BIBD

ANNUAL **REPORT**

2017

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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 become THE FIRST CHOICE institution for Employees, Customers, Stakeholders

Values

Integrity

Customer Focus

Unity of Purpose

Excellence

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

Bismillahir Rahmanir Rahim. Assalamualaikum Warahmatullahi Wabarakatuh.

Alhamdulillah, I am delighted to report a very successful 2017 year in review in my first message to the shareholders as Chairman of BIBD. I look forward to sharing the progression of this leading bank, and working in cooperation with the rest of the Board, Shariah Advisory Body, Management and staff towards realising the aspirations of both Brunei Darussalam and BIBD.

BIBD Growth, Resilience, and Sustainability

BIBD has consistently delivered on its proven track record of growth in revenue and earnings. Alhamdulillah, the Group and Bank's net profit for 2017 reported an increase of 11.5% and 39.1% respectively, the highest increase ever recorded. At the same time, total assets increased moderately for both the Group and Bank.

We also undertook a capital optimisation strategy last year to achieve a more efficient capital structure by returning excess capital to our shareholders via our capital reduction distribution. This reflects the strong organic capital generation of our business and capital position, and consistent profit generation. The exercise resulted in us returning B$0.30 back per ordinary share, totaling to more than B$217 million, improving our Return on Equity by 3.1% to 10.5% for the Group, and 7.1% to 16.9% for the Bank.

I am also pleased to report that BIBD demonstrated its strength and resilience with an impressive financial performance in 2017. We forged ahead, guided by well thought-out strategies, which resulted in the Bank recording a profit after zakat and tax of B$169.8 million, a 39.1% increase from the previous year. Profit after zakat and tax for the Group was posted at B$116.2 million, an increase of 11.5% from the previous year.

Total assets for the Bank grew 2.2% to B$9.2 billion in 2017, propelled by a strong increase in deposits of 4.7%, cementing BIBD's position as the market leader in Brunei with a sizeable market share. Total assets for the Group also grew favorably by 1.1% to B$9.6 billion compared to B$9.5 billion in the previous year.

I would like to take this opportunity to congratulate everyone at BIBD that have contributed to all of the above which resulted in us retaining the position as Brunei Darussalam's Best Retail Bank for the fifth consecutive year, while also receiving the Best Digital Bank and Best Mobile Banking Application awards for 2017.

Creating Real Returns

Last year we recorded our highest ever final dividend for shareholders at B$0.147 per ordinary share. In that spirit of continued excellence, the Board has proposed a final dividend of B$0.051 per share for approval at the forthcoming 2018 annual general meeting. As part of our continued commitment to our customers, the final dividend will add to the earlier interim dividend distribution of B$0.125, which will create a total dividend of B$0.176 per ordinary share for the year 2017. The total result is more than B$127 million returned to our shareholders, an improvement in YoY yield of 11.5% from 7.5% for the Group.

Brunei Darussalam: A Progressive Islamic Financial Hub for a Sustainable Future

Alhamdulillah, BIBD is blessed to be in a vibrant economy that emphasises the development of Islamic finance. The progress of this is evident as Brunei Darussalam was ranked among the top 10 Islamic finance markets, as well as its biggest gainer, in ICD-Thomson Reuters Islamic Finance Development Report 2017's list of 131 countries with a presence in Islamic finance.

Brunei Darussalam's key improvements included a 410% increase in its Awareness Indicator, and a 154% increase in its Knowledge Indicator – both reflecting wider acceptance and understanding of Islamic finance. The report attributed this success to the involvement of higher education institutions and Islamic finance institutions in supporting Islamic finance activities in Brunei Darussalam.

This is an accomplishment that I am very proud to report as it shows the high levels of collaboration between the private sector, regulators, and government institutions in order to raise the awareness about Islamic finance, benefits of better financial management and the importance of accelerating financial literacy in Brunei Darussalam.

The resilience of the Bruneian economy has shown, with the strong partnership between all stakeholders involved, we can further drive Brunei Darussalam's ambition to achieve His Majesty's vision of a truly prosperous nation. In this spirit, we also look forward to celebrating the Silver Jubilee for BIBD since it first started its operation as an Islamic Bank in 1993.

Resilient Bruneian Economy

In shaa Allah, BIBD will also benefit from the expected economic rebound from recovering oil prices in 2018 and beyond. However, the Bruneian Government remains focused in its efforts to diversify its economy in order to create alternative income streams, thereby reducing its dependence on oil and gas, and mitigating any future shocks to the economy. We, in BIBD, have also supplemented national efforts with our SME related initiatives to ensure that we contribute to the development of local budding entrepreneurs.

The health of the Bruneian banking sector was also commended by the Organisation for Economic Co-operation and Development which highlighted Brunei Darussalam's secure banking system above the global average. At the same time, Brunei Darussalam is also recognised as one of the few nations from the region that are above the global average for deposit-to-financing ratios.

Alhamdulillah, despite expected lower national spending, Brunei Darussalam saw a reduction in budget deficit of 40% YoY, with a modest return to growth for its GDP. According to reports by the Asian Development Bank's (ADB) Asian Development Outlook (ADO) and the International Monetary Fund's Asia-Pacific Regional Economic Outlook report, Brunei Darussalam is expected to register strong positive growth for the year 2018.

The Asian Development Bank also reported that Brunei Darussalam's economy is showing signs of gradual diversification away from oil and gas. This is evidenced by the inflow of Foreign Direct Investment in major infrastructure and construction projects across a multitude of industries. At the same time, the government has taken commendable steps to improve Brunei Darussalam's business climate by lowering the corporate income tax rate to 18.5% with tax exemptions for pioneer industries.

Brunei Darussalam's performance in the World Bank's Doing Business Index has also progressed well with a YoY improvement of 16 positions to 56th place, demonstrating Brunei's ability to adapt to the changes in the global economy. At the same time, the World Economic Forum's Global

Competitiveness Report 2017-2018 considered Brunei as the most improved among 13 of 17 East Asia and Pacific economies.

Commemorating His Majesty's Golden Jubilee

2017 was also a significant year for Brunei Darussalam with celebrations in relation to the Golden Jubilee celebration of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam's accession to the throne. Brunei also celebrated fifty years of currency peg with Singapore. We at BIBD remain committed to support His Majesty's vision of a progressive and stable nation.

Brunei's Leader in Social Responsibility

In addition to constantly optimizing our customer's experience with BIBD, we also focused on developing the effectiveness of our CSR programmes. With this, we truly embodied Brunei Darussalam's Vision or *Wawasan* 2035 to create a sustainable dynamic economy that provides better opportunities, and to create a quality of life that is among the best in the world.

Our flagship CSR initiative, the BIBD ALAF (Advocating Life-Long Learning for an Aspiring Future) programme champions the value of education as an enabler for a better future. Currently BIBD ALAF sponsors a total of 170 students. In partnership with the Ministry of Education and Ministry of Religious Affairs, we endeavour to support the development and success of young underprivileged Bruneians by providing them with the educational tools necessary for their progression.

BIBD's educational initiatives also include financial awareness programmes designed to equip Bruneians with greater financial literacy in order to help them manage their personal finances better. Our commitment to supporting CSR initiatives to bring benefit to our community is one of the core pillars of our mission to becoming the First Choice amongst all banking institutions in Brunei.

Looking Forward

While we are cognizant of the advantages that FinTech and its ecosystems bring, we must ensure that investments into these technologies remain prudent and bring real life convenience to our customers, while at the same time ensuring that there is adequate framework and governance to protect our customers.

At the same time, I look forward to seeing the growth of BIBD's business beyond Brunei Darussalam, and particularly in Singapore and the Middle East. These locations not only provide us the opportunity to reinforce income streams for BIBD but also showcases our ability to be recognised as part of a larger global financial ecosystem, especially as part of more developed markets. This in turn will also allow us to learn and absorb best-practices and international benchmarks.

In Appreciation

I am very thankful to be appointed as Chairman of a very progressive Bruneian institution that carries the national flag with sights on the region. I would also like to thank current and previous Chairman and 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. The Board joins me 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 First Choice for Bruneians, making us the premier financial services group in the country.

The road ahead will be marked with obstacles and challenges but with our concerted hard work, determination and team-spirit, we will continue to ensure that the BIBD Group stands firm as an institution we can all be proud of in years to come, In shaa Allah.

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, shareholders and our honourable regulators for their continued encouragement and support.

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

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

Wabillahi Taufik Walhidayah Wassalamu 'Alaikum Warahmatullah Hi Wabarakatuh

Yang Berhormat Dato Seri Paduka Dr. Awang Haji Mohd Amin Liew bin Abdullah
Minister of Finance II
Chairman, Bank Islam Brunei Darussalam

MANAGING DIRECTOR'S FOREWORD

Dear Respected Shareholders,

Bismillahir Rahmanir Rahim. Assalamualaikum Warahmatullahi Wabarakatuh.

Alhamdulilah, I am happy to report another successful year for BIBD, filled with milestones and achievements that has continued our progression in both local and international markets.

A Robust Sustainable Franchise from a Resilient Nation

Impressed by the BIBD spirit to overcome challenges, I am heartened to report that all our key business segments posted healthy and positive revenue growth despite market challenges. Overall, the Group posted an encouraging total income of B$331.5 million, an increase of 0.2% from the previous year, while the Bank reported a very strong income of B$348.0 million, highlighting a 13.2% growth. One key contributor to this performance is the 9.7% growth in net fee and commission income that recorded a total of B$27.9 million.

Revenue growth was also supported by strong results in our financing, leasing and investment activities that have helped register a 5.6% increase in net profit margin for the Group delivering B$257.8 million and B$213.0 million for the Bank, a 7.5% increase for the Bank. In the same financial year, net financing and advances grew by 1.4% to B$3.2 billion, while total deposits grew by 4.2% to B$8.0 billion.

Funding growth remains at the core of our strategy and we saw an encouraging increase of 4.7% in our deposits for the Bank that rose to B$7.8 billion while the Group recorded 4.2% rise in deposits. Profitability for the Bank rose 39.1% to B$169.8 million, compared to B$122.1 million in 2016. Total assets for the Bank increased by 2.2% to B$9.2 billion, while total assets for the Group stood at B$9.6 billion, up 1.1%, strengthening our financial position and cementing BIBD as the largest bank in Brunei, with a very sizeable market share.

Operating expenses grew 12.4% mainly contributed by staff related expenses, electronic data processing and professional fees. However, this was offset by a strong operating profit of B$190.8 million and B$144.4 million for the Bank and Group, indicating growth of 34.2% and 5.6% growth respectively. The bank remained consistent in its hedging strategy to minimise any future currency volatility.

At the same time, BIBD has built on its half of market share of total assets. BIBD's prudent approach has also seen its cost-to-income ratio lower significantly when compared to the banking industry in Brunei Darussalam.

We strived to maintain discipline and efficiency in our cost management exercises and invested prudently to enable sustainable growth. While the rising costs of doing business remains a challenge, we managed to maintain our cost-to-income (CIR) ratio for the Bank at 33.5% - a marginal growth of 0.5%. Healthy returns achieved meant that we recorded a return on assets (ROA) of 1.5% for the Group, and 2.0% for the Bank, reflecting strong growth in both areas.

Despite a slight reduction in its capital adequacy ratios, BIBD has historically and consistently maintained this ratio in excess of the minimum regulatory requirement set by Autoriti Monetari Brunei Darussalam (AMBD) and above other global financial institutions. Total capital adequacy ratio was at 17.2% and 17.7% for the Bank and Group respectively, allowing us to maintain a resilient capital position to support the execution of our strategies.

We are well ahead of the milestones laid out for our First Choice strategy - launched two years ago - by constantly delivering strong financial performance and support to the Bruneian community. The improvement in the texture of our franchise resulted in a group net operating profit YoY increase of 5.6% to B$144 million, as all our business segments recorded strong performances. Retail banking contributed almost 38% of our Group total income, while our Corporate Banking Group, and Treasury & Global Markets both recorded more than 20% each.

Given the challenging operating environment and market conditions, we have sustained our prudent and sound risk management regime to ensure balanced business growth. Strong governance and risk management policies and processes also enabled us to maximise returns to our customers and stakeholders while ensuring that our asset quality remained resilient.

All these initiatives have resulted in BIBD receiving international accolades which include The Asian Banker's "Best Retail Bank in Brunei 2017" for the fifth consecutive year, while also receiving the "Best Digital Bank" and "Best Mobile Banking Application" awards from World Finance. Through our prudent approach, we have also held onto our A- S&P Global rating - the highest for a Bruneian bank. Throughout 2017, we demonstrated our unflinching commitment to improve our customer's experience with BIBD - moving it closer to global benchmarks.

Reinventing Digital Banking

The banking industry, like others, is being challenged by new technologies, changing customer expectations and the overwhelming need to create a financially inclusive society. A robust approach to Digital Banking is the need of the hour and a major priority for BIBD. We have responded well to this challenge by redoubling efforts to build a state-of-the-art digital banking presence that places the evolving requirements of our customers at the very forefront of our efforts.

With their specialised approach, FinTech start-ups are challenging various parts of the financial services value chain. In such an environment, the future of our industry depends on our ability to embrace the digital revolution and completely re-imagine the banking experience for our customers. At BIBD, though we are cognizant that this requires immense effort and considerable investment, we remain committed to this journey with the belief that this is also an opportunity to significantly differentiate ourselves from competitors. By reinventing the banking landscape through development of digital banking infrastructure and ecosystem, BIBD can create a huge impact with significant contributions to the real economy.

Our focus in creating a customer-focused mobile-led offering will at the same time simplify banking while making it more relevant and contextual to the needs of customers. By forging alliances with strategic partners in this ecosystem, we hope to maximise the appeal, effectiveness, and delivery of our offering.

As part of our values to continuously deliver excellence, we have recently launched our new digital banking platform that seeks to revolutionise the future of banking: BIBD NEXGEN. Harnessing the latest innovations in artificial intelligence, virtual reality, machine learning, data analytics and customer insights, BIBD NEXGEN underlines our intention to become a pioneer in the digital banking space in order to bring more convenience, connectivity, and value to our customers.

BIBD NEXGEN creates a futuristic banking concept that is mobile-led and customer-centric, whilst providing financial inclusion for the unbanked and underserved segments of society. BIBD NEXGEN will unify all of BIBD's digital technologies under one umbrella. This includes technologies introduced last year such as Brunei Darussalam's first ever authenticated Mobile Chat capability provided in-app. This full suite of banking capabilities will then be made more accessible to the public through third-party alliance platforms that are 'powered by BIBD NEXGEN' and will contribute to de-cashing the economy.

Aligned with Brunei *Wawasan* 2035, BIBD NEXGEN will also create – through inter-operability and open infrastructures – a branchless banking structure by promoting key alliances for BIBD with strategic partners from different industries – perhaps going beyond Brunei's shores with regional and international partnerships. Not only will this support national priorities by making Bruneians highly skilled in the digital space, it will also benefit the entire ecosystem with higher digital adoption and better interconnectivity leading towards a documented, secure, and digitised economy.

Providing credence to BIBD's belief in its NEXGEN platform is the growth it has experienced in the digital banking arena. BIBD has seen an almost 400% growth in transactions made on its digital banking platforms since 2014. This galaxy of BIBD NEXGEN technology will complement its physical infrastructure such as Brunei Darussalam's largest network of branches, ATMs, and contact-centre.

Building a Future-ready Workforce

At BIBD, our people are our most important asset. Our investment in further innovation and technology must commensurate with the investment we make in developing Brunei Darussalam's own talent into fully understanding and harnessing this technology. Therefore, we have placed the utmost importance on recruitment and talent acquisition in order to ensure that we not only hire the right skillset to support our ambitions, but also develop the current talent pool to be prepared for the future of banking.

As an Islamic bank, we need to continue our pursuit of developing our human resources in the facets of our industry. To date, we have nearly sixty certified Islamic Planners, of which seventeen have advanced to higher qualifications.

Our Success Equates The Success of Our Community

We take pride in our position as an engaged community partner – contributing with our BIBD ALAF (Advocating Life-Long Learning for An Aspiring Future) programme which currently supports the development of more than 170 students, one of whom has just enrolled into the prestigious Al-Azhar University, Egypt.

With the support of the Ministry of Culture, Youth, and Sports, we were honoured with the ASEAN (Association of South-east Asian Nations) Rural Development and Poverty Eradication (RDPE) Leadership Award at the 10th ASEAN Ministerial Meeting on Rural Development and Poverty Eradication (AMRDPE). This award recognises the contribution of private sector entities in rural development and poverty eradication in the region, while at the same time empowering the people to provide for themselves.

Our CSR philosophy is founded on the three pillars of education, entrepreneurship and community. This ensures that we stay committed towards elevating the community in realising Brunei *Wawasan* 2035.

Progressing Ahead

We will continue our investments in our digital banking prowess, human capital development and better understanding of our customers to ensure that BIBD continues to be a main contributor to the Bruneian economy.

Our efforts will redouble as we sustain the national ambition to create a diversified economy – insulated from the vicissitudes of hydro-carbons pricing in recent times. While we will continue supporting Bruneian institutions within the oil and gas sector, we will also promote economic diversification to energise other promising sectors. We will continue our unflinching support to the development of Brunei Darussalam's MSME and SME sector.

Welcoming Our New Chairman and Senior Members

I would like to take this opportunity to welcome our new Chairman of the Board, Yang Berhormat Dato Seri Paduka Dr. Awang Haji Mohd Amin Liew bin Abdullah, Minister of Finance II and new member of our BIBD Shariah Advisory Body, Yang Mulia Dayang Hajah Noraini binti Haji Buntar.

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, BIBD will continue to be at the forefront of providing the best solutions and growth opportunities for our customers, and also support to our community.

At the same time, I would like to welcome four new members of the BIBD Leadership Forum - our new Chief Financial Officer - Tan Pheng Leong, General Counsel - John Joseph Darby, Head of Human Capital and Human Resources - Habibah binti Haji Harry, and Chief Risk Officer - Edmundo Horacio Uribe Bobadilla. All of them have built stellar careers with some of the finest institutions globally, In shaa Allah, their inclusion in the team will further enhance the constantly growing pool of talent at BIBD.

In Appreciation

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

Immense gratitude also goes to our customers, for their continued loyalty and belief in us. Our customers will always remain our highest priority in everything that we do, and we look forward to serving their needs now and in the future.

Our accomplishments in 2017 were made possible by the strong and dedicated team at BIBD, who always strive to give their best. It is certainly my privilege to work with this fine team and to be guided by our honourable BIBD Chairman of the Board, Chairman of the Shariah Advisory Body, and by the honourable members of the Board and of the Shariah Advisory Body who have always provided us with their wisdom and encouragement. To all of them, I would like to extend my most sincere appreciation.

I would like to also thank our outgoing Chairman, Yang Mulia Dato Seri Setia Awang Haji Bahrin bin Abdullah for his constant support and guidance - always putting BIBD's interest at the forefront, while ensuring our engagement with the community.

Wabillahi Taufik Walhidayah Wassalamu 'Alaikum Warahmatullah Hi Wabarakatuh

Mr Mubashar Khokhar
Managing Director and CEO
Bank Islam Brunei Darussalam

CORPORATE PROFILE

Brunei's Leading Financial Institution

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

As Brunei's flagship Islamic bank and largest financial services provider, with more than 900 employees and B$9.6 billion worth of assets under management, we proudly serve more than 207,000 customers. Our valued customers include retail, corporate as well as international clients.

Headquartered in Bandar Seri Begawan, we have sixteen 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.

Employees more than **900**

Assets more than **B$ 9.6 Billion**

Customers more than **207,000**

Shareholders

- Ministry of Finance, Brunei Darussalam
- Sultan Haji Hassanal Bolkiah Foundation
- Fajr Capital Limited
- Approximately 6,000 individual Bruneian investors

Bruneian at Heart

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 in 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 strength of intrinsically and genuinely understanding the aspirations and hopes of Bruneians inspires and enables us to constantly innovate to offer solutions that best fit their needs.

Governance

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

Active Subsidiaries and Associates

- **BIBD At-Tamwil Bhd**
  A wholly-owned subsidiary, mainly handling the provision of Islamic hire-purchase facilities.

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

- **Syarikat Takaful Brunei Darussalam (Associate)**
  It provides General and Family Takaful services through its subsidiaries: Takaful Brunei Am and Takaful Brunei Keluarga.

- **Better Sdn Bhd**
  A subsidiary fully owned by BIBD At-Tamwil providing car-leasing services.

- **BIBD (Middle East) Limited**
  A wholly-owned subsidiary of BIBD and an entity regulated by the Dubai Financial Services Authority (DFSA) providing advisory and arranging services in the Middle-East. It also holds an endorsement to operate as a wholly Islamic institution.

BOARD OF **DIRECTORS**

Yang Berhormat Dato Seri Paduka
Dr. Awang Haji Mohd Amin Liew Abdullah, CFA
Minister of Finance II
Chairman

Yang Berhormat Dato Seri Paduka Dr. Awang Haji Mohd Amin Liew Abdullah ("Dato Dr. Amin") was appointed as Minister of Finance II, on 30th January 2018. Prior to this appointment, Dato Dr. Amin 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, Dato Dr. Amin held several key positions within the Bruneian 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 Bruneian Government, Dato Dr. Amin worked as a Crude Oil Trader for Brunei Shell Petroleum Co. Sdn Bhd in the mid-nineties after returning from the United Kingdom where he worked for ICI Finance PLC as a research analyst in the late eighties/early nineties. Dato Dr. Amin currently serves on the boards of many Bruneian Government linked companies in diverse sectors including telecommunications, medical services, hospitality, aviation, oil and gas, information technology and education. Dato Dr. Amin graduated with a First Class Bachelor's Degree from Queen Mary College, University of London in 1984 and both a Master's degree in 1989 and a PhD in 1993 from Imperial College, University of London. Dato Dr. Amin holds a professional qualification as a Chartered Financial Analyst (CFA) since 2004. He is also a member of CFA Singapore.

Yang Mulia Awang Junaidi bin Haji Masri
Managing Director, Brunei Investment Agency (BIA)
Director

Yang Mulia Awang Junaidi bin Haji Masri is currently the Managing Director of BIA. He was previously the Director and 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. Awang Junaidi holds a BSc Degree in Computer and Management Sciences from Keele University, United Kingdom.

Yang Mulia Dato Paduka Iqbal Ahmad Khan
Chief Executive Officer, Fajr Capital plc
Director

Yang Mulia Dato Iqbal Ahmad Khan is the Chief Executive Officer of Fajr Capital. He is also a member of the Board of Directors of Bank Islam Brunei Darussalam, GEMS Education, Jadwa Investment, MENA Infrastructure and National Petroleum Services. Prior to Fajr Capital, 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, UAE, and the UK. He holds a Master's degree in Political Science and International Relations and a BSc (Hons) in Physics and Chemistry, both from Aligarh Muslim University. He is the recipient of several industry and global accolades, including the Royal Award for Islamic Finance, a biannual prize presented by HM the King of Malaysia; the State Award of "The Most Honourable Order of the Crown of Brunei" from His Majesty the Sultan of Brunei Darussalam; and a Lifetime Achievement Award presented by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister of the UAE and Ruler of Dubai.

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

Yang Mulia Dr. Hennie van Greuning serves as an independent non-executive Director on the BIBD Board of Directors. He 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. Dr. Hennie 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. He is a CFA (Chartered Financial Analyst) charter-holder and qualified as a Chartered Accountant in both South Africa and Canada. He holds Doctorate Degrees in both Accounting Science and Monetary Economics.

Yang Mulia Majeed Nasser Alsubeaei
Board Director, Mohammed Alsubeaei & Sons Investment Company (MASIC)
Director

Yang Mulia Majeed Nasser Alsubeaei is the Board Director of MASIC as well as the Member of the Internal Audit Committee and Member of the HR Committee. He is an international investment professional with experience in global capital markets with the ability to handle responsibilities in investment banking advisory and private equity. Majeed holds a BSc Degree in Economics from King Saud University, Kingdom of Saudi Arabia.

Yang Mulia Mubashar Khokhar
Managing Director of BIBD
Director

Yang Mulia Mubashar Khokhar is a seasoned financial services professional with more than 30 years of 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, Ajman Bank received widespread industry recognition, including the coveted 'Best Domestic Bank' award in 2011. Mubashar has 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. He has an MBA and BBA (Hon.) from Ohio University, USA.

Yang Mulia Dr. Abdul Manaf bin Haji Metussin
Permanent Secretary, Ministry of Primary Resources and Tourism
Director

Yang Mulia Dr. Abdul Manaf bin Haji Metussin was previously appointed as Permanent Secretary, Ministry of Home Affairs and the CEO of the Brunei Economic Development Board after having spent seven years in the Department of Economic Planning and Development (JPKE) at the Prime Minister's Office, holding posts such as the Assistant Director of Planning, and eventually becoming Director of Policy and Coordination. Earlier in his career, he was Deputy Dean of the Faculty of Business, Economic and Policy Studies at Univerisiti Brunei Darussalam. Internationally, Dr. Manaf has been involved as a member of the Network of East Asia Think-Tanks (NEAT), as well as the East Asia Vision Group. He is currently a board member of Royal Brunei Airlines and an honorary member of Yayasan Sultan Haji Hassanal Bolkiah School's board of governors. Dr. Manaf is a Mechanical Engineering graduate from the University of Leeds, UK, MSc in Manufacturing Systems Engineering graduate from the University of Bradford, UK and has a PhD in Management from the University of Kent, UK.

Yang Mulia Awang Mozart bin Haji Brahim
Deputy CEO,
Bursa Brunei Darussalam Sdn Bhd
Alternate Director to Awang Junaidi bin Haji Masri

Yang Mulia Awang Mozart bin Haji Brahim is currently the Deputy CEO of Bursa Brunei Darussalam, a newly established company for the establishment of the stock exchange for Brunei Darussalam. Previously, he held the position as Head of Section at the Investment Division, Ministry of Finance, prior to which he also served as Senior Manager in the Brunei Investment Agency managing both alternative and traditional investments. Awang Mozart holds a BEng Degree in Civil and Environmental Engineering from the University of Leeds, United Kingdom.

SHARIAH **ADVISORY BODY**

Yang Mulia Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof
Permanent Secretary, Ministry of Religious Affairs, Brunei Darussalam
Chairman
Yang Mulia Dato Haji Abdul Aziz bin Orang Kaya Meharaja Lela Haji Yussof is the Permanent Secretary at the Ministry of Religious Affairs of Brunei Darussalam. He carries vast experience in the field of Islamic finance covering banking and takaful sectors where he sat in a number of Islamic financial institutions as a board member, namely Syarikat Takaful Brunei Sdn Bhd (STBD) and currently, Wafirah & Ghanim Sdn Bhd. On the Shariah Advisory side, Dato Haji Abdul Aziz was the Deputy Chairman of the BIBD's Shariah Advisory Body for the term 2014 - 2016. He currently sits as the Chairman of BIBD's Shariah Advisory Body since February 2016. He is also a member of the Brunei Religious Council, a council responsible for advising His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam on Islamic religious matters. Dato Haji Abdul Aziz received a Bachelor's Degree in Usuluddin from the University of Al-Azhar, Egypt in 1987 and a Bachelor's Degree in Law from the National University of Malaysia (UKM), in 2001.

