



ANNUAL REPORT 2018

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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 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 2018 year in review on the achievements of Brunei Darussalam's First Choice Bank. I look forward to sharing the progression of this leading bank, while working in cooperation with the rest of the Board, Shariah Advisory Body, Management and staff towards realising the aspirations of both BIBD and Brunei Darussalam.

Commemorating Twenty-Five Years of Islamic Banking in Brunei Darussalam

On January 13th 2018, BIBD commemorated the Silver Jubilee of Islamic Banking in Brunei Darussalam, marking twenty-five years of contribution by BIBD (and its forerunners the Islamic Bank of Brunei, and the Islamic Development Bank of Brunei) towards Brunei's economy as the nation's premier Islamic banking institution and also to the Islamic financial landscape.

In the twenty-five years since His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien, the Sultan and Yang Di-Pertuan of Brunei Darussalam launched the Islamic Bank of Brunei, we have witnessed the evolution, development and growth of Brunei's Islamic Financial sector in accordance with His Majesty's vision. As a leading financial institution, BIBD has empowered Bruneians to achieve their dreams, supporting local, small and medium enterprises (SME) and giving back to the community through our Corporate Social Responsibility initiatives.

Stellar Financial Performance

The year 2018 presented its own set of economic challenges which had an impact on the financial industry overall performance, not just in Brunei, but also around the globe. While Brunei has the financial buffer to soften the impact of weak oil prices, the country continues to initiate efforts to diversify and create new economic streams. The banking sector in Brunei has been able to continue exhibiting strong capitalisation and liquidity despite pressures on asset quality.

BIBD has steadily delivered on its proven track record of growth in revenue and earnings. *Alhamdulillah*, the Group witnessed a surge of 27.3 per cent in net profit for 2018, from \$116.2 million in 2017 to \$147.9 million.

The Group also reached a milestone figure for total assets in 2018, with \$10.1 billion – an increase of 4.9 per cent from the \$9.6 billion posted in 2017. This cements BIBD's position as the market leader in Brunei, with a very sizeable market share both in the retail and corporate market segments.

In 2018, BIBD has delivered strong Return on Assets (ROA) and Return on Equity (ROE) to our shareholders at 1.8 per cent and 12.5 per cent respectively, further enhancing the returns and value to our shareholders.

The Group was also able to maintain total capital adequacy ratio (CAR) at 17.2 per cent in 2018, well above the 10 per cent minimum required in the Islamic Banking Order, 2008. This has allowed us to maintain a robust capital position in implementing our strategies.

Alhamdulillah, I am also pleased to report that, by 2019, BIBD has successfully accomplished its three-year mission of becoming the First Choice Bank in the country – this is measured by our key achievements with our Customers, Employees and Stakeholders.

BIBD has been the best retail bank in Brunei in the past seven years, and a recent customer survey disclosed that around 85% of the respondents considered BIBD as their main bank between 2014 and 2018.

The bank's internal employment survey revealed that over 83% of its staff are happy and proud to be the bank's employee with over 74% saying that BIBD is a great place to work.

BIBD has also distributed over B\$286.8 million worth of dividends to our shareholders in the last three financial years.

BIBD has also been able to retain its A- S&P rating since 2015 and this allowed us to have a significant presence and recognition in the region and beyond, which had translated into business opportunities that helped grow the bank's balance sheet. The A- rating is also a testament to our emphasis on responsible banking and prudent risk management.

Whilst we are conscious of the many advantages of fintech and its ecosystems, we also remain prudent with our investments that go into these technologies and ensure they will bring significant convenience and responsible offering to consumers while at the same time ensuring there is adequate framework and governance to protect our customers.

Over the years, BIBD has invested heavily in holistically enhancing its compliance infrastructure. In 2018, BIBD's Compliance function went through a comprehensive improvement encompassing staff

training and additional resources, systems capabilities which includes improvements in its transaction monitoring capabilities, and the overall awareness of its workforce in line with the importance of compliance in a financial institution. The improvements in the Compliance function is expected to be ongoing and closely monitored by the Board.

Encouraging growth outlook ahead

As at end of 2018, Brunei is back in a sustained GDP growth where the domestic economy grew 0.1 per cent year-on-year in the whole of 2018.

During this period, Brunei's financial sector remained relatively strong and BIBD contributed to this with its own robust performance.

The financial sector continues to present us with an abundance of opportunities to stimulate the country's growth and BIBD is proud to be the leading bank in Brunei from among a notable line of peers in a vibrant and highly competitive banking landscape.

We continue to see opportunities arising from Brunei Government's efforts to diversify its economic sectors as well as raise productivity and enhance efficiency.

Like many countries, the banking institution plays a big role in the diversification of our economy, which is the aspiration of Wawasan 2035 and of course, under the leadership of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam, we are properly guided in this direction.

BIBD intends to be a key contributor to helping achieve Brunei's Wawasan 2035 through ensuring that we provide support to our customers in their financial journey, whether in business or personal financing needs, so they in turn will be equipped to contribute back to the Sultanate.

At the same time, we will also continue to tap into growth opportunities, particularly in the micro SMEs (MSMEs), and SMEs as we contribute efforts to strengthen the business environment in Brunei.

In 2018, Brunei moved another spot up the World Bank's ranking for ease of doing business to 55th from 56th in 2017, demonstrating the Sultanate's ability to adapt to changes in global economy and

commitment to constantly improve business conditions in Brunei. The introduction and implementation of a credit scoring system by our financial regulator, the Autoriti Monetari Brunei Darussalam (AMBD), has allowed banks to evaluate lending more efficiently - this improved Brunei's performance in getting credit and put the country on par with New Zealand as the world's best.

Brunei poised to play a major role in a US\$3.8 trillion industry by 2023

According to the Thomson Reuters Islamic Finance Development Report 2018, the global Islamic finance industry grew year-on-year by 11 per cent amounting to USD\$2.4 trillion in assets in 2017 with the potential to grow to USD3.8 trillion by 2023.

Brunei Darussalam is one of the top 10 best performing Islamic finance markets out of 131 countries. The report, which takes into account data accumulated in 2017, revealed that Brunei's score in the Islamic Finance Development Indicator (IFDI) increased from 47 to 50 – thus ranking Brunei ninth this year and among the best in ASEAN.

Digitalisation has emerged as a major trend across different sectors of the Islamic finance industry just as it is similarly shaking up global financial system. Taking into consideration the performance of each sector of the Islamic finance industry and the development of its surrounding ecosystem, the report sees the potential for the industry to grow to US\$3.8 trillion in assets by 2023.

Being a pioneer in digital and mobile banking initiatives in the country and Brunei's largest Islamic financial institution, BIBD has already benefitted from serving this sector.

BIBD has been able to capitalise on Brunei Darussalam's tech savvy and dynamic population with the launch of BIBD NEXGEN. Providing credence to BIBD's belief in its NEXGEN platform is the growth it has experienced in the digital banking arena. BIBD has seen almost 400 per cent growth in transactions made on its digital banking platforms since 2014. As of 2018, there are over 143,000 BIBD NEXGEN mobile app users, with an average 23 logins per customer.

BIBD also aspires to advance the reach of its services in the region so as to tap into the increasing international demand for well-constructed Shariah offerings by those who seek not only ethical financial management but also diversification options to insulate against the uncertainties of other asset classes.

The vision of becoming a preferred regional Islamic bank will allow us to enhance and diversify our income stream and provide better returns on investment to our shareholders – in line with our goal to support AMBD's objective to establish Brunei as a global financial hub.

Evolution of Banking

Banking is fast evolving and moving away from conventional over-the-counter dealings into quick transactions that can be carried out 'on-the-move'.

Supplementing our existing services through online and mobile banking platforms are essential today to ensure our corporate and retail clients are guaranteed a seamless, fast, borderless and convenient banking experience.

Against this backdrop, the BIBD NEXGEN has been invented to ensure that we are creating a platform which connects everyone with the ultimate goal of ensuring that banking is available to everyone – assisted by our digital expertise and capabilities.

BIBD will continue to contribute towards building an overall ecosystem in Brunei that is more cashless and prepared for the future of banking.

We are conscious of the many advantages of Fintech and its ecosystems, but we also remain prudent with our investments that go into these technologies and ensure they will bring significant convenience to consumers, while at the same time ensuring there is adequate framework and governance to protect our customers.

A bank that understands and cares for the needs of Bruneians

I am also happy to note that in the area of Corporate Social Responsibility (CSR), various initiatives have been successfully launched and continue to be our mainstay programmes as we demonstrate our commitment to give back to the community and drive more engagement with the people of Brunei Darussalam.

One of BIBD's biggest initiatives in 2018 was the launch of BIBD Connects, a public-private partnership project that was developed to spur business opportunities for local MSMEs while ensuring continued development towards a more innovative infrastructure. The community hub provides a convenient and unique one-stop location equipped with facilities such as banking, food and beverage outlets as well as a dedicated leisure area.

