Financial statements

United Overseas Bank Limited
Brunei Darussalam Branch
(Incorporated in Singapore)

Branch Accounts
For the year ended 31 December 2020

Building a better working world

United Overseas Bank Limited
(Incorporated in Singapore)
Brunei Darussalam Branch
(Registered in Brunei Darussalam as a Company incorporated outside Brunei Darussalam)

Financial Statements
For the financial year ended 31 December 2020

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of United Overseas Bank Limited

Opinion

We have audited the financial statements of **United Overseas Bank Limited – Brunei Branch** ("the Branch"), which comprise the statement of financial position as at 31st December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity/head office account and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Branch is a segment of **United Overseas Bank Limited**, a company incorporated in Singapore, and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

In our opinion,

a) the accompanying financial statements give a true and fair view of the financial position of the Branch as at 31st December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the provisions of the Brunei Darussalam Companies Act, Cap. 39 ("the Act") and International Financial Reporting Standards according to the best of our information and the explanations given to us and as shown by the books of the Branch.

b) we have obtained all the information and explanations we required.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent on the Branch in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the branch management certification set out on page 4; corporate governance and Pillar 3 public disclosures included in the annual report.

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of United Overseas Bank Limited

Other Information (continued)

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act and International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Branch's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of United Overseas Bank Limited

- 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 Branch'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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Ernst Young

ERNST & YOUNG
Public Accountants

KONG EE PIN
Registered Public Accountant

Date: 30th March 2021

Brunei Darussalam

UNITED OVERSEAS BANK LIMITED
(Incorporated in Singapore)
BRUNEI DARUSSALAM BRANCH
(Registered in Brunei Darussalam as a Company incorporated outside Brunei Darussalam)

CERTIFICATION

We, the undersigned, being the Country Manager and the Finance Manager of United Overseas Bank Limited (Brunei Darussalam Branch) do hereby state that, in our opinion, the financial statements of the Branch set out in pages 5 to 45 are properly drawn up in accordance to the provisions of the Brunei Darussalam Companies Act, Cap.39 (the "Act") and International Financial Reporting Standards ("IFRSs"), so as to give a true and fair view of the assets used in, and liabilities arising out of the Branch's operations in Brunei Darussalam as at 31 December 2020, and of the results, changes in equity/head office account and cash flows for the financial year ended on that date.

Abdul Razak Abdul Malek
Country Manager
Date: 30th March 2021

Hajah Norsinah Haji Kamis
Finance Manager
Date: 30th March 2021

UNITED OVERSEAS BANK LIMITED
(Incorporated in Singapore)
BRUNEI DARUSSALAM BRANCH
(Registered in Brunei Darussalam as a Company incorporated outside Brunei Darussalam)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	31-Dec-2020 B$'000	31-Dec-2019 B$'000	Change %
ASSETS				
Cash and Short Term Funds	4	**1,209**	1,326	(8.82)
Balances with Autoriti Monetari Brunei Darussalam	5	**22,175**	24,712	(10.27)
Government Sukuk	6	**12,430**	12,452	(0.18)
Loans and advances	7	**85,860**	84,050	2.15
Group balances receivable	8	**168,767**	172,976	(2.43)
Plant and equipment	9	**551**	327	68.5
Other assets	10	**926**	2,208	(58.06)
Deferred tax asset	15	**189**	189	-
Total Assets		**292,107**	298,240	(2.06)
LIABILITIES AND CAPITAL FUNDS				
Deposits from customers	11	**183,503**	193,992	(5.41)
Deposits from banks and other financial institutions	12	**2,961**	2,995	(1.14)
Group balances payable	13	**6,840**	5,462	25.23
Other liabilities	14	**1,705**	1,874	(9.02)
Taxation	15	**170**	330	(48.48)
Total Liabilities		**195,179**	204,653	(4.63)
EQUITY				
Assigned Capital	16	**30,000**	30,000	-
Statutory Reserve Fund	17	**31,784**	30,114	5.55
Prudential Reserve	17	**-**	-	-
Retained Profits		**35,144**	33,473	4.99
Total Equity		**96,928**	93,587	3.57
Total Liabilities and Equity		**292,107**	298,240	(2.06)

		31-Dec-2020 %	31-Dec-2019 %
CAPITAL ADEQUACY			
Core capital ratio (Tier 1 capital)	30	**49.15**	41.33
Total capital ratio	30	**49.56**	41.56

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

Abdul Razak Abdul Malek
Country Manager
Date: 30th March 2021

Hajah Norsinah Haji Kamis
Finance Manager
Date: 30th March 2021

UNITED OVERSEAS BANK LIMITED
(Incorporated in Singapore)
BRUNEI DARUSSALAM BRANCH
(Registered in Brunei Darussalam as a Company incorporated outside Brunei Darussalam)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial year ended 31 December 2020

	Note	2020 B$'000	2019 B$'000	Change %
Interest income	19	7,192	7,967	(9.72)
Less: Interest expense	19	(1,502)	(1,748)	(14.07)
Net interest income		5,690	6,219	(8.5)
Fee income	20	856	1,131	(24.31)
Net trading income	21	289	259	11.58
Other operating income	22	126	133	(5.26)
Total operating income		6,961	7,742	(10.09)
Less:				
Personnel expenses	23	(2,385)	(2,565)	(7.02)
Management fees	24	(12)	(10)	20
Other overhead expenses	25	(1,412)	(1,356)	4.13
Operating profit before impairment charges		3,152	3,811	(17.29)
Reversal for impairment	26	270	739	(63.46)
Profit before income tax		3,422	4,550	(24.79)
Income tax expense	27	(81)	(330)	(75.45)
Profit after income tax		3,341	4,220	(20.83)
Other comprehensive income		-	-	-
Profit/Total comprehensive income for the financial year		3,341	4,220	(20.83)

	31-Dec-2020 %	31-Dec-2019 %
Return on Assets (ROA) – Before Tax	1.17	1.53
Return on Assets (ROA) – After Tax	1.14	1.42
Return on Equity (ROE) – After Tax	3.45	4.51

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

UNITED OVERSEAS BANK LIMITED
(Incorporated in Singapore)
BRUNEI DARUSSALAM BRANCH
(Registered in Brunei Darussalam as a Company incorporated outside Brunei Darussalam)

STATEMENT OF CHANGES IN EQUITY/HEAD OFFICE ACCOUNT
As at 31 December 2020

	Note	Assigned capital B$'000	Statutory reserve fund B$'000	Retained profits B$'000	Prudential Reserve B$'000	Total B$'000
Balance as at 1st January 2019		**30,000**	**28,004**	**30,608**	**755**	**89,367**
Profit/Total other comprehensive income for the financial year		-	-	**4,220**	-	**4,220**
Transfer from Prudential reserve for credit losses		-	-	**755**	**(755)**	-
Transfer to statutory reserve		-	**2,110**	**(2,110)**	-	-
Balance as at 31st December 2019		**30,000**	**30,114**	**33,473**	-	**93,587**
Balance as at 1st January 2020		**30,000**	**30,114**	**33,473**	-	**93,587**
Profit/Total other comprehensive income for the financial year		-	-	**3,341**	-	**3,341**
Transfer to statutory reserve		-	**1,670**	**(1,670)**	-	-
Balance as at 31st December 2020		**30,000**	**31,784**	**35,144**	-	**96,928**