Yang Mulia Dato Seri Setia Dr. Haji Japar bin Haji Mat Dain @ Maidin
Deputy State Mufti of Brunei Darussalam
Deputy Chairman
Yang Mulia Dato Dr. Haji Japar bin Haji Mat Dain @ Maidin is the Deputy State Mufti of Brunei Darussalam. He has over 10 years of experience in the field of Islamic finance, sitting in the Bank's Shariah Advisory Body (SAB) and the Syariah Financial Supervisory Board (SFSB) at the Ministry of Finance, Brunei, since 2006. He is also a member of the Brunei Religious Council. He has presented numerous times at various conferences and is an active speaker in many forums, both local and overseas, in topics pertaining to Islam. In the Shariah scholarly area, Dato Dr. Haji Japar is a learned and trained scholar to deduce fatwa (Shariah ruling), where he has been trained by the Lajnah Al-Fatwa of Al-Azhar, Egypt in 1994. He received his Bachelor's Degree in Usuluddin (Aqidah and Philosophy) from the Al-Azhar University of Egypt in 1987 and obtained his Master's Degree in Shariah from the University of Malaya in 2000. He was awarded with a PhD in Shariah by the same university in 2011.

Yang Mulia Dr. Abdul Nasir bin Haji Abdul Rani
Dean, Faculty of Islamic Economics and Finance, Sultan Sharif Ali Islamic University (UNISSA)
Member
Yang Mulia Dr. Abdul Nasir bin Haji Abdul Rani is the Dean of the Faculty of Islamic Economics and Finance, Sultan Sharif Ali Islamic University (UNISSA). He has been a part of the Islamic finance industry in various capacities, namely as a Shariah advisory, academician, lecturer and trainer. He is currently a member of BIBD's Shariah Advisory Body since 2014. Dr. Abdul Nasir graduated with his first degree in Islamic Studies (Shariah) from the Universiti Brunei Darussalam (UBD) in 2000. He holds a Master's Degree in Economics and Islamic Banking from Yarmouk University, Hashemite Kingdom of Jordan in 2003. In 2010, he was awarded with a PhD in Economics and Muamalat Administration from the Islamic Science University of Malaysia (USIM). He has published many books, research papers and articles in various academic journals and publication. He also presented at various conferences both local and overseas as well as conducted a number of Islamic finance trainings locally.

Yang Mulia Dr. Dayang Hajah Rose binti Abdullah
Director, Research and Publications Centre, Sultan Sharif Ali Islamic University (UNISSA)
Member
Yang Mulia Dr. Dayang Hajah Rose binti Abdullah is the Director of the Research and Publication Centre and Senior Lecturer at the Faculty of Islamic Economics and Finance, Sultan Sharif Ali Islamic University (UNISSA). She holds a PhD in Islamic Civilization from the National University of Malaysia, a Master's Degree in Islamic Banking and Finance from Universiti Brunei Darussalam, a Master's Degree in Business Administration from Heriot-Watt University UK, a Barchelor's Degree (Hons) in Economics from National University of Malaysia, a Postgraduate Diploma in Islamic Banking and Insurance from United Kingdom, and a Diploma in Public Administration from Mara Technology University (UiTM), Malaysia. She has written a number of publications concerning Islamic economy and actively presents papers in both local and international conferences in the area of Islamic Finance.

Yang Mulia Dayang Hajah Noraini binti Haji Buntar
Istinbat Officer,
Ifta Department, State Mufti Office
Member
Yang Mulia Dayang Hajah Noraini binti Haji Buntar is an Istinbat Officer from the Ifta Department, State Mufti Office. She holds a Master's Degree in Islamic Revealed Knowledge and Heritage (Fiqh and Usul Al-Fiqh) from the International Islamic University Malaysia (IIUM) and a Barchelor's Degree in Shariah Islamiah from the Al-Azhar University, Egypt. She is currently enrolled in the Fiqh Muamalat Professional Programme, organised by CIBFM Brunei.

Yang Mulia Dayang Hajah Hanifah binti Haji Jenan
Head of Shariah, Bank Islam Brunei Darussalam
Secretary
Yang Mulia Dayang Hajah Hanifah binti Haji Jenan is BIBD's Head of Shariah with over fourteen years of banking experience covering branch banking, recovery and legal advisory prior to taking the leading role of the Shariah Division. She is also experienced in Takaful matters which was gathered during her secondment to Takaful BIBD, where she was involved in legal and claims matters. She received a Bachelor's Degree (Hons) in Shariah from the University of Malaya, Malaysia, in 1995 and a Diploma in Law and Administration of Islamic Judiciary from the International Islamic University of Malaysia (IIUM), in 1998. She is a certified Islamic Financial Planner from Al-Hijrah Consultancy and a Certificate holder of Fiqh Muamalat Professional Programme (FMPP) from CIBFM Brunei.

MANAGEMENT TEAM

Yang Mulia Mubashar Khokhar
Managing Director

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

Yang Mulia Hajah Noraini binti Haji Sulaiman
Deputy Managing Director

Yang Mulia Hajah Noraini binti Haji Sulaiman was previously the Acting Managing Director of Syarikat Takaful Brunei Darussalam, on secondment from BIBD. She was also the Head of Finance for the Islamic Bank of Brunei, and has held other accounting and financial roles in various Bruneian companies such as Brunei Shell Petroleum Sdn Bhd. Currently, she is the director for BIBD At-Tamwil Berhad, BIBD Securities, IDBB Management Services, 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 Dr. Gyorgy Ladics
Chief Operating Officer

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

Yang Mulia Tan Pheng Leong
Chief Financial Officer

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

Yang Mulia Edmundo Horacio Uribe Bobadilla
Chief Risk Officer

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

Yang Mulia Koh Swam Sing
Head of Corporate Banking

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

Yang Mulia Salman Ashraf Khan
Head of Treasury and Global Markets

Yang Mulia Salman Ashraf Khan is a seasoned Treasury and Investment Banking professional with over twenty-four years of experience in the Middle East, Far East and Europe. He currently serves as the Head of Treasury and Global Markets, and is member of ALCO (Asset Liability Committee) and ERM (Enterprise Risk Management) for BIBD. Prior to BIBD, he has worked with high profile global institutions such as Deutsche Bank (as Global Head of Islamic Distribution), HSBC Amanah (as Global Head of Treasury Sales), Standard Chartered Bank and Arab Banking Cooperation (ABC). He has also served as the Treasurer for Dubai Islamic Bank. He maintains comprehensive relationships with over 250 Financial Institutions covering various asset classes. Salman has worked with Shariah 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 Minorhadi bin Haji Mirhassan
Deputy Chief Operating Officer/Managing Director of BIBD Securities

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

Yang Mulia Hajah Nurul Akmar binti Haji Md Jaafar
Head of Retail Banking

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

Yang Mulia Hajah Hanifah binti Haji Jenan
Head of Shariah

Yang Mulia Hajah Hanifah binti Haji Jenan is BIBD's Head of Shariah with over ten years of 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 Stuart Richard Clegg
Head of Internal Audit

Yang Mulia Stuart Richard Clegg is a qualified accountant (CIMA) and qualified company secretary (ICSA). He holds a Master of Business Administration in Banking and Finance from the University of Manchester's Business School. In addition, he has a BA (Hons) in Humanities and Classical Studies from the Open University and a BA (Hons) in Government & Politics from the University of Northumbria. Stuart has over twenty years' experience of auditing in financial services both in the UK and abroad, covering retail, wholesale and investment banking as well as broking and asset management. Prior to joining BIBD, Stuart was Deputy Chief Internal Auditor at Saudi Hollandi Bank, Riyadh. Before that, he has held senior positions in the City of London for several blue-chip banking and financial services organisations. These include: Regional Audit Manager (Europe) of National Australia Bank, Head of Internal Audit at Williams De Broe, Senior Consultant at Jefferson Wells (Risk and Advisory), Senior Manager at Grant Thornton (Risk and Advisory), and Senior Director at Risk Audit Ltd. He joined BIBD in his current position as Head of Internal Audit in June 2016.

Yang Mulia Irwan Lamit
Managing Director of BIBD At-Tamwil Berhad and Better Sdn Bhd

Yang Mulia Irwan Lamit is the Managing Director and a member of the Board of Directors of BIBD At-Tamwil Berhad since 2006. He is a qualified Chartered Accountant and is a fellow member of the Association of Chartered Certified Accountants (ACCA). Prior to joining BIBD At-Tamwil Berhad, he worked as an accountant at Brunei Shell Marketing Company Sdn Bhd. Irwan holds a BSc (Hons) in Applied Accounting from Oxford Brookes University, UK.

Yang Mulia Habibah binti Haji Harry
Head of Human Resources and Human Capital Division

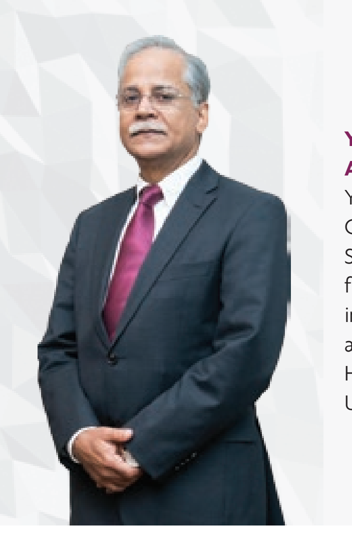
Yang Mulia Habibah binti Haji Harry brings with her an immense wealth of experience from various human resource functions gained during her tenures with Brunei Shell Petroleum (BSP) which spanned over fourteen years, where she last held the role of Department Head of Organization Effectiveness. She was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

Yang Mulia Syed Alwi bin Syed Abdillah Alkaff
Head of International Banking Group

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

Yang Mulia Imran Samee
Chief Marketing Officer/Advisor to the Managing Director

Yang Mulia Imran Samee brings a wealth of experience from over twenty years of working in Consumer and Retail Banking. He began his career with Citigroup and has since held various senior positions in banks across Asia Pacific and the Middle East. Prior to joining BIBD, he helped establish Al Khalij Commercial Bank in Qatar, serving as Head of the Retail Banking Group and then as CEO of its subsidiary BetaQat. He was also Head of the Retail Banking Group for Dubai Bank and managed its conversion to Shariah-compliant operations. In his role as the Country General Manager for Mashreq Bank Qatar, he was responsible for leading its transformation into a full-fledged Consumer Banking Operation. Imran holds a BSc (Hons) in Economics from the London School of Economics and Political Science. His previous role at BIBD was as Head of Retail Banking Group from 2011 until 2016. Under his leadership, BIBD won the coveted and prestigious "Best Retail Bank in Brunei" award from The Asian Banker for five consecutive years (2013 – 2017).



Yang Mulia Azmat Ashraf
Advisor to Risk Division

Yang Mulia Azmat Ashraf has thirty years of diverse international banking experiences with First Chicago Bank, Deutsche Bank, American Express, Saudi Fransi and Mashreq Bank in the Middle East and South Asia. He has also served as the Managing Director of a brokerage house and an Islamic finance firm. He conceived and executed the local incorporation and integration of Mashreq Bank's branches in Pakistan, and its merger with another domestic bank. As CEO of the newly created bank, he led the acquisition and amalgamation of other smaller banks and financial services companies into that bank. He holds a Bachelor's degree in Economics from the University College London and an MBA from the University of Bradford.

Yang Mulia John Joseph Darby
General Counsel

Yang Mulia John Joseph Darby has over twenty-two years of legal banking experience. He obtained a Bachelor of Arts (Honours) in Political Science and History and Bachelor of Law (Honours) from the Australian National University, Canberra, and a Masters of Law from the London School of Economics and Political Science. He is a barrister and solicitor of the Supreme Court of the Australian Capital Territory. He has previously worked for the law firms Nagashima, Ohno & Tsunematsu, in Tokyo and Linklaters in Tokyo and London. Since leaving private practice he has worked for Nomura International plc, Moor Park Capital Partners LLP, Abu Dhabi Commercial Bank, and the BGC/Cantor Fitzgerald group of companies in London, Abu Dhabi, Singapore and Hong Kong.

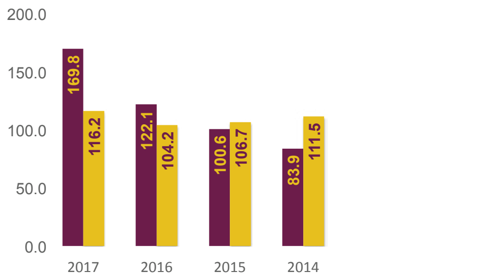
Yang Mulia Haji Mohammad Yusri bin Hj Wahsalfelah
Head of Government Relations and Special Projects

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

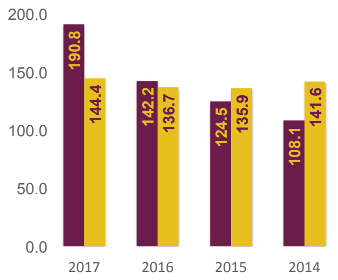
FINANCIAL HIGHLIGHTS

■ Bank
■ Group

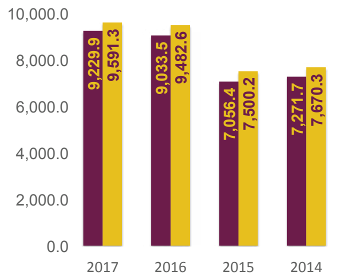
Net Profit after Zakat and Taxation (B$ Million)



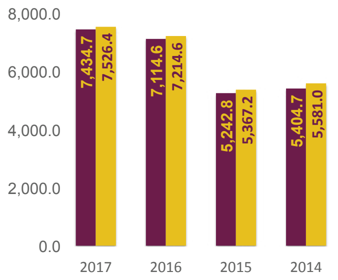
Operating Profit (B$ Million)



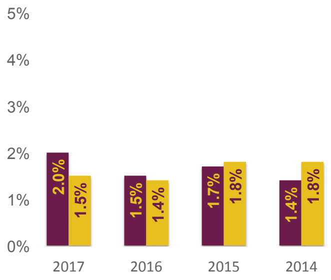
Total Assets (B$ Million)



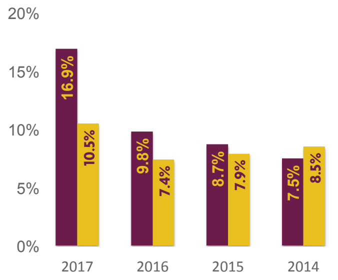
Deposits from Customers (B$ Million)



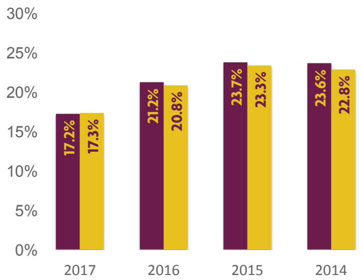
Return on Asset - Before Taxation



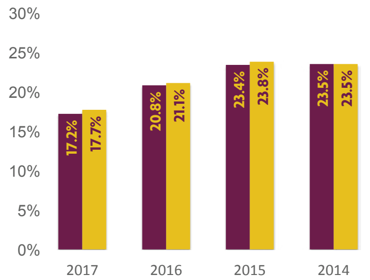
Return on Equity - After Tax



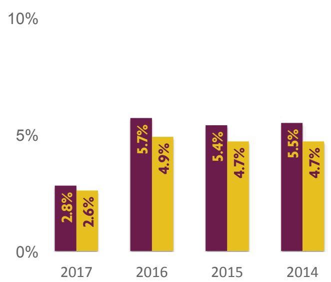
Capital Adequacy Ratios Tier 1 (Core Capital)



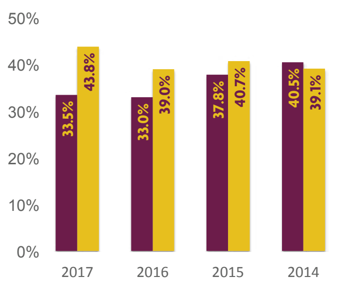
Total Capital Adequacy Ratio



Non-Performing Financing Ratio



Cost to Income Ratio



BIBD AT A GLANCE 2017

GROWTH

39.1% Bank Growth in Net Profit after Zakat and Taxation

11.5% Group Growth in Net Profit after Zakat and Taxation

2.2% Bank Growth in Total Assets

1.1% Group Growth in Total Assets

More than **207K** Total Banking Customers

The Asian Banker's Strongest Banks in Asia Pacific — 14th

Total Dividends Paid (B$ Million)

2016	2017
52.9	197.1

9% Growth of BIBD Cardholders

More than **450M** Hadiah Points Issued

B$0.176 Dividend Paid Per Ordinary Share

DIGITAL BANKING

1.8M Average Monthly Digital Banking Log Ons

48% Annual Growth of Average Monthly Digital Banking Log Ons

85% Growth of Annual Retail Digital Banking Transactions

More than **10M** Annual BIBD Digital Banking Transactions

CORPORATE

More than **500** Brunei Corporates with BIBD

49.5% Corporate Internet Banking Penetration

177% Growth of Annual Corporate Digital Banking Transactions

SME

More than **6000** SMEs with BIBD

More than **800** SME Projects Supported

BUSINESS REVIEW

Retail Banking Group
Corporate Banking Group
International Banking Group (IBG)
Treasury and Global Markets (TGM)
BIBD Subsidiaries
Shariah
Risk Management
Compliance
Internal Audit
Human Resource and Human Capital (HRHC)
Finance
IT Operations
Government Relations and Special Projects

Retail Banking Group

We continuously strive to improve the process of rigorous review for our products and services for better deployment and adaptation of new technologies.

BIBD aims to be the "household bank" for the nation with an unwavering commitment to serve the people of Brunei Darussalam with relevant financial solutions that are aligned with their aspirations and hopes, and in the process promoting the nation's development and economic growth as well as supporting His Majesty's *Wawasan* 2035.

In order to retain BIBD competitiveness in the market, we persevered to ensure that our value proposition remains contemporary and innovative yet rooted to the basic needs of simplicity and accessibility required by our customers. Against the backdrop of our customers' need for seamless and borderless accessibility to our financial solutions and services, concerted efforts have been made to attain the highest levels of governance, security and convenience into our customer experience journey and digital solutions. Concurrently, and in order to reinforce our competitive advantage, we continuously strive to improve the process of rigorous review for our products and services for better deployment and adaptation of new technologies.

Banking made easy

In 2017, key strategic initiatives were introduced to increase our payments cards business that support the de-cashing of the economy. Special focus was brought to improving our merchant acquiring business in order to increase acceptance of BIBD cards throughout the country. This has allowed us to fortify our market leader position and market share with impressive growth in just one year. BIBD Debit Card usage at our merchants recorded a 222% YoY growth in 2017 while our Credit Cards recorded a 426% on a similar scale.

BIBD's cards-in-force reached 190,000 for the first time confirming BIBD's unchallenged status as the leading issuer of payment cards in the market. Nearly one in two Bruneians has a payment card from BIBD.

To give impetus to the shift in our strategy, the BIBD Mobile application has also been downloaded over 200,000 times since its launch. Over 95,000 BIBD Mobile Banking users performed more than 900,000 transactions every month - representing nearly 90% of total retail transactions in BIBD.

Further consolidation of our Express Banking platform has made onboarding new customers very easy by fully automating our workflow, expediting processes and reducing dependencies on physical approvals. All frontline staffs are provided digital access to back-office infrastructure to allow the digitisation of all documentation, further streamlining the overall processes and coordination between the frontline and the back-office. This robust platform also permits swift approvals for financing disbursements, most account opening and credit cards application.

Making dream homes a reality

Promoting home ownership to Bruneians is a strategic priority for us apart from being a matter of national importance. We have launched various programs to create awareness for the importance of investing in one's first home at an early age. Several initiatives were successfully executed in 2017 for this purpose including real estate and developers' in-Branch roadshows, our bi-annual Home Showcase, consultations and discussions with industry stakeholders such as ABCi (Authority for Building Control & Construction Industry), architects, lawyers, and valuation agents. As a consequence of these initiatives, we were able to deliver a 36% YoY growth for our Home Financing products. These initiatives also fostered opportunities for local SMEs as events such as the Home Showcase allow budding entrepreneurs to promote services and products suited to prospective home buyers.

Digitalising BIBD

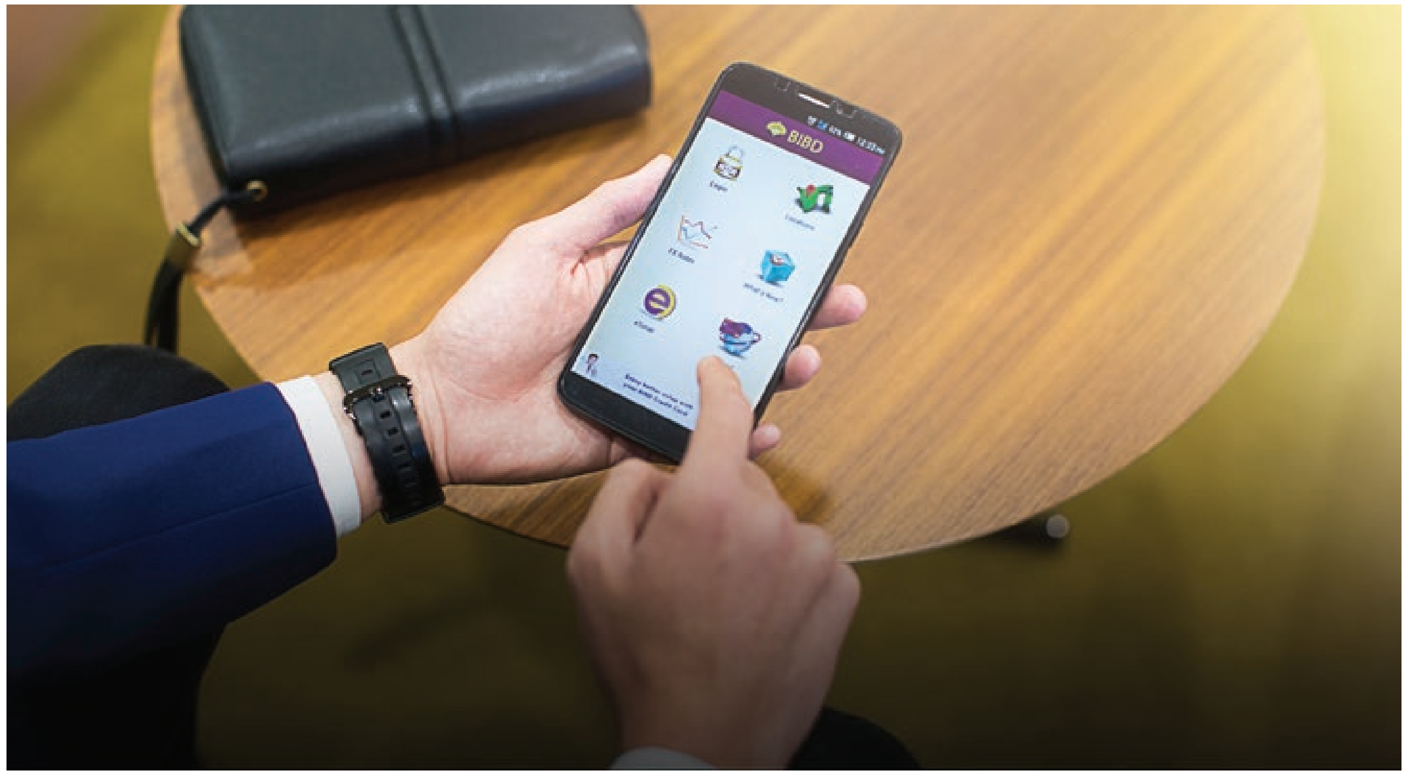
BIBD's digital banking strategy aligns with Autoriti Monetari Brunei Darussalam's Financial Sector Blueprint (2016-2025) which emphasises on the creation of a robust and modern banking infrastructure, with policies directed at de-cashing the economy, enhancing international connectivity and promoting financial literacy as some of its key pillars.

According to the 'Digital in 2018 Global Overview' report from 'We Are Social' and Hootsuite, Brunei Darussalam has a penetration rate of 95% for internet users and a mobile penetration rate of 124%. This foretells the importance of Brunei Darussalam's digital market which is endorsed further by our own experience of doubling the total number of digital transactions to more than 10 million annually. BIBD remains committed to cater for this surge of digitalisation by providing world-class products and services to our customers.

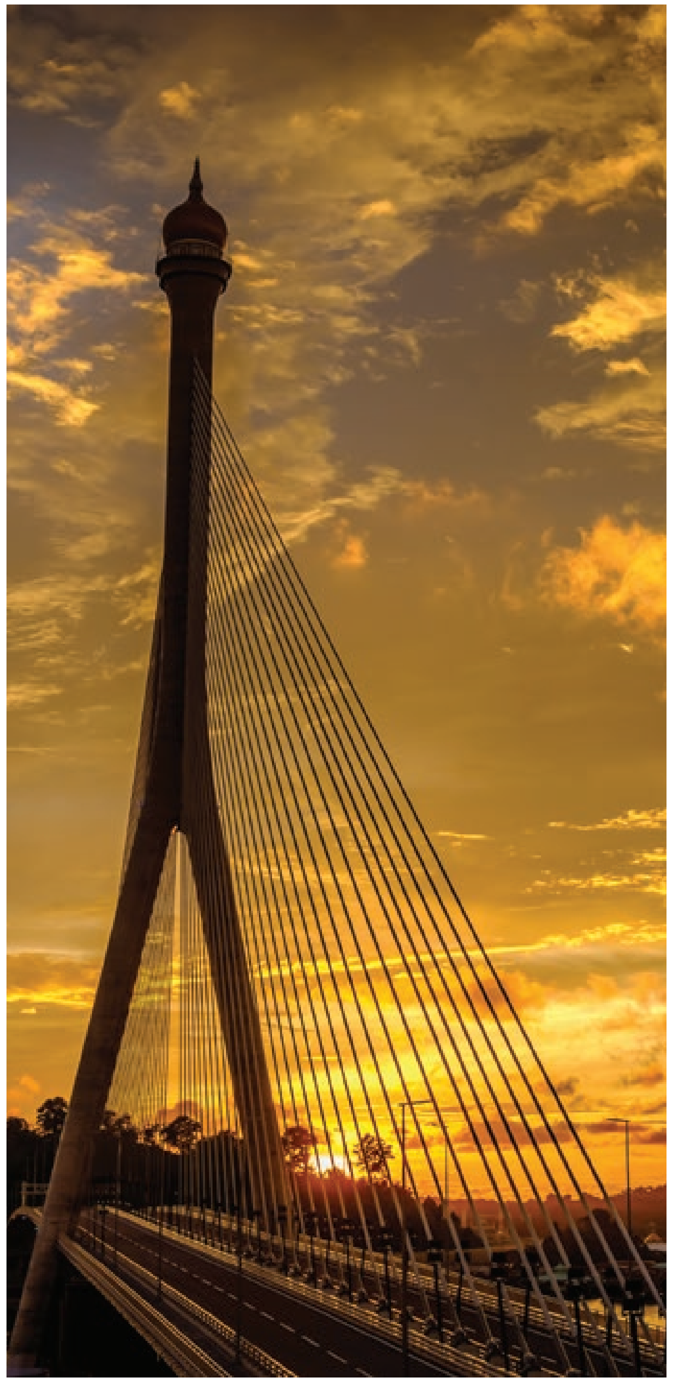
Areas of growth

The thrust of our emphasis going forward will be fortifying our digital solutions to also allow for financial inclusion to the underserved and unbanked, and further harness our segmentation proposition to manage a sustained growth on our margins. Supporting the growth of our fee-based businesses, payment cards remain important and we upgrade them with contactless transaction features. This will also strengthen further our merchant acquiring proposition and foster growth in market share.