The first BIBD Connects was set up at the heart of the Kg Lambak National Housing Scheme and BIBD hopes to set up more Connects locations in the future.

Another one of BIBD's leading CSR programme is the BIBD ALAF (Advocating Life-Long Learning for an Aspiring Future) which is now in its fifth year and at the end of 2018 supported 168 students. This flagship education-community finding initiative aims to provide necessary support to realise His Majesty's Vision 2035 of transforming Brunei Darussalam into a nation recognised for its people's quality of life and the accomplishments of its well-educated citizens.

In our efforts to empower more segments of the community, BIBD also initiated the BIBD Special Underprivileged Mothers Empowerment Entrepreneurship Development Programme (BIBD SEED), in collaboration with the Ministry of Religious Affairs and the Ministry of Culture, Youth and Sports. The programme aims to transform underprivileged mothers into successful and resilient entrepreneurs who can compete in both local and international markets.

The long-term goal of the programme is also to see the participants becoming financially independent and contribute significantly to the sultanate's economic growth.

Encouraging a savings culture among Bruneians in creating a financially literate nation

BIBD has always been supportive of the national agenda of improving financial literacy among Bruneians. In light of this, we launched the BIBD Aspirasi, a unique savings and investment programme that allows our customers to earn attractive dividends on their savings and have a chance to become winners in the monthly, quarterly and grand prize draw.

BIBD Aspirasi is aimed at promoting better financial management habits and decision-making skills in line with His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam's titah calling for prudence in spending and frugality as they contribute to the country's stability and prosperity as well economic survival and saving through financial planning for future needs.

In Appreciation

I am honoured and humbled to be the Chairman of this progressive Bruneian institution that carries the national flag not only within the Sultanate but also beyond the region.

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

On behalf of the Board, our sincere appreciation also goes to all employees for their dedication and for their consistent 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.

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

I also wish to especially highlight the support of our regulators, AMBD, and the great strides that they have made in facilitating the development of the financial sector, specifically in the field of Islamic Finance. Through their various initiatives, AMBD has continued to spearhead the evolution of Brunei Darussalam's financial landscape, furthering Brunei's alignment to best international practices.

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

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

Yang Berhormat

**Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah
Minister at the Prime Minister's Office and
Minister of Finance and Economy II,
Chairman of the Board of Directors
Bank Islam Brunei Darussalam**

Managing Director's Foreword

Dear Respected Shareholders,

Bismillah HirRahman Nir Rahim

Assalamualaikum Warahmatullahi Wabarakatuh.

Alhamdulillah, I am pleased to report another successful year for BIBD and its Group of Companies, a journey filled with milestones and achievements that has continued our progression momentum, in both local and international markets.

A Financial institution reflecting a dynamic and sustainable economy

For financial year 2018, I am delighted to report all our key business segments posted generally healthy and positive revenue growth despite market challenges.

Overall, the Group posted a positive total income of \$325.8 million, although a 1.9 per cent decrease from the \$331.5 million recorded the previous year.

Revenue growth was also supported by strong results in our financing, leasing and investment activities that helped register a 14 per cent increase in net profit margin for the Group at \$294.2 million compared to the \$257.8 million in 2017.

In the same fiscal year, net financing and advances for the Group rose by almost 14 per cent to \$3.68 billion.

Funding growth remains an integral part of our strategy and the Group saw a rise of 1.5 per cent in deposits to \$8.2 billion from the \$8.0 billion registered in 2017.

Profitability for the Group surged by 27.3 per cent from \$116.2 million in 2017 to \$147.9 million in 2018.

The Group's total assets hit a milestone figure of \$10.1 billion in 2018, an increase of 4.9 per cent from the \$9.6 billion posted in 2017 – fortifying our financial position and cementing BIBD's status as the largest bank in Brunei, with a very sizeable market share.

As part of the bank's cost rationalisation effort, we managed to bring

down operating expenses by 10.2 per cent, which underscored the bank's commitment to be more cost-efficient moving forward, through more effective business strategies particularly the domestic debt and digital growth levers.

BIBD's prudent approach also helped achieve a significant lowering on its cost-to-income ratio. Despite the challenge of the rising costs of doing business, we managed to keep our cost-to-income ratio (CIR) at 40 per cent – a decrease of 8.7 per cent from the previous year.

We strived to maintain discipline and efficiency in our cost management exercises and invested prudently to ensure a more sustainable growth. Hence, the Group posted an operating profit of \$180.9 million in 2018, a growth of 25.3 per cent from the previous year.

Healthy returns have allowed us to record a return on assets (ROA) of 1.8 per cent for the Group, reflecting strong growth and performance.

Total capital adequacy ratio for the Group was at 17.2 per cent in 2018, which allowed us to maintain a resilient capital position to support the execution of our strategies. BIBD has always been able to consistently maintain this well above the minimum regulatory requirement set by the Sultanate's central bank, the Autoriti Monetari Brunei Darussalam (AMBD).

We have also managed to sustain our prudent and sound risk management routine to ensure a balanced business growth despite challenging operating environment and market conditions.

A strong governance and robust risk management policies and processes have also enabled us to optimise returns to our customers and stakeholders while ensuring our asset quality remained strong.

Consequently, this strong performance played a contributing role in BIBD raking off several regional and international awards and accolades in 2018, which include The Asian Banker's "Best Retail Bank in Brunei" for the sixth year running, The Asian Banker's Top 10 Strongest Bank in Asia-Pacific and one of the Best Banks in Asia-Pacific by Global Finance.

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

Having all these acknowledgement by our peers, and reputable and renowned financial industry players for our services and capabilities only inspires us to work harder, to move closer to global standards while simultaneously contribute towards the betterment of Brunei's economy and the well-being of its people.

Responsibly Spearheading Brunei's Digital Revolution

In 2018, as part of our values to continuously deliver excellence by embracing technology, we launched a new digital banking platform that seeks to transform the future of banking: BIBD NEXGEN.

Harnessing the latest innovations in artificial intelligence, virtual reality, machine learning, data analytics and customer insights, BIBD NEXGEN epitomises BIBD's position as a pioneer in the digital space to bring more convenience and connectivity to its customers.

Digital platforms under BIBD NEXGEN are always designed to benefit everyone. While the benefits to the customer is apparent, business owners will also appreciate the cost efficiency of being cashless.

By bringing the concept of branchless banking, BIBD hopes the ideation of this strategy of going cashless, documenting the economy and providing more financial inclusion to the Brunei population, will propel the dynamics of the economy to give birth to more product and service innovations through cross-industry alliances specifically the telco industry. Infinity of possibilities from these alliances is anticipated to be one of the key drivers to our business growth going forward and aligning to the AMBD's financial blueprint will bring the momentum to a much more rapid pace.

BIBD NEXGEN showcases the bank's intent to transform traditional banking to the fintech age. At the same time, promoting key alliances among different industries, going beyond our shores with its local, regional and international partnerships to create synergies through inter-operability and open infrastructures.

As part of this journey to support the de-cashing of the economy, BIBD has already introduced digital conveniences such as BIBD QuickPay for QR code payments, BIBD vCard or Virtual Prepaid Card, a Mastercard Contactless and Visa payWave, and eVouchers – a market place for online credits, under its BIBD NEXGEN platform.

Not only this will support national agendas to make Bruneians highly skilled in the digital space, it will also benefit the entire ecosystem with higher digital adoption among the



society for better interconnectivity to progress the economy towards a documented, secured and digitised nation.

As the demand of use for ease of payments from customers and merchants increase, which is a reflection of Brunei Darussalam's smart society as those among the highest social media and mobile phone penetration, we will always be on the lookout for digital innovations to complement our suite of digital payment solutions and ultimately provide superlative customer experience in all our propositions.

In leading this digital initiative, BIBD will be open to more opportunities with the increasingly open API platforms that will further ease innovation of new services and products, which will enable our solution to be more akin to the trending needs of consumers and business alike, and would trigger further investments within this based on public adoption towards the cashless economy and smart nation initiatives.

The BIBD NEXGEN Wallet, along with all the mobile-led digital services provided by BIBD NEXGEN supports national initiatives to create a cashless environment that is more tech-savvy and cost-friendly, further promoting the ease of doing business while creating a more progressive and pro-business economy.

Moving forward with a highly adept and compatible workforce

While we embrace automation and digital innovation, we cannot emphasise enough pivotal role of the heart of BIBD, which is our own people. Recognising our people as our most valuable assets, we are committed to investing in human capital development programmes that build and strengthen capabilities in line with our near and long-term endeavours.

Hence, we will remain focused on recruiting, acquiring and growing talents that not only have the right skillset to support our ongoing initiatives but also the capability to develop new skills to prepare ourselves for the future of banking.

We also intend to develop more local talents and expertise to deliver more complex Islamic finance transactions in retail banking and wealth management. Notwithstanding the complexities of the structures and challenges of the market, we will continue to instil high discipline to improve controls in increasing the bank's capacity and capabilities, and enhance further and strengthen our governance, risk and compliance framework.