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

UNITED OVERSEAS BANK LIMITED
(Incorporated in Singapore)
BRUNEI DARUSSALAM BRANCH
(Registered in Brunei Darussalam as a Company incorporated outside Brunei Darussalam)

STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2020

	Note	**2020** **B$'000**	2019 B$'000
Cash flows from operating activities			
Profit before income tax		**3,422**	4,550
Adjustments for:			
- Depreciation		**206**	211
- Expected credit losses		**(1,327)**	(632)
- Interest on lease liabilities		**42**	10
Changes in:			
- Balances with Autoriti Monetari Brunei Darussalam		**374**	(1,803)
- Loans and advances		**(348)**	4,388
- Other assets		**1,282**	(1,618)
- Deposits from customers		**(10,489)**	29,109
- Deposits from banks and other financial institutions		**(34)**	85
- Group balances payable		**1,378**	1,435
- Other liabilities		**(565)**	399
Income tax paid	**15**	**(241)**	-
Net cash (used in)/generated from operating activities		**(6,300)**	36,134
Cash flow from investing activities			
(Acquisition)/Sale of Government Sukuk, net		**-**	10,000
Acquisition of plant and equipment		**(20)**	(48)
Net cash (used in)/from investing activities		**(20)**	9,952
Cash flow from financing activities			
Payment of principal portion of lease liabilities		**(127)**	(130)
Payment of interest portion of lease liabilities		**(42)**	(10)
Net cash used in financing activities		**(169)**	(140)
Net (decrease)/increase in cash and cash equivalents		**(6,489)**	45,946
Cash and cash equivalents at beginning of year		**186,864**	140,918
Cash and cash equivalents at end of year		**180,375**	186,864
Cash and cash equivalents:			
Cash and short term funds	**4**	**1,209**	1,326
Balances with Autoriti Monetari Brunei Darussalam	**5**	**10,399**	12,562
Group balances receivable	**8**	**168,767**	172,976
		180,375	186,864

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

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

1 CORPORATE INFORMATION

United Overseas Bank Limited, incorporated in Singapore has the registered office of its Brunei Darussalam Branch at Unit 10 & 11, Bangunan D'Amin Jaya Complex, Kg Kiarong, Bandar Seri Begawan – BE1318, Brunei Darussalam.

The Branch is a segment of United Overseas Bank Limited and is not a separately incorporated legal entity.

The Branch is primarily involved in the business of banking in all aspects.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance to the provisions of the Brunei Darussalam Companies Act, Cap.39 (the "Act") and International Financial Reporting Standards ("IFRSs").

These financial statements were authorized for issue by the management of the Branch on 30 March 2021.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention, except as otherwise stated.

The accounting policies and methods of computation have been applied consistently to all periods presented in these financial statements unless otherwise stated.

2.3 Functional and presentation currency

These financial statements are presented in Brunei dollar (B$), which is the Branch's functional currency, and to the nearest thousand, unless otherwise stated.

2. BASIS OF PREPARATION (continued)

2.4 Changes in significant accounting policies

The branch adopted the following financial reporting standards and interpretations during the financial year:

- Conceptual Framework for Financial Reporting
- Amendments to IFRS 9, IFRS 1-39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 1-1 and IFRS 1-8: Definition of Material

The amendments to IFRS 9 provide temporary exceptions to specific hedge accounting requirements, to allow hedge accounting not to be discontinued as a result of uncertainties created by interest rate benchmark reform. The Branch applied the amendments retrospectively to hedging relationships that existed at 1 January 2020 or were designated thereafter and that are directly affected by the interest rate benchmark reform. The Branch will continue to apply the applicable exceptions until the uncertainties arising from the interest rate benchmark reform are no longer present, or when the impacted hedging relationships are discontinued. The adoption of these IFRS 9 amendments did not have any impact on the Branch for the year ended 31 December 2020.

The Branch early adopted the amendments to IFRS 16 which provide a practical expedient for lessees to not assess qualifying COVID-19-related rent concessions for lease modification. The adoption of these amendments did not have any impact on the Branch's opening balance sheet as at 1 January 2020.

The adoption of the other changes above did not have a significant impact on the Branch's financial statements on transition date.

Other than the above, the accounting policies applied by the Branch in the financial year were consistent with those adopted in the previous financial year.

2.5 Use of estimates and judgements

The preparation of 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 recognized in the period in which the estimates are revised and in any future periods affected.

2 BASIS OF PREPARATION (continued)

2.5 Use of estimates and judgements (Continued)

Preparation of the financial statements involves making certain assumptions and estimates. This often requires management's judgement for the appropriate policies, assumptions, inputs and methodologies to be used. As judgements are made based on information available at the time the financial statements are prepared, the ultimate results could differ from those disclosed in the statements due to subsequent changes in the information. The following provides a brief description of the Branch's critical accounting estimates that involve management's judgement.

(i) **Allowance for impairment of financial assets**
Allowance for impairment of financial assets is determined in accordance with note 3.4 (vii). This requires management's experience and significant judgement. The process involves assessing various factors such as economic indicators, business prospects, timing and amount of future cash flows and liquidation proceeds from collateral.

(ii) **Classification of financial assets**
Classification of financial assets is determined in accordance with Note 3.4 (i). In applying IFRS 9, management judgement was required concerning business model assessment and determination of whether contractual cash flows can be considered as solely payments of principal and interest.

(iii) **Fair valuation of financial instruments**
Valuation of financial instruments that are not quoted in the market or with complex structures requires considerable judgement of management in selecting the appropriate valuation models and data inputs.

(iv) **Lease liabilities**
A lease uses its incremental borrowing rate (i.e. the interest rate at which it would have to borrow over a similar term and with similar security to obtain an asset of similar value and in a similar economic environment as the ROU assets) if the rate implicit in a lease cannot be readily determined.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Depreciation of plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognized net within other income in profit or loss.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Depreciation of plant and equipment (continued)

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Branch will obtain ownership by the end of the lease term and is not depreciated.

The estimated useful lives of the various categories of plant and equipment are as follows:

	No. of years
Furniture, fixtures, equipment and computer software	5 – 10
Motor vehicles	5

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.2 Lease

A lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease is not enforceable if both the lessor and lessee have the right to terminate the lease without the consent of the other party and with no significant penalty. Assessment of whether a lease exists is done at inception of the contract and reassessment is required only when the terms and conditions of the contract are changed.

At commencement of a lease, a lessee recognized a right-of-use (ROU) asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) for all leases except as exempted below.

Exemptions
For short term leases (lease term < 12 months at commencement date and the lease contains no purchase option) or leases of low-value assets (< USD5,000 per asset when it is new and not when at the point of lease), a lessee may elect to expense them over the lease term on a straight-line basis or another basis that is more reflective of the lessee's usage of the assets.

Right-of-use asset

ROU asset is measured with the following components:-

- Initial measurement of lease liability
- Include any lease payments made at or before lease commencement date
- Exclude any lease incentives received
- Include Initial direct costs and any estimated costs to be incurred at end of lease as required by the contract (e.g. restoring costs)

Subsequent measurement will minus any accumulated depreciation and impairment losses together with re-measurement of lease liability.