Balanced Risk Management remains a strategic priority and through enhancements in policies and processes we will aim to reduce and alleviate risks and ensure that our books remain healthy. At the same time, we are committed to sustaining our investment in the development of our human capital to align ourselves to the Bank's strategy of being the First Choice.



Corporate Banking Group



2017 was a challenging year for the Corporate Banking business. Business activities were impacted from the slow-down in economic activities resulting from challenging oil prices and a subsequent restructuring and refocus in government spending. This economic climate has affected economic activities forcing many businesses to pursue a much-subdued course and prioritise cost-saving measures.

However, recovery in global oil prices should allow 2018 to be a better year for Brunei Darussalam's public and corporate sectors. In anticipation of this, we continue to maintain good relationships with our current and potential clients, reflecting our recognition of the importance of GLCs and FDI companies to our economy.

Despite the challenges, BIBD's business strategy focuses on building long-term sustainable growth while safeguarding its assets. As such, we strive to ensure that all existing risk management functions and processes are robust and continue to be instrumental in the identification, assessment, and prioritisation of risks. Furthermore, we are focused on a more coordinated and appropriate application of resources to control or minimise the impact of unfavourable events as well as to maximise business opportunities.

In our continued efforts to strengthen our clients with BIBD, we have adopted an approach which aims to simplify our services whilst ensuring that its core values are not undermined or compromised. This includes the introduction of S&P credit scoring which provides the Bank with an improved assessment tool to assess our clients' credit-worthiness and business performance. This has further enhanced the Bank's pricing methodology, focusing on the risk and probability of default, resulting in better portfolio quality.

Along with the Golden Jubilee Celebration of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam's Accession to the Throne, the country also witnessed the opening of two iconic landmarks. The Raja Isteri Pengiran Anak Saleha Bridge, one of the two landmarks, was supported by BIBD via its collaboration with the contractor for this project.

Brunei Darussalam's Future Industries

In line with the local business development strategy that will enhance opportunities for local small and medium sized enterprises (SMEs) under the aims of the nation's *Wawasan* 2035, we also set out to increase support for the sustainable growth of SMEs as they strive to achieve a strong foothold in Brunei Darussalam and beyond. We provide our clients with a broader view and a deeper understanding of the products and services available, ensuring that they remain informed of the impact of their decisions, allowing them to enjoy greater operational ease in their business ventures. Since the introduction of SME 360 in 2016, responses and demands have been positive, encouraging us to launch our second SME 360 branch in February 2017.

We have also worked closely with government agencies, particularly Darussalam Enterprise (DARe), in our efforts to support the national initiatives in improving the ease of doing business in the country. Together with DARe, the Bank has continuously provided support, recommendation and mentorship to entrepreneurs and businesses, especially those registered under DARe. To supplement this effort, we also conducted talks, participated in DARe's Industry Business Academy roadshows, and held seminars within the four districts, to demonstrate the Bank's commitment to sharing its knowledge on business financial literacy to start-ups and young entrepreneurs.

Supporting the Public and Corporate Sector

With the strategic aim of making BIBD the "House-Bank" for Brunei Darussalam's GLCs and FDI companies, our mandate to explore opportunities for growth ensures that we strengthen and maintain close working relationships with our partners.

Supplementing our dedicated relationship management team was the conduct of a series of informative seminars and workshops such as 'Opportunity with Trade Finances', 'Introduction to Treasury Products & Market Forex' and 'Understanding of Corporate Product Services' by the Bank, which sought to improve our clients' ability to comfortably perform their business operations with informed opinions. In 2017, we were also able to invite a total of 120 participants ranging from new businesses, expanding businesses and representatives from GLCs to our annual seminar.

A Corporate Convenience

We are aware of the growing importance of technology for businesses. Through dialogue with our clients, we have been able to identify improvements in our current corporate internet banking system and are already in the final stages of system enhancements. We look forward to rolling out a new and more robust internet banking system for our clients in 2018, continuously providing further ease and convenience. Furthermore, we have redoubled efforts to strengthen the security of the Bank's IT infrastructure through the implementation of new systems and processes that serve to monitor and assess the risk of cyber threats. This is aligned to the Bank's long-standing goal of becoming the First Choice Bank for our customers.

Embedding the Spirit of Entrepreneurship

We aim to nurture a culture of entrepreneurship in the country and have since worked closely with institutions such as Brunei Shell Petroleum through LiveWIRE Brunei and higher learning institutions such as Universiti Brunei Darussalam (UBD), Universiti Teknologi Brunei (UTB), Politeknik Brunei and other schools to conduct lectures and promote projects. This is to allow Brunei Darussalam's youth to attain the spirit and know-how needed to enter the business arena. Additionally, we also organised conferences and events where local SMEs can gather and share their knowledge with aspiring startups and also amongst themselves.

International Banking Group (IBG)

BIBD has set forth to venture into international markets with an approach to support the aims of *Wawasan* 2035 in order to create a dynamic and sustainable economy, while simultaneously promoting the accomplishments of Brunei Darussalam's increasingly well-educated and highly-skilled population. This is also to ensure that we continue to strengthen economic clusters beyond the oil and gas industry as a means of economic diversification supporting the national strategies, especially on activities beyond the borders of Brunei Darussalam.

IBG was formed on 1st January 2017 to accelerate and focus on BIBD's international strategy, offering structured financing products to our domestic clients and international financing solutions to clients based primarily in the ASEAN region, particularly in Singapore, Malaysia, and the Middle East (including Saudi Arabia, Kuwait, Oman and the United Arab Emirates). IBG has also cemented BIBD's physical presence outside Brunei Darussalam with offices in Singapore (BIBD Singapore Representative Office, opened in June 2015) and Dubai (BIBD (Middle East) Limited, incorporated in February 2017).

BIBD's international presence supports the Bank's business to source, originate and participate in international financing opportunities through BIBD's existing network in selected core markets (Middle East and ASEAN). BIBD's international offices provide greater market access and on the ground knowledge that would enable the Bank to deploy assets and source liabilities more efficiently and at the same time grow its international financing book. The International Business Group's asset book grew by 45% from B$302 million to B$439 million in 2017.

Despite subdued oil prices, slower business and financing activities, especially in the Gulf Cooperation Council (GCC) market, the strategic location and evolution of BIBD's franchise in the Middle East is also part of BIBD's wider strategy to expand its international footprint. At the same time, this supports the establishment of the BIBD brand in core markets through active marketing campaigns and deal origination. This also allows BIBD to enhance its counterparty management and portfolio growth which includes over 150 financial institutions globally, mainly in the Middle and Far East.

The international business also focuses on building fee income, while simultaneously diversifying and enhancing non-fee income through the deployment of excess liquidity into higher yielding assets within approved risk parameters. While our fee income is driven by building up trade finance businesses (guarantees, unfunded trade risk participation), our excess liquidity is then deployed to financial institutions (bilateral and club syndications, typically within tenors of 1-3 years), international corporates, and domestic structured financing facilities.

Besides contributing directly to BIBD's profits and improving yield, this approach also supports the BIBD strategy in terms of balance sheet optimisation and fostering economic growth initiatives. Additionally, the international business focus also ensures that it adheres to a high standard of international governance risk and compliance framework.

Treasury and Global Markets (TGM)

BIBD's TGM division ranks as one of the largest Islamic treasury setups in the ASEAN region and is responsible for the management of the Bank's funds, providing BIBD business lines with ready access to liquidity and ensuring that the Bank meets all its financial obligations as and when they fall due. As the first line of defence, TGM plays a key role in insulating the Bank against financial market stresses through its robust management of capital and liquidity.

In addition, TGM plays its part as a brand ambassador for the Bank in the global financial markets by continuously seeking to foster closer ties with our international banking partners, both regionally and internationally. At the same time, TGM has also contributed greatly to BIBD, being recognised as the "House-Bank" for Government Related Entities (GREs) in Brunei Darussalam.

Equipped with a highly-qualified workforce and state of the art treasury systems, TGM is committed in ensuring that the Bank remains highly liquid by prudently managing its Money Market and Fixed Income portfolios.

Our mission is to ensure the sustainable and responsible growth of our global asset book using tried-and-tested risk management principles. By the end of 2017, TGM managed about 58% of BIBD's total assets which includes various Shariah-compliant asset classes and is geographically diverse, comprising of exposures which are investment grade and above.

TGM also manages the Bank's institutional liabilities and is ultimately accountable for the safekeeping of customer deposits, making it a key proponent in building and maintaining the trust that BIBD has with its stakeholders. TGM remains committed to its existing as well as potential partners, and will strive to provide the best in class solutions that will enable them to grow.

Among the key initiatives carried out includes the establishment of an International Liabilities Desk operating out of BIBD's Middle East presence. This function allows the Bank to diversify its liabilities source and provide wider coverage for TGM's interbank activities via access to financial institutions across the GCC and Central Asia.

Another exercise carried out was the Balance Sheet Optimization which further enhanced the Bank's overall profitability through the efficient reallocation of assets to the yield optimised portfolio, reaching 12% of BIBD's total assets. At the same time, there is increased activity in the primary Islamic Debt Capital Markets, which resulted in BIBD being awarded the Co-Manager role in the well oversubscribed Arab Petroleum Investments Corporation (APICORP) benchmark Sukuk issuance.

Moving forward in 2018, we will continue to provide for our customers who seek increasingly sophisticated financial solutions and hedging instruments to manage various financial risks. We will strive to strengthen our product offerings and service delivery capabilities to support the Bank's goals, provide solutions that meet our clients' liquidity needs while offering optimised returns based on their risk appetite. Our depositors remain our number one priority and we will look to further strengthen existing relationships whilst forging new lasting partnerships.

BIBD Subsidiaries

BIBD At-Tamwil

BIBD At-Tamwil Berhad is a subsidiary of BIBD Berhad, with core operations in the financing of vehicles as well as consumer products. Aside from financing activities, BIBD At-Tamwil also accepts savings and investment deposits from retail customers.

With the challenging economic climate of 2017, resulting in shrinking sales of both new and used cars, BIBD At-Tamwil performed commendably and recorded a profit before zakat and tax of B$32.8 million. The Company also improved its total asset size by 8% to B$869 million.

BIBD Securities

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

Shariah

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

Several new and enhanced guidelines are also adopted to determine Shariah non-compliant activities and methodologies for Shariah compliance screening to support BIBD personnel to proactively manage any operational issues. Awareness on BIBD's Shariah guidelines for exercises such as new products and services approvals and non-compliant activities also ensures that all our activities do not contravene with our license to operate, safeguarding our full adherence to Shariah principles.

To further strengthen our own Shariah-specialised capabilities, BIBD has collaborated with local universities and an international Islamic Advisory company for Islamic Financial Planning programmes to improve our research function, while keeping abreast with international Shariah issues and matters through participation in international and local conferences and seminars. Personnel from BIBD and other local Islamic financial institutions were also engaged with prominent international scholars through seminars, workshops, and discussions to raise Shariah awareness and compliance.

In 2017, Shariah compliance was also weaved into the operations of other divisions (i.e. Risk Management Division, Internal Audit Division, etc.) where designated Shariah officers have been appointed to sit in respective divisions to further strengthen independent Shariah compliance. This will help instill adherence, further improve understanding and promote greater embracement.

Moving forward, the Shariah function will not only look into building a more systematic approach to addressing risks of Shariah non-compliance, but will also improve capacity and capabilities in developing Shariah experts in Islamic banking and finance in order to support business activities and innovation. Some of the new initiatives in progress include a Zakat calculator in order to ensure that the Zakat obligation of our Muslim customers is calculated correctly and is convenient. We have also collaborated with a local company on the development of an Islamic education app, 'Edumindplus'.

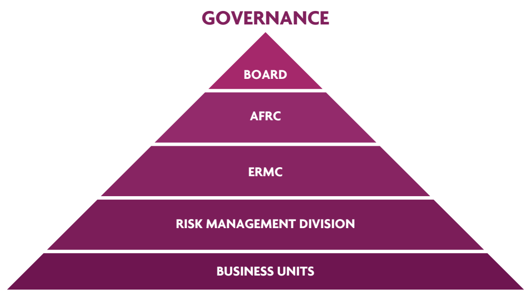
Risk Management

Robust risk management function and processes have been placed to crucially allow for independent and rigorous assessment, monitoring and oversight of the financial and non-financial risks across all parts of BIBD and safeguarding its assets – all required so importantly to support BIBD's quest for long-term sustainable growth. This is part of our wider efforts to uphold the highest standards of compliance, governance and controls to enable effective risk management and compliance throughout BIBD.

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

BIBD employs the Enterprise Risk Management Framework (ERMF) as a standardized approach to manage its risks. A strong governance structure is important to ensure that the ERMF can be implemented effectively. The Board is ultimately responsible for BIBD's risk management activities and is supported by the Audit and Finance Risk Committee (AFRC) and Risk Management Division. While risks are managed at the point of risk-taking activity, there is clear accountability of risk ownership across BIBD as demonstrated in the chart below.

In the current challenging market environment, we are constantly working to adapt to international standards to ensure that our processes and systems remain robust. Our efforts are reflected in the Bank's reaffirmed A- credit rating conferred by international credit rating agency, Standard & Poor's (S&P Global). The emphasis of a strong risk management culture is the foundation of the Bank's control mechanism. This involves an on-going process of identification, assessing, controlling, monitoring and reporting of material risks that affects the achievement of the Bank's strategic objectives. These risks are categorized as follows:



Credit Risk
A robust credit risk framework is one that embeds prudent financing guidelines to minimise credit defaults and losses whilst maintaining a credit portfolio that is adequately diversified. The Bank has an early warning and watchlist process, which is a proactive credit risk management tool that identifies deteriorating credits at an early stage.

Operational Risk
Operational errors, frauds, natural disasters and system issues that eventually may be translated into losses for the Bank are constantly monitored and reported. As a continuous proactive measure to better capture all related events, the Bank has placed a strong emphasis on providing constant training to all bank employees.

Market, Funding, Liquidity and Country Risks
While monitoring and reporting the market exposure of the Bank to ensure that the exposures are within the Bank's approved appetite, the Risk Management team also continuously keeps abreast of market developments which may impact the market risk matrices. The Bank maintains high quality liquid assets and well diversified sources of funds that act as a liquidity risk buffer. The country limits were also taken into consideration as part of the relevant risks and business requirements.

Legal, Regulatory and Reputational Risks
The Bank is well-aware and is always proactive to mitigate all risks related to legal matters and others, as well as fully cognizant of all local regulations to avoid any regulatory and reputational risk.

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

Compliance

BIBD wants to ensure that it has a sustainable competitive advantage by safeguarding its integrity and being fully compliant with laws and regulations, policies and procedures, while at the same time providing a more than adequate sandbox for growth to allow for innovation; affording the Bank to maximise on any business opportunities. This is achieved through provision of Bank-wide guidance and support, as well as managing the compliance risks and obligations collaboratively.

Banking has shifted tremendously to digital banking which poses a new type of risk. Therefore, more robust, improved and stringent compliance strategies have been adapted to ensure that these technologies are not abused for other intents. We have also embraced digital technologies from a compliance aspect to ensure an industry-level capability to safeguard our customers' information.

Through proactive behavioral monitoring analysis and investigation, BIBD ensures that it has diligently implemented parameters for screening of any suspicious activity. BIBD also has a stringent Anti-Money Laundering (AML) program that implements policies and procedures to combat money laundering and terrorist financing. Compliance risk assessment and testing of prescribed thresholds and parameters are also reviewed to ensure adherence with current and updated directives as well as internal policies and procedures.

This has also allowed the Bank to set up a Regulatory Compliance Library to ensure that BIBD personnel are well equipped to manage regulations respective to their activities, while also monitoring for any possible areas of concern. The compliance function will also review compliance risk assessment methodologies to ensure that all compliance issues and risks are assessed and addressed.

The Bank is constantly looking to strengthen the overall capabilities and execution of its compliance arm, especially in anti-money laundering transaction monitoring systems; while at the same time, creating more awareness on the compliance responsibilities of all BIBD employees. While training on AML/CTF and FATF is compulsory for all relevant staff personnel, our own compliance officers also have registered Association of Certified Anti-Money Laundering Specialists (ACAMS) certification.

Some of the other key activities include the implementation of the Watch List Management system which proactively screens and creates alerts. This was matched with a risk-based profiling approach for respective customer segments, with enhanced due diligence for high-risk customers. This allows improved screening capabilities from batch processing to real-time with new customer onboarding. This also reflects our position as a digital pioneer that not only reacts, but also anticipates any shifts in customers' behaviour.

Internal Audit

For the Bank to continue succeeding in its mission to be the First Choice for all stakeholders – the Bank must provide assurance that it manages its risks in a responsible manner. This includes the management of the Bank's capital and its assets and liabilities, adherence to legal and regulatory considerations as well as its own policies and procedures, compliance to Shariah principles, and management of its corporate and social responsibilities.

Internal Audit systematically reviews the Bank's entire operations which include branches, departments, IT, group companies and overseas offices over a three-year cycle. As the 'third line of defence', Internal Audit is independent of the Bank's line and senior managements, and report, objectively and independently, directly to the Board of Directors (via the Audit, Finance and Risk Committee). This is to ensure that the Bank is responsible, responsive and consistent in its engagement with shareholders, customers and clients, and its assets are adequately safeguarded through effective and robust risk management and compliance processes.

The goal for audit during 2017 has been to provide insight and foresight rather than hindsight by focusing on expanding the scope, abilities and skillset of its own capacity, directly improving its audit methodology and report writing. Internal Audit has also included specialist roles covering IT audit and Shariah compliance, which is central to all audits undertaken by Internal Audit.

The methodology execution of audits is also being streamlined by moving into a more risk-based approach, using the COSO Model, covering the Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities, which focuses on key processes and their risks. This approach will provide consistency while ensuring a suitable internal control framework that achieves effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Moving forward, further effort will be placed to develop the Governance, Risk and Compliance system to improve risk analysis and the tracking and resolution of audit issues. In addition, Internal Audit will work closely with management and other control functions to ensure the success of various bank and regulatory initiatives such as the implementation of Basel 2, IFRS9 and ISO9001 quality management.

These initiatives will strengthen the Bank's internal audit function and improve the overall assessment of the Bank's internal control framework; ensuring that current and future banking activities are adequately controlled and managed to the benefit of all stakeholders.

Human Resource and Human Capital (HRHC)

At the core of every institution is its most important competitive advantage: human capital. To accomplish our mission to be the First Choice, HRHC continually reviews and improves its activities of recruitment and selection, learning and development, manpower planning, performance management, compensation and benefits, succession planning and staff engagements to respond to the present and future needs of the business. Equally important is HRHC's role in creating a positive, fair and performance-driven work culture that motivates BIBD employees to be a highly talented and productive workforce.

HRHC's business model focuses on delivering functional excellence as an effective and consistent implementer of Human Resource (HR) best practices. At the same time, there needs to be a drive to ensure that the current BIBD talent pool contributes in an impactful manner to real strategic and operational business considerations. To support this drive, I-CUE (Integrity, Customer Focus, Unity of Purpose, Excellence) was launched as our internal values to strengthen the alignment within BIBD. This was cascaded via staff engagements such as roadshows to ensure that the implemented values were clearly understood and embraced.

Internally, HRHC has also reviewed and improved BIBD's HR related policies and processes to improve workflow and ensure efficient delivery while reducing costs. One of the policies reviewed was the medical checkup for employees, which is revised to reflect age segments, resulting in 27% cost savings. Allowances have also been revised for optimum utilisation. At the same time, HRHC also strengthened the skills of the existing HRHC team with 79% holding certification.

To improve the overall impact and transparent delivery to our employees, the Bank appointed 35 HR ambassadors who serve as an extension of the HRHC. HRHC will also be looking towards the implementation of a new Human Resource Information System which will improve efficiency and convenience of HR processes, enable automation of standard HR functions, and provide a strategic tool for decision-making.

A total of 519 participants attended 25 leadership and personal development programs organized locally and overseas. In addition, two senior leaders attended the Cambridge Islamic Finance Leadership Program, where a BIBD employee was awarded as one of the six outstanding delegates who showcased exceptional leadership qualities. Meanwhile, more than 40 employees received Certification for Islamic Financial Planner from IBFIM, SHL Personality & Ability Assessment, ICA Certificates in Anti-Money Laundering, Financial Planning Practitioners' Program, and Certified International Human Resource Manager.

HRHC also looked to improve its return on investment (ROI) of employee learning and development through a more focused learning and development plan which includes the digitalisation of learning programs and the launch of customised e-Learning modules. In September 2017, HRHC received an appreciation award from Cegos Asia Pacific for showcasing "Commitment to Learning and Digital Transformation in Brunei".

Finance

Ensuring accurate and detailed information for internal and external reporting, whilst complying with accounting standards (IFRS) as well as rules and regulations set by our regulator (AMBD), the Finance Division ensures the utmost integrity in its financial statements and publications.

Given the increased complexity of the financial accounting sector, along with the adaptation of IFRS, BIBD is also looking at achieving the Basel 2, Pillar 1 requirement that includes minimum capital requirement, supervisory review and market discipline. Activities to achieve this objective will also be driven by investments in human capital for more professional certifications, increased periodic regulatory reporting, and enterprise resource planning solutions.

There have also been efforts to provide more focus on analytics and automation to support business functions and decision-making. The improvements brought about include more accurate and controlled processes, reconciliation, reporting of anomalies or exceptions that have also aided the enhancement in identification and resolution of issues.

IT Operations

As digital technology rapidly becomes an integral component of everyday business, the demand for simpler and more convenient ways of doing banking has also heightened, leading us to invest in cutting-edge technologies and solutions. Our commitment to keep abreast with the ever-evolving opportunities and challenges of digital technology cements our position as a technological innovator in Brunei Darussalam's banking landscape.

Key to this initiative is the integrity and security of our IT infrastructure. We have taken integral steps to further reinforce our infrastructure against cyber threats to mitigate any potential risks through implementation of a multi-layered protection onto our internal and external engagement systems. Two-factor authentication was implemented into the payment gateway system and internal communications were further enhanced with additional protection and encryption to reduce the risk of data leakage as well as to safeguard information from external attacks. Additionally, penetration tests are exercised periodically to evaluate our security and identify any potential vulnerability and risk.

We are also constantly innovating ways to digitally develop a more tech-savvy culture, transforming us into a smarter and progressive institution to ensure that our business operations remain seamless. To that end, we have supported and collaborated with FinTech providers in the development of initiatives such as chatbots, card-less transactions, biometric authentication, e-wallet and e-coupons amongst others.

To accommodate the ever-growing technical requirements of new technological products and tools in the market, we are committed to developing the right competency framework, matrix, skills and requirements for our human capital growth, while at the same time equipping them with the necessary knowledge and toolsets.

Moving forward, we will strive to deliver unparalleled quality of services to our stakeholders as an 'Innovation Engine', providing products and services that are secure, highly available, flexible, and agile. As we adopt the market's latest and most effective technologies to tackle new opportunities and challenges, we will ensure that highly converged virtualised environments and robust IT frameworks are in place to accommodate such changes, and will remain at the forefront of our priorities as we move towards establishing ourselves as a centre of excellence.

Government Relations and Special Projects

BIBD aspires to become the country's First Choice Bank, while at the same time, aligning the Bank's initiatives with His Majesty's *Wawasan* 2035 in support of the country's long-term development. To that end, our Government Relations and Special Projects (GRSP) Division remains steadfastly committed to establishing synergistic relationships with government and non-government stakeholders, and facilitating projects and initiatives that will prove beneficial to the growth of Brunei Darussalam.

GRSP also oversees the effective management and maintenance of the Bank's facilities, ensuring that BIBD's assets are appropriately safeguarded and building regulations as well as Health, Safety and Environment (HSE) requirements set by the Brunei government are adhered to. By observing international standards of best practices and providing the best of facilities, GRSP ensures that high quality services are delivered effectively and efficiently. At the same time, GRSP facilitates the development of an enhanced quality of life amongst the under-privileged as part of its Corporate Social Responsibility undertaking.

CORPORATE MILESTONES

Promoting Brunei Darussalam as an Investment Hub

As the largest globally recognised Islamic financial institution in Brunei Darussalam, BIBD strives to fulfil His Majesty's *Wawasan* 2035. This vision reflects Brunei Darussalam's aspirations to be recognised globally for being an international hub for Islamic Finance.

BIBD shares Brunei's Development & FinTech opportunities

As Brunei Darussalam's leading Islamic financial institution, BIBD was chosen to represent the country at the Islamic Financial Services Board's (IFSB) annual meetings for its fifteenth general assembly, joining more than 140 international delegates. The meeting was held in Malaysia with the theme "Islamic Finance and Global Regulation: Moving Targets and New Horizons" emphasising on the rise of FinTech and its benefits to Islamic finance.

Attracting Foreign Direct Investors to Brunei

In our efforts to boost Brunei Darussalam's regional economic and trade cooperation whilst providing business opportunities for attending countries, BIBD participated in the 14th China-ASEAN Expo (CAEXPO) in Nanning, China. As the 'Country of Honour' this year, Brunei Darussalam sent an almost 200-strong delegation.

Enhancing Customer Conveniences

BIBD continues to support the Bruneian Government on elevating the ease of doing business in the country, while at the same time, keeping in line with AMBD's strategic plan and objective to reduce the use of both cash and cheques in the country, reducing costs, and encouraging innovation. This is to create a progressive environment conducive to the sustained growth of the economy.

Introduction of new digital banking platform, BizNet & MSME accounts

To improve the financial management of local micro, small and medium enterprises (MSMEs) whilst promoting ease of doing business for its corporate clients, BIBD introduced two new products: BizNet - the Bank's new corporate online banking platform that helps manage day-to-day account activities and also enables payments-- and the BIBD MSME Current Account.

Spreading Our Wings

In keeping with our mission to become the First Choice institution, we strive to provide our clients with sound and robust Islamic financial solutions whilst ensuring that they receive convenient accessibility to our services, bolstering customer satisfaction as we define a service benchmark that is truly "Bruneian at Heart".

Sixteenth branch opened in Brunei Darussalam

To promote easy access to our products and services and for the convenience of our customers, the Bank's sixteenth branch in Brunei began its operations in early 2017.