We will put greater emphasis on governance and adherence to policies and as such, we shall keep building a strong internal knowledge base to be adequately apprised and able to apply the requisite of the regulatory requirements.

We shall also ensure we have a workforce that will be able to carry out analytical risk assessment which is critical in today's uncertain global economic conditions and help us provide secure and reliable solutions for our customers.

We and You – Our Success

We strongly believe in giving back and creating more engagement opportunities with our society. One of our biggest initiatives in 2018 was BIBD Connects – Connecting the Community, a concept developed by BIBD to provide a convenience and unique one-stop shop for the public to enjoy with amenities such as banking, food & beverage outlets and a designated recreational area.

The first location was set up in Kg Lambak Residential Housing Scheme and features BIBD's first ever drive-through ATM, making daily banking engagements much faster and convenient.

This conceptualised the Public Private Partnership (PPP) camaraderie where a whole of nation approach and objectives are placed into one platform and the community can reap the benefits from this directly or indirectly; as this becomes a conduit for incubation of our young entrepreneurs, the future of the Brunei's economy.

Emphasising our belief that everyone from all walks of life deserves access to education, we continue to make giant strides with our flagship programme, the BIBD ALAF (Advocating Life-Long Learning for An Aspiring Future) initiative which now supports around 215 underprivileged students. This has year-on-year brought fruition of the investments into light and to date with all the skills being nurtured through various activities, we are preparing these students to be ready for what the future shall unfold.

In October 2018, we also launched the BIBDSEEDS programme, which aims to transform and equip underprivileged mothers into successful and resilient entrepreneurs who can compete in both local and international markets. The long-term goal of the programme is also to see participants becoming financially independent and contribute to the Sultanate's economic growth.

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

Looking beyond the horizon

We will continue investing resources into our digital banking expertise and human capital development to better serve our customers and ensure that BIBD continues to play a vital role in the Sultanate's economic development.

The security of our BIBD NEXGEN digital ecosystem, especially for its customers, is of utmost importance. We will keep investing heavily in this area and partner with leading global security providers to further secure our customer's digital transactions. This will improve the security profile of the BIBD NEXGEN infrastructure for the benefit of both business and consumers.

On PPP initiatives, we will leverage on the success of BIBD Connects and identify more sustainable projects to bring communities together, create more opportunities and provide alternative income streams for Brunei's economy.

Our Asian Desk also stands to play a significant role in attracting foreign investments into the country and facilitate the ease of doing business. We will leverage on our capital strength and liquidity to create more domestic debt opportunities, that will in turn spin off more economic activities whilst at the same time project the nation's opportunities to more foreign direct investments into the country, and provide spill-overs to the growth of our MSME segments. We will continue to support the growth of existing and new Bruneian industries - in and outside the oil and gas sector, and support the MSME's development towards a more progressive growth.

The many services and offerings that we have will put us in a good position to reaffirm our support with the aspirations of the nation and the national development, while strengthening our franchise value and footprint in the region. The journey will be enriching, and it will Insha Allah, benefit the nation and the people of Brunei in the many years to come.

In Appreciation

Our accomplishments and successes in 2018 would not have been possible without the strong and dedicated team at BIBD, who never fail to give their very best. It is an absolute privilege to work with this strong team under the guidance of our honourable BIBD Chairman of the Board, Chairman of the Shariah Advisory Board and by the honourable members of the Board and of the Shariah Advisory Board who have always provided us to their wisdom and encouragement. My sincerest appreciation to all of them.

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

It goes without saying that our customers will always remain our primary priority in our undertakings, now and in the future. Our immense gratitude goes to them for their continued loyalty, support and trust. We look forward to serving them and together we make BIBD -Brunei's national pride.

**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\$10 billion worth of assets, we proudly serve more than 216,000 customers. Our valued customers include retail, corporate as well as international clients.

Headquartered in Bandar Seri Begawan, we have 17 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\$ 10 Billion

Customers
more than 216,000



Shareholders

- Ministry of Finance and Economy, Brunei Darussalam (34%)
- Sultan Haji Hassanal Bolkiah Foundation (25%)
- Fajr Capital Limited (30%)
- Approximately 6,000 individual Bruneian Shareholders (11%)

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 Setia Dr. Awang Haji Mohd Amin Liew bin Abdullah

Chairman of the Board / Independent Director

Date of Appointment : 30 January 2018

Length of Tenure as Director : 1 year

Qualification

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

Directorships

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

Relevant Experience

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



Yang Mulia Awang Junaidi bin Haji Masri

Independent Director

Date of Appointment : 01 February 2010

Length of Tenure as Director : 9 years

Qualification

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

Directorships

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

Relevant Experience

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



Yang Mulia Dato Paduka Iqbal Ahmad Khan

Director

Date of Appointment : 01 November 2007

Length of Tenure as Director : 11 years

Qualification

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

Directorships

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

Relevant Experience

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

He is the recipient of several industry and global accolades, including the 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

Independent Director

Date of Appointment : 31 December 2010

Length of Tenure as Director : 8 years

Qualification

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

Directorship

- Director of Bank Islam Brunei Darussalam (BIBD)

Relevant Experience

YM Dr. Hennie was previously a Senior Advisor in the World Bank Treasury, focusing on Operational Risk Management in the Treasury environment, as well as Islamic Banking issues. He was a member of the Board of FirstRand Limited (a listed bank holding company in South Africa), for nine years, until November 2017. 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.

BOARD OF DIRECTORS



Yang Mulia Mubashar Khokhar

Managing Director/ CEO equivalent

Date of Appointment : 30 November 2015

Length of Tenure as Director : 3 years

Qualification

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

Directorships

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

Relevant Experience

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



Yang Mulia Majeed Nasser Alsubaei

Director

Date of Appointment : 06 April 2016

Length of Tenure as Director : 3 years

Qualification

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

Directorships

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

Relevant Experience

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

**Yang Mulia Awang Mozart bin Haji Brahima****Alternate Director to YM Awang Junaidi / Independent Director**

Date of Appointment : 15 July 2013

Length of Tenure as Director : 5 years

Qualification

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

Directorship

- Director of Bank Islam Brunei Darussalam (BIBD)

Relevant Experience

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

SHARIAH ADVISORY BODY



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

Chairman

Length of Tenure as Member : 5 years

Qualification

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

Relevant Experience

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



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

Deputy Chairman

Length of Tenure as Member : 5 years

Qualification

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

Relevant Experience

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



Yang Mulia Dr Abdul Nasir bin Haji Abdul Rani

Member

Length of Tenure as Member : 5 years

Qualification

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

Relevant Experience

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



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

Member

Length of Tenure as Member : 3 years

Qualification

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

Relevant Experience

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



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

Member

Length of Tenure as Member : 1 year

Qualification

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

Relevant Experience

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

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. Mubashar was also 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 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-six 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 Pheng Leong has more than 18 years of experience working in the financial services industry as a Chief Financial Officer (CFO) and auditor on various financial institutions. As the CFO, Pheng Leong heads the Finance Division and is responsible for the financial matters of the group. Prior to joining BIBD, Pheng Leong worked for an international audit firm in Singapore, United Kingdom, Taiwan and Brunei and was a partner in Brunei and Singapore working on audits 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.

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



Yang Mulia Habibah Haji Harry
Chief Human Resource Officer

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



Yang Mulia Adi Shamsul Haji Sabli
Chief Information Officer

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



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

Yang Mulia Hajah Nurul Akmar Haji Md Jaafar has been with BIBD for more than twenty years with expertise in the areas of finance, investment and retail banking. She was involved in the transformation of BIBD's strategic initiatives through various projects such as IT system upgrades, business process improvements, product innovations and the development of the sales & service culture within the retail business. She has also played a key role in the Bank's re-branding project which greatly enhanced the customer service experience, strengthened brand loyalty, and growth in customer acquisition. She pioneered the development of BIBD's CSR programmes that underscored the Bank's 'Bruneian at Heart' values, with flagship initiatives including BIBD Sirah Amal and the BIBD ALAF. Hajah Nurul leads the Retail Banking Group, after holding the Sales & Distribution portfolio and growing the customer base as well as Retail's balance sheet for almost ten years. Hajah Nurul is very passionate about delivering superlative customer experience especially with innovations in digital banking and is part of the team spearheading the BIBD NEXGEN initiative, that will truly transform BIBD's strategic business direction going forward. 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 Koh Swam Sing
Head of Corporate Banking

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



Yang Mulia Salman Ashraf Khan
Head of Treasury and Global Markets

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



Yang Mulia Haji Muhd Yazid Dato Paduka Haji Mahadi
Acting Managing Director of BIBD Securities Sendirian Berhad (BIBDS)

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



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

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



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

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



Yang Mulia Hajah Hanifah binti Haji Jenan
Head of Shariah

Yang Mulia Hajah Hanifah 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 Susanna Maria Goh Ghim Hong
Head of Compliance

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



Yang Mulia Chua Peng Sim
Head of Internal Audit

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



Yang Mulia Haji Minorhadi bin Haji Mirhassan
Deputy Chief Operating Officer

Yang Mulia Minorhadi has thirty years of commercial banking experience with BIBD and the HSBC Group through leadership roles in Retail, Corporate and Institutional banking businesses. His career also includes spearheading the development of various functions that include marketing, asset & fund management, investment banking disciplines and its respective human capital development. He is currently the Deputy Chief Operating Officer for BIBD and has in 2018 led the successful BIBD ISO 9001:2015 quality management system accreditation effort. He was the founding chairman for the Brunei Darussalam Capital Market Association (BCMA) and has recently been appointed as a member of the Universiti Brunei Darussalam Council (UBD). Minorhadi recently attained the Islamic Finance Qualification (IFQ) from the Chartered Institute for Securities and Investments (CISI), he holds an MBA from the Singapore Management University (SMU), a BTEC Higher National Diploma (HND) in Business and Finance from the University Technology Brunei (UTB) and an Islamic Financial Planning Certificate.

