Bank	<u>136,027</u>	<u>132,790</u>

Dividends

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

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

Directors

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

Dato Seri Setia Dr Awang Haji Mohd Amin Liew
bin Abdullah

Dato Paduka Iqbal Ahmad Khan

Junaidi bin Hj Masri

Dr Jan Hendrik van Greuning

Mubashar Khokhar

Majed Nasser Alsubaei (resigned on 20 March 2020)

Sofian Mohammad Jani (appointed on 19 March 2020)

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of emoluments received or due receivable by directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 35 of the financial statements) by reason of a contract made by the Bank or a related corporation with any director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

The following directors who held office at the end of the financial year had, according to the register required to be kept under Section 145 (A), of the Companies Act, Chapter 39, an interest in shares of the Bank, as stated below:

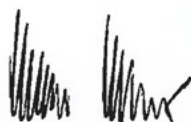
Name of directors	Number of ordinary shares of B\$0.70 each	
	At beginning of the year	At end of the year
Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah	2	2
Dato Paduka Iqbal Ahmad Khan	1	1
Junaidi bin Hj Masri	1	1
Mubashar Khokhar	1	1

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

Signed on behalf of the Board in accordance with a resolution of the directors dated **20 MAR 2021**



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



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages FS1 to FS128 are drawn up in accordance with the Brunei Darussalam Companies Act, Cap. 39 (the "Act"), Islamic Banking Order, 2008 (the "Order") and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Group and the Bank as of 31 December 2020 and the financial performance, changes in equity and cash flows of the Group and the Bank for the financial year ended 31 December 2020.

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

20 MAR 2021

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

Mubashar Khokhar
Managing Director

Junaidi bin Hj Masri
Director

Brunei Darussalam

Shariah Advisory Body Report

بِسْمِ 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

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

- a) We have reviewed the principles outlined in the contracts that relate to the transactions as well as the applications of these principles in the products and services introduced by Bank Islam Brunei Darussalam ("the Bank") and its Group of Companies ("the Group") through consultation with the respective Bank's subsidiaries' Shariah Advisory Body ("the Subsidiaries' SAB") during the course of the financial year ended 31 December 2020. We have also conducted our review to form an opinion as to whether the Bank and the Group has complied with *Hukum Syara'*.
- b) The Bank's and the Group's management are responsible for ensuring that its operations are carried out in line with *Hukum Syara'*. It is our responsibility to present an independent opinion base on our review of the Bank's and the Group's business operations and subsequently report to you.
- c) We have assessed the work carried out by the Shariah control functions which also include Shariah review and Shariah audit examination, on a test basis, each type of transactions, the relevant documentation and procedures adopted and or entered by the Bank and the Group.
- d) We obtained all information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank and the Group has not violated the *Hukum Syara'* in all transactions that had been presented to us.

We, the Shariah Advisory Body of Bank Islam Brunei Darussalam are of the opinion and hereby confirm that: -

- a. The products and services, contracts and dealings transactions entered into by the Bank and the Group during the financial period ended 31 December 2020 that we have reviewed are in compliance with *Hukum Syara'*;
- b. The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with *Hukum Syara'*;
- c. All earnings that have been realized from sources or by means prohibited by the *Hukum Syara'* have been separated and considered for disposal to *Maṣlaḥah 'Āmmah* (public benefit) upon approval by us;
- d. Every incident of Shariah non-compliant event has been brought to our attention and we have subsequently noted that the corrective as well as preventive measures have been taken by the Bank and the Group in order to avoid the same from occurring in the future; and
- e. The zakat of the Bank and the Group's business is in accordance with the calculation methodology approved by this Body.

This opinion is rendered based on the information presented by the management of the Bank to us.

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

والله ولي التوفيق

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



Dato Seri Setia Dr Awang Haji Mazanan bin Haji Yusof
Chairman

Brunei Darussalam

20 MAR 2021



کي . في . عيم . جي

KPMG
Unit 401- 403A, Wisma Jaya
Jalan Pemandha
Bandar Seri Begawan BS8811
Brunei Darussalam

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+673 222 6888
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Independent Auditors' Report

To the Shareholders of Bank Islam Brunei Darussalam Berhad

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bank Islam Brunei Darussalam Berhad (the 'Bank') and its subsidiaries (the 'Group'), which comprise the statements of financial position of the Group and the Bank as at 31 December 2020, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages FS1 to FS128.

In our opinion, the accompanying consolidated financial statements are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 ('the Act'), Islamic Banking Order, 2008 ('the Order') and International Financial Reporting Standards ('IFRSs'), so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020, and the financial performance and cash flows of the Group and of the Bank for the year then ended.

Basis for Opinion

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

Other information

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

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

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



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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG
Certified Public Accountants

Sufian bin Zainul Abidin
Public Accountant

Brunei Darussalam
Date: 20 March 2021

Income Statements

Year ended 31 December 2020

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

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

Statements of Comprehensive Income
Year ended 31 December 2020

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

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

Statements of Financial Position
As at 31 December 2020

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

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

Certification

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



Mubashar Khokhar
Managing Director

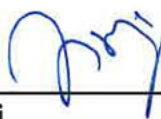
The financial statements were approved by the Board of Directors and signed for and on its behalf of the Board.