ROU asset is depreciated over the lease term (or useful life of the asset if shorter) on a straight-line basis or another basis more reflective of the usage of the asset. If ownership of the

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Lease (continued)

underlying asset will be transferred to the lessee by end of the lease term, or exercising of a purchase option is probable, ROU asset is depreciated over the useful life of the asset. ROU asset is reviewed for impairment quarterly. Provision is made when its recoverable amount is below its carrying amount. ROU asset is a non-monetary asset measured at historical cost.

Lease liability

Lease liability is measured at present value of lease payments outstanding at lease commencement discounted at the implicit interest rate. Subsequent measurement will include interest payable on lease liability minus lease payments made and re-measurement of lease liability

Lessee recognizes the following in the profit or loss during the lease term:-

- Interest expense on lease liability (= outstanding lease liability x discount rate used to present value the lease payments)
- Depreciation charges on ROU asset
- Any impairment losses on ROU assets
- Any variable lease payments not dependent on an index/rate when the trigger event/condition occurs.
- Any re-measurement gain/loss on lease liability

3.3 Foreign currency transactions

On initial recognition, transactions in foreign currencies are recorded in the functional currency of the Branch at the exchange rate ruling at the transaction date. Subsequent to initial recognition, monetary assets and monetary liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at reporting date are recognized in the statement of profit or loss.

3.4 Financial assets and financial liabilities

(i) Classification of financial assets and financial liabilities

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

Financial assets are not reclassified subsequent to their initial recognition unless the Branch changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial assets and financial liabilities (continued)

(i) Classification of financial assets and financial liabilities (continued)

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 interest 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 interest on the principal amount outstanding.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Branch 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 Branch 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 interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or recognize 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;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial assets and financial liabilities (continued)

(i) Classification of financial assets and financial liabilities (continued)

- how management of the business are 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 Branch's stated objective for managing the financial assets is achieved and how cash flows are recognized.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Branch's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' 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 interest, the Branch 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 Branch considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Branch'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 interest rates).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial assets and financial liabilities (continued)

(i) Classification of financial assets and financial liabilities (continued)

Financial instruments are recognized initially at their fair value which is generally the transaction price, reduced by loss allowance for financial assets at amortised cost. Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not measured at fair value through profit or loss.

(ii) Measurement

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities

The Branch classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL. The Branch derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iii) Fair value determination

Fair values of financial assets and financial liabilities with active markets are determined based on the market bid and ask prices respectively at the reporting date. For financial instruments with no active markets, fair values are established using valuation techniques such as making reference to recent transactions or other comparable financial instruments, discounted cash flow method and option pricing models. Valuation inputs include spot and forward prices, volatilities, correlations and credit spreads.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial assets and financial liabilities (continued)

(iv) Recognition and derecognition

Financial instruments are recognized when the Branch becomes a party to the contractual provision of the instruments.

All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognized on the settlement date.

Financial instruments are recognized when the contractual rights to cash flows and risks and rewards associated with the instruments are substantially transferred, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the accumulated gain or loss that has been recognized in equity are taken to the statement of profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and presented net in the Statement of Financial Position if there is current, unconditional and legally enforceable right and intention to settle them simultaneously or on a net basis.

(vi) Financial derivatives

Financial derivatives with positive and negative fair values are presented as assets and liabilities in the Statement of Financial Position respectively.

(vii) Impairment

Loans, debt assets, undrawn loan commitments and financial guarantees that are not measured at FVTPL are subject to credit loss provisioning which is made on an expected loss basis, point-in-time, forward-looking and probability-weighted. Where there is no significant increase in credit risk since initial recognition, expected credit loss (ECL) representing possible default for the next 12 months is required (Stage 1). Lifetime ECL is required for non-credit-impaired financial assets with significant increase in credit risk since initial recognition (Stage 2) and credit-impaired financial assets (Stage 3).

The Branch considers a range of qualitative and quantitative parameters to assess whether a significant increase in credit risk since initial recognition has occurred. Parameters such as changes in credit risk ratings, delinquency, special mention, behavioural score cards and non-investment grade status are considered where available and relevant. Exposures are considered credit-impaired if they are past due for 90 days or more or exhibit weaknesses which are likely to jeopardise repayments on existing terms. The definition of default is consistent with that used for risk management purposes.

Exposures with significant increase in credit risk are transferred from Stage 1 to Stage 2. Exposures are transferred back to Stage 1 when they no longer meet the criteria for a significant increase in credit risk. Exposures that are credit-impaired are classified as Stage 3 and could be upgraded to Stage 1 or Stage 2 if supported by repayment capability, cash flows and financial position of the borrower and it is unlikely that the exposure will be classified again as credit-impaired in the future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Although the Branch leverages its Basel credit risk models and systems, modifications are required to ensure that outcomes are in line with IFRS 9 ECL requirements. Such modifications include transforming regulatory probabilities of default (PD), loss given default (LGD) and exposure at default (EAD), considering forward-looking information, discount rate and discounting period. Macro-economic variables considered include interest rates, property price indices, unemployment rates, consumer price indices, gross domestic products and equity price indices.

ECL is computed by discounting the product of PD, LGD and EAD to the reporting date at the original effective interest rate or an approximation thereof. The ECL is adjusted with a management overlay where considered appropriate.

Financial assets in Stage 1 and Stage 2 are assessed for impairment collectively while exposures in Stage 3 are individually assessed. Those collectively assessed are grouped based on similar credit risks and assessed on a portfolio basis. ECL is recognized in the income statement.

Financial assets are written off when the prospect of recovery is considered poor or when all avenues of recovery have been exhausted.

3.5 Tax

Income tax

Income tax expense comprises current and deferred tax.

Current tax

Current tax is measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and tax law applied are those that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax is measured at the tax rate that is expected to apply when the assets are recognized or the liabilities are settled, based on the tax rate and tax law that have been enacted or substantively enacted by the reporting date.

Deferred tax is not provided for temporary differences arising from initial recognition of an assets or liability that does not affect accounting or taxable profit, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the future.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Where gains and losses are recognized directly to equity, the related deferred tax is also taken to equity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Recognition of income

(i) Interest income

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Branch estimates future cash flows considering all contractual terms of the financial instruments, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are integral part of the effective interest rate. Transactions costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative recognized using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see note 3.4 (vii).

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Recognition of income (continued)

(i) Interest income (continued)

Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Branch's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

(ii) Fees and commission income

Fees and commission income is recognized when the services are rendered. For services that are provided over a period of time, fee and commission income is recognized over the service period.

3.7 Provisions

Provisions are recognized when the Branch has a present legal or constructive obligation as a result of past events and an outflow of resources to settle the obligation is probable and a reliable estimate can be made. At each reporting date, provisions are reviewed and adjusted to reflect the current best estimate. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

3.8 Personnel expenses

Base pay, cash bonuses, allowances, commissions and defined contributions under regulations are recognized in the statement of profit or loss when incurred. Leave entitlements are recognized when they accrue to employees based on contractual terms of employment.

3.9 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and other financial institutions (including the Real Time Gross Settlement balance held with Autoriti Monetari Brunei Darussalam) as well as highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment of non-financial assets

At each reporting date, the Branch reviews the carrying amounts of its non-financial assets (other than deferred tax assets) 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).