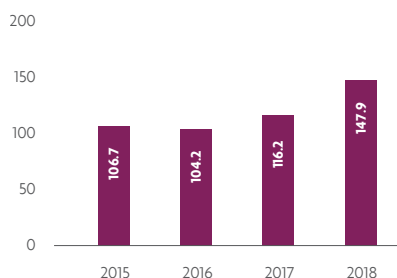


Yang Mulia Haji Mohammad Yusri bin Hj Wahsalfelah
Head of Government Relations and Special Projects

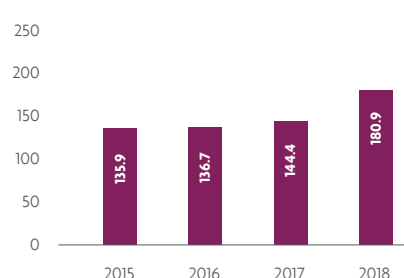
Haji Mohammad Yusri started his career as an economist under the Department of Economic Planning and Development at the Prime Minister's Office and was responsible for overseeing policy formulation and economic planning in the areas of Privatization, Public Private Partnership (PPP), Competition Policy,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

GROUP FINANCIAL HIGHLIGHTS

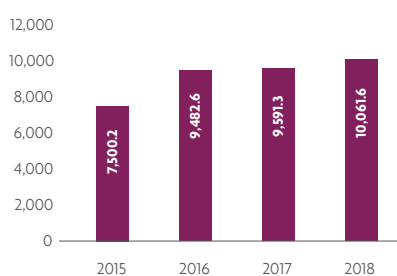
Net Profit after Zakat and Taxation (B\$ Million)



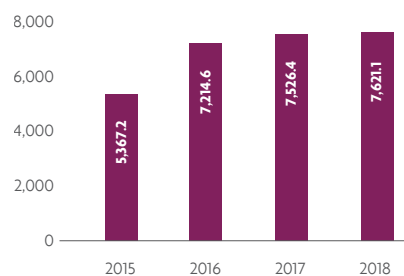
Operating Profit (B\$ Million)



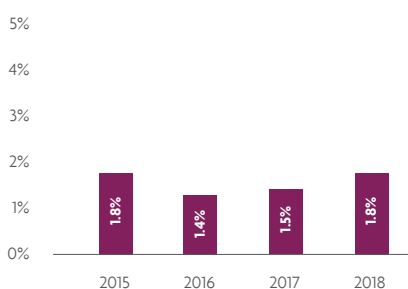
Total Assets (B\$ Million)



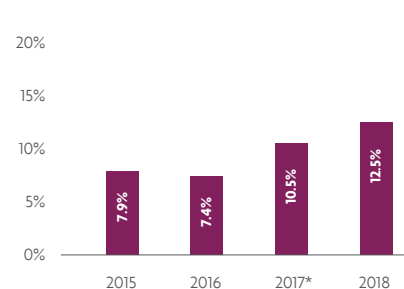
Deposits from Customers (B\$ Million)



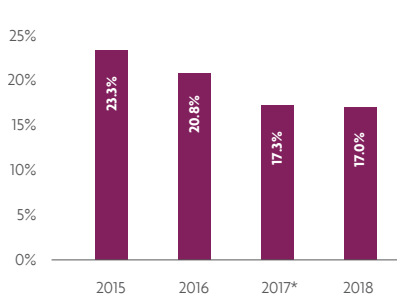
Return on Asset - Before Taxation



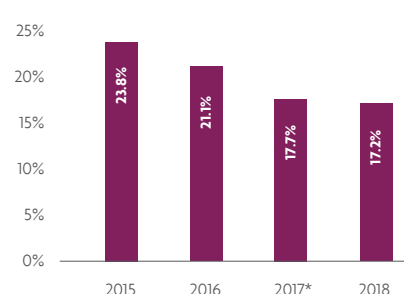
Return on Equity - After Tax



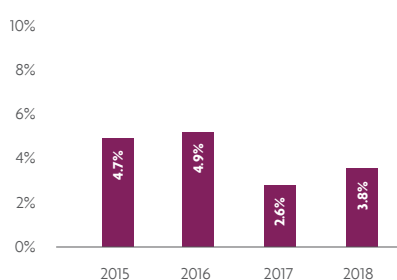
Capital Adequacy Ratios Tier 1 (Core Capital)



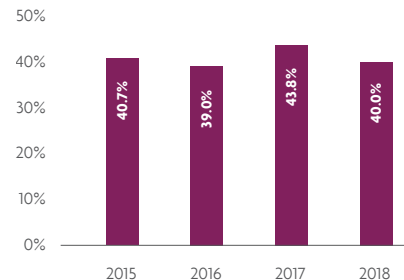
Total Capital Adequacy Ratio



Impaired Financing to Total Financing (%)



Cost to Income Ratio



* due to implementation of Capital Optimisation Strategy

BIBD AT A GLANCE 2018

GROWTH



 **27.3%**
Growth in Group Net Profit
after Zakat and Taxation

 **4.9%**
Growth in Group
Total Assets

SHAREHOLDER VALUE

 Total Dividends Paid (B\$ Million)

2017	2018
197.1	36.8

 **B\$0.05075**
Dividend Paid Per
Ordinary Share

CORPORATE



More than 600
Brunei
Corporates
with BIBD

50%
Corporate
Internet Banking
Penetration



66%
Growth of Annual Corporate
Digital Banking Transactions

SME



More than 9000
SMEs
with BIBD

More than 1500
SME Projects
Supported

RETAIL



More than 230K
Total Banking
Customers

61%
Market Share



62%
Financing

63%
Deposits



39%
Growth of BIBD
Cardholders



More than 500M
Hadiah Points
Issued



More than 140K
Digital Penetration

DIGITAL BANKING



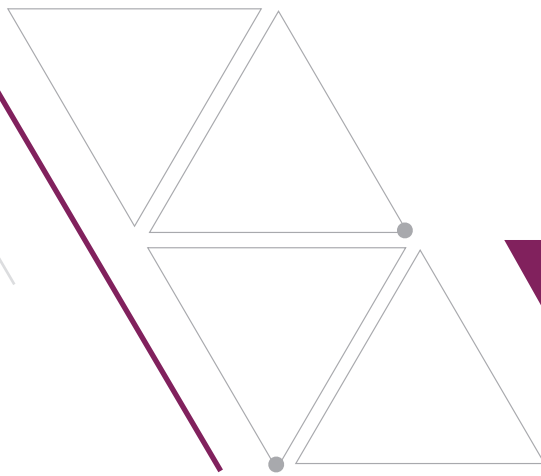
2.4M
Average Monthly
Digital Banking
Log Ons

34% Annual Growth of Average Monthly
Digital Banking Log Ons

47% Growth of Annual Retail
Digital Banking Transactions

More than 14M Annual BIBD
Digital Banking Transactions

CORPORATE GOVERNANCE



The BIBD Board of Directors

Human Resources Remuneration
and Nomination Committee (HRNC)

Audit, Finance, Risk Committee (AFRC)

Risk, Compliance and
Internal Audit

Shariah Advisory Body



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

The BIBD Board of Directors firmly believes in its responsibility in ensuring the highest possible governance standards are met to meet the expectations of its stakeholders. Under the guidance of the BIBD Board, the BIBD Group has also adopted the AMBD Guidelines for Corporate Governance for Banks (the “Guidelines”) as the guiding principles of BIBD’s corporate governance.

The BIBD Board of Directors

a. Board Composition

There are 7 Board members (including 1 alternate director) with broad range of experience and knowledge within banking and finance.

The Board is composed primarily of non-executive directors, with the Managing Director/CEO being the sole executive director on the Board. The Board is also constituted of 50% independent directors.