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



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam

20 MAR 2021

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

Statement of Changes in Equity
Year ended 31 December 2020

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

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

Statement of Changes in Equity (Cont'd)

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

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

Statement of Changes in Equity
Year ended 31 December 2020

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

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

Statement of Changes in Equity (cont'd)

Bank	Note	Share capital B\$'000	Statutory reserve B\$'000	-----Other reserves-----			Total B\$'000
				Fair value reserve B\$'000	Retained profits B\$'000		
At 1 January 2019		507,325	493,429	(3,119)	91,282		1,088,917
Profit for the year		-	-	-	153,810		153,810
Other comprehensive income		-	-	8,738	-		8,738
Total comprehensive income for the year		-	-	8,738	153,810		162,548
Transfers to statutory reserve	34	-	20,198	-	(20,198)		-
Transactions with owners of the Bank							
Contributions and distributions							
Dividends paid on ordinary shares	13	-	-	-	(88,202)		(88,202)
Total contributions and distributions		-	-	-	(88,202)		(88,202)
At 31 December 2019		507,325	513,627	5,619	136,692		1,163,263

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

Statements of Cash Flows
Year ended 31 December 2020

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

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

Statements of Cash Flows (Cont'd)

Year ended 31 December 2020

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

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 2020 as shown in the consolidated financial statements of the Group includes the share of profit/(loss) from the following subsidiaries, for the financial year ended 31 December 2020:

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

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

On behalf of the Board of Directors



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



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam

20 MAR 2021

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

(a) Statement of compliance

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

Standards adopted during the year 31 December 2020

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

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

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

Standards and interpretations issued but not yet adopted

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

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

(b) Basis measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

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

Coronavirus (COVID-19) pandemic

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

The estimation uncertainty is associated with:

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

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

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

2.2 Basis of consolidation

Business combinations

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

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

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

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

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

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

Acquisition of non-controlling interest

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

Subsidiaries

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

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

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

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

Loss of control

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

Joint ventures

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

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

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

Associate

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

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

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

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

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

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

Non-controlling interests

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

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

Transactions eliminated on consolidation

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

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

2.3 Foreign currency

Foreign currency transactions and balances

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of an equity investment designated at FVOCI which are recognised in other comprehensive income.

2.4 Cash and cash equivalents

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

2.5 Financial instruments

Recognition and initial measurement

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

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

The Group categorises its financial instruments as follows:

Financial assets

(a) Classification

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual profit, maintaining a particular yield rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how management is compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

- contingent events that would change the amount or timing of cash flows;

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

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

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

Derivative financial instruments

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

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

Non-integral financial guarantee contracts

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

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

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

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

Fair value measurement

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

Derecognition

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

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

Offsetting

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

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

2.6 Property and equipment

(a) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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

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

(b) Subsequent costs

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

(c) Depreciation

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

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

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

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

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

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

2.7 Investment property

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

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

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

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

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

2.8 Leases

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

i. As a lessee

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

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

ii. As a lessor

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

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

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

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

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

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 22). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

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

2.9 Impairment for non-financial assets

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

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

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.10 Deposits, financing and other liabilities

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

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

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

2.11 Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

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

2.12 Contingent liabilities

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

2.13 Contingent assets

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

2.14 Share capital

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

2.15 Recognition of income and expense

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

Profit from financing and leasing and profit paid/payable to depositors are recognised in the profit or loss using the effective yield rate method. The effective yield rate is exactly the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

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

When calculating the effective yield rate, the Group estimated future cash flows considering all contractual terms of financial instruments, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted yield rate is calculated using estimated future cash flows including ECL. The calculation includes all fees and transaction costs integral to the effective yield rate, as well as premium or discounts.

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

Fee and commission

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

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

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

Profit from placements and investments

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

Dividend income

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

2.16 Income tax

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

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2.17 Zakat

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

2.18 Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plan

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

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

Other long-term employee benefits

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

2.19 Earnings per ordinary share

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

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

3 Profits from financing, leasing and investments

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

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

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

4 Profits paid/payable to depositors

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

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

5 Net fee and commission income

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

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

6 Gain/(loss) from derivative and investments

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

The foreign exchange risk exposure is managed through the use of foreign exchange forwards and swaps to hedge currency risk as set out in Note 36. The Bank does not adopt hedge accounting for such currency hedges, so in accordance with the accounting policies in Note 2, the foreign exchange gains or losses on assets are recognised in net foreign exchange loss in the income statements and the fair value movements in the forward currency hedges are included in gain or loss from derivatives and investments.

7 Other operating income

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

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

8 Personnel expenses

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

9 Other expenses

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

10 Allowance for impairment on financial assets

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

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

11 Zakat

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

12 Income tax expense

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

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

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

13 Dividend per ordinary share

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

	Group and Bank			
	2020		2019	
	Gross dividend per share	Dividend net of tax	Gross dividend per share	Dividend net of tax
	B\$	B\$'000	B\$	B\$'000
Authorised:				
Final dividend paid	0.1838	133,209	0.1217	88,202

At the Annual General Meeting on 5 June 2020, a final dividend in respect of financial year ended 31 December 2019 of B\$0.1838 on 724,749,512 ordinary shares, amounting to B\$133,208,960 was approved and paid on 2 July 2020.

14 Earnings per share

Basic Earnings per Share ("EPS")

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

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

Diluted Earnings per Share

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

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

15 Cash and cash equivalents

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

16 Balances with Autoriti Monetari Brunei Darussalam

As required by the provisions of Section 45 of the Islamic Banking Order, 2008 and Section 13A of the Finance Companies Act, a cash balance is maintained with the 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.

17 Placements with and financing and advances to banks

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

18 Government sukus

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

19 Investments

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

19.1 Investments at amortised cost

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

19.2 Investment at fair value through profit or loss

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

19.3 Investments at fair value through other comprehensive income

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

Equity investments designated as at FVOCI

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

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

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

20 Derivative financial assets/(liabilities)

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

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

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

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

21 Financing and advances

(a) By type of product

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

(b) By contract

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

(c) By security

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

(d) By sector

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

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

(e) Non-performing financing and advances

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

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

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

(f) Non-performing financing and advances by sector

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

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

	Note	Group B\$'000	Bank B\$'000
As at 1 January 2019		72,451	63,995
Allowance made during the year/ Reclassification of commitment to other liabilities	10	13,977	12,414
Amount written off during the year		(16,839)	(13,387)
At 31 December 2019		69,589	63,022
Allowance made during the year	10	14,498	12,800
Amount written off during the year		(16,869)	(14,830)
At 31 December 2020		67,218	60,992

22 Finance lease receivables

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

The finance lease receivables are as follows:

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

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

23 Investments in subsidiaries

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

Details of the Group's subsidiaries are as follows:

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest	
			2020 %	2019 %
BIBD At-Tamwil Bhd	Lease financing	Negara Brunei Darussalam	100	100
- Better Sdn Bhd	Car rental	Negara Brunei Darussalam	100	100
BIBD Securities Sdn Bhd	Stockbrokers/ sharebrokers	Negara Brunei Darussalam	100	100
BIBD Management & Services Sdn Bhd	Management services	Negara Brunei Darussalam	100	100
IBB Capital Asset Management Sdn Bhd (dissolved on 26 March 2020)	Fund management	Negara Brunei Darussalam	-	100
IBB Transport Sdn Bhd (dissolved on 11 March 2020)	Vehicle leasing	Negara Brunei Darussalam	-	100
Saujana Sdn Bhd (dissolved on 23 January 2021)	Aircraft leasing	Negara Brunei Darussalam	100	100
BIBD Middle East Limited	Advisory services	United Arab Emirates	100	100

24 Investments in associate and joint ventures

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

24.1 Investment in associate

	Group		Bank	
	2020	2019	2020	2019
	B\$'000	B\$'000	B\$'000	B\$'000
At cost				
Unquoted shares	7,080	7,080	7,080	7,080
Share of post-acquisition reserves	16,395	17,677	-	-
Investment in associate	23,475	24,757	7,080	7,080

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

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest	
			2020 %	2019 %
Syarikat Takaful Brunei Darussalam Sdn Bhd	Family and general takaful businesses	Negara Brunei Darussalam	31	31
Group's share in net assets of associate at the beginning of the year			2020 B\$'000	2019 B\$'000
			24,757	20,816
Group's share of:				
- profit from continuing operations			1,524	1,425
- dividend received			(362)	(409)
- other comprehensive income			(2,444)	2,925
Carrying amount of interest in associate at the end of the year			23,475	24,757

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

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

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

Included in balances above are the following amounts:

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

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

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

24.2 Investment in joint ventures

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

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

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest	
			2020	2019
			%	%
Belait CSS Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	49.99	49.99
Belait Barakah Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	49.99	49.99
Group's share in net assets of joint ventures at the beginning of the year			2020 B\$'000	2019 B\$'000
			18,437	18,042
Group's share of:				
- profit from continuing operations			(69)	395
Carrying amount of interest in joint ventures at the end of the year			2020 B\$'000	2019 B\$'000
			18,368	18,437

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

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

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

Included in balances above are the following amounts:

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

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

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

25 Other assets

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

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

26 Property and equipment

Group	Leasehold improvements	Equipment, furniture and fittings	Motor vehicles	Assets under lease	Work-in-progress	Computer software	Right-of-use assets	Total
	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
Cost								
At 1 January 2019	35,320	40,594	133	12,023	8,636	66,675	-	163,381
Adjustments due to remeasurement of lease liabilities	-	-	-	-	-	-	5,275	5,275
Additions	356	248	-	-	5,288	2,268	38,076	46,236
Disposals	-	(112)	-	(713)	-	-	-	(825)
Transfers	1,491	2,703	-	-	(8,336)	4,142	-	-
At 31 December 2019	37,167	43,433	133	11,310	5,588	73,085	43,351	214,067
Additions	1	634	-	-	6,776	66	2,880	10,357
Disposals	-	-	-	(169)	-	-	(378)	(547)
Transfers	893	2,915	-	-	(5,508)	1,700	-	-
At 31 December 2020	38,061	46,982	133	11,141	6,856	74,851	45,853	223,877
Accumulated depreciation								
At 1 January 2019	18,004	29,816	109	1,820	-	48,178	-	97,927
Depreciation/Amortisation for the year	2,817	4,576	9	1,326	-	7,353	2,179	18,260
Disposals	-	(101)	-	(42)	-	-	-	(143)
At 31 December 2019	20,821	34,291	118	3,104	-	55,531	2,179	116,044
Depreciation/Amortisation for the year	3,205	4,448	9	1,063	-	6,783	3,087	18,595
Disposals	-	-	-	(38)	-	-	(378)	(416)
At 31 December 2020	24,026	38,739	127	4,129	-	62,314	4,888	134,223
Carrying amounts								
At 31 December 2019	16,346	9,142	15	8,206	5,588	17,554	41,172	98,023
At 31 December 2020	14,035	8,243	6	7,012	6,856	12,537	40,965	89,654

Asset under lease include motor vehicles under finance lease.

	Leasehold improvements		Equipment, furniture and fittings		Motor vehicles		Work-in-progress		Computer software		Right-of-use assets		Total
	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
Bank													
Cost													
At 1 January 2019	33,543		34,062	138	5,670	66,614	-	-	-	-	-	-	140,027
Adjustments due to remeasurement of lease liabilities	-	-	-	-	-	-	-	-	-	-	5,275	5,275	
Additions	-	-	-	-	7,092	-	-	-	-	-	36,730	43,822	
Transfers	1,486	2,294		-	(7,922)	4,142	-	-	-	-	-	-	
At 31 December 2019	35,029	36,356	138	4,840	70,756	42,005	189,124						
Additions	-	-	-	5,810	-	2,692	8,502						
Disposals	-	-	-	-	-	(378)	(378)						
Transfers	893	2,505	-	(5,098)	1,700	-	-						
At 31 December 2020	35,922	38,861	138	5,552	72,456	44,319	197,248						
Accumulated depreciation													
At 1 January 2019	16,797	25,599	113	-	48,124	-	90,633						
Depreciation/Amortisation for the year	2,699	3,771	9	-	6,678	1,868	15,025						
At 31 December 2020	19,496	29,370	122	-	54,802	1,868	105,658						
Depreciation/Amortisation for the year	3,053	3,552	9	-	6,320	2,763	15,697						
Disposals	-	-	-	-	-	(378)	(378)						
At 31 December 2020	22,549	32,922	131	-	61,122	4,253	120,977						
Carrying amounts													
At 31 December 2019	15,533	6,986	16	4,840	15,954	40,137	83,466						
At 31 December 2020	13,373	5,939	7	5,552	11,334	40,066	76,271						

27 Investment property

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

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

Fair value hierarchy, valuation technique and unobservable inputs

Based on the latest available valuation report, the fair value of the investment property is B\$34,500,000 (2019: B\$36,100,000). The fair value of the investment property was based on the valuation report provided by a firm of external, independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The valuation technique applied is the discounted cash flow approach (Level 3). Fair value of the investment property is derived from the potential cash flows from the building based on the remaining lease term. The key unobservable input includes estimated occupancy rate of 76.1% (2019: 71.4%).