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

For the assets, 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 recognized, if no impairment loss had been recognized.

3.11 Undrawn credit facilities

Undrawn credit facilities (both revocable and irrevocable) are recorded under commitments and the amount is adjusted for subsequent drawdowns.

3.12 Contingent liabilities

Contingent liabilities are only recognized when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Interpretations and amendments to published standards

The following IFRSs that are in issue will apply to the Branch for the financial years as indicated:

Effective for the financial year beginning on or after 1 January 2021:

- Amendments to IFRS 9, IFRS 1-39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

Effective for the financial year beginning on or after 1 January 2022:

- Amendment to IFRS 9 Financial Instruments: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities.

Application of the other IFRSs listed above is not expected to have a significant impact on the Branch's financial statements.

4 CASH AND SHORT TERM FUNDS

	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Cash in hand	**955**	1,134
Balances with banks and other financial institutions	**254**	192
Less: Allowance for ECL	**-**	-
Total	**1,209**	1,326

5 BALANCE WITH AUTORITI MONETARI BRUNEI DARUSSALAM

	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Real Times Gross Settlement System	**10,399**	12,562
Minimum Cash Reserve	**11,779**	12,153
Less: Allowance for ECL	**(3)**	(3)
Total	**22,175**	24,712

As required by the provisions of Section 45 of the Banking Order 2006, a cash balance is maintained with the Autoriti Monetari Brunei Darussalam. At present the minimum cash reserve requirement is 6% of the deposit liabilities.

The Balance is carried at amortised cost in the statement of financial position.

6 GOVERNMENT SUKUK

	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Government Sukuk held		
- Original maturity less than one year	**12,500**	12,500
Less: Allowance for ECL	**(70)**	(48)
Total	**12,430**	12,452

Government Sukuk is carried at amortised cost in the statement of financial position.

7 LOANS AND ADVANCES

Loans and advances analysed by type:

	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Bills of exchange	-	444
Cash line/overdrafts	**40,221**	43,877
Term loans	**19,937**	19,436
Trust receipts	**28,786**	24,553
Interest receivables	**725**	1,011
Gross loan and advances	**89,669**	89,321
Less: Loan loss provisions		
- Specific (note 26)	**(3,167)**	(4,791)
- Allowance for ECL (note 26)	**(642)**	(480)
Net loan and advances	**85,860**	84,050

At 31 December 2020: B$18,827 thousand (2019: B$16,852 thousand) of loans and advances were expected to be settled more than 12 months after the reporting date.

Net loans and advances analysed by security:

	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Unsecured	23,555	23,375
Secured by:-		
- Cash	23,180	23,341
- Mortgage of property	39,125	37,334
Total	**85,860**	84,050

Net loans and advances analysed by sector:

	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Agricultural	4,685	4,347
Manufacturing	3,039	3,572
Infrastructure	642	190
Transportation	131	475
Traders	37,001	34,759
Professional services	10,502	9,156
Constructions and Property Financing	28,233	30,035
Tourism	316	487
Telecommunication and Information Technology	1,311	1,029
Total	**85,860**	84,050

8 GROUP BALANCES RECEIVABLE

Name of company	**31-Dec-2019 B$'000**	31-Dec-2019 B$'000
United Overseas Bank Ltd, Singapore	**168,767**	134,196
United Overseas Bank Ltd, Hong Kong	-	38,717
United Overseas Bank Ltd, Japan	-	28
PT Bank UOB Indonesia	-	12
United Overseas Bank Ltd Philippines	-	23
Less: Allowance for ECL	-	-
Total	**168,767**	172,976

At 31 December 2020 and 31 December 2019, none of group balances receivable were expected to be settled more than 12 months after the reporting date.

9 PLANT AND EQUIPMENT

	Right-of-use assets B$'000	**Furniture, Fixtures, equipment & computer software B$'000**	**Motor vehicles B$'000**	**Total B$'000**
Cost				
Balance at 1 January 2019	-	1,959	183	2,142
Adoption of IFRS 16	299	-	-	299
Additions during the year	-	48	-	48
Disposal during the year	-	(107)	-	(107)
Balance at 31 December 2019	299	1,900	183	2,382
Balance at 1 January 2020	**299**	**1,900**	**183**	**2,382**
Additions during the year	**410**	**20**	**-**	**430**
Disposal during the year	**-**	**(22)**	**-**	**(22)**
Balance at 31 December 2020	**709**	**1,898**	**183**	**2,790**
Accumulated depreciation				
Balance at 1 January 2019	-	(1,774)	(177)	(1,951)
Depreciation charge for the year	(153)	(52)	(6)	(211)
Disposal for the year	-	107	-	107
Balance at 31 December 2019	(153)	(1,719)	(183)	(2,055)
Balance at 1 January 2020	**(153)**	**(1,719)**	**(183)**	**(2,055)**
Depreciation charge for the year	**(150)**	**(56)**	**-**	**(206)**
Disposal for the year	**-**	**22**	**-**	**22**
Balance at 31 December 2020	**(303)**	**(1,753)**	**(183)**	**(2,239)**
Carrying amounts				
Balance at 31 December 2019	146	181	-	327
Balance at 31 December 2020	**406**	**145**	**-**	**551**

Right-of-use assets

The Right-of-use assets relate to the lease of office space by the Branch for its principal place of business, a store for storage purpose and staff accommodation.

10 OTHER ASSETS

	31-Dec-2020	31-Dec-2019
	B$'000	B$'000
Prepayments	**80**	81
Late cheques	**530**	1,272
Sundry deposits	**33**	32
Finance charges receivable	**-**	6
Accrued income	**283**	817
Total	**926**	2,208

11 DEPOSITS FROM CUSTOMERS

Analysed by types of deposits:

	31-Dec-2020	31-Dec-2019
	B$'000	B$'000
Demand deposits	**30,066**	30,891
Savings deposits	**16**	15
Fixed deposits	**153,004**	162,732
Others	**417**	354
Total	**183,503**	193,992

Analysed by types of customers:

	31-Dec-2020	31-Dec-2019
	B$'000	B$'000
Business enterprises	**149,560**	152,534
Individuals	**33,931**	41,449
Others	**12**	9
Total	**183,503**	193,992

At 31 December 2020 and 31 December 2019, none of the deposits from customers had contractual maturities of more than 12 months after the reporting date.

12 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31-Dec-2020	31-Dec-2019
	B$'000	B$'000
Banks and financial institutions abroad	**2,961**	2,995
Total	**2,961**	2,995

At 31 December 2020 and 31 December 2019, none of the deposits from banks and other financial institutions had contractual maturities of more than 12 months after the reporting date.

13 GROUP BALANCES PAYABLE

Name of company	31-Dec-2020 B$'000	31-Dec-2019 B$'000
United Overseas Bank Ltd Singapore	**4,068**	2,732
United Overseas Bank (M) Bhd, Malaysia	**2,772**	2,730
Total	**6,840**	5,462

At 31 December 2020 and 31 December 2019, none of the group balances payable were expected to be settled more than 12 months after the reporting date.

14 OTHER LIABILITIES

	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Creditors and accruals	**732**	726
Interest payable	**208**	712
Other	**62**	129
Lease liabilities	**452**	169
ECL Allowance for commitment & contingencies (Note 26)	**251**	138
Total	**1,705**	1,874

At 31 December 2020: B$532 thousand (2019: B$302 thousand) of other liabilities were expected to be settled more than 12 months after the reporting date.