The Serusop branch is a full-service branch aiming to serve all BIBD customers from its key segments (i.e. Retail, Corporate and Perdana).

First dedicated "Home Centre" launched for Kuala Belait residents

BIBD launched its first ever dedicated "Home Centre" located in the Panaga Branch for the convenience of its customers within the Belait District. This facility serves as a one-stop shop for existing and prospective home owners to realise their dream home.

New conveniences for our customers

As part of the Bank's efforts to further extend its network and be closer to its customers, BIBD has launched new ATMs and CDMs (Cash Deposit Machines) in rural areas of Tutong and Kuala Belait for the convenience of the residents. At present, BIBD has 61 ATMs and 22 CDMs operational nationwide.

International Recognition for BIBD

BIBD maintains Stable A- Rating from S&P Global

BIBD was affirmed a stable outlook on its strong A- rating from leading international credit rating agency Standard & Poor's (S&P) Global. The rating, the highest for a Bruneian bank and on par with other leading banks in ASEAN, recognises BIBD's financial strength.

The A- rating recognises BIBD as a world class institution and reflects the Bank's strong capital assessment and profitability, as well as its business stability and dominant market share in Brunei Darussalam. BIBD's liquidity ratios - stronger than several of its global peers - were also favourably acclaimed.

Five wins in a row for BIBD as "Best Retail Bank in Brunei"

BIBD was recognised as the Best Retail Bank in Brunei Darussalam for the year 2017 by the prestigious The Asian Banker for the fifth consecutive year. The Bank was commended on its improved retail segments to gain new customers. Also highlighted was the Bank's investment in its employees to drive business growth.

BIBD is one of the strongest banks in Asia-Pacific and the strongest in Brunei

BIBD was announced as one of The Strongest Banks in Asia-Pacific by Balance Sheet as well as The Strongest Bank in Brunei by The Asian Banker (TAB).

It also remains the only Bruneian bank to be featured within The Asian Banker's ranking of Asia-Pacific's top financial institutions for two consecutive years. The prestigious award demonstrates BIBD's sound fundamentals.

Representing Brunei as ASEAN Leader in Rural Development and Poverty Eradication

With the support of the Ministry of Culture, Youth and Sports, BIBD was honoured with the ASEAN (Association of Southeast Asian Nations) Rural Development and Poverty Eradication (RDPE) Leadership Awards at the 10th ASEAN Ministerial Meeting on Rural Development and Poverty Eradication, held in Kuala Lumpur, Malaysia. The distinguished award reflects ASEAN's recognition of the Bank's efforts in promoting rural development and poverty eradication within the region which has helped to provide the people with increased opportunities to improve their quality of life.

Best mobile and digital banking services in Brunei

In recognition of the Bank's nimbleness in implementing new technologies and in forming partnerships with FinTech players, World Finance conferred two awards upon BIBD: "Best Mobile Banking Application" and "Best Digital Bank in Brunei – 2017". These awards cement BIBD's standing as a progressive bank, deploying world-class standards in every aspect of its operation.

Investing in Brunei's Human Capital

BIBD strives to nurture and support innovation, creativity and analytical prowess of our future generations, encouraging them to think divergently whilst maintaining a positive outlook. Keeping in line with Brunei Darussalam's *Wawasan* 2035 to foster a dynamic economy sustained by the accomplishments of its well-educated and highly-skilled citizens, we endeavour to cultivate quality local entrepreneurs through collaborations with globally recognised institutions whilst maintaining international benchmarks and standards.

Improving capabilities through advanced qualifications in Islamic Wealth Management

With the aim to elevate BIBD's capabilities to provide better Islamic Wealth Management solutions to its customers, twenty BIBD employees participated in an eight-month long advanced level certification program held under IBFIM's (Islamic Banking and Finance Institute Malaysia) Islamic Financial Qualifications Framework and Progression Route in order to qualify as an Islamic Financial Planner (IFP). The employees were awarded with Certified Qualification in Islamic Banking (CQIF) in Wealth Management.

BIBD Delegates Impress at Cambridge-IFLP

Two outstanding delegates from BIBD - Hj Mohd Yusri and Syed Alwi Abdillah Alkaff - successfully completed the 3rd Cambridge Islamic Finance Leadership Programme ("Cambridge-IFLP") where they were both recognised as top-class potentials for leadership in Islamic Banking and finance. BIBD's own Hj Mohd Yusri was also awarded the Cambridge Islamic Finance Leadership Award for his exceptional performance throughout the programme.

Open-session with Dr. Mohd Daud Bakar

We were fortunate to host an open-discussion session between globally recognised Shariah scholar, Datuk Dr. Mohd Daud Bakar, and BIBD employees. The session served to develop a better understanding of Islamic finance for BIBD employees and to keep BIBD abreast of new developments in the Islamic finance space.

Corporate Social Responsibilities

To operate with a steadfast commitment to social responsibility is part of our mission at BIBD. BIBD's growth, motivated by our Bruneian at Heart DNA structure, is guided by sound and sustainable practices reflected in our CSR (Corporate Social Responsibility) strategies. These endorsed the developments of our country and community, nurturing individual social responsibility and promoting awareness amongst Bruneians.

Our CSR programmes are founded on three key pillars; education, local entrepreneurship, and community growth. By emphasising the importance of these areas, we aim to provide an even more substantial impact on nation building and equip our youth with educational opportunities beneficial to their future in a thriving and competitive economy.

As reflected in BIBD's ALAF (Advocating Life-Long Learning for an Aspiring Future) programme, one of our leading CSR initiatives, we trust in the value of learning, and its capacity for nurturing our youth's progress. In partnership with the Ministry of Education and Ministry of Religious Affairs, we endeavour to support the education of young underprivileged Bruneians by providing them with the educational tools necessary to their progress as well as dedicated ALAF welfare teachers to ensure a versatile educational experience.

Public speaking workshops, learning camps and trips to educational locations are some of the many additional activities that were held in 2017 as part of the programme's holistic approach to education - both within and beyond the classroom. Currently, a total of 170 students have been enrolled in the programme, with more to be included next year. In its fourth year now, the long term ALAF programme has achieved significant success as one of its students will move on to pursue her tertiary education at the prestigious Al-Azhar University in Egypt.

BIBD's educational initiatives also include financial awareness programmes designed to equip Bruneians with greater financial literacy in order help them manage their personal finances better. In this regard, the Bank's accredited financial planners arrange regular talks on the importance of prudent and perennial financial planning at public, private and educational institutions.

As Brunei Darussalam pursues greater economic diversification, we believe that entrepreneurship must be nurtured within our community to drive the growth of new businesses. Through our collaboration with Darussalam Enterprise (DARe), we organised a sharing session with Fashion Valet – a rapidly growing Malaysian company with humble origins in the SME sector - with the hope of inspiring local entrepreneurs and businesses. BIBD will continue to promote the growth of the MSME and SME sectors by forming partnerships with relevant government agencies and participating in various events aimed towards this objective.

Kindness and compassion remain important values for us and spur us to provide aid and succour to those most in need. BIBD held its 7th annual Sirah Amal Charity Drive during Ramadhan in partnership with the Ministry of Religious Affairs in order to support the underprivileged communities. Food hampers and other daily essentials were distributed to those in need.

We believe that the Bank's collective efforts in promoting education, entrepreneurship, and the community's welfare will nurture the nation's socioeconomic development, making BIBD Brunei's First Choice financial institution.

Sharing Our Blessings

Celebrating Aidil Adha with the public

BIBD held its Aidil Adha celebration at Masjid Pengiran Muda Abdul Mateen in Kampung Mulaut, where a total of four buffaloes and a cow were sacrificed. The Korban was distributed to around sixty recipients, comprising of underprivileged members of the community among others. BIBD also contributed eighty Yaasin books to the mosque. The guest of honour was Yang Mulia Dato Seri Setia Dr. Haji Japar bin Haji Mat Dain, Deputy Chairman of the Shariah Advisory Body of BIBD and its subsidiaries and Deputy State Mufti.

BIBD Hands over Zakat For 2016

BIBD expressed gratitude that its performance in 2016 allowed it to hand over Zakat of approximately B$3.3 million on business for the financial year 2016 as well as almost B$475,000 as Zakat for customers' deposit for the period of 2016 – 2017.

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

In order to help Muslim customers meet their obligations, BIBD has also provided the convenience of Zakat payments at its branch counters in Brunei Darussalam. In shaa Allah, BIBD will also explore other convenient ways to allow its customers to perform their Zakat obligations by using BIBD's digital channels.

Giving Back to the Country & Community

Providing support to those in need

As part of BIBD's collective effort to reduce the burden faced by less fortunate members of our community, we organised several donation campaigns to aid those in need.

In collaboration with the Brunei Darussalam Red Crescent Society (BDRCS), the Bank contributed funding of more than B$ 2,000 together with basic daily essentials to a student from the ALAF Programme whose residence was destroyed in a fire.

Now in its seventh year, the BIBD Sirah Amal initiative has been providing support to underprivileged families from all four districts of the country. Donations and relief items were provided by the Bank and its employees to bring joy to the families they visited.

In combination with the Department of Community Development (JAPEM), Ministry of Culture, Youth and Sports, BIBD offered donations to more than five thousand recipients from all four districts. At the same time, under its "Skim Hadiah Galakan Pelajar-Pelajar Cemerlang 2016", BIBD handed out special awards to twelve orphaned students in recognition of their dedication by excelling in their education.

Boosting Our Local Entrepreneurs

BIBD continues to seek partnerships with local businesses in our efforts to assist them in their journey towards growth and progress and to propel them into becoming international businesses. In collaboration with DARe, an experience-sharing session with the co-founders of Fashion Valet, Fadzarudin Shah Anuar and Vivy Sofinas Yusof, was held to provide local entrepreneurs with an understanding of the real-life challenges and efforts necessary for them to expand their businesses and to emulate the example of Fashion Valet's success in expanding internationally.

Cemetery Cleaning Campaign

To reflect the Bank's commitment towards further strengthening its ties with the community, BIBD organised clean-up activities at a Muslim cemetery in Kampong Kilanas. The event was supported by participation from BIBD personnel along with students from the ALAF Programme.

Fortifying Brunei's Future: BIBD ALAF

BIBD's flagship education-community funding initiative aims to provide the necessary support to realise His Majesty's *Wawasan* 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.

BIBD ALAF Programme Activities

FEBRUARY

Excellent Results
Thirteen BIBD ALAF students scored excellent results in their respective exams

Student Enrollment
Forty-two new students were enrolled into BIBD ALAF

MARCH

Trip to Brunei Book Fair
Top thirteen achieving ALAF students were taken to an outing to the "Brunei Book Fair"

Career and Smart Camps
A seven-day camp to prepare ALAF students with awareness on career opportunities and motivate students to achieve their goals

APRIL

Launch of ALAF Library
A dedicated library for the ALAF Programme was launched to further support the development of its students

JUNE

First to fly to Egypt
Dayang Norhafikah Hj Awang Bakri
First BIBD ALAF Scholar to continue studies in Al-Azhar University, Egypt

JULY

Annual Get Together

Participated in His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien, Sultan and Yang Di-Pertuan of Brunei Darussalam's meet-and-greet with people in conjunction with His Majesty's 71st birthday celebrations

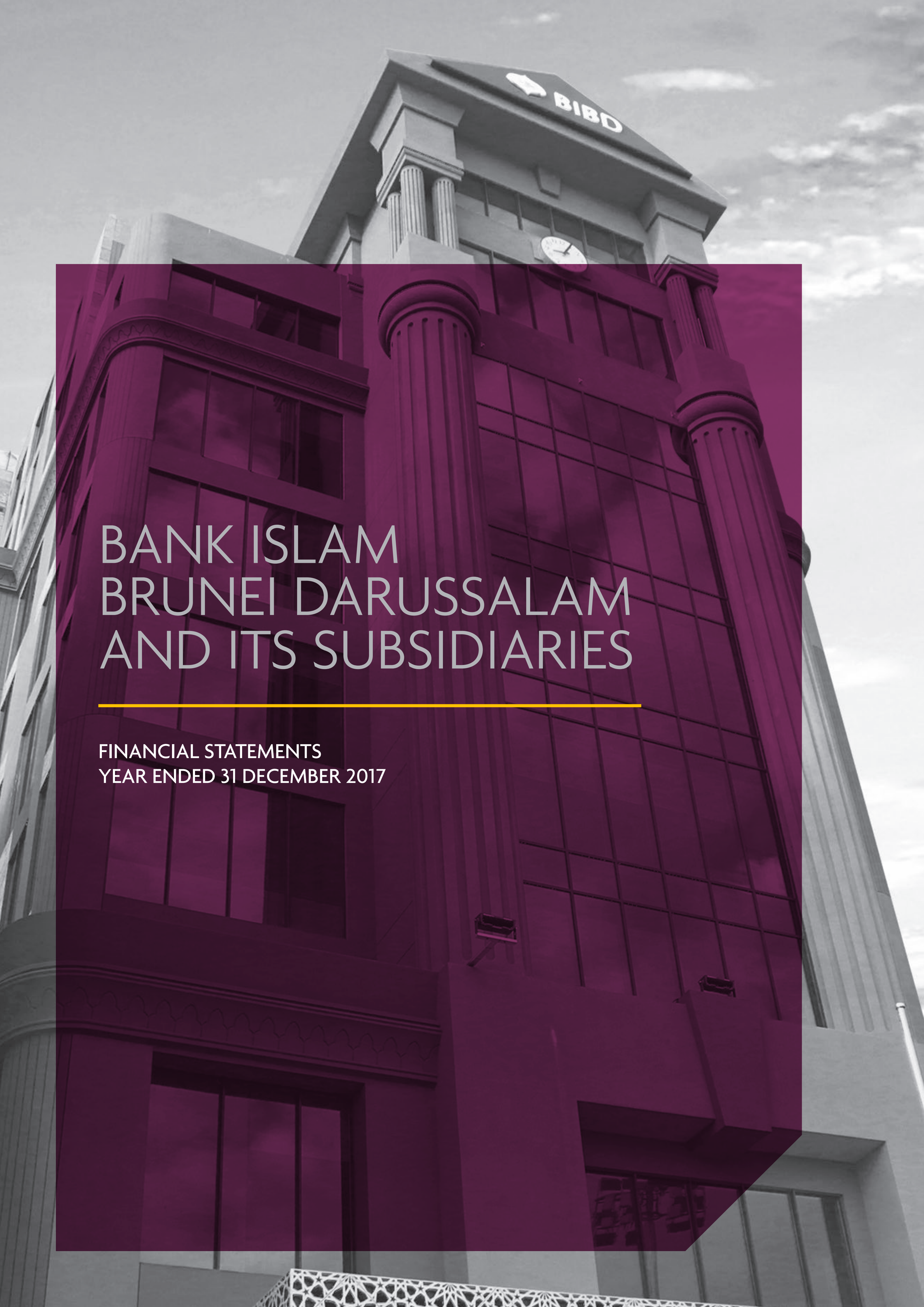
DECEMBER

Signing MOU with AGROMEIQ

Thirty students participated in a four-month programme where they were given the opportunity to learn farming methods and processes as well as the fundamentals in starting their own farms

Celebrating Achievements

Forty-seven students obtained excellent results and were awarded for their academic achievements



BANK ISLAM BRUNEI DARUSSALAM AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

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 2017.

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	116,182	169,818
Attributable to:		
Equity holders of the Bank	110,582	169,818
Non-controlling interest	5,600	–
	116,182	169,818

Dividends

The amount of dividends paid by the Bank since 31 December 2016 are as follows:

	B$'000
In respect of the financial year ended 31 December 2016:	
Final dividend of 14.7 cents per ordinary share paid on 13 July 2017	106,538
In respect of the financial year ended 31 December 2017:	
Interim dividend of 12.4974 cents per ordinary share paid on 30 August 2017	90,575

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2017 of 5.075 cents on 724,749,512 number of ordinary shares, amounting to B$36,781,038 will be proposed.

Directors

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

Dato Seri Paduka Dr Awang Haji Mohd Amin Liew bin Abdullah	(Chairman, appointed on 30 January 2018)
Dato Seri Setia Awang Haji Bahrin bin Abdullah	(retired on 30 January 2018)
Dato Paduka Iqbal Ahmad Khan	
Junaidi bin Hj Masri	
Dr Jan Hendrik van Greuning	
Mubashar Khokhar	
Majed Nasser Alsubeaei	
Dr Abdul Manaf bin Haji Metussin	
Mozart bin Haji Brahim	(Alternate Director to Junaidi bin Hj Masri)

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 36 of the financial statements) by reason of a contract made by the Bank or a related corporation with any director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

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

	Number of ordinary shares of B\$1/B\$0.70 each	
Name of directors	At beginning of the year	At end of the year
Dato Seri Setia Awang Haji Bahrin bin Abdullah	4,441	4,441
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 23 March 2018

Dato Seri Paduka 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 FS117 are drawn up in accordance with International Financial Reporting Standards ("IFRS"), and the provisions of the Islamic Banking Order, 2008 so as to give a true and fair view of the financial position of the Group and the Bank as of 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and the Bank for the financial year ended 31 December 2017.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 23 March 2018:

Dato Seri Paduka 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 اللهِ الرَّحْمنِ الرَّحِيمِ

الحمدلله رب العالمين والصلاة والسلام على سيدنا محمد وعلى اله وصحبه أجمعين

To the Shareholders of Bank Islam Brunei Darussalam Berhad,

السلام عليكم ورحمة الله وبركاته

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

a) We have reviewed the principles outlined in the contracts that relate to the transactions as well as the applications of these principles in the products and services introduced by Bank Islam Brunei Darussalam Berhad ("Bank") and its Group of Companies ("Group") during the financial year ended 31 December 2017 to ensure conformity with the rules and principles of Shariah.

b) In ensuring the Bank has complied with the Shariah rules and principles and rulings issued by us, we have also performed oversight role through the Shariah review and Shariah audit functions carried out by the Shariah Department.

c) We have assessed the work carried out by Shariah Department and its effectiveness to implement the Shariah Governance Framework which included pre and post Shariah review and examination, on a test basis towards the business transaction, the relevant documentations and procedures adopted and/or entered into by the Bank.

d) The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to present an independent opinion base on our review of the Bank's business operations and to subsequently report to you.

e) We obtained all information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated the Shariah rules and principles in all transaction that had been presented to us.

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

a. The products and services, contracts and dealings transactions entered into by the Bank and the Group during the financial period ending 31 December 2017 that we have reviewed are in compliance with Shariah rules and principles;

b. In fulfilling the Shariah compliancy, all tainted earnings that have been realised from sources or manner which have not fulfil the Shariah requirement have been separated and considered for disposal to charitable causes; and

c. The zakat of the Bank and the Group's business is in accordance with the calculation methodology approved by this Body.

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

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

والله ولي التوفيق

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

Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof
Chairman

Brunei Darussalam
23 March 2018

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Independent auditors' report

Members of Bank Islam Brunei Darussalam Berhad and its subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the 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 2017, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS117.

In our opinion, the accompanying financial statements of the Group and the Bank are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Cap. 39 (the "Act") and International Financial Reporting Standards ("IFRS"), so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and of the Bank for the year ended on that date.

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 financial statements*' section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (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 and directors are responsible for the other information. The other information comprises *Directors' Report, Statement by Directors and Shariah Advisory Body Report* but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the *Vision and Mission, Management Insights, About Us, Business Review, Milestone, Corporate Activities, Achievements and Awards, ("the Reports")* which are expected to be made available to us after that date.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of management and directors for the financial statements

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

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

The Directors' responsibilities include overseeing the Group's and the Bank's financial reporting process.

Auditors' 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 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 controls.

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

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

- Conclude on the appropriateness of management and directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group and the Bank audit. We remain solely responsible for our audit opinion.

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

KPMG

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

We formed our audit opinion on the statement of financial position of the Bank based on the information and explanations given to us and as shown by the books of the Bank. We have obtained all the information and explanations that we required.

kpmg llp

KPMG LLP
Singapore Public Accountant and
Singapore Chartered Accountants

David Jason Waller
Brunei Darussalam Public Accountant

Singapore
23 March 2018

Income Statements
Year ended 31 December 2017

		Group		Bank	
	Note	**2017 B$'000**	**2016 B$'000**	**2017 B$'000**	**2016 B$'000**
Profit from financing, leasing and investments	3	300,392	283,099	252,582	233,967
Profit paid/payable to depositors	4	(42,582)	(39,064)	(39,534)	(35,813)
Net profit margin		257,810	244,035	213,048	198,154
Fee and commission income	6	33,360	29,869	32,112	29,116
Fee and commission expense	6	(5,457)	(4,433)	(5,457)	(4,433)
Net fee and commission income		27,903	25,436	26,655	24,683
Gain/(Loss) from derivatives and investments	5	282,551	(141,899)	282,551	(142,933)
Net foreign exchange (loss)/gain	5	(287,894)	158,976	(287,894)	158,976
Other operating income	7	51,151	44,452	113,659	68,677
Total income		331,521	331,000	348,019	307,557
Less:					
Personnel expenses	8	(70,745)	(66,485)	(59,677)	(54,310)
Other expenses	9	(74,370)	(62,671)	(56,791)	(47,302)
Total operating expenses		(145,115)	(129,156)	(116,468)	(101,612)
Operating profit before allowances		186,406	201,844	231,551	205,945
Less:					
Allowance for impairment on financing and advances, net	10	(38,222)	(23,850)	(36,374)	(22,527)
Allowance for impairment on receivables		(1,864)	(1,230)	(739)	(1,230)
Allowance for impairment on investments, net	11	(1,964)	(40,017)	(1,964)	(40,017)
Allowance for investment in subsidiary, net		–	–	(1,715)	–
Operating profit		144,356	136,747	190,759	142,171
Share of profit of associate	25	2,073	722	–	–
Profit before zakat and tax		146,429	137,469	190,759	142,171
Less:					
Zakat	12	(2,692)	(3,349)	(2,692)	(3,349)
Income tax expense	13	(27,555)	(29,904)	(18,249)	(16,765)
Total zakat and income tax expense		(30,247)	(33,253)	(20,941)	(20,114)
Profit for the year		116,182	104,216	169,818	122,057
Profit for the year attributable to:					
Equity holders of the Bank		110,582	101,899	169,818	122,057
Non-controlling interests		5,600	2,317	–	–
Profit for the year		116,182	104,216	169,818	122,057
Earnings per share					
Basic earnings per share (dollars)	15	0.15	0.14		
Diluted earnings per share (dollars)	15	0.15	0.14		

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

Statements of Comprehensive Income
Year ended 31 December 2017

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Profit for the year	116,182	104,216	169,818	122,057
Other comprehensive income:				
Items that are or may be reclassified to profit or loss				
Fair value reserve (available-for-sale financial assets):				
- Net change in fair value	804	(155)	803	(173)
- Net amount transferred to profit or loss	437	18,472	594	18,472
Share of other comprehensive income of associate	893	(38)	–	–
Tax on other comprehensive income	(258)	(3,388)	(258)	(3,388)
Other comprehensive income for the year, net of tax	1,876	14,891	1,139	14,911
Total comprehensive income for the year	118,058	119,107	170,957	136,968
Attributable to:				
Equity holders of the Bank	112,458	116,790	170,957	136,968
Non-controlling interests	5,600	2,317	–	–
Total comprehensive income for the year	118,058	119,107	170,957	136,968

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

Statements of Financial Position
As at 31 December 2017

	Note	Group		Bank	
		2017	**2016**	**2017**	**2016**
		B$'000	**B$'000**	**B$'000**	**B$'000**
Assets					
Cash and cash equivalents	16	2,419,360	2,113,791	2,610,380	2,294,667
Balances with Autoriti Monetari Brunei Darussalam	17	456,933	463,382	419,913	430,531
Placements with and financing and advances to banks	18	1,974,964	2,588,964	2,150,964	2,662,314
Government sukuks	19	16,198	26,715	16,198	26,715
Investments	20	1,179,002	804,651	1,179,002	799,447
Derivative financial assets	21	40,865	17,971	40,865	17,971
Financing and advances	22	3,231,905	3,186,405	2,639,100	2,602,613
Finance lease receivables	23	12,587	12,556	12,587	12,556
Investments in subsidiaries	24	–	–	39,804	40,826
Investment in associate	25	17,388	14,513	7,080	7,080
Other assets	26	41,786	39,344	31,712	46,084
Property and equipment	27	174,470	178,337	50,392	47,955
Investment property	28	25,887	27,434	25,887	27,434
Deferred tax assets	29	–	8,557	6,038	17,288
Total assets		9,591,345	9,482,620	9,229,922	9,033,481
Liabilities and equity					
Deposits from customers	30	7,526,368	7,214,644	7,434,748	7,114,615
Deposits from banks and other financial institutions	31	521,433	510,272	394,108	363,939
Placements from other financial institutions	18	240,716	57,872	240,716	57,872
Derivative financial liabilities	21	15,860	110,620	15,860	110,620
Other liabilities	32	115,400	102,711	99,808	82,413
Zakat	33	2,831	4,037	2,831	4,037
Provision for taxation	33	54,783	68,580	38,150	52,703
Deferred tax liabilities	29	3,371	–	–	–
Total liabilities		8,480,762	8,068,736	8,226,221	7,786,199
Equity					
Share capital	34	507,325	724,750	507,325	724,750
Statutory reserves fund	35	497,499	453,044	458,495	416,040
Other reserves	35	84,583	213,711	37,881	106,492
Total equity attributable to equity holders of the Bank		1,089,407	1,391,505	1,003,701	1,247,282
Non-controlling interests		21,176	22,379	–	–
Total equity		1,110,583	1,413,884	1,003,701	1,247,282
Total liabilities and equity		9,591,345	9,482,620	9,229,922	9,033,481

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 2017 and the financial performance for the year ended 31 December 2017.