28 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

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

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

29 Deposits from customers

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

30 Deposits from banks and other financial institutions

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

31 Placements from other financial institutions

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

32 Other liabilities

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

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

	2020 Lease liabilities B\$'000
Group	
Opening balance at 1 January 2020	39,134
Changes from financing cash flow	
Payment of lease liabilities	(3,622)
Other changes - Liability-related	
New leases	2,927
Profit expense on leases	1,328
Balance at 31 December 2020	39,767
	2019 Lease liabilities B\$'000
Group	
Opening balance at 1 January 2019	2,850
Changes from financing cash flow	
Payment of lease liabilities	(2,249)
Other changes - Liability-related	
New leases	37,998
Profit expense on leases	535
Balance at 31 December 2019	39,134

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

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

33 Share capital

	Number of shares		Amount	
	2020	2019	2020	2019
Group and Bank			B\$	B\$
Authorised:				
Ordinary shares of B\$0.70 each	1,428,571,429	1,428,571,429	1,000,000,000	1,000,000,000
Total	1,428,571,429	1,428,571,429	1,000,000,000	1,000,000,000
Issued and fully paid:				
Ordinary shares of B\$0.70 each	724,749,512	724,749,512	507,324,659	507,324,659
Total	724,749,512	724,749,512	507,324,659	507,324,659

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

34 Statutory and other reserves

Statutory reserves

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

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

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

Other reserves

Group	Fair value reserve B\$'000	Foreign currency translation reserve B\$'000	Retained profits B\$'000	Total B\$'000
At 1 January 2019	369	(30)	142,327	142,666
Total comprehensive income for the year	11,619	-	155,367	166,986
Foreign currency movement	-	(11)	-	(11)
Transfer to statutory reserves	-	-	(21,042)	(21,042)
Dividends paid on ordinary shares	-	-	(88,202)	(88,202)
At 31 December 2019	11,988	(41)	188,450	200,397
Total comprehensive income for the year	3,924	-	136,027	139,951
Foreign currency movement	-	(58)	-	(58)
Transfer to statutory reserves	-	-	(8,041)	(8,041)
Dividends paid on ordinary shares	-	-	(133,209)	(133,209)
At 31 December 2020	15,912	(99)	183,227	199,040
Distributable retained profits			179,911	179,911
Non-distributable retained profits for PRCL			3,316	3,316
At 31 December 2020			183,227	183,227

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

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

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

35 Related party transactions

Identity of related parties

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

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

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

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

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

	Group	
	2020	2019
	BS'000	BS'000
Joint Ventures		
<i>Amount due from</i>		
Financing	52,735	63,162
<i>Amount due to</i>		
Others	4,995	715

	Group	
	2020	2019
	B\$'000	B\$'000
Associate		
<i>Amount due to</i>		
Deposits	242,043	291,466
Others	2,322	3,268
Key management personnel		
<i>Amount due from</i>		
Financing (ex. Credit cards)	2,526	2,761
Credit cards	52	72
<i>Amount due to</i>		
Deposits	4,467	3,629
Other related parties		
<i>Amount due to</i>		
Deposits	761,757	2,261,230
	Bank	
	2020	2019
	B\$'000	B\$'000
Joint Ventures		
<i>Amount due from</i>		
Financing	52,735	63,162
<i>Amount due to</i>		
Deposits	4,995	715
Subsidiaries		
<i>Amount due from</i>		
Placements	417,900	394,000
Others	345	27,176
<i>Amount due to</i>		
Deposits	89,125	79,287
Others	3,097	2,136
Associate		
<i>Amount due to</i>		
Deposits	247,948	203,725
Others	1,505	2,056

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

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

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

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

Key management personnel

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

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

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

	Group	
	2020	2019
Number of shares held ('000)	49	49

Interest held by associate

The number of shares of the Bank held by the associate as at 31 December 2020 is 11,706,000 (2019: 11,707,000).

Interest held by the government and government controlled entities

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

The Group enters into transactions with many of these bodies based on agreed terms between the parties in the normal course of business.

Individually significant transactions

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

36 Financial risk management

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

Overview of risk management

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

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

Risk management functional and governance structure

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

(a) Credit risk

Overview of credit risk of the Bank

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

Management of credit risk

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

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

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

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

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

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

Counterparty credit risk exposures are managed via counterparty limits either on a single name basis or counterparty group basis which adheres to the Guidance on Single Borrowing Limit issued by AMBD. The Bank monitors and manages its exposures to counterparties on a day-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	
	2020	2019	2020	2019
	B\$'000	B\$'000	B\$'000	B\$'000
<i>Credit risk exposure of recognised assets:</i>				
Cash and cash equivalents	2,622,110	3,732,366	2,621,144	3,731,579
Balances with Autoriti Monetari Brunei Darussalam	488,898	435,026	449,900	400,380
Placements with and financing and advances to banks	1,045,882	1,129,582	1,463,555	1,522,236
Government sukuks	10,000	9,897	10,000	9,897
Investments	1,056,315	1,047,398	1,056,315	1,047,398
Derivative financial assets	48,393	42,505	48,393	42,505
Financing and advances	4,009,238	3,997,148	3,282,279	3,290,992
Finance lease receivables	12,588	12,615	12,588	12,615
Other assets	45,957	97,412	44,474	123,034
Sub-total	9,339,381	10,503,949	8,988,648	10,180,636
<i>Credit risk exposure of unrecognised financial instruments:</i>				
Credit commitments	298,314	773,129	298,314	773,129
Contingent liabilities	328,920	334,637	328,920	334,637
Sub-total	627,234	1,107,766	627,234	1,107,766
Total credit exposures	9,966,615	11,611,715	9,615,882	11,288,402
Investments exclude unquoted equity security and unquoted fund.				
Other assets exclude prepayments.				