Lease liabilities	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Balance brought forward/initial adoption of IFRS16	**169**	299
Additions	**410**	-
Interest on lease liabilities	**42**	10
Payment	**(169)**	(140)
Balance carried forward	**452**	169
Current position	**410**	126
Non-current position	**42**	43
	452	169

15 TAXATION

Provision for income tax:

	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Balance at the beginning of the financial year	**330**	-
Income tax paid	**(241)**	-
Current tax liabilities	**170**	330
Overprovision in prior year	**(89)**	-
Total	**170**	330

Deferred Taxation

	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Balance at the beginning of the financial year	**189**	189
Movements during the year	-	-
Total	**189**	189

Deferred tax asset comprises allowance of impairment in relation to adoption of IFRS 9.

16 ASSIGNED CAPITAL

	31-Dec-2020	31-Dec-2019
	B$'000	B$'000
Balance at the beginning/end of the financial year	**30,000**	30,000

The assigned capital is maintained to comply with Section 8 (2) e (ii) of the Brunei Darussalam Banking Order, 2006

17 STATUTORY RESERVE FUND

The Statutory Reserve Fund is maintained to comply with Section 24 of the Brunei Darussalam Banking Order 2006. The Branch transfers a minimum of 50% (2019: 50%) of the profit for the financial year to statutory reserve fund.

PRUDENTIAL RESERVE FOR CREDIT LOSSES

This reserve is maintained pursuant to paragraph 6 of the Notice on Prudential Treatment of Problem Assets and Accounting for Expected Credit Losses issued by Autoriti Monetari Brunei Darussalam on 27 December 2018 which requires accrued interest on non–performing accounts to be set aside and transferred to this reserve. This reserve is non-distributable.

During the year, there was no transfer to prudential reserve for credit losses as the Branch had provided impairment for all the accrued interest on non-performing accounts in 2020.

18 COMMITMENTS AND CONTINGENCIES

(i) In the normal course of business, the Branch makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. As the contingencies and commitments may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

	31-Dec-2020	31-Dec-2019
	B$'000	B$'000
Contingencies		
Letters of credit	**4,339**	4,466
Guarantees, bonds	**38,259**	40,815
Shipping guarantees	-	156
Acceptances	-	308
Others	**339**	492
Sub total	**42,937**	46,237
Commitments		
Undrawn credit lines	**68,297**	52,671
Others	-	11
Sub total	**68,297**	52,682
Total contingencies and commitments	**111,234**	98,919

At 31 December 2020: B$70 thousand (2019: B$300 thousand) of contingencies and commitments had contractual maturities of more than 12 months after the reporting date.

The ECL allowance for commitments and contingencies is B$251 thousand (2019: B$138 thousand) as disclosed in Note 14.

19 INTEREST INCOME

	2020 B$'000	2019 B$'000
Interest Income		
Interest income from customers	**5,106**	5,352
Interest income from banks	**2,086**	2,615
Total Interest Income	**7,192**	7,967
Interest Expense		
Deposits from customers	**(1,502)**	(1,748)
Total Interest Expense	**(1,502)**	(1,748)
Net Interest Income	**5,690**	6,219

20 FEE INCOME

	2020 B$'000	2019 B$'000
Fee income		
Government Sukuk	**84**	304
Retail banking customer fees	**63**	94
Credit-related fees	**174**	181
Trade-related fees	**241**	259
Financial guarantee contracts issued	**283**	278
Other	**10**	15
Total fee income	**855**	1,131

21 NET TRADING INCOME

	2020 B$'000	2019 B$'000
Foreign exchange	**289**	259
Net trading income	**289**	259

22 OTHER OPERATING INCOME

	2020 B$'000	2019 B$'000
Cable and postage charges	**109**	116
Agency fee	**12**	12
Stamp duty	**5**	5
Total	**126**	133

23 PERSONNEL EXPENSES

	2020 B$'000	2019 B$'000
Salaries	**1,584**	1,640
Allowance and bonuses	**630**	714
Contribution to defined contribution plan	**135**	138
Others	**21**	27
Expenses relating to short term lease	**15**	46
Total	**2,385**	2,565

24 MANAGEMENT FEES

The Head Office provides necessary management, supervisory, and operational support as well as infrastructure to run and support the Branch's operations. As such a management fee is paid to the Head Office on a proforma basis.

	2020 **B$'000**	2019 B$'000
Management fees paid to Head Office	**12**	10
Total	**12**	10

25 OTHER OVERHEAD EXPENSES

	2020 **B$'000**	2019 B$'000
Promotion		
Advertisement and publicity	**29**	36
Operational		
Depreciation	**56**	58
General expenses		
Auditors' fees		
- audit work	**44**	42
Professional fees	**111**	116
IT & data	**233**	189
Telecommunication	**264**	259
Insurance	**73**	65
Repair & upkeep	**43**	36
Interest on lease liabilities	**42**	10
Expenses relating to low-value lease	**2**	1
Depreciation – right-of-use assets	**150**	153
Others	**365**	391
Total	**1,412**	1,356

The Branch had total cash outflows for lease of B$169 thousand in 2020 (2019: B$187 thousand)

26 ALLOWANCE FOR IMPAIRMENT/LOAN LOSS PROVISIONS

(a) Allowance for impairment

	2020 **B$'000**	2019 B$'000
Stage 1 and 2 – Expected Credit Losses	**297**	(88)
Stage 3 – Expected Credit Losses / Specific Allowances for Loans	**(1,624)**	(544)
Bad Debt Written off	**1,492**	-
Bad Debt Recovered	**(351)**	(100)
Interest Accretion	**(84)**	(7)
Total	**(270)**	(739)

26 ALLOWANCE FOR IMPAIRMENT/LOAN LOSS PROVISIONS (continued)

(b) Loans and advances at amortised cost

B$'000	Stage 1	Stage 2	Stage 1 and Stage 2	Stage 3	Total
Balance at 31 December 2019	399	81	480	4,791	5,271
Movements with profit or loss impact:					
(i) Transferred to Stage 1	-	-	-	-	-
(ii) Transferred to Stage 2					
(a) Stage 1 to Stage 2	(1)	7	6	-	6
(b) Stage 3 to Stage 2	-	-	-	-	-
(iii) Transferred to Stage 3					
(a) Stage 1 to 3	-	-	-	-	-
(b) Stage 2 to 3	-	-	-	-	-
(iv) New/ additional ECL during the period	293	11	304	484	788
(v) Maturity/ settlement/ reduction in ECL during the period	(208)	(3)	(211)	(570)	(781)
(vi) Exchange fluctuation	-	-	-	-	-
(vii) Bad debts written off	-	-	-	(1,486)	(1,486)
(viii) Bad debt recovered	-	-	-	-	-
Unwinding of Discount	-	-	-	(52)	(52)
Movements without profit or loss impact:					
Write-offs	-	-	-	-	-
Other movements	53	10	63	-	63
Balance at 31 December 2020	536	106	642	3,167	3,809