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 Paduka Dr Awang Haji Mohd Amin Liew bin Abdullah
Chairman

Mubashar Khokhar
Managing Director

Junaidi bin Hj Masri
Director

Brunei Darussalam
23 March 2018

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

Consolidated Statement of Changes in Equity
Year ended 31 December 2017

Group	Note	Share capital B$'000	Treasury Shares B$'000	Statutory reserve B$'000	Fair value reserve B$'000	Translation Reserve B$'000	Retained profits B$'000	Total shareholders' funds B$'000	Non-controlling interests B$'000	Total equity B$'000
		Attributable to equity holders of the Bank		Other reserves						
At 1 January 2017		724,750	–	453,044	530	–	213,181	1,391,505	22,379	1,413,884
Profit for the year		–	–	–	–	–	110,582	110,582	5,600	116,182
Other comprehensive income		–	–	–	1,876	–	–	1,876	–	1,876
Total comprehensive income for the year		–	–	–	1,876	–	110,582	112,458	5,600	118,058
Transfers to statutory reserve	35	–	–	44,455	–	–	(44,455)	–	–	–
Foreign currency movement		–	–	–	–	(18)	–	(18)	–	(18)
Transactions with owners of the Bank										
Contributions and distributions										
Reduction in share capital		(217,425)	–	–	–	–	–	(217,425)	–	(217,425)
Dividends paid on ordinary shares	14	–	–	–	–	–	(197,113)	(197,113)	(1,000)	(198,113)
Redemptions by non-controlling interest		–	–	–	–	–	–	–	(5,803)	(5,803)
Total contributions and distributions		(217,425)	–	–	–	–	(197,113)	(414,538)	(6,803)	(421,341)
At 31 December 2017		507,325	–	497,499	2,406	(18)	82,195	1,089,407	21,176	1,110,583

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

Consolidated Statement of Changes in Equity (Cont'd)

		---Attributable to equity holders of the Bank---								
				---Other reserves---						
Group	Note	Share capital B$'000	Treasury shares B$'000	Statutory reserve B$'000	Fair value reserve B$'000	Translation Reserve B$'000	Retained profits B$'000	Total shareholders' funds B$'000	Non-controlling interests B$'000	Total equity B$'000
At 1 January 2016		724,750	(3)	420,531	(14,361)	–	196,702	1,327,619	26,425	1,354,044
Profit for the year		–	–	–	–	–	101,899	101,899	2,317	104,216
Other comprehensive income		–	–	–	14,891	–	–	14,891	–	14,891
Total comprehensive income for the year		–	–	–	14,891	–	101,899	116,790	2,317	119,107
Transfers to statutory reserve	35	–	–	32,513	–	–	(32,513)	–	–	–
Transactions with owners of the Bank										
Contributions and distributions										
Dividends paid on ordinary shares	14	–	–	–	–	–	(52,907)	(52,907)	–	(52,907)
Redemptions by non-controlling interest		–	3	–	–	–	–	3	(6,363)	(6,360)
Total contributions and distributions		–	3	–	–	–	(52,907)	(52,904)	(6,363)	(59,267)
At 31 December 2016		724,750	–	453,044	530	–	213,181	1,391,505	22,379	1,413,884

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

Statement of Changes in Equity
Year ended 31 December 2017

				---Other reserves---		
Bank	Note	Share capital B$'000	Statutory reserve B$'000	Fair value reserve B$'000	Retained profits B$'000	Total B$'000
At 1 January 2017		724,750	416,040	(762)	107,254	1,247,282
Profit for the year		–	–	–	169,818	169,818
Other comprehensive income		–	–	1,139	–	1,139
Total comprehensive income for the year		–	–	1,139	169,818	170,957
Transfer to statutory reserve	35	–	42,455	–	(42,455)	–
Transactions with owners of the Bank						
Contributions and distributions						
Reduction in share capital		(217,425)	–	–	–	(217,425)
Dividends paid on ordinary shares	14	–	–	–	(197,113)	(197,113)
Total contributions and distributions		(217,425)	–	–	(197,113)	(414,538)
At 31 December 2017		507,325	458,495	377	37,504	1,003,701

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

Statement of Changes in Equity (Cont'd)

Bank	Note	Share capital B$'000	Statutory reserve B$'000	----------Other reserves--------- Fair value reserve B$'000	Retained profits B$'000	Total B$'000
At 1 January 2016		724,750	385,526	(15,673)	68,618	1,163,221
Profit for the year		–	–	–	122,057	122,057
Other comprehensive income		–	–	14,911	–	14,911
Total comprehensive income for the year		–	–	14,911	122,057	136,968
Transfer to statutory reserve	35	–	30,514	–	(30,514)	–
Transactions with owners of the Bank						
Contributions and distributions						
Dividends paid on ordinary shares	14	–	–	–	(52,907)	(52,907)
Total contributions and distributions		–	–	–	(52,907)	(52,907)
At 31 December 2016		724,750	416,040	(762)	107,254	1,247,282

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

Statements of Cash Flows
Year ended 31 December 2017

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Cash flows from operating activities				
Profit before zakat and tax	146,429	137,469	190,759	142,171
Adjustments for:				
Dividend income from subsidiaries	–	–	(98,328)	(56,091)
Allowance for impairment on financing and advances	38,222	23,850	36,374	22,527
Allowance for impairment on receivables	1,864	1,230	739	1,230
Change in fair value of derivatives and investments	5,785	(16,977)	5,708	(15,647)
Depreciation of property and equipment and investment property	20,067	22,478	13,363	14,966
Allowance for impairment of investments, net	1,964	40,017	1,964	40,017
Allowance for impairment on investment in subsidiary, net	–	–	1,715	–
Gain on disposal of property and equipment	(138)	–	(138)	–
Loss on write-off of investment property	243	–	243	–
Share of profit of associate	(2,073)	(722)	–	–
	212,363	207,345	152,399	149,173
Changes in:				
Deposits from customers	348,925	1,832,484	357,334	1,856,814
Deposits from banks and other financial institutions	11,161	(34,942)	30,169	(88,774)
Other liabilities	12,423	9,965	17,397	9,991
Balances with Autoriti Monetari Brunei Darussalam	6,449	(80,999)	10,618	(79,790)
Placements with and financing and advances to banks	552,067	(653,972)	449,417	(465,722)
Government sukuks	10,517	(5,964)	10,517	(5,964)
Investments	(413,271)	(197,615)	(418,241)	(205,108)
Placements from other financial institutions	182,844	57,872	182,844	57,872
Financing and advances	(92,188)	184,207	(81,327)	192,616
Other assets	(5,331)	(12,380)	13,602	(4,049)
	825,959	1,306,001	724,729	1,417,059
Zakat paid	(3,898)	(3,117)	(3,899)	(3,117)
Taxes paid	(29,416)	(30,958)	(21,811)	(23,569)
Net cash generated from operating activities	**792,645**	**1,271,926**	**699,019**	**1,390,373**

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

Statements of Cash Flows (Cont'd)
Year ended 31 December 2017

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Cash flow from investing activities				
Purchase of property and equipment	(14,909)	(14,981)	(14,509)	(14,935)
Purchase of investment property	(12)	(133)	(12)	(133)
Investment in subsidiary	–	–	(693)	(4,144)
Proceeds from disposal of property and equipment	163	–	163	–
Dividend income from subsidiaries	–	–	98,328	56,091
Dividend income from associate	91	–	–	–
Net cash (used in)/from investing activities	**(14,667)**	**(15,114)**	**83,277**	**36,879**
Cash flow from financing activities				
Dividends paid	(197,113)	(52,907)	(197,113)	(52,907)
Reduction in capital	(217,425)	–	(217,425)	–
Capital redeemed by non-controlling interest	(5,803)	(6,363)	–	–
Net cash used in financing activities	**(420,341)**	**(59,270)**	**(414,538)**	**(52,907)**
Net change in cash and cash equivalents	357,637	1,197,542	367,758	1,374,345
Cash and cash equivalents at 1 January	2,113,791	888,313	2,294,667	892,387
Effect of exchange rate fluctuations on cash and cash equivalents held	(52,068)	27,936	(52,045)	27,935
Cash and cash equivalents at 31 December	**2,419,360**	**2,113,791**	**2,610,380**	**2,294,667**

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 2017 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 2017:

(a) BIBD At-Tamwil Bhd
(b) BIBD Securities Sdn Bhd
(c) IDBB Sukuk Inc
(d) BIBD Management & Services Bhd
(e) IBB Capital Asset Management Sdn Bhd
(f) Belait Barakah Sdn Bhd
(g) BIBD Al-Kauthar Funds DCC Incorporated
(h) BIBD Al-Kauthar Asia-Pacific Fund
(i) IBB Transport Sdn Bhd
(j) Saujana Sdn Bhd
(k) BIBD Global Equity Funds
(l) BIBD Asia Equity Funds
(m) Belait CSS Sdn Bhd
(n) Better Sdn Bhd
(o) BIBD Middle East Limited

During the year, a provision or impairment of B$1,715,000 has been made by the Bank for its investments in one of the 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 Paduka Dr Awang Haji Mohd Amin Liew bin Abdullah
Chairman

Mubashar Khokhar
Managing Director

Junaidi bin Hj Masri
Director

Brunei Darussalam
23 March 2018

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 2017 comprise the results and financial positions of the Bank and its subsidiaries.

2 Summary of significant accounting policies

2.1 Basis of preparation

(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").

The Group and Bank adopted revised IFRS and interpretations which became effective during the year. The initial adoption of these standards and interpretations did not have a significant impact on the Group and the Bank.

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

Standards and interpretations issued but not yet effective

The following accounting standards, amendments and interpretations have been issued by the International Accounting Standards Board ("IASB") but are not yet effective for the Group and the Bank. The Group and Bank intend to adopt these standards and interpretations, if applicable, when they become effective.

Summary of quantitative impact

The following provides an estimate of the expected impacts on initial application of IFRS 9 on the Group's and the Bank's financial position as at 31 December 2017 and 1 January 2018.

(i) IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial instruments, methods of measuring impairment based on the expected credit loss model, and introduces new requirements for hedge accounting. The IFRS 9 requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual investment-by-investment basis, to present all fair value changes from the investment in Other Comprehensive Income ("OCI"). No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 also introduces a new impairment model that replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. Under the 'expected credit loss' model, a loss event will no longer need to occur before an impairment allowance is recognised.

The IFRS 9 'expected credit loss' model uses a dual measurement approach. If the credit risk of a financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit losses. If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses, thereby increasing the amount of impairment recognised.

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The Group has performed a quantitative impact assessment ("QIA") on the likely effect of IFRS 9 to the Bank and the Group. The QIA for IFRS 9 resulted in an overall increase in loss allowance when compared with the existing basis of measurement under IAS 39 as at 31 December 2017 of approximately BND18 million to BND23 million for the Group and BND15 million to BND20 million for the Bank.

(ii) IFRS 15 *Revenue from Contracts with Customers*

The IASB issued IFRS 15 *Revenue recognition for contracts with customers* to replace IAS 18 *Revenue*, IAS 11 *Construction Contracts,* IFRIC 13 *Customer loyalty programmes* and related interpretations. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The Group expects the key changes to impact customer loyalty programme. The Group currently allocates a portion of the fair value of the revenue consideration under its customer loyalty programme for its credit and debit cards. Under IFRS15, the loyalty credits give rise to a separate performance obligation as the loyalty credits provide a material right to the customer.

The mandatory effective date of IFRS 15 is 1 January 2018, with earlier application permitted. BIBD has not early adopted IFRS 15 and will implement the new requirements in 2018.

The Group does not expect significant impact on adoption of IFRS15.

(iii) IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, in the form of a right-of-use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing periods. The right-of-use assets will be amortised on a straight-line basis and the financial liabilities will be amortised on an effective yield-rate method over the lease period. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 applies with effect from 1 January 2019.

The Group is in the process of evaluating the potential effect of this standard.

(iv) Amendments and improvements

IASB also introduces the following improvements and amendments:

IFRS	Effective for annual period beginning or after
Amendments to IAS 28 – *Measuring associate or joint venture at fair value*	1 January 2018
Amendments to IAS 40 – *Transfers of investment property*	1 January 2018
Amendments to IFRS 1 – *Annual improvements 2014-2016 Cycle*	1 January 2018
Amendments to IFRS 2 – *Clarify the classification and measurement of share-based payment transactions*	1 January 2018
IFRIC 22 – *Foreign currency transactions and advance consideration*	1 January 2018
IFRS 17 – *Insurance contracts*	1 January 2021
Amendments to IFRS 10 – *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of evaluating the potential effect of the adoption of IFRS17. For those standards effective 1 January 2018, the Group does not expect significant impact on adoption.

(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 available-for-sale, 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 Note 2.9 – Impairment.

2.2 Basis of consolidation

Business combinations

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

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

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

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

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

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

Acquisition of non-controlling interest

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

Subsidiaries

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

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

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

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

Loss of control

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

Associate

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

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

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

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

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

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

Non-controlling interests

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

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

Transactions eliminated on consolidation

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

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

2.3 Foreign currency

Foreign currency transactions and balances

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

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

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

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

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on 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

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

The Group and the Bank categorises its financial instruments as follows:

Financial assets

(a) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These financial assets are subsequently measured at amortised cost using the effective profit rate method, less any impairment loss.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either:

(i) Held-for-trading

Financial assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term or they are part of a portfolio that is managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(ii) Designated under fair value option

Financial assets meet at least one of the following criteria upon designation:

- it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or recognising gains or losses on them, using different bases;

- a group of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the entity's documented risk management or investment strategy and information is provided to key management personnel on this basis; or

- the financial asset contains an embedded derivative that would otherwise need to be separately recorded.

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in profit or loss.

(c) Financial assets held-to-maturity

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. These financial assets are subsequently measured at amortised cost using effective profit rate method, less any impairment loss.

Any sale or reclassification of more than an insignificant amount of financial assets held-to-maturity not close to their maturity would result in the reclassification of all financial assets held-to-maturity to financial assets available-for-sale and the Group would be prevented from classifying any financial assets as financial assets held-to-maturity for the current and following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of profit would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(d) Financial assets available-for-sale

Financial assets available-for-sale are financial assets that are either designated in this category or not classified in any other category and are subsequently measured at fair value. They include equity instruments, investment in funds and money market, and debt instruments.

The fair value for quoted investment is derived from market bid prices. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any impairment loss.

Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss.

On derecognition or disposal, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity into profit or loss. Where the Group and the Bank hold more than one investment in the same security they are deemed to be disposed of on a first-in-first-out basis. Profit calculated for a debt instrument using the effective profit method is recognised in profit or loss.

Profit earned whilst holding available-for-sale investments is reported as income. Dividends earned are recognised in profit or loss when the right of the payment is established.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment. See note 2.9 Impairment.

Derivative financial instruments

The Group and the Bank holds derivative financial instruments to economically hedge their foreign currency and profit rate exposures.

Foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at the reporting date and the resultant gains and losses for the financial year are recognised in profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those classified as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have quoted price in an active market for identical instruments whose fair value otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a financing instruments.

Initial fair values of financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

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.

Reclassification of financial assets

A non-derivative financial asset held for trading may be reclassified if the financial asset is no longer held for the purpose of selling in the near term. In addition, a financial asset that meets the definition of financing and receivables may be reclassified out of held-for-trading or available-for-sale categories if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. The fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective profit rates for financial assets reclassified to financing and receivables and held-to maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust the effective profit rate prospectively.

Derecognition

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

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

Offsetting

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

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

2.6 Property and equipment

(a) Recognition and measurement

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

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

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

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

(b) Subsequent costs

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

(c) Depreciation

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

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

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

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

• Leasehold improvements	Over the lease term and not more than 10 years
• Equipment, furniture and fittings	3-5 years
• Motor vehicles	7 years
• Ship vessel	25 years
• 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

Lease payments - Lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of profit on the remaining balance of the balance of the liability.

Lease assets - Lessee

Assets held by the Group and the Bank under leases that transfer to the Group and the Bank substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's and the Bank's statement of financial position.

Lease assets - Lessor

If the Group or the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised.

2.9 Impairment

Financial assets

The Group and the Bank assess at each reporting date whether there is objective evidence that financing and receivables, held-to-maturity financial assets or available-for-sale financial assets are impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and prior to the reporting date ("a loss event") and that loss event or events has an impact on the estimated future cash flow of the financial asset or the group of financial assets as that can be reliably estimated.

The criteria that the Group and the Bank uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor;

(ii) restructuring of an amount due to the Group and the Bank on terms that the Group and the Bank would not consider otherwise;

(iii) indications that a debtor or issuer will enter bankruptcy;

(iv) adverse changes in the payment status of borrowers or issuers in the Group and the Bank;

(v) economic conditions that correlate with defaults; or

(vi) the disappearance of an active market for a security.

Financing and advances are classified as impaired when there is objective evidence of impairment. Such objective evidence of impairment can include significant financial difficulty of the borrower, breach of contract or delinquency in profit or principal payments.

For financing and advances, the Group and the Bank first assess whether objective evidence of impairment exists individually for financing and receivables that are individually significant, and collectively for financing and advances that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exist for an individually assessed financing and advances, whether significant or not, it includes the assets in a group of financing and advances with similar credit risk characteristics and collectively assesses them for impairment. Financing and advances that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment for impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The amount of the loss is recognised using an allowance account and recognised in profit or loss. Where appropriate, the calculation of the present value of estimated future cash flows of a collateralised financing reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financing and advances are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows for a group of financing and advances that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and remove the effects of conditions in the historical period that do not currently exist.

When a financing is uncollectible, it is written off against the related allowance for impairment. Such financing is written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance for impairment account. The amount of reversal is recognised in profit or loss.

In the case of available-for-sale equity securities, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in profit or loss. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets available-for-sale. Reversals of impairment of debt instruments are recognised in profit or loss. Reversals of impairment of equity shares are not recognised in profit or loss; increases in the fair value of equity shares after impairment are recognised directly in equity.

Non-financial assets

The carrying amount of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.10 Deposits, financing and other liabilities

Deposits and financing are the Group's sources of funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

Deposits and financing are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective profit method.

Other liabilities are stated at cost which is the fair value of the amounts expected to be paid in future for the goods and services received or to transfer the liability.

2.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2.12 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.13 Contingent assets

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. The Group does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.14 Share capital

Ordinary shares and the golden share are classified as equity in the statement of financial position. Costs directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

2.15 Recognition of income and expense

Profit from financing and leasing and profit paid/payable to depositors

Profit from financing and leasing and profit paid/payable to depositors are recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments.

When calculating the effective profit rate, the Group and the Bank have considered the contractual terms of the financial instruments but do not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit 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 profit 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 profit rate on a financial asset or financial liability are included in the measurement of the effective profit 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 and the Bank 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.

2.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly central cost, share of profit of associate, zakat and income tax expense.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible asset other than goodwill.

All transactions between business segments (intra-segment revenue and costs) are being eliminated at head office. Income and expenses are directly associated with each business segment are included in determining business segment performance.

3 Profit from financing, leasing and investments

	Group		Bank	
	2017 B$'000	**2016 B$'000**	**2017 B$'000**	**2016 B$'000**
Financing and leasing	207,408	217,769	157,755	167,128
Securities				
- Profit from sukuk	33,581	24,127	33,581	24,127
- Dividend income	2,570	3,086	2,570	2,645
Balances and placements with banks and other financial institutions	56,833	38,117	58,676	40,067
Total	300,392	283,099	252,582	233,967

Financing and leasing profit comprise profit and expenses calculated using the effective yield method that relate to financial assets not carried at fair value through profit or loss.

4 Profit paid/payable to depositors

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Deposits from customers:				
- Mudharabah fund	164	161	164	161
- Non-Mudharabah fund	38,839	34,981	38,198	34,394
	39,003	35,142	38,362	34,555
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	3,579	3,922	1,172	1,258
Total	42,582	39,064	39,534	35,813

5 Gain/(Loss) from derivatives and investments

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Net fair value gain/(loss) on held-for-trading derivatives	280,945	(143,951)	280,945	(143,951)
Fair value gain on investments designated at fair value through profit and loss	1,318	2,123	1,318	1,089
Loss from sale of available for sale investment securities	288	(71)	288	(71)
Total	282,551	(141,899)	282,551	(142,933)
Net fair value gain/(loss) on held-for-trading derivatives	280,945	(143,951)	280,945	(143,951)
Net foreign exchange (loss)/gain	(287,894)	158,976	(287,894)	158,976
Net effect from derivatives and foreign exchange (loss)/gain	(6,949)	15,025	(6,949)	15,025

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 37. The Bank does not adopt hedge accounting for such currency hedges, so in accordance with the accounting policies in Note 2, the foreign exchange gains or losses on assets are recognised in net foreign exchange (loss)/gain of the income statements and the fair value movements in the forward currency hedges are included in gain or loss from derivatives and investments.

6 Net fee and commission income

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Fee and commission income:				
- Trade finance and Al-Kafalah (guarantee)	2,740	2,584	2,740	2,584
- Ar-Rahnu (pawn/pledge)	1,763	1,578	1,763	1,578
- Credit and debit cards	18,850	15,957	18,850	15,957
- Commission	3,872	3,421	3,660	3,248
- Others	6,135	6,329	5,099	5,749
Total fee and commission income	33,360	29,869	32,112	29,116
Fee and commission expense:				
- Credit cards	(5,457)	(4,433)	(5,457)	(4,433)
Total fee and commission expense	(5,457)	(4,433)	(5,457)	(4,433)
Net fee and commission income	27,903	25,436	26,655	24,683

The net fee and commission income above excludes amount included in determining the effective profit 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.

7 Other operating income

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Dividend income from subsidiaries	–	–	98,328	56,091
Rental income from investment property	3,147	3,212	3,147	3,212
Income from charter of vessels	34,147	31,635	–	–
Recovery of financing written off	12,051	8,285	10,908	8,285
Others	1,806	1,320	1,276	1,089
Total	51,151	44,452	113,659	68,677

Others include finance lease income of B$691,348 (2016: B$689,674) on finance lease receivables for the current financial year.

8 Personnel expenses

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Salaries and wages	40,947	40,820	33,803	32,480
Allowances and bonuses	21,953	18,963	18,523	15,466
Contributions to defined contribution plans	3,635	3,290	3,349	3,034
Others	4,210	3,412	4,002	3,330
Total	70,745	66,485	59,677	54,310

9 Other expenses

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Promotion				
Advertisement and publicity	1,891	2,099	1,303	2,000
Operational				
Office rental	5,166	4,925	4,786	4,611
Depreciation of property and equipment and investment property	20,067	22,478	13,363	14,966
Electronic data processing expenses	9,057	6,697	7,119	5,729
Hire of equipment	150	139	150	139
Office expenses	9,321	8,425	8,819	7,577
	43,761	42,664	34,237	33,022
General expenses				
Management fees	623	1,004	–	–
Auditors' remuneration:				
- Statutory audit fees	625	537	561	436
- Audit related fees	800	250	800	250
- Non-audit services	442	119	436	119
Professional fees	9,007	3,305	8,507	3,041
Other operating expense - Investment property	946	911	946	911
Insurance coverage	2,002	1,216	1,535	897
Repairs and maintenance	2,602	1,893	1,626	1,201
Licenses	1,741	1,460	1,704	1,460
Others	9,930	7,213	5,136	3,965
	28,718	17,908	21,251	12,280
Total	74,370	62,671	56,791	47,302

10 Allowance for impairment on financing and advances (net)

	Note	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Allowance for impaired financing and advances:					
- collective allowance	22	17,057	10,049	17,313	10,974
- individual allowance	22	21,165	13,801	19,061	11,553
Total		38,222	23,850	36,374	22,527

Profit accrued during the year on impaired financing amounts to B$1,363,281 (2016: B$2,354,908).

11 Allowance for impairment on investments (net)

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Allowance for impairment on investment:				
- Investment in unquoted fund	758	393	758	393
- Investment in quoted debt securities	1,206	39,624	1,206	39,624
Total	1,964	40,017	1,964	40,017

12 Zakat

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Zakat				
Current zakat provision	2,692	3,349	2,692	3,349

The amount of zakat is determined by using 2.5775% based on the net asset method and is payable by the Bank to comply with the principles of Shariah.

13 Taxation

Tax recognised in profit or loss	Group		Bank	
	2017	2016	2017	2016
	B$'000	B$'000	B$'000	B$'000
Current tax expense				
Current year	15,885	31,059	7,257	23,603
Deferred tax expense				
Origination and reversal of temporary differences	11,670	(1,155)	10,992	(6,838)
Total tax expense recognised in profit or loss	27,555	29,904	18,249	16,765
Tax recognised in other comprehensive income				
Available-for-sale financial instrument	258	3,388	258	3,388

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

	Group		Bank	
	2017	2016	2017	2016
	B$'000	B$'000	B$'000	B$'000
Profit before zakat and taxation	146,429	137,469	190,759	142,171
Income tax using the domestic corporate tax rate of 18.5% (2016: 18.5%)	27,089	25,432	35,290	26,302
Tax effect of non-deductible expenses	3,172	8,652	2,124	2,690
Tax effect of non-taxable revenue	–	–	(18,191)	(10,376)
Tax incentives	(447)	(382)	(447)	(357)
Tax effect of zakat	(495)	(620)	(495)	(620)
Others	(1,764)	(3,178)	(32)	(874)
Total	27,555	29,904	18,249	16,765

14 Dividend per ordinary share

	Group and Bank	
	2017	2016
	B$'000	B$'000
On ordinary shares		
Net dividend paid on ordinary shares	197,113	52,907

	---------------------------Group and Bank---------------------------			
	2017		2016	
	Gross dividend per share B$	Dividend net of tax B$'000	Gross dividend per share B$	Dividend net of tax B$'000
Authorised:				
Final dividend paid	0.147000	106,538	0.073	52,907
Interim dividend paid	0.124974	90,575	–	–

At the Annual General Meeting on 15 June 2017, a final dividend in respect of financial year ended 31 December 2016 of B$0.147 on 724,749,512 ordinary shares, amounting to B$106,538,182 was approved and paid on 13 July 2017.

On 15 June 2017, an interim dividend of B$0.124974 per share on 724,749,512 ordinary shares, amounting to B$90,574,843 was approved and paid on 30 August 2017.

At the annual general meeting to be held, a final dividend of 5.075 cents per ordinary share in respect of financial year end 31 December 2017, amounting to B$36,781,038 will be proposed. The dividend will be accounted for as a distribution in the 2018 financial statements.

15 Earnings per share

Basic Earnings per Share ("EPS")

The basic earnings per share of the Group has been calculated by dividing the net profit for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2017	2016
Profit for the year attributable to equity holders of the Bank (B$'000)	110,582	101,899
Weighted average number of ordinary shares ('000)	724,750	724,750
Basic EPS (B$)	0.15	0.14

Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Bank divided by the weighted average number of ordinary shares in issue at the reporting date, after adjusting for the effects of all potentially dilutive ordinary shares.

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

16 Cash and cash equivalents

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Cash in hand	55,463	55,483	55,126	55,218
Balances with banks and other financial institutions	543,139	163,328	546,496	166,469
Money at call and short notice and interbank placements with original maturities not exceeding three months	1,820,758	1,894,980	2,008,758	2,072,980
Cash and cash equivalents in the statements of financial position	2,419,360	2,113,791	2,610,380	2,294,667

17 Balances with Autoriti Monetari Brunei Darussalam

As required by the provisions of Section 45 of the Islamic Banking Order, 2008 and Section 13A of the Finance Companies Act, a cash balance is maintained with the Autoriti Monetari Brunei Darussalam (AMBD). At present, the minimum cash reserve requirement is 6% of the weighted average deposit liabilities as defined by the AMBD.

18 Placements with and financing and advances to banks

Money at call and short notice and interbank placements have original maturities greater than three months but not exceeding one year.

19 Government sukuks

Government sukuks are classified as held-to-maturity or available-for-sale and have maturities less than one year.