YB Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah, was appointed as a Board member and as the Chairman of the BIBD Board on 30 January 2018. On the same date, YM Dato Seri Setia Awang Haji Bahrin bin Abdullah and YM Dr Awang Haji Abdul Manaf bin Haji Metussin had resigned as a BIBD Board member.

b. Onboarding of New Board Members

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



c. Board Matters

The BIBD Board of Directors provides Management with the guidance and leadership necessary for the Group to achieve its mission to be

the First Choice Bank. The Board is ultimately responsible for the strategic direction of the Group, the Group Corporate Governance, Risk Management, Financial Performance, and the Group's Corporate Social Responsibility. The Board has also adopted the AMBD Guidelines for Corporate Governance for Banks (the "Guidelines") as the guiding principles of BIBD's corporate governance.

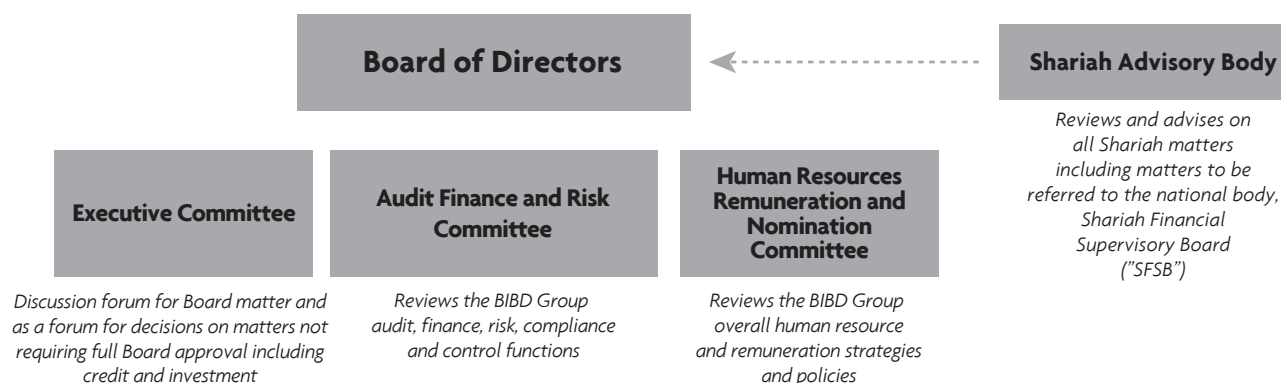
The duties and responsibilities of the Board are clearly established by the Bank. Board members are aware of these responsibilities and the expectation to set aside adequate time for their oversight of matters relating to the Bank. They attend and actively participate in Board and Board Committee meetings, with the number of meetings held and each director's attendance at such meetings disclosed in this report.

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

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

The responsibilities of the Board include:

- i. Provide oversight of management on behalf of shareholders;
- ii. Nominate directors and evaluate the structure and practices of the Board to provide for sound corporate governance;
- iii. Oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting, and compliance with law and the Group's Code of Conduct;
- iv. Evaluate and determine the compensation of the Managing Director;
- v. Review the Group's compensation and benefits programs as well as its succession planning and diversity programs;



- vi. Review major strategic, financial and other objectives / initiatives of the Group;
- vii. Review the Group's community-oriented activities.

The BIBD Board has delegated a portion of these responsibilities to relevant Board Committees.

c. Board Delegation to Committees

The Board has delegated certain responsibilities to 3 Board Committees:

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

3. Committees of the BIBD Board

a. Executive Committee ("ExCom")

The ExCom comprises 3 Board Members. They are:

- i. Dato Paduka Iqbal Ahmad Khan (Chairman)
- ii. Junaidi bin Haji Masri
- iii. Mubashar Khokhar

The roles and responsibilities of the ExCom include the following:

- i. Provide consistent, joined up leadership to the BIBD Group;
- ii. Function as a discussion forum for Board matters and as a forum for decisions on matters not requiring full Board approval;
- iii. Oversight of management decisions;
- iv. Review of major strategic matters prior to Board approval and operations of the Group; Discussion forum for Board matter and as a forum for decisions on matters not requiring full Board approval including credit and investment proposals Reviews the BIBD Group audit, finance, risk and control functions
- v. Review and approval of financing proposals with a domestic exposure greater than B\$20,000,000 based on recommendations from the Credit Risk Committee; and
- vi. Review and approval of proposals with an exposure greater than

B\$20,000,000 based on recommendations from the Credit Risk Committee.

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

The members of AFRC are as follows:

- i. Dr. Jan Hendrik van Greuning (Chairman)
- ii. Dato Paduka Iqbal Ahmad Khan
- iii. Junaidi bin Haji Masri
- iv. Mubashar Khokhar

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

The broad roles and responsibilities of the AFRC are:

- i. Oversee the quality and integrity of regulatory and financial accounting and reporting, including accounting and disclosure policies / practices;
- ii. Oversee the Group's management's internal controls processes, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements;
- iii. Review the adequacy and soundness of accounting, financial and other internal controls and their effective implementation;
- iv. Oversee the performance of the control and governance functions;
- v. Review risk management policies and framework including various risk management and internal control initiatives;
- vi. Exercise oversight of external auditors' qualifications, independence and performance;
- vii. Act as independent point of contact for the internal audit function and oversee internal investigations, if required; and
- viii. Perform any other responsibilities that the Board may assign / delegate from time to time.

	Role	Name	Board Committees		
			HNRC	ExCom	AFRC
1	Chairman of the Board / Independent Director	YB Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah ^x			
2	Independent Director	Awang Junaidi bin Haji Masri ^x	✓	✓	✓
3	Director	Dato Paduka Awang Iqbal Ahmad Khan ^x	✓	✓	✓
4	Director	Majed Alsubaei ^x	✓		
5	Managing Director / CEO-equivalent	Mubashar Khokhar*	✓	✓	
6	Independent Director	Dr Jan Hendrik van Greuning ^x			✓
7	Alternate Director to YM Awang Junaidi / Independent Director	Awang Mozart bin Haji Brahimi ^x	✓	✓	✓



Board Committee Chairperson

* Executive Director

^x Non-executive Director

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

The members of the HRNC are:

- i. Dato Paduka Iqbal Ahmad Khan (Chairman)
- ii. Junaidi bin Haji Masri
- iii. Majed Nasser Alsubeaei
- iv. Mubashar Khokhar

The Committee's key responsibilities include the following:

- i. Recommend to the Board the appointment, (and if necessary), the removal of the Managing Director;
- ii. Review the succession plans for the Managing Director and Senior Management team;
- iii. Review the appointment of members of the Senior Management team;
- iv. Review and recommend to the Board on the Bank's overall remuneration strategies and policies; and
- v. Review and sanction proposals for new or amended policies on retirement benefit, severance or early retirement.

4. Meetings of the BIBD Board

a. Meeting Preparation

- i. The Chairman of the Board and Chairman of each Board committee oversees the setting of the meeting agenda, in consultation with the CEO/MD, to ensure key items are discussed and sufficient time is allocated for each agenda item.
- ii. The Board is provided the meeting materials seven (7) days prior to the meeting to allow for ample time to review and analyse the materials provided.
- iii. Should a director be unable to attend a meeting in person, that director can participate by telephone or video-conference.

b. At every meeting

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

c. Frequency of Meetings

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

d. Meetings convened by the BIBD Board and Board Committees in 2018

	No. of Meetings in 2018
Board of Directors	5
Executive Committee	6
Audit, Finance and Risk Committee	4
Human Resources Remuneration and Nomination Committee	4

e. Meeting Attendance

	Role	Name	Board of Committees			
			BOD	HRNC	ExCom	AFRC
1	Chairman	YB Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah	5			
2	Director	Awang Junaidi bin Haji Masri	4	3	5	4
3	Director	Dato Paduka Awang Iqbal Ahmad Khan	5	4	6	4
4	Director	Majed Alsubeaei	3	2		
5	Managing Director / CEO-equivalent	Mubashar Khokhar	5	4	6	4
6	Director	Dr Jan Hendrik van Greuning	5			4
7	Alternate Director to YM Awang Junaidi / Independent Director	Awang Mozart bin Haji Ibrahim	5	3	5	3

5. Board Remuneration

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

6. Engagement with Stakeholders

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

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

The Bank also encourages and supports shareholder attendance and participation at general meetings. A notice of general meeting, the agenda and a proxy form are sent to shareholders at least 14 days in advance. All shareholders are entitled to attend and to vote at general meetings in person or by proxy. The meetings provide shareholders with the opportunity to share their views or suggestions on any relevant matter and their comments are captured in the minutes of the meetings. The Bank's external auditor is also present at these meetings to answer shareholders' queries on the conduct of the statutory financial audit for the year.

Human Resources Remuneration and Nomination Committee (“HRNC”)

1. Key Matters Discussed in 2018

A core priority of the HRNC in 2018 was to ensure that the succession plan process and framework for the Senior Management team was in place to secure the continuous growth of BIBD. The HRNC had identified high potential employees that have been earmarked as future leaders of the organization. The HRNC has also placed emphasis on the localization of leadership roles and strongly believes in facilitating the personal and professional development of all BIBD employees.