26 ALLOWANCE FOR IMPAIRMENT/LOAN LOSS PROVISIONS (continued)

(c) Commitments and contingencies

B$'000	Stage 1	Stage 2	Stage 1 and stage 2	Stage 3	Total
Balance at 31 December 2019	124	14	138	-	138
Movements with profit or loss impact:					
(i) Transferred to Stage 1	-	-	-	-	-
(ii) Transferred to Stage 2					
(a) Stage 1 to Stage 2	-	2	2	-	2
(b) Stage 3 to Stage 2	-	-	-	-	-
(iii) Transferred to Stage 3					
(a) Stage 2 to 3	-	-	-	-	-
(iv) New/ additional ECL during the period	27	4	31	-	31
(v) Maturity/ settlement/ reduction in ECL during the period	20	18	80	-	80
(vi) Exchange fluctuation	-	-	-	-	-
Movements without profit or loss impact:					
Write-offs	-	-	-	-	-
Other movements	38	4	-	-	-
Balance at 31 December 2020	209	42	251	-	251

26 ALLOWANCE FOR IMPAIRMENT/LOAN LOSS PROVISIONS (continued)

(d) Government sukuk

B$'000	Stage 1	Stage 2	Stage 1 and stage 2	Stage 3	Total
Balance at 31 December 2019	39	9	48	-	48
Movements with profit or loss impact:					
(i) Transferred to Stage 1	-	-	-	-	-
(ii) Transferred to Stage 2					
(a) Stage 1 to Stage 2	-	-	-	-	-
(b) Stage 3 to Stage 2	-	-	-	-	-
(iii) Transferred to Stage 3					
(a) Stage 2 to 3	-	-	-	-	-
(iv) New/ additional ECL during the period	-	-	-	-	-
(v) Maturity/ settlement/ reduction in ECL during the period	5	13	22	-	22
(vi) Exchange fluctuation	-	-	-	-	-
Movements without profit or loss impact:					
Write-offs	-	-	-	-	-
Other movements	2	2	-	-	-
Balance at 31 December 2020	46	24	70	-	70

27 INCOME TAX EXPENSE

The tax charge in the profit or loss comprises the following:

	2020 B$'000	2019 B$'000
On profit of the financial year:		
Brunei Darussalam Income tax:		
Current income tax provision	**170**	330
Overprovision in prior year	**(89)**	-
Total income tax expense	**81**	330

Tax charge on profit for the financial year differs from the theoretical amount computed using Brunei Darussalam corporate income tax rate due to the following factors:

	2020 B$'000	2019 B$'000
Profit before income tax	**3,422**	4,550
Income tax using the domestic corporate income tax rate at 18.5%	**633**	842
Statutory threshold exemption	**(28)**	(28)
Expenses subject to further deduction	**(25)**	(26)
Non-taxable income	**(386)**	(484)
Expenses not deductible for income tax	**32**	65
Utilisation of capital allowances and losses	**(5)**	(26)
Exempt income	**(16)**	(56)
Other	**(35)**	43
Overprovision in prior year	**(89)**	-
Total	**81**	330

28 ACCOUNTING CLASSIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below provides the accounting classification of financial assets and financial liabilities and their respective fair values.

31-Dec-2020	**Amortised cost B$'000**	**Fair value B$'000**
Cash and Short Term Funds	**1,209**	**1,209**
Balances with Autoriti Monetari Brunei Darussalam	**22,175**	**22,175**
Government Sukuk	**12,430**	**12,430**
Loans and advances	**85,860**	**85,860**
Group balances receivable	**168,767**	**168,767**
Other assets	**926**	**926**
Total assets	**291,367**	**291,367**
Deposits from customers	**183,503**	**183,503**
Deposits from banks and other financial institutions	**2,961**	**2,961**
Group balances payable	**6,840**	**6,840**
Other Liabilities	**1,705**	**1,705**
Total liabilities	**195,009**	**195,009**

28 ACCOUNTING CLASSIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

31-Dec-2019	Amortised cost B$'000	Fair value B$'000
Cash and Short Term Funds	1,326	1,326
Balances with Autoriti Monetari Brunei Darussalam	24,712	24,712
Government Sukuk	12,452	12,452
Loans and advances	84,050	84,050
Group balances receivable	172,976	172,976
Other assets	2,208	2,208
Total assets	297,724	297,724
Deposits from customers	193,992	193,992
Deposits from banks and other financial institutions	2,995	2,995
Group balances payable	5,462	5,462
Other Liabilities	1,874	1,874
Total liabilities	204,323	204,323

The valuation process adopted by the Branch is governed by the valuation, market data, and reserve policies. These policies set the methodologies and controls for the valuation of financial assets and liabilities where mark-to-market or mark-to-model is required. The valuation processes incorporating the market rates, the methodologies and models, including the analysis of the valuation are regularly reviewed by Group Risk Management. Processes and controls are also subject to periodic reviews by internal auditors.

The valuation inputs are independently verified by checking against information from market sources. These are applicable to products or instruments with liquid markets or those traded on an exchange. Where market prices are not liquid, additional techniques will be used such as historical estimation or available proxies as additional reasonableness checks. Where products or instruments are complex, the Branch utilises approved valuation models. All valuation models are independently validated by Group Risk Management.

Fair value for instruments classified as Level 2 use inputs such as yield curves, volatilities and market prices which are observable and of high reliability.

When unobservable inputs are used in the valuation models for Level 3 financial assets or liabilities, apart from utilising market proxies, other valuation techniques such as cash flow, profit and loss or net asset value in financial statements are used as a reasonableness check.

The valuation process is supplemented by valuation reserves to adjust for valuation uncertainties. Valuation reserve methodologies and adjustments are approved by the Group Asset and Liability Committee (ALCO).

The valuation adjustments or reserves set aside include bid/offer rate adjustments, illiquidity adjustments and other adjustments such as Day 1 profit reserves, where applicable. Adjustments are also considered for use of proxies, models or estimated parameters.

For financial instruments carried at amortised cost, their fair values are determined as follows:

- For cash, balances, placements and deposits of AMBD and banks, deposits of customers with short-term or no stated maturity, as well as interest and other short-

28 ACCOUNTING CLASSIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

term receivables and payables, fair values are expected to approximate the carrying amounts;

- For loans and deposits of customers, non-subordinated debts issued and investment debt securities, fair values are estimated based on independent broker quotes or using the discounted cash flow method; and

The fair values of the financial instruments carried at amortised cost were assessed to be not materially different from their carrying amounts.

29 RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Branch if the Branch 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 Branch and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In the normal course of its banking business, the Branch has carried out transactions with related parties, principally the Head Office which is the ultimate controlling party of the Branch and with other branches and related corporations on terms agreed between the parties.

During the year, in addition to the disclosures shown elsewhere in the financial statements, there were the following significant related party transactions undertaken on terms agreed between the parties in the normal course of business:

	Head Office		**Other branches and related entities**	
	31-Dec-2020 B$'000	31-Dec-2019 B$'000	**31-Dec-2020 B$'000**	31-Dec-2019 B$'000
Income				
Interest income	**1,886**	678	**200**	1,938
Total	**1,886**	678	**200**	1,938
Expenses				
Management fee	**11**	10	**-**	-
Total	**11**	10	**-**	-

All outstanding balances with these related parties, disclosed in notes 8 and 13, are priced on an arm's length basis and are settled in cash within six months of the reporting date. None of the balances is secured. No impairment losses have been recorded against these balances outstanding during the period, and no specific allowance has been made for impairment losses on these balances at the period end.