(i) Concentration of credit risk for Group and Bank

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

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 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
2020																				
Agricultural	-	-	-	-	-	-	-	-	-	-	15,908	-	-	-	-	-	15,908	-	11,922	-
Financial	3,667,992	-	-	-	-	518,591	-	48,393	-	-	79,434	-	-	-	-	-	4,314,410	-	145,629	-
Manufacturing	-	-	-	-	-	5,708	-	-	-	-	66,062	-	-	-	-	-	71,770	-	129,986	-
Transportation	-	-	-	-	-	33,499	-	-	-	-	911,521	-	-	-	-	-	945,020	-	9,963	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	31,219	-	-	-	-	-	31,219	-	71,346	-
Traders	-	-	-	-	-	-	-	-	-	-	97,234	-	-	-	-	-	97,234	-	21,483	-
Services	-	-	-	-	-	25,144	-	-	-	-	65,859	12,588	-	-	-	-	103,591	-	24,120	-
Residential property (personal)	-	-	-	-	-	-	-	-	-	-	795,236	-	-	-	-	-	795,236	-	41,307	-
Commercial (property development)	-	-	-	-	-	25,061	-	-	-	-	401,297	-	-	-	-	-	426,358	-	17,808	-
Tourism	-	-	-	-	-	-	-	-	-	-	9,017	-	-	-	-	-	9,017	-	3,233	-
Telecommunication and information technology	-	-	-	-	-	9,638	-	-	-	-	2,269	-	-	-	-	-	11,907	-	2,158	-
Personal and consumption financing	-	-	-	-	-	-	-	-	-	-	1,024,422	-	-	-	-	-	1,024,422	-	79,563	-
Oil and gas	-	-	-	-	-	-	-	-	-	-	509,760	-	-	-	-	-	509,760	-	68,716	-
Others	-	488,898	10,000	438,674	-	-	-	-	-	-	-	-	-	-	-	45,957	983,529	-	-	-
Total	3,667,992	488,898	10,000	1,056,315	48,393	4,009,238	12,588	45,957	9,339,381	627,234										

Investments exclude unquoted equity security and unquoted fund.

Other assets exclude prepayments.

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

Investments exclude unquoted equity security and unquoted fund.
Other assets exclude prepayments.

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

Investments exclude unquoted equity security and unquoted fund.

Other assets exclude prepayments.

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

Investments exclude unquoted equity security and unquoted fund.

Other assets exclude prepayments.

(ii) Collateral

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

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

Based on the secured financings, the fair values of collaterals held by the Group and Bank for which they are entitled to sell or pledge in the event of default is as follows: (Refer to Note 21 for the breakdown of financings by security)

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

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

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

The carrying amount of properties and motor vehicles that have been repossessed during the year amount to B\$11,386,629 (2019: B\$8,614,839) for the Group and B\$9,077,366 (2019: B\$5,722,243) for the Bank.

(iii) Credit quality of gross financing and advances

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

Neither past due nor impaired

- a) Excellent to good** Obligors rated in this category have an excellent to good capacity to meet financial commitments with very low credit risk.
- b) Fair** Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

Past due but not impaired

Obligors rated in this category have financial commitments that are past due but no objective evidence of impairment.

Impaired

Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated.

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

	Group		Bank	
	2020	2019	2020	2019
	B\$'000	B\$'000	B\$'000	B\$'000
Neither past due nor impaired	3,833,740	3,681,263	3,130,672	3,001,975
Past due but not impaired	74,824	238,785	50,386	211,571
Impaired	167,892	146,689	162,213	140,468
	4,076,456	4,066,737	3,343,271	3,354,014
Allowance for impaired financing and advances	(67,218)	(69,589)	(60,992)	(63,022)
Total	4,009,238	3,997,148	3,282,279	3,290,992

Credit quality analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amortised cost

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

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

Fair value through profit and loss

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

	Gross carrying amount B\$'000	12-month ECL B\$'000	Lifetime ECL- not credit impaired B\$'000	Lifetime ECL- credit impaired B\$'000	Total B\$'000
2019					
Quoted securities					
Rated AAA	-	-	-	-	-
Rate AA+ to AA-	-	-	-	-	-
Rate A+ to A-	-	-	-	-	-
Rated BBB+ to BBB-	-	-	-	-	-
Rated BB+ or below	-	-	-	-	-
Unrated-Quasi-government	-	-	-	-	-
Unrated-Others	-	-	-	-	-
Other investments	67,767	-	-	-	67,767
Total	67,767	-	-	-	67,767

Fair value through other comprehensive income

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

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

Government sukuks held by the Group (refer to Note 18) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 20) are generally above the rating of A-. For other assets, impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

(v) Offsetting financial assets and financial liabilities

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

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

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

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

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

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

		Related amounts not offset in the statements of financial position				
		Net amounts of financial instruments presented in the statements of financial position		Financing instruments	Financing collateral	Net amount
		Gross amounts of recognised financial instruments offset in the statements of financial position	B\$'000	B\$'000	B\$'000	B\$'000
		Gross amounts of recognised financial instruments	B\$'000			
Group and Bank						
2020						
	Derivative financial assets	48,393	-	48,393	(7,272)	-
	Derivative financial liabilities	10,819	-	10,819	(7,272)	-
2019						
	Derivative financial assets	42,505	-	42,505	(10,564)	-
	Derivative financial liabilities	13,125	-	13,125	(10,564)	-

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.

Group 2020		Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Assets									
Cash and cash equivalents	1,978,692	258,760	-	-	-	-	384,658	-	2,622,110
Balances with Autoriti Monetari Brunei Darussalam	-	-	-	-	-	-	488,898	-	488,898
Placements with and financing and advances to banks	228,313	191,769	625,800	-	-	-	-	-	1,045,882
Government sukuk	10,000	-	-	-	-	-	-	-	10,000
Investments at amortised cost	-	79,242	71,423	274,733	48,811	-	-	-	474,209
Investments at fair value through profit or loss	-	-	-	-	-	-	-	160,270	160,270
Investments at fair value through other comprehensive income	-	-	-	329,281	92,555	205,934	-	-	627,770
Derivative financial assets	-	-	-	-	-	-	-	48,393	48,393
Financing and advances	74,877	262,774	227,260	1,257,418	2,186,909	-	-	-	4,009,238
Finance lease receivables	-	-	-	-	12,588	-	-	-	12,588
Other assets	-	-	-	-	-	-	45,957	-	45,957
Total	2,291,882	792,545	924,483	1,861,432	2,340,863	1,125,447	208,663	208,663	9,545,315

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted equity security and unquoted fund.

Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing.

Other assets exclude prepayments.

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non profit bearing	Trading book	Total
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Group 2020								
Liabilities								
Deposits from customers	(4,349,539)	(693,514)	(1,552,106)	(141,038)	(713)	-	-	(6,736,910)
Deposits from banks and other financial institutions	(228,146)	(147,147)	(301,813)	(72,100)	-	-	-	(749,206)
Derivative financial liabilities	-	-	-	-	-	-	(11,511)	(11,511)
Placements from other financial institutions	(488,638)	(139,110)	(106,076)	-	-	-	-	(733,824)
Other liabilities	-	-	-	-	-	(132,708)	-	(132,708)
Total	(5,066,323)	(979,771)	(1,959,995)	(213,138)	(713)	(132,708)	(11,511)	(8,364,159)
Recognised assets profit sensitivity gap	(2,774,441)	(187,226)	(1,035,512)	1,648,294	2,340,150	992,739	197,152	1,181,156
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(627,234)	-	(627,234)
Total profit sensitivity gap	(2,774,441)	(187,226)	(1,035,512)	1,648,294	2,340,150	365,505	197,152	553,922

**Group
2019**

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

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted equity security and unquoted fund.

Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing.

Other assets exclude prepayments.

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

	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Bank 2020								
Assets								
Cash and cash equivalents	1,977,726	258,760	-	-	-	384,658	-	2,621,144
Balances with Autoriti Monetari Brunei Darussalam	-	-	-	-	-	449,900	-	449,900
Placements with and financing and advances to banks	228,313	191,769	1,043,473	-	-	-	-	1,463,555
Government sukuk	10,000	-	-	-	-	-	-	10,000
Investments at amortised cost	-	79,242	71,423	274,733	48,811	-	-	474,209
Investments at fair value through profit or loss	-	-	-	-	-	-	160,270	160,270
Investments at fair value through other comprehensive income	-	-	-	329,281	92,555	205,934	-	627,770
Derivative financial assets	-	-	-	-	-	-	48,393	48,393
Financing and advances	74,949	261,859	215,173	871,556	1,858,742	-	-	3,282,279
Finance lease receivables	-	-	-	-	12,588	-	-	12,588
Other assets	-	-	-	-	-	44,474	-	44,474
Total	2,290,988	791,630	1,330,069	1,475,570	2,012,696	1,084,966	208,663	9,194,582

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted equity security and unquoted fund.

Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing.

Other assets exclude prepayments.

	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Bank 2020								
Liabilities								
Deposits from customers	(4,294,526)	(684,892)	(1,525,102)	(126,897)	-	-	-	(6,631,417)
Deposits and placements of banks and other financial institutions	(291,620)	(147,147)	(147,613)	(36,100)	-	-	-	(622,480)
Derivative financial liabilities	-	-	-	-	-	-	(11,511)	(11,511)
Placements from other financial institutions	(488,638)	(139,110)	(106,076)	-	-	-	-	(733,824)
Other liabilities	-	-	-	-	-	(126,813)	-	(126,813)
Total	(5,074,784)	(971,149)	(1,778,791)	(162,997)	-	(126,813)	(11,511)	(8,126,045)
Recognised assets profit sensitivity gap	(2,783,796)	(179,519)	(448,722)	1,312,573	2,012,696	958,153	197,152	1,068,537
Unrecognised financial instruments profit sensitivity gap	-	-	-	-	-	(627,234)	-	(627,234)
Total profit sensitivity gap	(2,783,796)	(179,519)	(448,722)	1,312,573	2,012,696	330,919	197,152	441,303

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

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted equity security and unquoted fund.

Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing.

Other assets exclude prepayments.

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

Profit sensitivity analysis for variable rate instruments:

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

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
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
2020						
Variable rate instruments	(8,677)	8,677	(26,031)	26,031	(69,416)	69,416
2019						
Variable rate instruments	1,271	(1,271)	3,813	(3,813)	10,168	(10,168)

(ii) Foreign exchange risk of the Bank**Trading positions**

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

Overall (trading and non-trading positions)

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

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

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

Foreign exchange risk of the subsidiaries

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

Exposure to foreign exchange risk

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

	-----Group and Bank-----			
	USD B\$'000	EUR B\$'000	GBP B\$'000	Others B\$'000
2020				
Assets				
Cash and short term funds	1,805,985	40,371	115,927	16,700
Placements with and financing and advances to banks	853,545	-	7,172	-
Investments	1,264,787	341	-	-
Financing and advances	250,827	-	304,437	-
Others	19,786	-	269	-
Total	4,194,930	40,712	427,805	16,700
Liabilities				
Deposits from customers	(606,384)	(40,843)	(343,255)	(16,016)
Deposits from banks and other financial institutions	(14,246)	-	(1)	-
Placements from other financial institutions	(733,824)	-	-	-
Others	(1,869)	(2)	(620)	(21)
Total	(1,356,323)	(40,845)	(343,876)	(16,037)
Net foreign exchange exposure	2,838,607	(133)	83,929	663
Effect of use of derivatives	(2,885,986)	286	(83,825)	93
Net exposure	(47,379)	153	104	756

2019

Assets				
Cash and short term funds	2,352,418	20,716	47,022	12,332
Placements with and financing and advances to banks	787,686	-	71,249	-
Investments	1,049,274	317	-	-
Financing and advances	329,491	-	300,576	-
Others	77,515	170	5,684	-
Total	4,596,384	21,203	424,531	12,332