Whilst emphasis was placed on the long-term growth of the BIBD Group, the HRNC had also address immediate matters relating to requirements within key Senior Management positions. For FY 2018, the HRNC had approved for the appointments of the Chief Information Officer, Head of Compliance, Head of Internal Audit and the Acting Head of BIBD Securities. These positions were deemed critical in BIBD’s aspirations.

In 2018, the HRNC had reviewed and approved the following employee benefits:

- a. the Performance Bonus and Salary Increment Methodology for the financial year 2017; and
- b. the BIBD Employee Study Assistance programme.

Throughout the year, the HRNC was updated by the Chief HR Officer on employee initiatives such as employee performance, talent management, strategic recruitment matters, staff engagement and staff retention.

Audit, Finance and Risk Committee (“AFRC”)

1. Key Matters Discussed in 2018

The AFRC and the BIBD Board have placed great importance in ensuring the quality of regulatory and financial accounting reporting. In light of the recent changes in financial reporting standards, the AFRC have worked closely with Management and the external auditors on the implementation of IFRS9 throughout 2018.

The AFRC have also reviewed and endorsed the BIBD Risk Appetite Statement, the Whistleblowing Policy, Conflicts of Interest Policy, Related Party Transactions Policy, and the Compliance Policy Framework.

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

With BIBD taking significant steps within the arena of digital banking, the AFRC was regularly updated on cybersecurity and IT operational risks.

Risk, Compliance and Internal Audit Oversight

1. Risk Management

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

The Group has in place the Enterprise Risk Management Framework (ERMF) as a standardized approach to manage its risks. A strong governance structure is important to ensure that the ERMF can be implemented effectively. The Board is ultimately responsible for BIBD’s risk management activities and is supported by the Audit and Finance Risk Committee (AFRC). The Board via the Group’s Executive Committee (ExCom) which is at the same level as the AFRC has also been delegated responsibility for the oversight of the Group Credit Risk throughout (1) the Credit Risk Committee (CRC), Market Risk (includes Liquidity, Funding, PRRBB, Concentration, Country & Residual), (2) the Asset & Liabilities Committee (ALCO) and Operational Risk throughout the (3) Enterprise Risk Management Committee (ERM). While risks are managed at the point of risk-taking activity, there is clear accountability of risk ownership across BIBD as demonstrated in the following chart.



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

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

We take the approach of analyzing financing and investment 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.

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

1. Risk management guideline and governance
2. Credit risk management guideline
3. Minimum regulatory capital requirements
4. IFRS9 model implementation
5. Classification of impaired credit facilities and financial assets for provisioning purpose
6. Internal control systems (risk management)
7. Basel II – Pillar 3 Public disclosure document
8. Corporate governance for Islamic banks
9. Prudential treatment of problem assets and allowance for credit losses
10. Internal Capital Adequacy Assessment process ("ICAAP")

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

The emphasis of a strong risk management culture is the foundation of the 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 within the Group's risk Management strategy approved annually by the Board. The Bank has in place several systems in order to control and monitoring all the risk management spectrum. In the non-retail space, the Bank implemented an internal risk rating system by S&P Global, to help the board and senior management differentiate across financing and investment to facilitate decisions making. Whereas, in the retail space, the Bank uses internal risk scoring models, scorecards, for credit application, evaluation and approval.

Operational Risk

Operational 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 global market exposure of BIBD to ensure that the exposures are within the approved appetite, the Risk Management team also continuously keeps abreast of market developments which may impact the market risk guidelines. BIBD maintains high quality liquid assets and well diversified sources of funds that act as a liquidity risk buffer. The country limits are also taken into consideration as part of the relevant risks and business requirements.

Legal, Regulatory and Reputational Risks

BIBD 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 or reputational risk.

Cyber Risk

Constant reviews, upgrades and tests 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.

2. Compliance

Protecting BIBD's value and image, the Compliance Department monitors transactions and ensures BIBD complies with the laws and regulations. The department acts as a trusted advisor on matters related to regulations, anti-money laundering, sanctions and terrorism financing.

The department is made up of three sections. The first branch is the Regulatory Compliance (RC) which is the centralized point for all regulatory engagement. The second branch is the Financial Crime Compliance (FCC) that oversees all FCC-related policies, providing advisory guidance in relation to onboarding and ongoing management of relationships with customers. FCC sets the compliance training agenda for the Bank and handles FCC-related projects, as well as daily operations in monitoring transactions. The third branch is the Compliance Assurance (CA) which oversees businesses and functions compliance with regulations.

In 2018, the department's goal was to enhance BIBD's Compliance Program. This includes staff training, increasing awareness and understanding of the compliance culture and improving our ability to monitor transactions through additional rules and setting up the Compliance library.

To identify areas of improvement, we engaged with experts. With a clear goal and strategy laid out, BIBD introduced additional investigation rules, improving its ability to monitor transactions. Investment was also made to build up the Compliance team and its skills, with the team undertaking certification courses. The overall compliance structure, its policies and procedures was updated and good progress is being made with the Bank's Compliance program, in order to ensure BIBD continues to have a robust framework in place.

BIBD has shifted its focus to make further developments in the area of compliance. While revenue and targets remain as the business focus, an understanding of the compliance agenda is essential as part of personnel training. The department keeps track of the continuous technological developments in BIBD.

In 2019, we expect a greater focus on training. Frontlines will be equipped with skills and a better understanding of compliance obligations and changes being made to policies and procedures. With the establishment of policies, advisory and training teams, we are well on our way in meeting this goal. Further improvements and automation are expected in 2019, with enhancements to our transaction monitoring capabilities and additional resources allocated for risk management. The department also aims to streamline the process of overseeing compliance by businesses and functions.

3. Internal Audit

The BIBD Internal Audit Division reports directly to the Audit sub-committee, and provides primarily the Audit sub-committee and ultimately, the Board of Directors with objective and independent assurance on the design and operation of the system of internal controls within BIBD and its subsidiaries.

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

In addition to delivering its 2019 Audit Plan, other priorities of Internal Audit as endorsed by the Audit sub-committee include the strengthening of the internal audit function, embedding audit methodology, meeting International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors and its Code of Ethics, and comply with the requirements by the Regulator for the Internal Audit Function in Banks.

Shariah Advisory Body



Adherence to Shariah principles is essential to the operations of any Islamic Bank. The Shariah Division, supervised by the Shariah Advisory Body (SAB), ensures all products, services, transactions, operations and activities are Shariah-compliant. This process is managed through consistent and proactive engagement with all banking business, controls and support functions. 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 AMBD's guideline and international best practices.

To strengthen Shariah compliance throughout the bank and ensure confidence for our customers, we have adopted several new and enhanced guidelines. This will assist the respective units to comply with Shariah principles.

In 2018, we set out to align and improve Shariah governance according to AMBD's guidelines on Shariah Governance Framework and Islamic Product Approval Process. At the same time, BIBD aims to introduce new products and services and spread Shariah awareness to the public.

To achieve these goals, we strengthened the internal Shariah governance framework that reflects AMBD's guidelines and best practices. A public symposium 'Islamic Business and Finance Symposium: Reaching New Heights' with renowned international scholars. To keep track of new developments and issues in Islamic finance, BIBD attended local and International conferences.

In 2019, we aim to develop an effective Shariah compliance monitoring management, as well as Shariah experts in Islamic banking and finance. We also aim to spread awareness on Islamic structures and concepts to institutions through seminars.

1. The members of the SAB are:

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

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

2. The SAB's roles and responsibilities are:

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

3. Frequency of Meetings

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

4. Meeting Attendance

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

	Name	Name	SAB Meetings	
			Held	Attended
1	Chairman	Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof	9	9
2	Deputy Chairman	Dato Seri Setia Dr Haji Japar bin Haji Mat Dain @ Maidin	9	8
3	Member	Dr Abdul Nasir bin Haji Abdul Rani	9	8
4	Member	Professor Madya Dr Dayang Hajah Rose binti Abdullah	9	7
5	Member	Dayang Hajah Noraini binti Haji Buntar	7	7

5. Summary of Meetings in 2018

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

	Proposals by Business	No. of Proposals
1	Retail Banking Group	6
2	Corporate Banking Group	4
3	Treasury & Global Markets Division	8
4	BIBD Securities Sdn Bhd	2
5	BIBD At-Tamwil Berhad	1

- b. The SAB acknowledged, reviewed and endorsed the following and was satisfied that each had been done in conformity with Shariah rules and principles:
- Products and services, contracts and dealings transactions entered into by BIBD and its subsidiaries during year ended 31 December 2018.
 - All tainted earnings that has been realised from sources or manner which have not fulfil the Shariah requirement have been separated and considered for disposal to public benefits (masalahah 'ammah).
 - Zakat allocation for the financial year ended 31 December 2018 was calculated in accordance with the methodology approved by them.