29 RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel

Remuneration paid to key management personnel includes salary, bonus and other benefits-in-kind.

Key management personnel compensation for the period comprised:

	2020 $'000	2019 $'000
Short-term employee benefits	**789**	667
Post-employment benefits	**51**	43
	840	710

30 CAPITAL MANAGEMENT

The Branch's approach to capital management is to ensure that the Branch maintains strong capital levels necessary to support its business and growth, to meet regulatory capital requirements at all times and to maintain a good credit rating.

The Branch achieves these objectives through the Head Office Internal Capital Adequacy Assessment Process (ICAAP), whereby the Head Office actively monitors and manages the capital position over a medium term horizon, involving the following:

- Setting capital targets for the Branch taking into account regulatory changes and stakeholder expectations
- Forecasting capital demand for material risks based on the Head Office risk appetite
- Determining the availability and composition of different capital components

Head office committees oversee the Branch's capital planning and assessment process. Any capital management plans, the contingency capital plans, and any capital management actions are submitted to Head Office senior management team and/or board for approval.

Head office is the primary equity capital provider to the Branch, and this is done via Head Office's own retained earnings and capital issuance. The Branch manages its own capital within the context of the ICAAP and Head Office capital management plan as well as any local capital regulations.

The Branch is regulated by the Autoriti Monetari Brunei Darussalam which sets and monitors its capital requirements under the Banking Order, 2006. The Branch did not breach the minimum Net Head Office funds of B$30 million and Capital Adequacy ratio requirements issued by the Autoriti Monetari Brunei Darussalam.

31 SIGNIFICANT RISK ASSOCIATED WITH THE BRANCH'S OPERATIONS

The main financial risks that the Branch is exposed to and how they are being managed are set out below:

(i) Credit risk

'Credit risk' is the risk of financial loss to the Branch if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Branch's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Branch considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process.

The process includes review of all non-performing and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition, credit review and audit are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with. Past dues and credit limit excesses are tracked and analysed by business and product lines. Significant trends are reported to the Branch's management and Head Office committees.

The maximum exposure to credit risk is limited to the amounts on the statement of financial performance, without taking into account the fair value of any collateral or master netting agreements.

The table that follows shows the maximum exposure to credit risk for the components of the statement of financial position:

As at 31-Dec-2020	**Maximum credit exposure B$'000**	**Financial effect/ Collateralised B$'000**	**Unsecured portion of credit exposure B$'000**
Credit exposure for On-Statement of Financial Position financial assets:			
Cash and short term funds	1,209	-	1,209
Balances with Autoriti Monetari Brunei Darussalam	22,175	-	22,175
Government Sukuk	12,430	-	12,430
Loans and advances	85,860	(62,305)	23,555
Group balances receivable	168,767	-	168,767
Other assets	926	-	926
Credit exposure for Off-Statement of Financial Position financial assets:			
Letters of credit	4,339	(3,376)	963
Guarantees, bonds	38,259	(3,642)	34,617
Others	339	-	339
Total maximum credit exposure	334,304	(69,323)	264,981

31 SIGNIFICANT RISK ASSOCIATED WITH THE BRANCH'S OPERATIONS (continued)

(i) Credit risk (continued)

As at 31-Dec-2019	**Maximum credit exposure B$'000**	**Financial effect/ Collateralised B$'000**	**Unsecured portion of credit exposure B$'000**
Credit exposure for On-Statement of Financial Position financial assets:			
Cash and short term funds	1,326	-	1,326
Balances with Autoriti Monetari Brunei Darussalam	24,712	-	24,712
Government Sukuk	12,452	-	12,452
Loans and advances	84,050	(60,674)	23,376
Group balances receivable	172,976	-	172,976
Other assets	2,208	-	2,208
Credit exposure for Off-Statement of Financial Position financial assets:			
Letters of credit	4,466	(2,562)	1,904
Guarantees, bonds	40,815	(3,147)	37,668
Shipping guarantees	156	(156)	-
Acceptances	308	-	308
Others	492	-	492
Total maximum credit exposure	343,961	(66,539)	277,422

As a fundamental credit principle, the Branch does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt service ability.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The main type of collateral taken by the Branch is residential properties. Policies and processes are in place to monitor collateral concentration.

31 SIGNIFICANT RISK ASSOCIATED WITH THE BRANCH'S OPERATIONS (continued)

(i) Credit risk (continued)

The Branch monitors concentrations of credit risk by sector. The Branch's maximum exposure to credit risk before taking into account any collateral held other credit enhancements and netting arrangements, is shown in the table below. The credit risk associated with government sukuk held is linked to the credit risk of the government of Brunei Darussalam.

As at 31-Dec-2020	Loans and advances to banks B$'000	Loans and advances to customers B$'000	Stage 1 B$'000	Stage 2 B$'000	Stage 3 B$'000
By industry sector:					
Agricultural	-	**4,686**	**4,637**	**49**	**-**
Manufacturing	-	**3,039**	**2,836**	**203**	**-**
Transportation	-	**131**	**122**	**9**	**-**
Infrastructure	-	**642**	**604**	**38**	**-**
Traders	-	**37,001**	**35,717**	**1,284**	**-**
Professional services	-	**10,502**	**8,267**	**2,235**	**-**
Constructions and Property Financing	-	**28,233**	**24,818**	**1,286**	**2,129**
Tourism	-	**316**	**294**	**22**	**-**
Telecommunication and Information Technology	-	**1,310**	**1,276**	**34**	**-**
	-	**85,860**	**78,571**	**5,160**	**2,129**

As at 31-Dec-2019	Loans and advances to banks B$'000	Loans and advances to customers B$'000	Stage 1 B$'000	Stage 2 B$'000	Stage 3 B$'000
By industry sector:					
Agricultural	-	4,347	4,307	40	-
Manufacturing	-	3,572	3,441	131	-
Transportation	-	190	182	8	-
Infrastructure	-	475	475	-	-
Traders	-	34,759	34,034	725	-
Professional services	-	9,156	8,862	294	-
Constructions and Property Financing	-	30,035	26,226	1,776	2,033
Tourism	-	487	467	20	-
Telecommunication and Information Technology	-	1,029	1,026	3	-
	-	84,050	79,020	2,997	2,033

31 SIGNIFICANT RISK ASSOCIATED WITH THE BRANCH'S OPERATIONS (continued)

(i) Credit risk (continued)

Credit exposure analysed by geography

	In Brunei B$'000	Outside Brunei B$'000	Total B$'000
As at 31-Dec-2020			
Cash and short-term funds	955	254	1,209
Deposits and placements with financial institutions	-	168,767	168,767
Loans, advances and financing	85,860	-	85,860
Other assets	926	-	926
Balances with Autoriti Monetari Brunei Darussalam and Government Sukuk	34,605	-	34,605
	122,346	169,021	291,367
Commitments and contingencies	111,234	-	111,234

	In Brunei B$'000	Outside Brunei B$'000	Total B$'000
As at 31-Dec-2019			
Cash and short-term funds	1,134	192	1,326
Deposits and placements with financial institutions	-	172,976	172,976
Loans, advances and financing	84,050	-	84,050
Other assets	2,208	-	2,208
Balances with Autoriti Monetari Brunei Darussalam and Government Sukuk	37,164	-	37,164
	124,556	173,168	297,724
Commitments and contingencies	98,819	100	98,919