	-----Group and Bank-----			
	USD B\$'000	EUR B\$'000	GBP B\$'000	Others B\$'000
2019				
Liabilities				
Deposits from customers	(717,761)	(21,083)	(285,958)	(11,312)
Deposits from banks and other financial institutions	(2,842)	-	(1)	-
Placements from other financial institutions	(121,469)	-	-	-
Others	(67,393)	(179)	(443)	(46)
Total	(909,465)	(21,262)	(286,402)	(11,358)
Net foreign exchange exposure	3,686,919	(59)	138,129	974
Effect of use of derivatives	(3,679,891)	100	(138,026)	139
Net exposure	7,028	41	103	1,113

Sensitivity analysis

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

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

(iii) Equity price risk

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

For a 10% increase in the value of equity securities, the impact on profit or loss of the Group and the Bank would have been an increase of B\$69,000 and B\$69,000 respectively (2019: B\$115,000 and B\$115,000 respectively). A 10% decrease in the value of the equity securities would have an equal and opposite effect on the profit or loss of the Group and the Bank.

For a 10% increase in the value of equity securities, the impact on fair value reserve of the Group and the Bank would have been an increase of B\$34,000 and B\$34,000 respectively (2019: B\$32,000 and B\$32,000 respectively). A 10% decrease in the value of the equity securities would have an equal and opposite effect on the fair value reserve of the Group and the Bank.

(c) Liquidity risk

Overview of the Group's liquidity risk

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

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

In addition, the Bank and one of its subsidiaries have to comply with Section 45(1) of the Islamic Banking Order, 2008 and section 13A of the Finance Companies Act, Cap 89 respectively to maintain minimum cash balances with the AMBD. The Bank and the subsidiary were in compliance with these requirements during the year ended 31 December 2020.

Management of liquidity and funding risk

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

Overview of the subsidiary's liquidity risk

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

Management of liquidity risk

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

Maturity analysis

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

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Group									
2020									
Assets									
Cash, balances and placements with banks	2,622,110	2,622,289	2,622,289	-	-	-	-	-	-
Balances with Autoriti Monetari Brunei Darussalam	488,898	488,898	335,269	46,604	57,590	10,437	-	38,998	-
Placements with and financing and advances to banks	1,045,882	1,053,455	420,550	222,227	410,678	-	-	-	-
Government sukuk	10,000	10,000	10,000	-	-	-	-	-	-
Investments	1,262,249	1,355,045	82,587	51,844	42,334	357,339	417,114	198,200	205,627
Derivative financial assets	48,393	48,273	44,573	2,971	729	-	-	-	-
Financing and advances	4,009,238	4,635,380	665,967	219,371	345,049	1,453,253	758,840	1,192,900	-
Finance lease receivables	12,588	28,500	180	180	360	1,440	1,540	24,800	-
Other assets	45,957	45,957	32,473	2,732	238	3,617	3,307	3,590	-
Total	9,545,315	10,287,797	4,213,888	545,929	856,978	1,826,086	1,180,801	1,458,488	205,627

Investments exclude unquoted equity security and unquoted fund.

Other assets exclude prepayments.

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Group 2020									
Liabilities									
Deposits from customers	(6,736,910)	(6,757,512)	(5,046,059)	(662,032)	(901,659)	(147,005)	-	(757)	-
Deposits and placements of banks and other financial institutions	(749,206)	(753,095)	(449,999)	(28,591)	(237,962)	(36,543)	-	-	-
Derivative financial liabilities	(11,511)	(1,713)	(7,235)	(2,804)	(202)	947	7,581	-	-
Placements from other financial institutions	(733,824)	(733,997)	(627,863)	(106,134)	-	-	-	-	-
Other liabilities	(132,708)	(132,708)	(38,487)	(25,110)	(18,020)	(6,463)	(3,519)	(41,109)	-
Total	(8,364,159)	(8,379,025)	(6,169,643)	(824,671)	(1,157,843)	(189,064)	4,062	(41,866)	-
Recognised assets net liquidity gap	1,181,156	1,908,772	(1,955,755)	(278,742)	(300,865)	1,637,022	1,184,863	1,416,622	205,627
Commitments and contingencies	(627,234)	(627,234)	(627,234)	-	-	-	-	-	-
Net liquidity gap	553,922	1,281,538	(2,582,989)	(278,742)	(300,865)	1,637,022	1,184,863	1,416,622	205,627

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

Investments exclude unquoted equity security and unquoted fund.
Other assets exclude prepayments.

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

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Bank 2020									
Assets									
Cash and cash equivalents	2,621,144	2,621,324	2,621,324	-	-	-	-	-	-
Balances with Autoriti Monetari Brunei Darussalam	449,900	449,900	335,269	46,604	57,590	10,437	-	-	-
Placements with and financing and advances to banks	1,463,555	1,471,128	420,550	222,000	828,578	-	-	-	-
Government sukuk	10,000	10,000	10,000	-	-	-	-	-	-
Investments	1,262,249	1,355,045	82,587	51,844	42,334	357,339	417,114	198,200	205,627
Derivative financial assets	48,393	48,273	44,573	2,971	729	-	-	-	-
Financing and advances	3,282,279	3,902,193	664,485	219,371	332,509	1,063,813	758,840	863,175	-
Finance lease receivables	12,588	28,500	180	180	360	1,440	1,540	24,800	-
Other assets	44,474	44,474	30,990	2,732	238	3,617	3,307	3,590	-
Total	9,194,582	9,930,837	4,209,958	545,702	1,262,338	1,436,646	1,180,801	1,089,765	205,627

Investments exclude unquoted equity security and unquoted fund.

Other assets exclude prepayments.