- c. The SAB reviewed, advised and endorsed new and revised Shariah related policies and procedures namely the following:
- Term of Reference for Zakat and Maslahat Fund Committee.
 - Shariah Compliant Stock Screening Guidelines.
 - Zakat Calculation Guidelines for Customer's Deposit and Investment.
- d. In accordance to the Submission Guidelines For Products and Shariah Matters To Be Endorsed And/or Approved by SAB of BIBD ("the Guidelines"), Shariah Division reviewed and approved business transactions, advertisements and marketing materials under the immediate or direct approval category of the Guidelines. The working papers were also presented to the SAB post-approval for ratification.

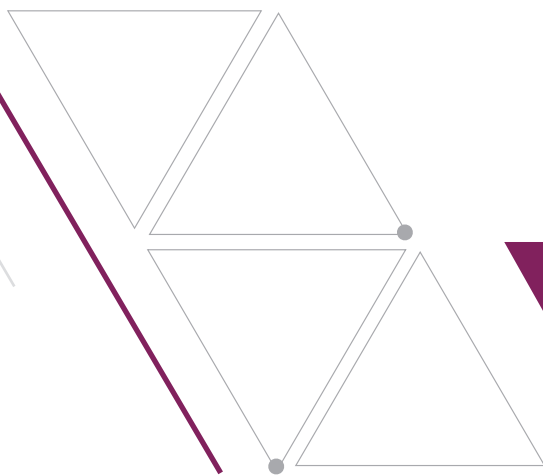
	Proposals by Division	No. of Proposals
1	International Banking Group	8 transactions
2	Treasury & Global Markets Division	8 transactions
3	Retail Banking Group	22 marketing materials
4	Corporate Banking Group	6 marketing materials
5	Branding & Marketing	6 advertisements
6	Service Quality, COO Office	1 advertisement

6. Training

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

	Seminar / Forum	Venue	Members Attended
1	Muzakarah Cendekiawan Shariah Nusantara ke -12 (2018)	Phuket, Thailand	2
2	International Shariah Scholars Forum (ISSF 2018)	Kuala Lumpur, Malaysia	2
3	Islamic Capital Market Master Class	Brunei Darussalam	2

BUSINESS REVIEW



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

Retail Banking Group



BIBD solidified its position as the leading provider of retail banking services in Brunei Darussalam with over 50% of all in-country deposits and over 60% of all retail financing.

Having the largest banking network in Brunei with seventeen branches (which received “Best Smart Branch Project” award for the region in 2016); more than 100 self-service terminals strategically located across Brunei Darussalam, BIBD is also the largest payment card issuer with the largest base of active Debit and Credit Cards totaling to more than 190,000 cardholders. Our Digital Banking platform, Contact Centre and BIBD Mobile Chat capabilities offer borderless conveniences, providing personal, instant and cost-effective solutions, anywhere at any time.

Supporting our vision of becoming Brunei’s leading financial institution and a benchmark for Islamic finance, our efforts to improve our support to our customers also allowed us to retain our standing as the Best Retail Bank for the sixth consecutive year. Our concrete foundations also allowed us to invest in our digital capabilities to complement the lives of our customers.

Supporting Smart Nation Development

Experience the
new features of

BIBD NEXGEN Mobile App

BIBD NEXGEN
Infinity of Possibilities

The launch of our digital banking banner, BIBD NEXGEN creates a road map that guides the future of BIBD's digital banking offering that aims to bring more convenience and connectivity to its customers. This will pave the way for cultural transformation within the bank, increase interconnectivity, not just between customers but also between institutions across different industries to create alliances, and spearhead financial inclusion for the unbanked and underserved.

This concentrated push has allowed BIBD to record remarkable statistics justifying its digital exploration. There are now over 145,000 registered BIBD Mobile Banking retail customers (estimated to be approximately 45% of Brunei's retail bankable population.) Digital banking adoption is also high with 75% users out of the entire retail banking base. The shift in momentum towards the BIBD NEXGEN platform has led to it becoming the primary option for transactions over any other channels combined (i.e. over the

counter, ATMs etc.) with a 49% share of all combined transactions across the bank.

Focused on improving our digital offerings complemented by investments in more mobile-led technologies and data-driven analytics, BIBD seeks to redefine its digital customer experience by also executing a suite of digital innovations that differentiates itself from its competitors. In this context, we have seen a number of 'digital firsts' in Brunei ranging from mobile remittances, market place creation, to leading collaborations with industries outside the banking sector such as telco companies. All this is with the vision of leading Brunei into the digital age of banking whilst de-cashing and documenting the economy.

In shaa Allah, this will also lead to an improvement in our fee-based income. Our Virtual MasterCard cardholders, which was launched



a few years prior, has already surpassed the total number of credit cards issued, illustrating another digital success. Our current digital ecosystem has also seen a very healthy annual growth in digital transactions with almost fifteen million transactions in 2018. To complement our great progress in this field, we are now laying the groundwork to adopting more investments in digital analytics such as Artificial Intelligence and Chatbots, cloud-based infrastructure and more open APIs.



Banking made easy



With BIBD providing the technology and infrastructure to power these ecosystems, we are able to expand our branchless banking services beyond our traditional customers with technologies powered by BIBD NEXGEN. With one eye on the future, our local digital partnership will build on current payment and wallet services that created Brunei's first off-bank co-brand virtual card that offers direct funds transaction ability to transfer between users and also as payments to merchants without the need to physically open a BIBD bank account. This successful partnership is a proof-of-concept that BIBD NEXGEN can be exported to benefit other businesses, facilitating towards the formation of larger and more comprehensive digital eco-system that reaches unpenetrated customer segments.

The convenience of our customers is of paramount importance to us. Leveraging on an already expansive and able digital infrastructure, we will continue to push the boundaries of our digital capabilities.

This includes recent milestones for our BIBD NEXGEN Mobile application that include Biometrics implementation for a faster and safer login to our mobile app along with instant customer personal details update via our Personal Particular Updates (PPU). We have also introduced personalised push messaging that allows us to customize tailormade messages to provide a richer and more rewarding customer engagement.

We also launched a new QR code payment platform - QuickPay – that allows the acquisition and onboarding of MSMEs as an economical alternative to card-terminal ecosystems. Customers also benefit from a variety of payments such as that include CASA, cards and instant loyalty points redemption. We also created another first for a bank in Brunei as we introduced our eCredits service that provides customers the ability to purchase credit or tokens from online marketplaces such as iTunes, Facebook, Steam, and Skype, with further expansion planned for 2019.

Financial Awareness for Financial Freedom



Building on our market share and in line with national initiatives of promoting a savings culture and financial literacy, we also focused our attention to further improve the level of awareness regarding financial management in Brunei Darussalam. This resulted in the launch of 'Aspirasi' - a certificate of deposit that offers better rates than a standard savings account and is fully purchasable and redeemable over our mobile platform. Subscription (and redemption) is conveniently available via the BIBD NEXGEN Mobile app to provide easy access to encourage savings. This initiative, echoing the goals of Brunei National Savings Day, is also supported by the increasing number of in-house certified financial planners who regularly engage with students and professionals to advocate the importance of financial independence.



Corporate Banking Group



Easing further the Ease of Doing Business

The challenging and uncertain global economic conditions in 2017 have trickled into and affected the business environment in 2018.

Amidst the challenges, Corporate Banking was able to maintain the presence of its market share in Brunei Darussalam which was achieved by strengthening the quality of our assets and adapting the S&P credit scoring into our due diligence process.

Improvements and enhancements to our banking products and service delivery were our core agenda for 2018 which resulted in further convenience and security for our clients. To be in line with BIBD's aspiration to be a market leader in terms of its digital capabilities, Corporate Banking has introduced a new corporate banking online application, BIBD BizNet along with its first ever mobile application counterpart, BIBD BizNet mobile.

BIBD BizNet is an enhancement of the previous Corporate Internet Banking (CIB) system serving as a one-stop service for the digital corporate banking needs with real-time account reporting. The mobile application complements this already extensive service by providing corporate banking services on a mobile platform, bringing another level of conveniences especially for businesses on the go. These new services are aimed to support Bruneian entrepreneurs by elevating the ease of doing business in the country while also aligned with AMBD's strategic plan and objectives to reduce the use of both cash and cheques in the country over the next five years hence reduce costs and encouraging innovation.

The Bank is also working hand in hand with Brunei Shell Marketing to equip businesses in oil and gas retail industries with better understanding of BIBD's fleet card payment platform and online Banking to improve their respective companies' financial management.

Ecosystem to Improve Business Acumen

The promotion of a better business climate coincides with the bank's continuous efforts to provide better understanding and exposure of its products and services. This is to benefit both local and international corporates under our portfolio, while taking extra steps to ensure there is active and constant engagement between the bank, market players, business enablers and regulators.