31 SIGNIFICANT RISK ASSOCIATED WITH THE BRANCH'S OPERATIONS (continued)

(i) Credit risk (continued)

Ageing analysis of past due but not impaired and non-performing financial assets is summarized in the table that follows:

31-Dec-2020	Neither past due nor impaired B$'000	Past due but not Impaired B$'000	Non-performing B$'000	Interest Receivables B$'000	Stage 1 B$'000	Stage 2 B$'000	Stage 3 B$'000	Net total B$'000
Current	83,013	-	1,741	346	(532)	(104)	(876)	83,588
Within 90 days	-	1,068	-	9	(4)	(2)	-	1,071
Over 90 to 180 days	-	-	-	-	-	-	-	-
Over 180 days	-	-	3,122	370	-	-	(2,291)	1,201
	83,013	1,068	4,863	725	(536)	(106)	(3,167)	85,860

31-Dec-2019	Neither past due nor impaired B$'000	Past due but not Impaired B$'000	Non-performing B$'000	Interest Receivables B$'000	Stage 1 B$'000	Stage 2 B$'000	Stage 3 B$'000	Net total B$'000
Current	80,812	-	-	298	(395)	(80)	-	80,635
Within 90 days	-	1,382	-	5	(4)	(1)	-	1,382
Over 90 to 180 days	-	-	948	5	-	-	(95)	858
Over 180 days	-	-	5,168	703	-	-	(4,696)	1,175
	80,812	1,382	6,116	1,011	(399)	(81)	(4,791)	84,050

31 SIGNIFICANT RISK ASSOCIATED WITH THE BRANCH'S OPERATIONS (continued)

(i) Credit risk (continued)

Interest receivable and collective impairment are excluded from note 7 of the net loan and advances to tie to the above ageing report.

(ii) Market risk

Market Risk is the risk of financial loss where the value of the Branch's assets and liabilities could be adversely affected by changes in market variables such as interest rates and foreign exchange rates. Market Liquidity Risk is the risk of financial loss caused by inability to secure market transactions at the required volume or price levels as a result of market turbulence or lack of trading liquidity.

Foreign exchange risk

Foreign exchange risk is the risk to earnings and economic value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates. The Branch's' foreign exchange exposures comprise non-trading foreign exchange exposure principally derived from customer businesses.

Foreign exchange risk is managed through policies and risk limits approved by the Asset and Liability Committee ("ALCO"). The limits are independently monitored by Group Market Risk and Product Control.

A summary of quantitative data about the Branch's net exposure to major foreign currencies is provided below, followed by a sensitivity analysis (assuming all other risk variables remain constant):

	31-Dec-2020 B$'000	31-Dec-2019 B$'000
Net foreign currency exposure:		
Australian Dollar	**42**	29
United States Dollar	**100**	170
Euro	**8**	42
Singaporean Dollar	**169,050**	173,757
Other currencies	**4**	129
	169,204	174,127

31 SIGNIFICANT RISK ASSOCIATED WITH THE BRANCH'S OPERATIONS (continued)

(ii) Market risk (continued)

A 1% strengthening of the foreign currencies, as indicated above, against the BND as at year end, would have increased (decreased) profit or loss by the amounts shown below. No impact would result on the Branch's equity balance as a result of this change in foreign currency rates. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit/(Loss) B$'000
31 December 2020	
1 % Strengthening	1.54
31 December 2019	
1 % Strengthening	3.70

(iii) Interest rate risk

Interest rate risk is the impact to earnings and economic value of the Branch due to fluctuations in interest rates. Interest rate exposure arises from differences in the maturity and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Head Office's policies as approved by the ALCO. The controls in place to manage interest rate risk are applied by the Head Office, on behalf of the Branch.

The Group's interest rate risk sensitivity is measured as changes in economic value of equity (EVE) or net interest income (NII).

The economic value of equity ("EVE") is the present value of assets less present value of liabilities of the branch. NII is the simulated change in the Branch's net interest income. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Interest rate flooring effects are taken into consideration. Loan prepayment and time deposit early withdrawal rates are estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied where appropriate. The average repricing maturity of core non-maturity deposits is determined through empirical models taking into account asset duration. Risk-free zero coupon curves are used for EVE discounting. Currencies are aggregated by scenarios. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

At the reporting date, the interest rate profile of the Branch's interest-bearing financial instruments were as follows:

31 SIGNIFICANT RISK ASSOCIATED WITH THE BRANCH'S OPERATIONS (continued)

	31-Dec-2020 $'000	31-Dec-2019 $'000
Fixed-rate assets	**84,080**	81,751
Floating-rate assets	**148,100**	162,500
Fixed-rate liabilities	**(182,462)**	(193,059)
	49,718	51,192

Interest rate sensitivity analysis

A change of 100 basis points in interest rates, given the level would have increased/(decreased) equity and profit or loss by B$497,180.

(iv) Liquidity risk

Liquidity risk is the risk that the Branch is unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and draw-down of loans.

The Branch manages liquidity risk in accordance with the liquidity framework approved by the Head Office ALCO. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Branch is also required by the Autoriti Monetari Brunei Darussalam to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements. The objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets

The maturity analysis of the Branch assets and liabilities based on remaining contractual maturities does not reflect the actual behavioral patterns. In particular, the Branch has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Less than 3 months" time band).

In addition to the above, the Branch is also subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Note 18. The total outstanding contractual amounts of these items do not represent future cash requirements since the Branch expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

31 SIGNIFICANT RISK ASSOCIATED WITH THE BRANCH'S OPERATIONS (continued)

(iv) Liquidity risk (continued)

The following table shows cash flow analysis of the Branch's assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioral patterns such as prepayment of loans.

As at 31-Dec-2020	Up to 1 month B$'000	1 -3 months B$'000	3-12 months B$'000	1 to 3 years B$'000	More than 3 years B$'000	No specific maturity B$'000	Total B$'000
Liabilities							
Deposits from customers	105,310	41,823	36,578	-	-	-	183,711
Deposits from banks and other financial institutions	2,961	-	-	-	-	-	2,961
Group balances payable	6,840	-	-	-	-	-	6,840
Other liabilities	109	388	44	-	251	-	792
Lease liabilities	15	31	140	289	-	-	475
Taxation	-	-	170	-	-	-	170
Total Liabilities	115,235	42,242	36,932	289	251	-	194,949

As at 31-Dec-2019	Up to 1 month B$'000	1 -3 months B$'000	3-12 months B$'000	1 to 3 years B$'000	More than 3 years B$'000	No specific maturity B$'000	Total B$'000
Liabilities							
Deposits from customers	75,860	23,916	95,871	-	-	-	195,647
Deposits from banks and other financial institutions	2,995	-	-	-	-	-	2,995
Group balances payable	5,462	-	-	-	-	-	5,462
Other liabilities	182	380	42	-	251	-	855
Lease liabilities	12	23	94	34	12	-	175
Taxation	-	-	330	-	-	-	330
Total Liabilities	84,511	24,319	96,337	34	263	-	205,464