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Available-for-sale investments	16,198	12,738	16,198	12,738
Held-to-maturity investments	–	13,977	–	13,977
Total	16,198	26,715	16,198	26,715

20 Investments

	Note	Group		Bank	
		2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Investments at fair value through profit or loss	20.1	1,816	13,514	1,816	603
Available-for-sale investments	20.2	1,177,186	791,137	1,177,186	798,844
Total		1,179,002	804,651	1,179,002	799,447

20.1 Investments at fair value through profit or loss

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Quoted equities	–	12,911	–	–
Structured deposits	1,816	603	1,816	603
Total	1,816	13,514	1,816	603

20.2 Available-for-sale investments

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Quoted debt securities	1,105,631	712,021	1,105,631	712,021
Unquoted security	–	–	–	7,707
Unquoted fund	1,470	2,499	1,470	2,499
Structured deposits	70,085	76,617	70,085	76,617
Total	1,177,186	791,137	1,177,186	798,844

21 Derivative financial assets/(liabilities)

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at the reporting date and do not necessarily represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

	Group and Bank			
	Principal/Nominal amount		Carrying amount	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Foreign exchange forward contracts:				
Derivative assets	4,007,746	725,923	40,865	17,971
Derivative liabilities	590,694	3,859,942	(15,860)	(110,620)
Total	4,598,440	4,585,865	25,005	(92,649)

The Group uses foreign exchange forward contracts to manage its foreign exchange risk as set out in Note 37.

22 Financing and advances

(a) By type of product

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
At amortised cost				
Cash line/Naqad (overdrafts)	118,180	101,515	118,180	101,515
Mortgages	542,361	497,885	542,361	497,885
Syndicated financing	20,117	36,632	20,117	36,632
Hire purchase	595,970	588,044	–	–
Lease receivables	162,647	184,532	162,647	184,532
Other term financing	1,645,058	1,647,155	1,640,620	1,644,629
Bills receivable	136,341	137,549	136,341	137,549
Staff financing	25,248	28,100	25,248	28,100
Credit/charge cards	47,732	51,060	47,732	51,060
Revolving credits	–	4,134	–	4,134
Others	15,494	15,488	13,556	13,014
Gross financing and advances	3,309,148	3,292,094	2,706,802	2,699,050
Less: Allowances for losses on financing and advances				
Individual assessment allowance	(44,334)	(61,475)	(38,396)	(56,082)
Collective assessment allowance	(32,909)	(44,214)	(29,306)	(40,355)
Net financing and advances	3,231,905	3,186,405	2,639,100	2,602,613

(b) By contract

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Al-Kafalah bil Mal and Al-Bai	2,765	2,004	2,765	2,004
Al-Wakalah bil Ujrah	44,967	49,056	44,967	49,056
Bal' Bithaman Ajil *(deferred payment sale)*	790,715	954,646	790,715	954,646
Ijarah (*lease*)	162,647	184,020	162,647	184,532
Ijarah Muntahiah Bittamlik/AITAB *(lease ended with ownership)*	682,237	681,119	–	–
Murabahah (*cost-plus*)	112,468	97,032	192,359	184,595
Musharakah *(profit and loss sharing)*	118,694	99,066	118,694	99,066
Qard (*benevolent loan*)	4	5	4	5
Tawarruq	1,381,094	1,212,132	1,381,094	1,212,132
Others	13,557	13,014	13,557	13,014
Total	3,309,148	3,292,094	2,706,802	2,699,050

(c) By security

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Unsecured	111,089	96,759	111,089	97,271
Credit enhanced by:				
- Assignment of salary	1,213,060	1,200,108	1,213,060	1,200,108
- Assignment of project income or receivables	35,200	40,323	35,200	40,323
- Assignment of fixed or floating charges	25,394	32,284	25,394	32,284
- Assignment of rental	7,402	12,853	7,402	12,853
Secured by:				
- Cash	238,595	224,418	238,595	224,418
- Properties	750,046	720,732	750,046	720,732
- Vessels	231,095	269,302	310,987	352,117
- Guarantees	897	–	897	–
- Motor vehicles	614,644	610,557	1,319	6,855
- Others	81,726	84,758	12,813	12,089
Total	3,309,148	3,292,094	2,706,802	2,699,050

(d) By sector

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Agricultural	15,203	9,690	15,203	9,690
Financial	20,140	24,179	20,140	24,179
Manufacturing	59,093	40,494	59,093	40,494
Transportation	542,049	532,401	8,004	15,565
Infrastructure	49,528	50,512	48,042	45,763
Traders	116,008	118,008	116,008	118,008
Services	72,443	41,517	72,443	41,517
Residential property (personal)	713,007	686,111	713,007	686,111
Commercial (property development)	114,573	134,208	114,573	134,208
Tourism	2,755	19,106	2,755	19,106
Telecommunication and information technology	2,846	8,511	2,846	8,511
Personal and consumption financing	1,157,782	1,129,682	1,090,967	1,057,712
Oil and gas	443,721	497,675	443,721	498,186
Total	3,309,148	3,292,094	2,706,802	2,699,050

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

(e) By type of customer

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Domestic business enterprise	557,061	589,737	637,565	677,813
Small and medium industries	219,730	224,746	196,222	200,583
Individuals	2,464,515	2,404,664	1,805,173	1,747,707
Other domestic entities	–	2,047	–	2,047
Foreign entities	67,842	70,900	67,842	70,900
Total	3,309,148	3,292,094	2,706,802	2,699,050

(f) Non-performing financing and advances

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

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
At 1 January	160,416	164,556	153,416	158,512
Classified as impaired during the year	30,564	61,955	26,890	57,994
Reclassified as performing	(3,137)	(1,309)	(2,058)	(728)
Amount received	(36,362)	(20,928)	(36,362)	(20,047)
Amount written off against allowances	(66,668)	(43,858)	(65,109)	(42,315)
At 31 December	84,813	160,416	76,777	153,416
Gross impaired financing as a percentage of gross financing and advances	2.6%	4.9%	2.8%	5.7%

The Group considers a financing as non-performing when the financing is 90 days past due.

(g) Non-performing financing and advances by sector

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Agricultural	1,465	5,260	1,465	5,260
Manufacturing	2,239	3,791	2,239	3,791
Transportation	8,825	4,034	2,763	4,034
Infrastructure	1,474	99	1,462	99
Traders	5,429	21,634	5,429	21,634
Services	900	3,958	900	3,958
Residential property (personal)	31,786	41,120	31,785	41,120
Commercial (property development)	17,696	24,512	17,696	24,512
Tourism	204	13,011	204	13,011
Telecommunication and information technology	–	250	–	250
Personal and consumption financing	14,795	24,661	12,834	17,661
Oil and gas	–	18,086	–	18,086
Total	84,813	160,416	76,777	153,416

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

	Note	Group B$'000	Bank B$'000
Collective allowance			
At 1 January 2016		52,027	47,241
Allowance made during the year	10	10,049	10,974
Amount written off during the year		(17,862)	(17,860)
At 31 December 2016		44,214	40,355
Allowance made during the year	10	17,057	17,313
Amount written off during the year		(28,362)	(28,362)
At 31 December 2017		32,909	29,306
Individual allowance			
At 1 January 2016		73,670	68,984
Allowance made during the year	10	13,801	11,553
Amount written off during the year		(25,996)	(24,455)
At 31 December 2016		61,475	56,082
Allowance made during the year	10	21,165	19,061
Amount written off during the year		(38,306)	(36,747)
At 31 December 2017		44,334	38,396

23 Finance lease receivables

The Bank was granted the lease of the land and a hotel building for a period of 40 years commencing 1 May 2014, for waiving and releasing its rights to enforce the judgment debt against one of its debtors. The Bank then entered into a sub-lease agreement with a third party, leasing the land together with a hotel building for 40 years.

The finance lease receivables are as follows:

	Group and Bank: Future minimum lease payments B$'000	Profit B$'000	Present value of minimum lease payments B$'000
2017			
Within one year	660	19	641
Between one and five years	2,860	437	2,423
More than five years	27,060	17,537	9,523
Total	30,580	17,993	12,587
2016			
Within one year	660	19	641
Between one and five years	2,800	431	2,369
More than five years	27,780	18,234	9,546
Total	31,240	18,684	12,556

24 Investments in subsidiaries

	Bank 2017 B$'000	Bank 2016 B$'000
Unquoted equity investments, at cost	41,519	40,826
Less: Allowances for investment in subsidiary	(1,715)	–
	39,804	40,826

Details of the Group's subsidiaries are as follows:

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest 2017 %	Effective ownership interest 2016 %
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
IDBB Sukuk Inc	Islamic financing arrangement	Negara Brunei Darussalam	100	100
BIBD Management & Services Bhd	Management services	Negara Brunei Darussalam	100	100
- Belait CSS Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	50	50
IBB Capital Asset Management Sdn Bhd	Fund management	Negara Brunei Darussalam	100	100
Belait Barakah Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	50	50
BIBD Al-Kauthar Funds DCC Incorporated (closed in 2017)	Fund management	Negara Brunei Darussalam	–	100
BIBD Al-Kauthar Asia-Pacific Fund (disposed in 2017)	Investment fund	Negara Brunei Darussalam	–	60.4
IBB Transport Sdn Bhd	Vehicle leasing	Negara Brunei Darussalam	100	100
Saujana Sdn Bhd	Aircraft leasing	Negara Brunei Darussalam	52.5	52.5
BIBD Global Equity Funds (disposed in 2017)	Investment fund	Negara Brunei Darussalam	–	98.9
BIBD Asia Equity Funds (disposed in 2017)	Investment fund	Negara Brunei Darussalam	–	98.6
BIBD Middle East Limited	Fund management	United Arab Emirates	100	–

Non-controlling interests in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations.

2017	Belait Barakah	Belait CSS
NCI percentage	50% B$'000	50% B$'000
Non-current assets	23,629	101,600
Current assets	9,099	6,962
Non-current liabilities	–	(79,822)
Current liabilities	(9,555)	(10,448)
Net assets	23,173	18,292
Net assets attributable to NCI	11,587	9,146
Revenue	10,919	23,228
Profit	5,864	5,335
Total comprehensive income	5,864	5,335
Attributable to NCI:		
Profit	2,932	2,668
Total comprehensive income allocated to NCI	2,932	2,668
Cash flows from operating activities	1,315	10,362
Cash flows used in investing activities	–	(1)
Cash flows used in financing activities, before dividends to NCI	–	(7,596)
Net increase in cash and cash equivalents	1,315	2,765

2016	Belait Barakah	Belait CSS
NCI percentage	50% B$'000	50% B$'000
Non-current assets	24,781	106,275
Current assets	8,697	4,554
Non-current liabilities	–	(87,488)
Current liabilities	(13,176)	(10,454)
Net assets	20,302	12,887
Net assets attributable to NCI	10,151	6,444
Revenue	9,346	22,290
Profit / (Loss)	7,391	(3,129)
Total comprehensive income	7,391	(3,129)
Attributable to NCI:		
Profit / (Loss)	3,696	(1,565)
Total comprehensive income allocated to NCI	3,696	(1,565)
Cash flows from operating activities	4,080	6,888
Cash flows used in investing activities	–	(17)
Cash flows used in financing activities, before dividends to NCI	–	(7,832)
Net increase / (decrease) in cash and cash equivalents	4,080	(961)

The Group has performed control assessments on the above subsidiaries with material non-controlling interest and had concluded that the Bank has control over these subsidiaries as the Group has ability to affect those returns through its power over these subsidiaries, as well as has exposure to variability of returns from the involvement with the subsidiaries.

25 Investment in associate

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
At cost				
Unquoted shares	7,080	7,080	7,080	7,080
Share of post-acquisition reserves	10,308	7,433	–	–
Investment in associate	17,388	14,513	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 2017 %	Effective ownership interest 2016 %
Syarikat Takaful Brunei Darussalam Sdn Bhd	Family and general takaful businesses	Negara Brunei Darussalam	31	31

	2017 B$'000	2016 B$'000
Group's share in net assets of associate at the beginning of the year	14,513	13,829
Group's share of:		
- profit from continuing operations	2,073	722
- dividends received	(91)	–
- other comprehensive income	893	(38)
Carrying amount of interest in associate at the end of the year	17,388	14,513

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

	2017 B$'000	2016 B$'000
Current assets	247,028	225,152
Non-current assets	55,375	65,153
Current liabilities	(16,770)	(22,008)
Non-current liabilities	(229,425)	(221,949)
Net assets	56,208	46,348

	2017 B$'000	2016 B$'000
Revenue	30,908	21,259
Profit from continuing operations	6,687	2,329
Other comprehensive income	2,880	(124)
Total comprehensive income	9,567	2,205

Included in balances above are the following amounts:

	2017 B$'000	2016 B$'000
Cash and cash equivalents	230,675	205,751
Current financial liabilities excluding trade, other payables and provisions	(2,059)	(6,174)
Non-current financial liabilities excluding trade, other payables and provisions	(229,425)	(221,949)
Depreciation and amortisation	(563)	(642)
Income tax expense or income	(187)	(465)

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

	Group 2017 B$'000	Group 2016 B$'000
Profit from continuing operations	2,073	722
Dividend received	(91)	–
Other comprehensive income	893	(38)
Total comprehensive income	2,875	684

26 Other assets

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Receivables	15,376	19,161	8,411	26,080
Accrued income and bills receivable	12,779	10,322	12,863	10,428
Foreign acceptance receivables	1,036	1,840	1,036	1,840
Sundry debtors	3,881	1,255	1,214	1,255
Intercompany receivables	–	–	131	179
	33,072	32,578	23,655	39,782
Prepayments	8,714	6,766	8,057	6,302
Total	41,786	39,344	31,712	46,084

During the year, the Group and the Bank recognised an allowance for impairment of B$1,864,000 (2016: B$1,230,000) and B$ 739,000 (2016: B$1,230,000) respectively on its receivables in the profit or loss.

27 Property and equipment

Group

	Leasehold improvements B$'000	Equipment, furniture and fittings B$'000	Motor vehicles B$'000	Ship vessel B$'000	Work-in-progress B$'000	Computer software B$'000	Total B$'000
Cost							
At 1 January 2016	30,807	46,039	730	147,922	14,858	44,363	284,719
Additions	1,879	2,504	–	16	8,179	2,403	14,981
Disposals	(12,450)	(11,241)	–	–	–	(751)	(24,442)
Transfers	13,144	2,428	–	–	(17,713)	2,141	–
At 31 December 2016	33,380	39,730	730	147,938	5,324	48,156	275,258
Additions	1,019	1,645	–	–	9,138	3,107	14,909
Disposals	(40)	(95)	(575)	–	–	–	(710)
Transfers	240	788	–	–	(11,354)	10,326	–
At 31 December 2017	34,599	42,068	155	147,938	3,108	61,589	289,457
Accumulated depreciation							
At 1 January 2016	21,440	29,694	536	16,569	–	31,991	100,230
Depreciation for the year	3,815	5,849	66	5,521	–	5,882	21,133
Disposals	(12,450)	(11,241)	–	–	–	(751)	(24,442)
At 31 December 2016	12,805	24,302	602	22,090	–	37,122	96,921
Depreciation for the year	2,468	4,867	61	5,886	–	5,469	18,751
Disposals	(40)	(95)	(550)	–	–	–	(685)
At 31 December 2017	15,233	29,074	113	27,976	–	42,591	114,987
Carrying amounts							
At 31 December 2016	20,575	15,428	128	125,848	5,324	11,034	178,337
At 31 December 2017	19,366	12,994	42	119,962	3,108	18,998	174,470

Bank

	Leasehold improvements B$'000	Equipment, furniture and fittings B$'000	Motor vehicles B$'000	Work-in-progress B$'000	Computer software B$'000	Total B$'000
Cost						
At 1 January 2016	28,990	35,471	735	14,858	44,363	124,417
Additions	1,879	2,535	–	8,179	2,342	14,935
Disposals	(12,450)	(11,241)	–	–	(751)	(24,442)
Transfers	13,144	2,428	–	(17,713)	2,141	–
At 31 December 2016	31,563	29,193	735	5,324	48,095	114,910
Additions	1,019	1,245	–	9,138	3,107	14,509
Disposals	–	–	(575)	–	–	(575)
Transfers	240	788	–	(11,354)	10,326	–
At 31 December 2017	32,822	31,226	160	3,108	61,528	128,844
Accumulated depreciation						
At 1 January 2016	20,473	24,770	540	–	31,993	77,776
Depreciation for the year	3,679	4,053	66	–	5,823	13,621
Disposals	(12,450)	(11,241)	–	–	(751)	(24,442)
At 31 December 2016	11,702	17,582	606	–	37,065	66,955
Depreciation for the year	2,405	4,110	61	–	5,471	12,047
Disposals	–	–	(550)	–	–	(550)
At 31 December 2017	14,107	21,692	117	–	42,536	78,452
Carrying amounts						
At 31 December 2016	19,861	11,611	129	5,324	11,030	47,955
At 31 December 2017	18,715	9,534	43	3,108	18,992	50,392

28 Investment property

	Group and Bank B$'000
Cost	
At 1 January 2016	32,712
Additions	133
At 31 December 2016	32,845
Additions	12
Write-off	(412)
At 31 December 2017	32,445
Accumulated depreciation	
At 1 January 2016	4,066
Charge for the year	1,345
At 31 December 2016	5,411
Charge for the year	1,316
Write-off	(169)
At 31 December 2017	6,558
Carrying amounts	
At 31 December 2016	27,434
At 31 December 2017	25,887

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

The fair value of the investment property as at 31 December 2017 is B$36,100,000 (2016: 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 70.0% (2016: 75.5%).

29 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

Group	At 1 January 2016 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2016 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2017 B$'000
Deferred tax assets							
Allowance for financing and advances	12,758	(794)	–	11,964	(1,696)	–	10,268
Allowance for investment	–	7,331	–	7,331	(7,331)	–	–
Allowance for investment in subsidiary	–	–	–	–	317	–	317
Available-for-sale investments	3,561	–	(3,388)	173	–	(173)	–
Other liabilities	–	–	–	–	370	–	370
Total	16,319	6,537	(3,388)	19,468	(8,340)	(173)	10,955
Deferred tax liabilities							
Property and equipment	(5,529)	(5,382)	–	(10,911)	(3,330)	–	(14,241)
Available-for-sale investments	–	–	–	–	–	(85)	(85)
Total	(5,529)	(5,382)	–	(10,911)	(3,330)	(85)	(14,326)
Total deferred tax assets/(liabilities)	10,790	1,155	(3,388)	8,557	(11,670)	(258)	(3,371)

Bank	At 1 January 2016 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2016 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2017 B$'000
Deferred tax assets							
Allowance for financing and advances	12,914	(760)	–	12,154	(1,874)	–	10,280
Allowance for investment	–	7,331	–	7,331	(7,331)	–	–
Allowance for investment in subsidiary	–	–	–	–	317	–	317
Available-for-sale investments	3,561	–	(3,388)	173	–	(173)	–
Total	16,475	6,571	(3,388)	19,658	(8,888)	(173)	10,597
Deferred tax liabilities							
Property and equipment	(2,637)	267	–	(2,370)	(2,104)	–	(4,474)
Available-for-sale investments	–	–	–	–	–	(85)	(85)
Total	(2,637)	267	–	(2,370)	(2,104)	(85)	(4,559)
Total deferred tax assets/(liabilities)	13,838	6,838	(3,388)	17,288	(10,992)	(258)	6,038

30 Deposits from customers

(a) By type of deposit

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Non-Mudharabah				
Demand deposits	1,582,402	1,696,378	1,597,157	1,725,983
Saving deposits	1,101,916	1,003,007	1,051,841	950,323
General investment deposits	4,640,357	4,271,079	4,584,057	4,194,129
	7,324,675	6,970,464	7,233,055	6,870,435
Mudharabah (*profit sharing*)				
Demand deposits	86,084	129,952	86,084	129,952
Savings deposits	115,609	114,228	115,609	114,228
	201,693	244,180	201,693	244,180
Total	7,526,368	7,214,644	7,434,748	7,114,615

(b) By type of customer

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Government and statutory bodies	2,102,297	3,015,098	2,102,297	3,015,098
Business enterprises	2,831,732	1,726,690	2,838,310	1,732,600
Individuals	2,592,339	2,472,856	2,494,141	2,366,917
Total	7,526,368	7,214,644	7,434,748	7,114,615

31 Deposits from banks and other financial institutions

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Non-Mudharabah				
Licensed conventional banks and financial institutions in Brunei Darussalam	6,853	226	6,853	226
Licensed Islamic banks and financial institutions in Brunei Darussalam	179,396	221,616	79,816	122,220
Licensed finance companies in Brunei Darussalam	2	–	154,228	98,200
Licensed insurance companies in Brunei Darussalam	3,783	–	3,783	–
Licensed Islamic insurance companies in Brunei Darussalam	308,950	263,233	126,979	118,096
Other banks and financial institutions abroad	7,979	7,954	7,979	7,954
Total	506,963	493,029	379,638	346,696
Mudharabah (*profit sharing*)				
Licensed Islamic banks and financial institutions in Brunei Darussalam	10,180	6,941	10,180	6,941
Licensed insurance companies in Brunei Darussalam	–	–	–	–
Licensed Islamic insurance companies in Brunei Darussalam	4,290	10,302	4,290	10,302
Total	14,470	17,243	14,470	17,243
Total	521,433	510,272	394,108	363,939

32 Other liabilities

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Accrued expenditure	26,763	17,569	24,094	15,529
Provisions for defined contribution plan	515	491	406	383
Liability for long service award	3,027	2,830	2,982	2,792
Short-term employee benefit	13,738	11,334	11,340	8,978
Cashier's order payable	5,360	13,283	5,360	13,283
Profit payable to depositors	17,202	16,366	14,979	14,044
Foreign acceptance payable	909	1,840	908	1,840
Merchant payable	3,339	3,320	3,339	3,320
Share dividend payable	5,429	3,748	3,429	1,748
Sundry creditors	11,680	14,015	6,614	4,284
Financing deposits related liabilities	8,698	6,102	8,698	6,102
Intercompany payables	–	–	979	698
Others	18,740	11,813	16,680	9,412
Total	115,400	102,711	99,808	82,413

33 Zakat and provision for taxation

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Zakat	2,831	4,037	2,831	4,037
Provision for taxation	54,783	68,580	38,150	52,703
Total	57,614	72,617	40,981	56,740

34 Share capital

Group and Bank	Number of shares of B$1.00/B$0.70 each 2017	Number of shares of B$1.00/B$0.70 each 2016	Amount 2017 B$	Amount 2016 B$
Authorised:				
Golden share of B$1.00 each	–	1	–	1
Ordinary shares of B$0.70 (2016: B$1.00) each	1,428,571,429	999,999,999	1,000,000,000	999,999,999
Total	1,428,571,429	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid:				
Golden share of B$1.00 each	–	1	–	1
Ordinary shares of B$0.70 (2016: B$1.00) each	724,749,512	724,749,511	507,324,512	724,749,511
At the end of the year	724,749,512	724,749,512	507,324,512	724,749,512

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.

During the year ended 31 December 2017, the Golden share was converted to an ordinary share. This amendment to the Memorandum and Articles of Association of the Bank was approved by the shareholders of the Bank in the Extraordinary General Meeting held on 15 June 2017.

During the financial year, a capital reduction reduced the par value per share from B$1.00 to B$0.70 each was completed with a distribution of B$217,424,853. In the same Extraordinary General Meeting held on 15 June 2017, it was resolved that upon the capital reduction above, the authorised share capital of the Bank be increased to BND1,000,000,000 with 428,571,429 new authorised shares at B$0.70 each.

35 Statutory and other reserves

Statutory reserves

Group	Total B$'000
At 1 January 2016	420,531
Transfer in respect of current year's profit	32,513
At 31 December 2016	453,044
Transfer in respect of current year's profit	44,455
At 31 December 2017	497,499

Bank	Total B$'000
At 1 January 2016	385,526
Transfer in respect of current year's profit	30,514
At 31 December 2016	416,040
Transfer in respect of current year's profit	42,455
At 31 December 2017	458,495

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$'000	Foreign currency reserve translations B$'000	Retained profits B$'000	Total B$'000
At 1 January 2016	(14,361)	–	196,702	182,341
Total comprehensive income for the year	14,891	–	101,899	116,790
Transfer to statutory reserves	–	–	(32,513)	(32,513)
Dividends paid on ordinary shares	–	–	(52,907)	(52,907)
At 31 December 2016	530	–	213,181	213,711
Total comprehensive income for the year	1,876	–	110,582	112,458
Foreign currency movement	–	(18)	–	(18)
Transfer to statutory reserves	–	–	(44,455)	(44,455)
Dividends paid on ordinary shares	–	–	(197,113)	(197,113)
At 31 December 2017	2,406	(18)	82,195	84,583

Bank	Fair value reserve B$'000	Retained profits B$'000	Total B$'000
At 1 January 2016	(15,673)	68,618	52,945
Total comprehensive income for the year	14,911	122,057	136,968
Transfer to statutory reserve	–	(30,514)	(30,514)
Dividends paid on ordinary shares	–	(52,907)	(52,907)
At 31 December 2016	(762)	107,254	106,492
Total comprehensive income for the year	1,139	169,818	170,957
Transfer to statutory reserve	–	(42,455)	(42,455)
Dividends paid on ordinary shares	–	(197,113)	(197,113)
At 31 December 2017	377	37,504	37,881

The fair value reserve includes the cumulative net change in the fair value of financial assets available-for-sale, excluding impairment losses, until the financial asset is derecognised.

36 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 interest 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 2017 B$'000	Group 2016 B$'000
Associate		
Amount due to		
Deposits	249,277	224,440
Others	1,864	1,205
Key management personnel		
Amount due from		
Financing (ex. Credit cards)	2,245	1,566
Credit cards	61	49
Amount due to		
Deposits	3,698	4,268
Other related parties		
Amount due to		
Deposits	1,928,351	1,391,316

	Bank 2017 B$'000	Bank 2016 B$'000
Subsidiaries		
Amount due from		
Financing	79,892	90,515
Investments	–	7,439
Placements	364,000	251,350
Others	330	17,735
Amount due to		
Deposits	169,309	125,739
Others	1,144	918
Associate		
Amount due to		
Deposits	132,806	141,803
Others	808	480
Key management personnel		
Amount due from		
Financing (ex. Credit cards)	1,938	1,261
Credit cards	61	49
Key management personnel		
Amount due to		
Deposits	3,677	3,753
Other related parties		
Amount due to		
Deposits	1,928,351	1,391,316

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

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Subsidiaries				
Income				
Income on financing	–	–	5,533	5,867
Other income	–	–	100,183	58,151
Expenditure				
Profit paid/payable to depositors	–	–	1,019	604
Associate				
Income				
Fees and commission	212	173	–	–
Expenditure				
Profit paid/payable to depositors	1,915	1,770	722	737
Other Expenditure	95	88	–	–
Key management personnel				
Income				
Income on financing	57	48	32	27
Expenditure				
Profit paid/payable to depositors	10	42	10	12
Other related parties				
Expenditure				
Profit paid/payable to depositors	9,610	4,371	9,610	4,371

Key management personnel

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

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Directors' fees and other remuneration	1,222	1,188	1,222	1,188
Other key management personnel:				
- Salary and employee benefits	6,486	6,339	6,279	6,044
Withholding tax paid	621	1,148	621	1,148

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

	Group	
	2017	**2016**
Number of shares held ('000)	63	58

Interest held by associate

The number of shares of the Bank held by the associate as at 31 December 2017 is 11,707,000 (2016: 11,707,000).