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Bank 2020									
Liabilities									
Deposits from customers	(6,631,417)	(6,651,053)	(4,982,136)	(650,606)	(886,098)	(132,213)	-	-	-
Deposits from banks and other financial institutions	(622,480)	(623,379)	(438,819)	(102,938)	(45,079)	(36,543)	-	-	-
Derivative financial liabilities	(11,511)	(1,713)	(7,235)	(2,804)	(202)	947	7,581	-	-
Placements from other financial institutions	(733,824)	(733,997)	(627,863)	(106,134)	-	-	-	-	-
Other liabilities	(126,813)	(126,813)	(32,592)	(25,110)	(18,020)	(6,463)	(3,519)	(41,109)	-
Total	(8,126,045)	(8,136,955)	(6,088,645)	(887,592)	(949,399)	(174,272)	4,062	(41,109)	-
Recognised assets net liquidity gap	1,068,537	1,793,882	(1,878,687)	(341,890)	312,939	1,262,374	1,184,863	1,048,656	205,627
Commitments and contingencies	(627,234)	(627,234)	(627,234)	-	-	-	-	-	-
Net liquidity gap	441,303	1,166,648	(2,505,921)	(341,890)	312,939	1,262,374	1,184,863	1,048,656	205,627

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

Investments exclude unquoted equity security and unquoted fund.
Other assets exclude prepayments.

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

(d) Operational Risk of the Group**Overview of the Bank and a material subsidiary's operational risk**

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

Operational Risk Management Framework

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

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

- People
- Process
- System
- External

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

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

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

Overview of a material subsidiary's operational risk

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

(a) ORIC committee

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

(b) Risk controls self-assessment

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

37 Fair value of financial assets and liabilities

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

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

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

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

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

Investments

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

Financing and advances

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

Derivatives

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

Fair value hierarchy

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

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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

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

	Carrying amounts				Fair values			
	FVOCI -							
	equity and debt instrument B\$'000	Mandatorily at FV/TPL B\$'000	Amortised cost B\$'000	Total B\$'000	Level 1 B\$'000	Level 2 B\$'000	Level 3 B\$'000	Total B\$'000
Group and Bank 2019								
Financial assets measured at fair value								
Investments	397,832	68,915	582,116	1,048,863	397,515	649,883	1,465	1,048,863
Government 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
Financial liabilities measured at fair value								
Forward exchange contracts	-	(13,125)	-	(13,125)	-	(13,125)	-	(13,125)

Valuation techniques and significant unobservable inputs

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

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

Type of financial instrument	Classification	Level of the fair value hierarchy	Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Unquoted funds	FVTPL	3	Net asset value: This is derived by dividing the total value of all the cash and securities in a fund's portfolio, less any liabilities, by the number of shares outstanding. As the funds are not listed, the fair value of the investment in the fund is determined using valuation techniques. Methods used include estimating fair value with reference to recent arm's length transactions or the underlying net asset value of the company. This fund determined NAV of its investment in the fund based on the NTA method, which is the closest proxy to fair value.	Net asset value	The estimated fair value would increase (decrease) if: • the net asset value were higher (lower).
Government sukus	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 sukus.	Yield curve and credit spreads	The estimated fair value would increase (decrease) if: • the expected cash flows were higher (lower); or • the risk-adjusted discount rate was lower (higher).

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

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

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

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

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

	FVOCI B\$'000	FVTPL B\$'000	Total B\$'000
At 1 January 2020	10,214	1,148	11,362
Matured during the year	(9,897)	-	(9,897)
Purchased during the year	10,000	-	10,000
Distribution of capital	-	(125)	(125)
Fair value movement during the year	-	(312)	(312)
Gains recognised in other comprehensive income	-	-	-
Foreign exchange gain/(loss)	24	(22)	2
At 31 December 2020	10,341	689	11,030

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

There were no transfers from Level 1 instruments to Level 2, and no transfers into or out of Level 3 instruments during the year ended 31 December 2020 (2019: NIL).

38 Leases

A. Leases as lessee

The Group and Bank leases buildings and warehouse facilities. The buildings and warehouse leases were entered into many years ago as combined leases of land and buildings.

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

i. *Right-of-use assets*

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

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

ii. *Amounts recognised in profit or loss*

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

	Group B\$'000	Bank B\$'000
2019		
Profit on lease liabilities	490	484
Expenses relating to short-term leases	246	199
Expenses relating to lease of low-value assets, excluding short-term leases of low value assets	116	105

iii. Amounts recognised in the statement of cash flows

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

	Bank	
	2020 B\$'000	2019 B\$'000
Total cash outflow for leases	(3,261)	(1,965)

B. Leases as lessor

The Group and Bank leases out some of its property. All leases are classified as operating leases from a lessor perspective with the exception of a sub-lease, which the Group has classified as a finance sublease (see Note 22).

Operating lease

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

Rental income recognised by the Group and Bank during 2020 was B\$3,004,000 (2019: B\$2,881,000).

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

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

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

39 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

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

40 Commitments

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

41 Capital adequacy

Capital Management

The Group's objective when managing capital is to maintain a strong capital position to support business growth, and to maintain investor, depositor, customer, rating agency and market confidence. In line with this, the Group manages its capital actively and ensure the capital adequacy ratios which takes into account the risk profile of the Group are comfortably above the regulatory minimum. The Group and Bank has a dividend policy to distribute dividend which takes into consideration capital requirements, available distributable retained profits, liquidity and other factors while ensuring compliance with the prevailing laws and regulations. The Group and the Bank have applied all effective pronouncements and interpretations of IFRS in arriving at the capital position of the Group and the Bank.

Capital Adequacy Ratios

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

	Group		Bank	
	2020	2019	2020	2019
	B\$'000	B\$'000	B\$'000	B\$'000
Regulatory capital				
Core capital (Tier 1 capital)	1,269,881	1,263,197	1,169,212	1,163,263
Supplementary capital (Tier II capital)	18,586	15,877	17,239	14,899
Less: Investment in associates and subsidiaries	(7,080)	(7,080)	(39,924)	(39,924)
Total capital base	1,281,387	1,271,994	1,146,527	1,138,238
Total risk-weighted amount				
Risk-weighted amount for credit risk	5,696,379	5,616,528	5,320,622	5,253,906
Risk-weighted amount for operational risk	621,815	617,489	603,460	595,858
Risk-weighted amount for market risk	82,728	2,423	82,728	2,423
Total risk-weighted amount	6,400,922	6,236,440	6,006,810	5,852,187

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

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

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

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

42 Contingent liabilities

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

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

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