Interest held by the government and government controlled entities

The government of Brunei Darussalam through its various ministries and statutory boards has control over the Group via the shareholdings. As a result, the government of Brunei Darussalam and other government controlled bodies are related parties of the Group.

The Group enters into transactions with many of these bodies on an arm's length basis. The principal transactions undertaken with these entities are disclosed below.

Individually significant transactions

Other transactions include the payment of Brunei Darussalam corporation tax (Note 12, 13 and 33) and banking transactions such as financing and deposits undertaken in the normal course of banker-customer relationships.

37 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 risks
- Liquidity risk
- Operational risks

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 Asset Liability Committee ("ALCO"), are independent and clearly segregated from the business divisions.

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	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Credit risk exposure of recognised assets:				
Cash and cash equivalents	2,419,360	2,113,791	2,610,380	2,294,667
Balances with Autoriti Monetari Brunei Darussalam	456,933	463,382	419,913	430,531
Placements with and financing and advances to banks	1,974,964	2,588,964	2,150,964	2,662,314
Government sukuks	16,198	26,715	16,198	26,715
Investments	1,177,532	789,241	1,177,532	789,241
Derivative financial assets	40,865	17,971	40,865	17,971
Financing and advances	3,231,905	3,186,405	2,639,100	2,602,613
Finance lease receivables	12,587	12,556	12,587	12,556
Other assets	33,072	32,578	23,655	39,782
Sub-total	9,363,416	9,231,603	9,091,194	8,876,390
Credit risk exposure of unrecognised financial instruments:				
Credit commitments	179,528	202,507	179,528	202,507
Contingent liabilities	595,366	501,993	595,366	501,993
Sub-total	774,894	704,500	774,894	704,500
Total credit exposures	10,138,310	9,936,103	9,866,088	9,580,890

Investments excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Other assets exclude prepayments.

(i) Concentration of credit risk for Group and Bank

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from the assets is shown below:

Group	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuks B$'000	Investments B$'000	Derivative financial assets B$'000	Financing and advances B$'000	Financing lease receivables B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies B$'000
2017										
Agricultural	–	–	–	–	–	8,701	–	–	8,701	5,775
Financial	4,394,324	–	–	642,437	40,865	19,675	–	–	5,097,301	269,544
Manufacturing	–	–	–	–	–	57,618	–	–	57,618	1,386
Transportation	–	–	–	52,902	–	611,630	–	–	664,532	29,640
Infrastructure	–	–	–	–	–	49,138	–	–	49,138	215,575
Traders	–	–	–	–	–	107,646	–	–	107,646	25,568
Services	–	–	–	47,498	–	70,166	12,587	–	130,251	30,708
Residential property (personal)	–	–	–	–	–	701,477	–	–	701,477	19,670
Commercial (property development)	–	–	–	126,847	–	107,707	–	–	234,554	33,100
Tourism	–	–	–	–	–	2,744	–	–	2,744	3,590
Telecommunication and information technology	–	–	–	–	–	2,819	–	–	2,819	6,233
Personal and consumption financing	–	–	–	–	–	1,141,837	–	–	1,141,837	69,036
Oil and gas	–	–	–	–	–	350,747	–	–	350,747	65,069
Others	–	456,933	16,198	307,848	–	–	–	33,072	814,051	–
Total	4,394,324	456,933	16,198	1,177,532	40,865	3,231,905	12,587	33,072	9,363,416	774,894

Investments excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Other assets exclude prepayments.

Group	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuks B$'000	Investments B$'000	Derivative financial assets B$'000	Financing and advances B$'000	Financing lease receivables B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies B$'000
2016										
Agricultural	–	–	–	–	–	7,295	–	–	7,295	1,443
Financial	4,702,755	–	–	422,536	17,971	23,866	–	–	5,167,128	165,485
Manufacturing	–	–	–	–	–	39,461	–	–	39,461	3,033
Transportation	–	–	–	37,563	–	523,420	–	–	560,983	20,494
Infrastructure	–	–	–	–	–	49,669	–	–	49,669	216,341
Traders	–	–	–	–	–	101,090	–	–	101,090	29,937
Services	–	–	–	8,189	–	40,272	12,556	–	61,017	14,026
Residential property (personal)	–	–	–	–	–	665,930	–	–	665,930	20,298
Commercial (property development)	–	–	–	25,174	–	126,836	–	–	152,010	100,791
Tourism	–	–	–	–	–	16,368	–	–	16,368	4,278
Telecommunication and information technology	–	–	–	–	–	8,228	–	–	8,228	8,495
Personal and consumption financing	–	–	–	–	–	1,105,226	–	–	1,105,226	62,560
Oil and gas	–	–	–	–	–	478,744	–	–	478,744	57,319
Others	–	463,382	26,715	295,779	–	–	–	32,578	818,454	–
Total	4,702,755	463,382	26,715	789,241	17,971	3,186,405	12,556	32,578	9,231,603	704,500

Investments excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Other assets exclude prepayments.

Bank	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuks B$'000	Investments B$'000	Derivative financial assets B$'000	Financing and advances B$'000	Financing lease receivables B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies B$'000
2017										
Agricultural	–	–	–	–	–	8,701	–	–	8,701	5,775
Financial	4,761,344	–	–	642,437	40,865	19,675	–	–	5,464,321	269,544
Manufacturing	–	–	–	–	–	57,618	–	–	57,618	1,386
Transportation	–	–	–	52,902	–	7,235	–	–	60,137	29,640
Infrastructure	–	–	–	–	–	47,653	–	–	47,653	215,575
Traders	–	–	–	–	–	107,647	–	–	107,647	25,568
Services	–	–	–	47,498	–	70,166	12,587	–	130,251	30,708
Residential property (personal)	–	–	–	–	–	701,477	–	–	701,477	19,670
Commercial (property development)	–	–	–	126,847	–	107,707	–	–	234,554	33,100
Tourism	–	–	–	–	–	2,743	–	–	2,743	3,590
Telecommunication and information technology	–	–	–	–	–	2,819	–	–	2,819	6,233
Personal and consumption financing	–	–	–	–	–	1,075,021	–	–	1,075,021	69,036
Oil & gas	–	–	–	–	–	430,638	–	–	430,638	65,069
Others	–	419,913	16,198	307,848	–	–	–	23,655	767,614	–
Total	4,761,344	419,913	16,198	1,177,532	40,865	2,639,100	12,587	23,655	9,091,194	774,894

Investments excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Other assets exclude prepayments.

Bank	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuks B$'000	Investments B$'000	Derivative financial assets B$'000	Financing and advances B$'000	Financing lease receivables B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies B$'000
2016										
Agricultural	–	–	–	–	–	7,295	–	–	7,295	1,443
Financial	4,956,981	–	–	422,536	17,971	23,866	–	–	5,421,354	165,485
Manufacturing	–	–	–	–	–	39,461	–	–	39,461	3,033
Transportation	–	–	–	37,563	–	14,891	–	–	52,454	20,494
Infrastructure	–	–	–	–	–	45,136	–	–	45,136	216,341
Traders	–	–	–	–	–	101,090	–	–	101,090	29,937
Services	–	–	–	8,189	–	40,272	12,556	–	61,017	14,026
Residential property (personal)	–	–	–	–	–	665,930	–	–	665,930	20,298
Commercial (property development)	–	–	–	25,174	–	126,836	–	–	152,010	100,791
Tourism	–	–	–	–	–	16,368	–	–	16,368	4,278
Telecommunication and information technology	–	–	–	–	–	8,228	–	–	8,228	8,495
Personal and consumption financing	–	–	–	–	–	1,033,984	–	–	1,033,984	62,560
Oil & gas	–	–	–	–	–	479,256	–	–	479,256	57,319
Others	–	430,531	26,715	295,779	–	–	–	39,782	792,807	–
Total	4,956,981	430,531	26,715	789,241	17,971	2,602,613	12,556	39,782	8,876,390	704,500

Investments excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Other assets exclude prepayments.

(ii) Collateral

The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- For programme lending – assignment of income;
- For mortgages – charges over residential properties;
- For auto financing – ownership claims over the vehicles financed;
- For commercial property financing – charges over the properties financed; and
- For other financing – charges over business assets such as premises, inventories, assignment of receivables or under lien deposits.

Based on the secured financings, the fair values of collaterals held by the Group and Bank for which they are entitled to sell or pledge in the event of default is as follows: (Refer to Note 22 for the breakdown of financings by security)

Group	2017 Carrying amount of financing and advances B$'000	2017 Fair value of collateral B$'000	2016 Carrying amount of financing and advances B$'000	2016 Fair value of collateral B$'000
Type of collateral				
Cash	238,595	238,595	224,418	224,418
Properties	750,046	679,542	720,732	645,656
Vessels	231,095	230,432	269,302	267,768
Guarantees	897	897	–	–
Motor vehicles and others	696,370	579,245	695,315	582,575
Total	1,917,003	1,728,711	1,909,767	1,720,417

Bank	2017 Carrying amount of financing and advances B$'000	2017 Fair value of collateral B$'000	2016 Carrying amount of financing and advances B$'000	2016 Fair value of collateral B$'000
Type of collateral				
Cash	238,595	238,595	224,418	224,418
Properties	750,046	679,542	720,732	645,656
Vessels	310,987	310,324	352,117	350,583
Guarantees	897	897	–	–
Motor vehicles and others	14,132	14,132	18,944	18,944
Total	1,314,657	1,243,490	1,316,211	1,239,601

The fair value of collateral excluded the effect of over-collateralisation.

The carrying amount of properties and motor vehicles that have been repossessed during the year amount to B$16,360,000 for the Group (2016: B$10,171,000) and B$14,221,000 for the Bank (2016: B$5,375,000).

(iii) Credit quality of gross financing and advances

Gross financing and advances are classified as follows:

- Neither past due nor impaired financing and advances

  Financing and advances which the borrower has not missed a contractual payment (profit or principal) when contractually due and are not impaired as there is no objective evidence of impairment.

- Past due but not impaired financing and advances

  Those financing and advances which the contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available to the Group and the Bank.

- Impaired financing and advances

  Financing and advances are classified as impaired when the principal or profit are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

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

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Neither past due nor impaired	3,094,615	3,030,485	2,501,406	2,445,144
Past due but not impaired	63,130	64,242	62,028	63,538
Impaired	151,403	197,367	143,368	190,368
	3,309,148	3,292,094	2,706,802	2,699,050
Allowance for impaired financing and advances				
- collective allowance	(32,909)	(44,214)	(29,306)	(40,355)
- individual allowance	(44,334)	(61,475)	(38,396)	(56,082)
Total	3,231,905	3,186,405	2,639,100	2,602,613

Neither past due nor impaired financing

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Retail	2,374,873	2,310,911	1,725,191	1,661,512
Corporate	719,742	719,574	776,215	783,632
Total	3,094,615	3,030,485	2,501,406	2,445,144

Past due but not impaired financing

	---------- Group ----------			
	2017		2016	
	B$'000	% of gross financing	B$'000	% of gross financing
By ageing:				
1 month-in-arrears (1 to 30 days)	48,321	1.5	44,913	1.4
2 months-in-arrears (31 to 60 days)	10,007	0.3	10,881	0.3
3 months-in-arrears (61 to 90 days)	4,802	0.1	8,448	0.3
Total	63,130	1.9	64,242	2.0

	---------- Bank ----------			
	2017		2016	
	B$'000	% of gross financing	B$'000	% of gross financing
By ageing:				
1 month-in-arrears (1 to 30 days)	47,223	1.7	44,210	1.6
2 months-in-arrears (31 to 60 days)	10,003	0.4	10,880	0.4
3 months-in-arrears (61 to 90 days)	4,802	0.2	8,448	0.3
Total	62,028	2.3	63,538	2.3

Impaired financing

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Individually assessed	113,495	150,850	105,460	143,851
Of which:				
0 month-in-arrears	58,297	40,541	55,225	37,556
1 month-in-arrears (1 to 30 days)	122	137	–	–
2 months-in-arrears (31 to 60 days)	5,098	996	4,676	530
3 months-in-arrears and above (> 60 days)	49,978	109,176	45,559	105,765
Collectively assessed	37,908	46,517	37,908	46,517
Total	151,403	197,367	143,368	190,368

Impaired financing - rescheduled and restructured financing

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Retail	3,450	4,325	2,487	2,837
Corporate	16,713	10,687	16,549	10,500
Total	20,163	15,012	19,036	13,337

Rescheduled and restructured financing are financing where the terms have been renegotiated due to deterioration in the borrowers' financial position and the Bank has made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it is reclassified to performing.

Internal rating definition:

The internal risk category is as described below:

Excellent to good Obligors rated in this category have an excellent to good capacity to meet financial commitments with very low credit risk.

Fair Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

Past due but not impaired Obligators rated in this category have financial commitments that are past due but no objective evidence of impairment.

Impaired Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated.

Financing and advances by line of business assessed by reference to internal rating system

	Retail B$'000	Corporate B$'000	Total B$'000
Group			
2017			
Neither past due nor impaired			
Excellent to good	1,753,299	495,064	2,248,363
Fair	622,185	224,067	846,252
Past due but not impaired	26,779	36,351	63,130
Impaired	62,252	89,151	151,403
Total	2,464,515	844,633	3,309,148

	Retail B$'000	Corporate B$'000	Total B$'000
Group			
2016			
Neither past due nor impaired			
Excellent to good	1,942,399	625,976	2,568,375
Fair	368,512	93,598	462,110
Past due but not impaired	19,986	44,256	64,242
Impaired	73,767	123,600	197,367
Total	2,404,664	887,430	3,292,094

	Retail B$'000	Corporate B$'000	Total B$'000
Bank			
2017			
Neither past due nor impaired			
Excellent to good	1,363,771	563,964	1,927,735
Fair	361,419	212,252	573,671
Past due but not impaired	25,745	36,283	62,028
Impaired	54,238	89,130	143,368
Total	1,805,173	901,629	2,706,802
2016			
Neither past due nor impaired			
Excellent to good	1,396,716	714,051	2,110,767
Fair	264,797	69,580	334,377
Past due but not impaired	19,338	44,200	63,538
Impaired	66,856	123,512	190,368
Total	1,747,707	951,343	2,699,050

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

Credit quality of other financial assets (excluding equity securities) due from external parties are as follows:

	Investments – Financial assets at fair value through PL B$'000	Investments – Financial assets available-for-sale B$'000	Total B$'000
Group			
2017			
Islamic financing securities			
Rated AAA	–	–	–
Rated AA1 to AA3	–	26,608	26,608
Rated A1 to A3	–	653,663	653,663
Rated A or below	–	345,921	345,921
Unrated – Quasi-government	–	79,439	79,439
Unrated – Others	–	–	–
Other investments	1,816	70,085	71,901
Total	1,816	1,175,716	1,177,532
2016			
Islamic financing securities			
Rated AAA	–	–	–
Rated AA1 to AA3	–	50,746	50,746
Rated A1 to A3	–	373,462	373,462
Rated A or below	–	212,082	212,082
Unrated – Quasi-government	–	73,508	73,508
Unrated – Others	–	2,223	2,223
Other investments	603	76,617	77,220
Total	603	788,638	789,241

Government sukuks held by the Group (refer to Note 19) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 21) are generally above the rating of A-.

	Investments – Financial assets at fair value through PL B$'000	Investments – Financial assets available-for-sale B$'000	Total B$'000
Bank			
2017			
Islamic debt securities			
Rated AAA	–	–	–
Rated AA1 to AA3	–	26,608	26,608
Rated A1 to A3	–	653,663	653,663
Rated A or below	–	345,921	345,921
Unrated – Quasi-government	–	79,439	79,439
Unrated – Others	–	–	–
Other investments	1,816	70,085	71,901
Total	1,816	1,175,716	1,177,532
2016			
Islamic debt securities			
Rated AAA	–	–	–
Rated AA1 to AA3	–	50,746	50,746
Rated A1 to A3	–	373,462	373,462
Rated A or below	–	212,082	212,082
Unrated – Quasi-government	–	73,508	73,508
Unrated – Others	–	2,223	2,223
Other investments	603	76,617	77,220
Total	603	788,638	789,241

Government sukuks held by the Group (refer to Note 19) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 21) are generally above the rating of A-.

(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 financings 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		
Group and Bank	**Gross amounts of recognised financial instruments B$'000**	**Gross amounts of recognised financial instruments offset in the statements of financial position B$'000**	**Net amounts of financial instruments presented in the statements of financial position B$'000**	**Financing instruments B$'000**	**Financing collateral B$'000**	**Net amount B$'000**
2017						
Derivative financial assets	40,865	–	40,865	(11,323)	–	29,542
Derivative financial liabilities	15,860	–	15,860	(11,323)	–	4,537
2016						
Derivative financial assets	17,971	–	17,971	(17,777)	–	194
Derivative financial liabilities	110,620	–	110,620	(17,777)	–	92,843

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 profit 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 profit 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 profit 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 profit 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 profit 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 profit 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 2017	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$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Assets								
Cash and cash equivalents	1,269,469	547,933	–	–	–	601,958	–	2,419,360
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	456,933	–	456,933
Placements with and financing and advances to bank	–	–	1,974,964	–	–	–	–	1,974,964
Government sukuks	–	–	16,198	–	–	–	–	16,198
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,816	1,816
Financial assets available-for-sale	66,866	181,088	67,119	505,751	354,892	–	–	1,175,716
Derivative financial assets	–	–	–	–	–	–	40,865	40,865
Financing and advances								
- non-impaired	56,231	130,108	227,072	970,412	1,809,352	–	–	3,193,175
- impaired	4,904	–	4,909	20,950	7,967	–	–	38,730
Finance lease receivables	–	–	–	–	–	12,587	–	12,587
Other assets	–	–	–	–	–	33,072	–	33,072
Total	1,397,470	859,129	2,290,262	1,497,113	2,172,211	1,104,550	42,681	9,363,416

Financing assets at fair value through profit or loss and available-for-sale exclude equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Financing and advances is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.
Other assets exclude prepayments.

Group 2017	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$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Liabilities								
Deposits from customers	(3,903,630)	(1,578,702)	(1,854,560)	(189,436)	(40)	–	–	(7,526,368)
Deposits from banks and other financial institutions	(185,015)	(81,975)	(146,743)	(107,700)	–	–	–	(521,433)
Derivative financial liabilities	–	–	–	–	–	–	(15,860)	(15,860)
Placements from other financial institutions	(240,716)	–	–	–	–	–	–	(240,716)
Other liabilities	–	–	–	–	–	(115,400)	–	(115,400)
Total	(4,329,361)	(1,660,677)	(2,001,303)	(297,136)	(40)	(115,400)	(15,860)	(8,419,777)
Recognised assets profit sensitivity gap	(2,931,891)	(801,548)	288,959	1,199,977	2,172,171	989,150	26,821	943,639
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	(774,894)	–	(774,894)
Total profit sensitivity gap	(2,931,891)	(801,548)	288,959	1,199,977	2,172,171	214,256	26,821	168,745

Group 2016	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$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Assets								
Cash and cash equivalents	1,174,294	723,457	–	–	–	216,040	–	2,113,791
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	463,382	–	463,382
Placements with and financing and advances to bank	–	–	2,588,964	–	–	–	–	2,588,964
Government sukuks	–	9,988	16,727	–	–	–	–	26,715
Financial assets at fair value through profit or loss	–	–	–	–	–	–	603	603
Financial assets available-for-sale	45,048	–	71,707	449,790	222,093	–	–	788,638
Derivative financial assets	–	–	–	–	–	–	17,971	17,971
Financing and advances								
- non-impaired	38,066	88,611	221,797	870,777	1,875,525	–	–	3,094,776
- impaired	31,092	2,868	7,304	27,672	21,817	876	–	91,629
Finance lease receivables	–	–	–	–	–	12,556	–	12,556
Other assets	–	–	–	–	–	32,578	–	32,578
Total	1,288,500	824,924	2,906,499	1,348,239	2,119,435	725,432	18,574	9,231,603

Financing assets at fair value through profit or loss and available-for-sale exclude equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Financing and advances is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.
Other assets exclude prepayments.

Group 2016	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$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Liabilities								
Deposits from customers	(4,216,459)	(1,182,476)	(1,657,376)	(157,375)	(958)	–	–	(7,214,644)
Deposits from banks and other financial institutions	(298,288)	–	(141,584)	(70,400)	–	–	–	(510,272)
Derivative financial liabilities	–	–	–	–	–	–	(110,620)	(110,620)
Placements from other financial institutions	(57,872)	–	–	–	–	–	–	(57,872)
Other liabilities	–	–	–	–	–	(102,711)	–	(102,711)
Total	(4,572,619)	(1,182,476)	(1,798,960)	(227,775)	(958)	(102,711)	(110,620)	(7,996,119)
Recognised assets profit sensitivity gap	(3,284,119)	(357,552)	1,107,539	1,120,464	2,118,477	622,721	(92,046)	1,235,484
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	(704,500)	–	(704,500)
Total profit sensitivity gap	(3,284,119)	(357,552)	1,107,539	1,120,464	2,118,477	(81,779)	(92,046)	530,984

Bank 2017	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$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Assets								
Cash and cash equivalents	1,272,825	735,933	–	–	–	601,622	–	2,610,380
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	419,913	–	419,913
Placements with and financing and advances to bank	–	–	2,150,964	–	–	–	–	2,150,964
Government sukuks	–	–	16,198	–	–	–	–	16,198
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,816	1,816
Financial assets available-for-sale	66,866	181,088	67,119	505,751	354,892	–	–	1,175,716
Derivative financial assets	–	–	–	–	–	–	40,865	40,865
Financing and advances								
- non-impaired	55,978	129,427	214,822	601,631	1,598,512	–	–	2,600,370
- impaired	4,904	–	4,909	20,950	7,967	–	–	38,730
Finance lease receivables	–	–	–	–	–	12,587	–	12,587
Other assets	–	–	–	–	–	23,655	–	23,655
Total	1,400,573	1,046,448	2,454,012	1,128,332	1,961,371	1,057,777	42,681	9,091,194

Financing assets at fair value through profit or loss and available-for-sale exclude equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Financing and advances is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.
Other assets exclude prepayments.

Bank 2017	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$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Liabilities								
Deposits from customers	(3,863,993)	(1,565,045)	(1,826,717)	(178,993)	–	–	–	(7,434,748)
Deposits and placements of banks and other financial institutions	(140,424)	(27,200)	(203,984)	(22,500)	–	–	–	(394,108)
Derivative financial liabilities	–	–	–	–	–	–	(15,860)	(15,860)
Placements from other financial institutions	(240,716)	–	–	–	–	–	–	(240,716)
Other liabilities	–	–	–	–	–	(99,808)	–	(99,808)
Total	(4,245,133)	(1,592,245)	(2,030,701)	(201,493)	–	(99,808)	(15,860)	(8,185,240)
Recognised assets profit sensitivity gap	(2,844,560)	(545,797)	423,311	926,839	1,961,371	957,969	26,821	905,954
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	(774,894)	–	(774,894)
Total profit sensitivity gap	(2,844,560)	(545,797)	423,311	926,839	1,961,371	183,075	26,821	131,060

Bank 2016	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$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Assets								
Cash and cash equivalents	1,171,523	901,457	–	–	–	221,687	–	2,294,667
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	430,531	–	430,531
Placements with and financing and advances to bank	–	–	2,662,314	–	–	–	–	2,662,314
Government sukuks	–	9,988	16,727	–	–	–	–	26,715
Financial assets at fair value through profit or loss	–	–	–	–	–	–	603	603
Financial assets available-for-sale	45,048	–	71,707	449,790	222,093	–	–	788,638
Derivative financial assets	–	–	–	–	–	–	17,971	17,971
Financing and advances								
- non-impaired	37,923	87,976	210,654	509,904	1,662,274	–	–	2,508,731
- impaired	31,089	2,855	7,286	28,986	23,666	–	–	93,882
Finance lease receivables	–	–	–	–	–	12,556	–	12,556
Other assets	–	–	–	–	–	39,782	–	39,782
Total	1,285,583	1,002,276	2,968,688	988,680	1,908,033	704,556	18,574	8,876,390

Financing assets at fair value through profit or loss and available-for-sale exclude equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Financing and advances is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.
Other assets exclude prepayments.

Bank 2016	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$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Liabilities								
Deposits from customers	(4,188,566)	(1,173,742)	(1,615,078)	(137,229)	–	–	–	(7,114,615)
Deposits and placements of banks and other financial institutions	(137,899)	(13,523)	(191,417)	(21,100)	–	–	–	(363,939)
Derivative financial liabilities	–	–	–	–	–	–	(110,620)	(110,620)
Placements from other financial institutions	(57,872)	–	–	–	–	–	–	(57,872)
Other liabilities	–	–	–	–	–	(82,413)	–	(82,413)
Total	(4,384,337)	(1,187,265)	(1,806,495)	(158,329)	–	(82,413)	(110,620)	(7,729,459)
Recognised assets profit sensitivity gap	(3,098,754)	(184,989)	1,162,193	830,351	1,908,033	622,143	(92,046)	1,146,931
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	(704,500)	–	(704,500)
Total profit sensitivity gap	(3,098,754)	(184,989)	1,162,193	830,351	1,908,033	(82,357)	(92,046)	442,431

Profit sensitivity analysis for variable rate instruments:

A change of 100, 300 and 800 basis points in profit rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss / Equity					
Group and Bank	**100 bp increase B$'000**	**100 bp decrease B$'000**	**300 bp increase B$'000**	**300 bp decrease B$'000**	**800 bp increase B$'000**	**800 bp decrease B$'000**
2017						
Variable rate instruments	1,809	(1,809)	5,427	(5,427)	14,472	(14,472)
2016						
Variable rate instruments	2,532	(2,532)	7,596	(7,596)	20,256	(20,256)

(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 will be analysed on a daily basis, whereby a currency risk report will be produced for the Managing Director and the Chief Risk Officer on a daily basis and for the Board of Directors at the end of each quarter.

Foreign exchange risk of the subsidiaries

The subsidiaries' nature of business does not maintain any trading positions and to have significant exposure to foreign exchange risk.

Exposure to foreign exchange risk

As at the reporting date, net currency exposures arising from the Group's major trading currencies were as follows:

	------------------------Group and Bank-----------------------			
2017	**USD B$'000**	**EUR B$'000**	**GBP B$'000**	**Others B$'000**
Assets				
Cash and short term funds	1,489,165	8,970	123,390	10,620
Placements with and financing and advances to bank	1,783,277	–	10,812	–
Investments	1,129,159	–	–	–
Financing and advances	242,230	–	–	–
Others	18,539	–	1,249	–
Total	4,662,370	8,970	135,451	10,620
Liabilities				
Deposits from customers	(812,331)	(7,945)	(337,400)	(9,965)
Deposits from banks and other financial institutions	(9,965)	(1,374)	(752)	–
Placements from other financial institutions	(240,716)	–	–	–
Others	(2,712)	(2)	(562)	(54)
Total	(1,065,724)	(9,321)	(338,714)	(10,019)
Net foreign exchange exposure	3,596,646	(351)	(203,263)	601
Effect of use of derivatives	(3,588,814)	428	203,358	83
Net exposure	7,832	77	95	684
2016				
Assets				
Cash and short term funds	1,835,980	8,996	136,689	9,586
Placements with and financing and advances to bank	2,344,560	–	193,744	–
Investments	791,748	–	–	–
Financing and advances	252,767	–	–	–
Others	15,623	71	3,046	–
Total	5,240,678	9,067	333,479	9,586

2016	Group and Bank USD B$'000	EUR B$'000	GBP B$'000	Others B$'000
Liabilities				
Deposits from customers	(898,837)	(7,909)	(367,574)	(8,547)
Deposits from banks and other financial institutions	(2,016)	(1,122)	(479)	–
Placements from other financial institutions	(57,872)	–	–	–
Others	(5,666)	(74)	(787)	(162)
Total	(964,391)	(9,105)	(368,840)	(8,709)
Net foreign exchange exposure	4,276,287	(38)	(35,361)	877
Effect of use of derivatives	(4,276,364)	228	35,515	575
Net exposure	(77)	190	154	1,452

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			
	2017		2016	
Group and Bank	- 1% depreciation B$'000	+ 1% appreciation B$'000	- 1% depreciation B$'000	+ 1% Appreciation B$'000
USD	(78)	78	1	(1)
EUR	(1)	1	(2)	2
GBP	(1)	1	(2)	2
Others	(7)	7	(15)	15
Total	(87)	87	(18)	18

(iii) Equity price risk

The Group is exposed to equity price risk on its equity investments that are carried at fair value through other comprehensive income.

For the year ended 31 December 2017, the impact on profit or loss of the Group and the Bank due to a 10% increase in the value of equity securities would have been an increase of B$147,000 and B$147,000 respectively after tax (2016: B$250,000 and B$1,021,000 respectively). A 10% decrease in the value of the equity securities would have had an equal and opposite effect on the profit or loss of the Group and the Bank. This analysis assumes that all other variables remain constant.

(c) Liquidity risk

Overview of the Bank's liquidity risk

The Group's exposure to liquidity risk arises when there is a possibility of the Group not having sufficient funds to meet its obligations from its financial liabilities.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition, the Bank and one of its subsidiaries have to comply with Section 45(1) of the Islamic Banking Order, 2008 and section 13A of the Finance Companies Act, Cap 89 respectively to maintain minimum cash balances with the AMBD. The Bank and the subsidiary were in compliance with these requirements during the year ended 31 December 2017.

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.

Group 2017	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
Assets									
Cash, balances and placements with banks	2,419,360	2,608,442	2,608,442	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	456,933	456,933	301,063	72,712	35,331	10,807	–	37,020	–
Placements with and financing and advances to banks	1,974,964	2,164,465	962,641	803,335	398,489	–	–	–	–
Government sukuks	16,198	16,310	–	6,310	10,000	–	–	–	–
Investments	1,177,532	1,305,872	256,465	8,073	80,060	264,037	318,730	266,451	112,056
Derivatives financial assets	40,865	39,526	35,134	525	2,105	1,762	–	–	–
Financing and advances	3,231,905	4,048,277	534,836	195,759	443,551	1,341,672	612,272	920,187	–
Finance lease receivables	12,587	30,580	165	165	330	1,420	1,440	27,060	–
Other assets	33,072	33,072	20,311	3,306	1,873	1,565	3,443	2,574	–
Total	9,363,416	10,703,477	4,719,057	1,090,185	971,739	1,621,263	935,885	1,253,292	112,056

Investments excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Other assets exclude prepayments.

Group 2017	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
Liabilities									
Deposits from customers	(7,526,368)	(7,527,667)	(5,503,289)	(1,282,409)	(552,511)	(189,415)	–	(43)	–
Deposits and placements of banks and other financial institutions	(521,433)	(526,422)	(201,800)	(141,251)	(103,342)	(80,029)	–	–	–
Derivative financial liabilities	(15,860)	(15,981)	(3,173)	(342)	(7,107)	(5,359)	–	–	–
Placements from other financial institutions	(240,716)	(240,741)	(240,741)	–	–	–	–	–	–
Other liabilities	(115,400)	(115,400)	(71,735)	(14,531)	(14,819)	(8,718)	(639)	(4,958)	–
Total	(8,419,777)	(8,426,211)	(6,020,738)	(1,438,533)	(677,779)	(283,521)	(639)	(5,001)	–
Recognised assets net liquidity gap	943,639	2,277,266	(1,301,681)	(348,348)	293,960	1,337,742	935,246	1,248,291	112,056
Commitments and contingencies	(774,894)	(774,894)	(774,894)	–	–	–	–	–	–
Net liquidity gap	168,745	1,502,372	(2,076,575)	(348,348)	293,960	1,337,742	935,246	1,248,291	112,056

Group 2016	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
Assets									
Cash, balances and placements with banks	2,113,791	2,114,192	2,114,192	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	463,382	463,382	317,414	42,373	61,628	9,116	–	32,851	–
Placements with and financing and advances to banks	2,588,964	2,597,507	1,039,894	693,521	864,092	–	–	–	–
Government sukuks	26,715	26,850	10,000	4,000	12,850	–	–	–	–
Investments	789,241	811,819	44,933	13,843	71,331	196,517	255,639	108,292	121,264
Derivatives financial assets	17,971	17,778	1,400	61	4,873	11,444	–	–	–
Financing and advances	3,186,405	4,069,766	517,840	343,344	268,900	1,347,974	601,312	990,396	–
Finance lease receivables	12,556	31,240	165	165	330	1,360	1,440	27,780	–
Other assets	32,578	32,578	18,718	4,109	2,309	3,026	2,911	1,505	–
Total	9,231,603	10,165,112	4,064,556	1,101,416	1,286,313	1,569,437	861,302	1,160,824	121,264

Investments excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Other assets exclude prepayments.

Group 2016	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
Liabilities									
Deposits from customers	(7,214,644)	(7,215,958)	(5,405,989)	(673,380)	(977,822)	(157,749)	–	(1,018)	–
Deposits and placements of banks and other financial institutions	(510,272)	(515,158)	(249,082)	(211,111)	(3,643)	(51,322)	–	–	–
Derivative financial liabilities	(110,620)	(109,798)	(81,985)	(253)	(5,736)	(21,824)	–	–	–
Placements from other financial institutions	(57,872)	(57,878)	(57,878)	–	–	–	–	–	
Other liabilities	(102,711)	(102,711)	(75,819)	(15,950)	(3,766)	(1,996)	(1,442)	(3,738)	–
Total	(7,996,119)	(8,001,503)	(5,870,753)	(900,694)	(990,967)	(232,891)	(1,442)	(4,756)	–
									–
Recognised assets net liquidity gap	1,235,484	2,163,609	(1,806,197)	200,722	295,346	1,336,546	859,860	1,156,068	121,264
Commitments and contingencies	(704,500)	(704,500)	(704,500)	–	–	–	–	–	–
Net liquidity gap	530,984	1,459,109	(2,510,697)	200,722	295,346	1,336,546	859,860	1,156,068	121,264

Bank 2017	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
Assets									
Cash and cash equivalents	2,610,380	2,611,462	2,611,462	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	419,913	419,913	301,063	72,712	35,331	10,807	–	–	–
Placements with and financing and advances to banks	2,150,964	2,152,991	959,488	798,510	394,993	–	–	–	–
Government sukuks	16,198	16,310	–	6,310	10,000	–	–	–	–
Investments	1,177,532	1,298,035	243,498	8,073	80,152	264,405	315,817	274,034	112,056
Derivative financial assets	40,865	38,169	33,777	525	2,105	1,762	–	–	–
Financing and advances	2,639,100	3,316,014	479,697	195,759	287,634	804,990	612,272	935,662	–
Finance lease receivables	12,587	30,580	165	165	330	1,420	1,440	27,060	–
Other assets	23,655	23,655	10,892	3,309	1,872	1,565	3,443	2,574	–
Total	9,091,194	9,907,129	4,640,042	1,085,363	812,417	1,084,949	932,972	1,239,330	112,056

Investments excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Other assets exclude prepayments.

Bank 2017	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
Liabilities									
Deposits from customers	(7,434,748)	(7,449,852)	(5,448,082)	(1,269,612)	(549,145)	(183,013)	–	–	–
Deposits from banks and other financial institutions	(394,108)	(395,867)	(167,672)	(90,744)	(114,629)	(22,822)	–	–	–
Derivative financial liabilities	(15,860)	(16,175)	(3,367)	(342)	(7,107)	(5,359)	–	–	–
Placements from other financial institutions	(240,716)	(240,741)	(240,741)	–	–	–	–	–	–
Other liabilities	(99,808)	(99,808)	(56,145)	(14,530)	(14,819)	(8,718)	(638)	(4,958)	–
Total	(8,185,240)	(8,202,443)	(5,916,007)	(1,375,228)	(685,700)	(219,912)	(638)	(4,958)	–
Recognised assets net liquidity gap	905,954	1,704,686	(1,275,965)	(289,865)	126,717	865,037	932,334	1,234,372	112,056
Commitments and contingencies	(774,894)	(774,894)	(774,894)	–	–	–	–	–	–
Net liquidity gap	131,060	929,792	(2,050,859)	(289,865)	126,717	865,037	932,334	1,234,372	112,056

Bank 2016	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
Assets									
Cash and cash equivalents	2,294,667	2,295,069	2,295,069	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	430,531	430,531	317,414	42,373	61,628	9,116	–	–	–
Placements with and financing and advances to banks	2,662,314	2,670,857	1,039,894	766,871	864,092	–	–	–	–
Government sukuks	26,715	26,850	10,000	4,000	12,850	–	–	–	–
Investments	789,241	811,819	44,933	13,843	71,331	196,517	255,639	108,292	121,264
Derivative financial assets	17,971	17,778	1,400	61	4,873	11,444	–	–	–
Financing and advances	2,602,613	3,343,190	463,063	188,514	268,900	805,405	601,312	1,015,996	–
Finance lease receivables	12,556	31,240	165	165	330	1,360	1,440	27,780	–
Other assets	39,782	39,782	25,411	4,620	2,309	3,026	2,911	1,505	–
Total	8,876,390	9,667,116	4,197,349	1,020,447	1,286,313	1,026,868	861,302	1,153,573	121,264

Investments excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund.
Other assets exclude prepayments.

Bank 2016	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
Liabilities									
Deposits from customers	(7,114,615)	(7,114,201)	(5,361,771)	(633,183)	(982,000)	(137,247)	–	–	–
Deposits from banks and other financial institutions	(363,939)	(364,542)	(152,024)	(102,884)	(88,534)	(21,100)	–	–	–
Derivative financial liabilities	(110,620)	(109,798)	(81,985)	(253)	(5,736)	(21,824)	–	–	–
Placements from other financial institutions	(57,872)	(57,878)	(57,878)	–	–	–	–	–	–
Other liabilities	(82,413)	(82,413)	(56,167)	(15,673)	(3,487)	(1,906)	(1,442)	(3,738)	–
Total	(7,729,459)	(7,728,832)	(5,709,825)	(751,993)	(1,079,757)	(182,077)	(1,442)	(3,738)	–
Recognised assets net liquidity gap	1,146,931	1,938,284	(1,512,476)	268,454	206,556	844,791	859,860	1,149,835	121,264
Commitments and contingencies	(704,500)	(704,500)	(704,500)	–	–	–	–	–	–
Net liquidity gap	442,431	1,233,784	(2,216,976)	268,454	206,556	844,791	859,860	1,149,835	121,264

(d) Operational Risk of the Bank

Overview of the Bank'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 the 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.

38 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 profit 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			
	Designated at fair value B$'000	**Held for trading B$'000**	**Available for sale B$'000**	**Loans and receivables B$'000**	**Total B$'000**	**Level 1 B$'000**	**Level 2 B$'000**	**Level 3 B$'000**	**Total B$'000**
Group 2017									
Financial assets measured at fair value									
Investments	1,816	–	1,177,186	–	1,179,002	–	1,177,532	1,470	1,179,002
Government sukuks	–	–	16,198	–	16,198	–	–	16,198	16,198
Forward exchange contracts	–	40,865	–	–	40,865	–	40,865	–	40,865
	1,816	40,865	1,193,384	–	1,236,065	–	1,218,397	17,668	1,236,065
Financial assets not measured at fair value									
Financing and advances	–	–	–	3,231,905	3,231,905	–	–	3,221,006	3,221,006
Financial liabilities measured at fair value									
Forward exchange contracts	–	15,860	–	–	15,860	–	15,860	–	15,860

Group 2016	Carrying amounts					Fair values			
	Designated at fair value B$'000	Held for trading B$'000	Available for sale B$'000	Loans and receivables B$'000	Total B$'000	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
Financial assets measured at fair value									
Investments	13,514	–	791,137	–	804,651	12,911	789,241	2,499	804,651
Government sukuks	–	–	12,738	–	12,738	–	–	12,738	12,738
Forward exchange contracts	–	17,971	–	–	17,971	–	17,971	–	17,971
	13,514	17,971	803,875	–	835,360	12,911	807,212	15,237	835,360
Financial assets not measured at fair value									
Financing and advances	–	–	–	3,186,405	3,186,405	–	–	2,938,650	2,938,650
Financial liabilities measured at fair value									
Forward exchange contracts	–	110,620	–	–	110,620	–	110,620	–	110,620

Bank 2017	Carrying amounts					Fair values			
	Designated at fair value B$'000	Held for trading B$'000	Available for sale B$'000	Loans and receivables B$'000	Total B$'000	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
Financial assets measured at fair value									
Investments	1,816	–	1,177,186	–	1,179,002	–	1,177,532	1,470	1,179,002
Government sukuks	–	–	16,198	–	16,198	–	–	16,198	16,198
Forward exchange contracts	–	40,865	–	–	40,865	–	40,865	–	40,865
	1,816	40,865	1,193,384	–	1,236,065	–	1,218,397	17,668	1,236,065
Financial assets not measured at fair value									
Financing and advances	–	–	–	2,639,100	2,639,100	–	–	2,554,704	2,554,704
Financial liabilities measured at fair value									
Forward exchange contracts	–	15,860	–	–	15,860	–	15,860	–	15,860

Bank
2016

	Carrying amounts					Fair values			
	Designated at fair value B$'000	Held for trading B$'000	Available for sale B$'000	Loans and receivables B$'000	Total B$'000	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
Financial assets measured at fair value									
Investments	603	–	798,844	–	799,447	–	796,948	2,499	799,447
Government sukuks	–	–	12,738	–	12,738	–	–	12,738	12,738
Forward exchange contracts	–	17,971	–	–	17,971	–	17,971	–	17,971
	603	17,971	811,582	–	830,156	–	814,919	15,237	830,156
Financial assets not measured at fair value									
Financing and advances	–	–	–	2,602,613	2,602,613	–	–	2,364,667	2,364,667
Financial liabilities measured at fair value									
Forward exchange contracts	–	110,620	–	–	110,620	–	110,620	–	110,620

Valuation techniques and significant unobservable inputs

The table below sets out information about valuation techniques and significant unobservable inputs used at in measuring financial instruments categorised as Level 2 and 3 in the fair value hierarchy:

Type of financial instruments	Classifications	Level of the fair value hierarchy	Valuation techniques	Significant unobservable inputs
Investment deposit	FVTPL	2	Option pricing	–
Quoted debt securities	Available for sale	2	Quoted prices	–
Unquoted equity security	Available for sale	2	Net asset value	–
Forward exchange contracts	Held for trading	2	Quoted prices	–
Investment deposit	Available for sale	2	Quoted prices	–
Financing and advances	Loans and receivables	3	Discounted cash flows	Yield curve and credit spreads
Unquoted funds	Available for sale	3	Net asset value	Net asset value
Government sukuks	Available for sale	3	Discounted cash flows	Yield curve and credit spreads

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:

	2017 B$'000	2016 B$'000
Securities available-for-sale		
At 1 January	15,237	4,000
Unrealised gains recognised in other comprehensive income	2,431	11,237
At 31 December	17,668	15,237

There are no gains and losses through profit and loss for the above Level 3 instruments and there are no transfers in and out of Level 3 during the year (2016: Nil).

There are no transfers from Level 1 instruments to Level 2 (2016: Nil).

39 Lease commitments

Leases as lessee

The Group and the Bank have lease commitments in respect of rental of premises, all of which are classified as operating leases. A summary of the non-cancellable long term minimum lease payments are as follows:

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Within one year	1,996	1,623	1,719	1,347
Between one and five years	3,565	3,763	3,489	3,410
More than five years	15	48	15	48
Total	5,576	5,434	5,223	4,805

40 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Assets				
Investments	860,643	671,883	860,643	671,883
Financing and advances	2,779,764	2,746,302	2,200,143	2,172,178
Finance lease receivables	11,946	11,915	11,946	11,915
Investments in subsidiaries	–	–	39,804	40,826
Investment in associate	17,388	14,513	7,080	7,080
Property and equipment	174,470	178,337	50,392	47,955
Investment property	25,887	27,434	25,887	27,434
Deferred tax assets	–	8,557	6,038	17,288
Liabilities				
Deposits from customers	189,476	158,333	178,993	137,229
Deposits from banks and other financial institutions	107,700	70,400	22,500	21,100
Deferred tax liabilities	3,371	–	–	–

41 Commitments

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Commitments:				
Undrawn credit lines	179,083	193,240	179,083	193,240
Forward deposits	445	–	445	–
Total	179,528	193,240	179,528	193,240
Capital expenditure:				
- Approved and contracted for but not provided for in the financial statements	5,337	6,917	5,337	6,917
- Approved but not contracted for and provided for in the financial statements	250	2,350	250	2,350
Total	5,587	9,267	5,587	9,267
Total commitments	185,115	202,507	185,115	202,507

42 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.

Reconciliation from IFRS to regulatory capital

The Group and the Bank has applied all effective pronouncements and interpretations of IFRS in arriving at the capital position of the Group and the Bank. Some of the IFRS requirements were different in prior years from the prudential capital requirements as set by AMBD as below. With effect from 31 March 2017, the Group and the Bank prepared their capital adequacy returns based on IFRS pronouncements and interpretations. No adjustments were made for the prudential capital requirements.

Differences between IFRS and AMBD's prudential capital requirements

Intangible assets

IFRS requires recognition of any intangible assets which meet the qualifying criteria. Under the prudential capital requirements, no dividends can be declared so long as intangible assets are recognised in the statement of financial position.

Capitalised costs

In accordance to IAS 39, financing and advances are recorded initially at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective yield method, less impairment losses. Under the prudential requirement, fees charged on financing and advances are recorded in the income statement as they arise.

Repossession of collateral

Under AMBD guidelines, allowances made for financings for which the Bank repossesses collateral, cannot be released unless the collateral has been sold. IFRS requires de-recognition of the financing and recognition of the repossessed asset at the fair value of the asset. If such fair value exceeds the carrying amount of the financing net of any specific provision, the allowances made would be released to the extent that the collateral value covers the notional amount of the financing.

Profit in suspense

Under AMBD guidelines, profit from financings that are overdue for more than 90 days will be suspended in a 'profit in suspense' account. Under IFRS, profit will continue to be accrued even when the financing is overdue.

Impairment on financing

Based on AMBD, credit allowances are made based on specified percentages of the amounts outstanding and ageing. These requirements deviate from the individual and collective allowance requirements under IAS 39 which is based on the incurred loss model.

A reconciliation of total equity attributable to equity holders of the Group and Bank to regulatory capital is performed below:

	Group		Bank	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Regulatory capital				
Total equity attributable to equity holders of the Group and Bank	1,089,407	1,391,505	1,003,701	1,247,282
Less adjustments for:				
Capitalised costs	–	(17,722)	–	(7,109)
Repossession of collateral	–	(14,796)	–	(14,796)
Profit in suspense	–	(13,105)	–	(13,105)
Impairment on financing	–	4,198	–	4,141
Adjusted Core capital (Tier 1) based on AMBD prudential capital requirements	1,089,407	1,350,080	1,003,701	1,216,413

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	
	2017 B$'000	2016 B$'000	2017 B$'000	2016 B$'000
Regulatory capital				
Core capital (Tier 1 capital) before dividend	1,089,407	1,350,080	1,003,701	1,216,413
Less: Dividends to be proposed for the financial year	(36,781)	(106,538)	(36,781)	(106,538)
Core capital (Tier 1 capital) after dividend	1,052,626	1,243,542	966,920	1,109,875
Supplementary capital (Tier II capital)	32,909	30,175	29,306	25,437
Less: Investments in associate and subsidiaries	(7,080)	(14,513)	(31,603)	(47,906)
Total capital base	1,078,455	1,259,204	964,623	1,087,406
Total risk-weighted amount				
Risk-weighted amount for credit risk	5,502,408	5,558,895	5,137,779	4,892,364
Risk-weighted amount for operational risk	570,978	422,116	480,008	331,782
Risk-weighted amount for market risk	5,644	–	5,644	–
Total risk-weighted amount	6,079,030	5,981,011	5,623,431	5,224,146

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Capital ratios				
Core capital (Tier 1) ratio %	17.3%	20.8%	17.2%	21.2%
Total capital ratio %	17.7%	21.1%	17.2%	20.8%

The core capital is derived after deducting the dividends to be proposed for the financial year ended 31 December 2017 subsequent to the year end amounting to B$36,781,038 (2016: B$106,538,178).

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 capital adequacy ratio of less than 10 per cent or such percentage as may be determined by the Authority.

43 Contingent liabilities

	Group 2017 B$'000	Group 2016 B$'000	Bank 2017 B$'000	Bank 2016 B$'000
Letters of credit	26,385	20,879	26,385	20,879
Guarantees, bonds	420,815	461,357	420,815	461,357
Shipping guarantees	7,120	16,436	7,120	16,436
Acceptances	10	3,044	10	3,044
Trade risk participation	140,782	–	140,782	–
Import bills	254	277	254	277
Total	595,366	501,993	595,366	501,993

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.

44 Operating segments

Segment information is presented in respect of the Group's business segments. The Group determines and presents operating segments based on information provided to the Board and senior management of the Group.

Retail Banking – The Retail Banking group encompasses offerings of products and services to the individual customers of the Bank. These include deposits (current, savings, time and foreign currency), financing (personal, overdraft, home, education and pawn financing), bank cards (credit, debit and virtual prepaid) and other personal services such as financial planning and segmented service proposition namely Perdana Privilege Banking. The service channels range from branch networks to online platforms as well as a mobile banking application.

Corporate Banking – The Corporate Banking group is responsible for meeting the financial needs for Bank's corporate customers including government linked entities. In addition, it caters to micro, small and medium sized enterprises. It provides a range of products and services from deposits and financing products, to trade financing arrangements such as letters of credit and collection bills as well as other services including bankers guarantee, payroll services, remittances and cash management.

Treasury and Global Markets (TGM) – TGM has two principal sub-segments - Treasury and Global Markets. The Treasury segment manages the Group's balance sheet, liquidity, foreign exchange ("FX") and duration risk. It primarily uses Shariah compliant international money and capital market instruments to manage the liquidity and cash flows. Treasury is also responsible for institutional liabilities, hedging and yield enhancement structures. Global Markets focuses on providing services including international banking, project finance as well as structured finance from its offices in Brunei, Singapore and Dubai.

Hire Purchase – The Hire Purchase segment comprises the activities of the Bank's subsidiary BIBD At-Tamwil in the provision of financing for vehicles, customer products and other related financial services.

Head Office and Others – Head Office and Others comprises of results from operations, recovery, Human Resources, IT and other Group functions.

By business segments

Group	Retail Banking Group B$'000	Corporate Banking Division B$'000	Treasury and Global Markets B$'000	Hire Purchase B$'000	Head Office and Others B$'000	Total B$'000
	Business segments					
2017						
Total income	125,563	68,759	72,139	52,844	12,216	331,521
Operating profit before allowances	108,815	48,847	65,394	41,315	(77,965)	186,406
Allowances and impairment for financing and advances and other assets	(12,035)	(26,693)	(2,349)	(973)	–	(42,050)
Operating profit	96,780	22,154	63,045	40,342	(77,965)	144,356
Share of profit of associate						2,073
Profit before zakat and tax						146,429
Zakat and income tax expense						(30,247)
Profit for the year						116,182
Non-controlling interests						(5,600)
Profit for the year attributable to equity holders of the Bank						110,582
Other information:						
Depreciation	643	6,996	417	870	11,141	20,067

Group	Retail Banking Group B$'000	Corporate Banking Division B$'000	Treasury and Global Markets B$'000	Hire Purchase B$'000	Head Office and Others B$'000	Total B$'000
	Business segments					
2016						
Total income	126,617	70,470	71,888	53,227	8,798	331,000
Operating profit before allowances	110,283	48,246	64,867	42,690	(64,242)	201,844
Allowances and impairment for financing and advances and other assets	(10,553)	(36,147)	(17,152)	(1,245)	–	(65,097)
Operating profit	99,730	12,099	47,715	41,445	(64,242)	136,747
Share of profit of associate						722
Profit before zakat and tax						137,469
Zakat and income tax expense						(33,253)
Profit for the year						104,216
Non-controlling interests						(2,317)
Profit for the year attributable to equity holders of the Bank						101,899
Other information:						
Depreciation	584	6,896	185	1,871	12,942	22,478

Bank	Business segments				
	Retail Banking Group B$'000	Corporate Banking Division B$'000	Treasury and Global Markets B$'000	Head Office and Others B$'000	Total B$'000
2017					
Total income	125,563	40,145	72,583	109,728	348,019
Operating profit before allowances	108,815	33,563	66,849	22,324	231,551
Allowances and impairment for financing and advances and other assets	(12,035)	(23,954)	(2,349)	(2,454)	(40,792)
Operating profit	96,780	9,609	64,500	19,870	190,759
Profit before zakat and tax					190,759
Zakat and income tax expense					(20,941)
Profit for the year attributable to equity holders of the Bank					169,818
Other information:					
Depreciation	643	1,169	415	11,136	13,363

Bank	Business segments				
	Retail Banking Group B$'000	Corporate Banking Division B$'000	Treasury and Global Markets B$'000	Head Office and Others B$'000	Total B$'000
2016					
Total income	126,617	44,686	71,706	64,548	307,557
Operating profit before allowances	110,283	38,010	65,249	(7,597)	205,945
Allowances and impairment for financing and advances and other assets	(10,553)	(36,070)	(17,151)	–	(63,774)
Operating profit	99,730	1,940	48,098	(7,597)	142,171
Profit before zakat and tax					142,171
Zakat and income tax expense					(20,114)
Profit for the year attributable to equity holders of the Bank					122,057
Other information:					
Depreciation	584	1,316	185	12,881	14,966

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