The Bank is also committed to directly supporting the Government's initiatives to nurture entrepreneurship amongst its youth. One example is i-Usahawan, an initiative of the Ministry of Energy, Manpower and Industry in collaboration with major companies such as BJSV and Petroleum Brunei, which creates opportunities for new aspiring local young business owners to secure contracts with the respective companies. Together with its stakeholders, we aim to also explore opportunities for enhancing the effectiveness and sustainability of our initiatives especially on the access to financing. This commitment is also extended towards other institutions such as business financial literacy educational clinics such as DARE's

Industry Business Academy which supports the statutory body to nurture and support local enterprises to become economic contributors. We also partnered with LiveWire Brunei, a Brunei Shell Petroleum community development programme, in their "Become a Successful Owner Manager (BSOM)" workshop along with our role as the financial mechanism administration for their Business Awards Start Ups funding scheme which supports the country's continuous efforts to diversify economically active participation of small and medium enterprises in Brunei Darussalam.

Complementing these initiatives by instilling the spirit of entrepreneurship to our nation's youth, we also cooperated with higher learning institutions such as University Brunei Darussalam, Universiti Teknologi Brunei, Universiti Islam Sultan Sharif Ali, Politeknik Brunei, Pusat Pembangunan Belia, Pusat Pembangunan Kapasiti and Business Schools to conduct business talks, trainings and clinics.

Starting Off on the Right Foot: Reducing Barriers to Entry

Playing a pivotal role in supporting the national vision for economic success, our corporate banking offers financial services to businesses of all sizes – both in the public and private sector – offering financing, deposits and digital banking solutions to them. To further provide ease of entry to spur on the spirit of entrepreneurship, we moved to provide a dedicated SME service called BIBD SME 360 to exclusively facilitate to the needs of this niche proposition. Following the successful launch, we established dedicated branches to support the growing needs of our MSME customers.

Subsequently, we also introduced a new corporate bank account specifically for micro, small and medium enterprises (MSME) which carries an opening and minimum balance of B\$50 - its biggest differentiator against traditional corporate banking accounts that traditionally require an opening and minimum balance of B\$1,000.

This was seen previously as the main obstacle in allowing MSMEs access to better financial discipline by managing their businesses and personal finances separately. MSME account holders will also have access to a range of facilities and corporate banking services that include financing, digital banking, and being automatically listed in BIBD's list of payees on BIBD's digital banking applications for ease of transactions.

Also promoting good business relationships while facilitating the financial needs and services of Foreign Direct Investor (FDI), we took the opportunity to introduce our Asian Desk platform. The one-stop desk is our long-term commitment to boost and support the influx of FDI into the country, while also providing local SMEs an avenue to engage these FDI institutions for potential business opportunities and ventures to develop greater competitive strength.

Promoting Good Governance among Brunei's Corporates



Supporting the growth and development of the oil and gas industry, the Bank has also moved to sign the BSP Credit Facility program agreement with Brunei Shell Petroleum. The program will enable local businesses that were awarded a Brunei Shell Petroleum or BSJV contract access to a fast-track service in reviewing and decision making on their respective credit applications.



Treasury and Global Markets

BIBD's Treasury & Global Markets division is among the most sophisticated and advanced Islamic treasury setups in the ASEAN region. BIBD's Treasury & Global Markets Division is one of the largest among regional treasuries.



Treasury & Global Markets is responsible for the management of the bank's funds, providing BIBD 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 and the heart of the bank, Treasury & Global Markets plays a key role in insulating the bank against financial market stresses through the robust management of capital and liquidity. In addition, Treasury & Global Markets plays its part as a brand ambassador for the bank in the global financial markets by continuously seeking to foster closer ties with our international banking partners, both regionally and globally.

Our mission is to ensure the sustainable and responsible growth of our global asset book using tried-and-tested risk management principles. By the end of 2018, Treasury & Global Markets managed about 57% of BIBD's total assets. Our Treasury & Global Markets asset book includes various Shariah compliant asset classes such as Murabaha, Wakala, Wadiah, Sukuk and passive Structured products. Our assets are geographically diverse and comprise of exposures which are generally investment grade and above.

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

Key initiatives carried out by Treasury & Global Markets in 2018 include the progression of its International Liabilities desk operating out of BIBD's Middle East office. This function has allowed the bank to diversify its liability sources and provided wider coverage for

Treasury & Global Market's Interbank activities via access to financial institutions across the GCC and Asia. This is also part of Treasury & Global Market's efforts to enhance its engagement with activity in the primary and secondary Islamic Debt Capital Markets.

Improvement of Skillsets for a Digitised Workforce

Housing a highly qualified team equipped with state-of-the-art treasury management information systems, Treasury & Global Markets remains committed in ensuring that the bank remains highly protected by prudently managing its Money Market and Fixed Income portfolios. Capabilities to operate at this level are also ensured and improved with international training and development of key Treasury & Global Markets personnel via attachments (exchange programmes) along with focused tailormade programmes and seminars.

Delivering the Best for Our Customers

Moving forward, we will continue to diversify our liability sources and add incremental sources of funding and concentrate on reducing the funding costs for the Bank. At the same time, we are also developing alternative hedging mechanisms for our counterparties. We seek to provide solutions that meet our clients' liquidity needs while offering optimized 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.

This is part of our commitment towards our pledge to be the First Choice bank in Brunei Darussalam, and will strive to strengthen our product offerings and service delivery capabilities to meet this goal.

BIBD Subsidiaries



BIBD At-Tamwil

BIBD At-Tamwil Berhad is an Islamic Finance Company and a subsidiary wholly owned by BIBD, with core operations in the financing of vehicles as well as consumer products. Aside from financing activities, BIBD At-Tamwil also accepts savings and investments deposits from retail customers.

2018 had been very challenging for the company especially in new car and consumer product financing. Nevertheless, BIBD At-Tamwil Berhad was able to achieve the company's total sales was increased by 31% in 2018. BIBD At-Tamwil has recorded a profit before zakat and tax of \$38.71 million with total assets of \$874.67 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 compliant securities can do so through the access provided by BIBD Securities to the Singapore



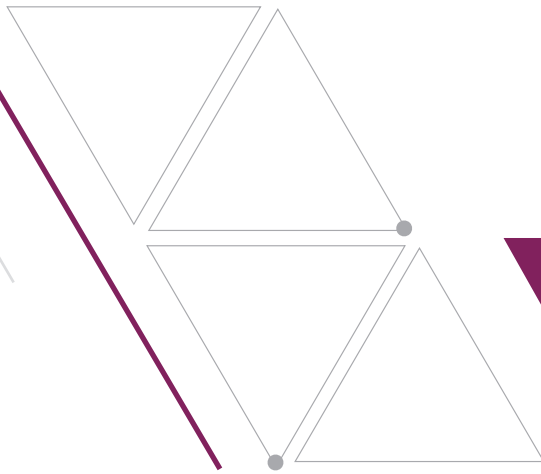
Stock Exchange and Bursa Malaysia through our respective local counterparts. BIBD Securities is also a distributor of Shariah compliant mutual funds.

Asset Management Initiative

BIBD recently embarked on a groupwide asset management strategy and aims to create a world-class sharia-compliant asset management platform by creating strategic partnerships with established asset managers. The asset management activities will be operated by BIBD Securities Sdn Bhd.

Amidst the growth of demand for Shariah compliant products, we aim to provide investment solutions to wide range of investors including retail, high net worth individuals and institutions both locally and internationally. In 2018, we entered into a strategic partnership with three global asset management firms. Asset management is identified as one of the major growth drivers of the Group.

BUSINESS SUPPORT



Finance

Human Resource and
Human Capital

Information Technology

Government Relations and
Special Projects

Finance

The Finance Division reports financial information for financial statements, budgets, management information and regulatory reporting. In addition, the Finance Division plays a crucial role as the governance and control function for vendor payments. The financial close process ensures accurate financial information is reported and made available to management, regulatory bodies and stakeholders.

For more than 25 years, BIBD has been at the forefront of Brunei's Islamic banking industry. With the Bank's growing market share, it is also the Bank's commitment to be exemplary to other participants in the industry, setting the quality and compliance culture in financial reporting.

The Finance Division aims to set the benchmark for Brunei's banking sector as well as the wider accounting community. With this goal in mind, financial disclosures are based on international standards to achieve transparency, and staff are supported on their journey to be certified by international accounting bodies. We aim to retain the best talents in the banking industry.

Acknowledging that time is of the essence, we continue to emphasize on timeliness without compromising our integrity. One of the key milestones in 2018 is automating the payment process. The journey involved internal cross-functional stakeholders and end-to-end resource planning management. It allows BIBD to use a system of integrated applications to manage the business and

automate back-office functions in areas of budgeting, procurement and payment.

In 2018, we enhanced the management reporting process to provide meaningful and timely information to senior management. The report incorporates projected asset growth, internal capital generation, business forecasts, market conditions and other developments such as regulatory changes that may impact the Group's strategy.

On the regulatory front, we support AMBD's objective of building strong sustainable frameworks and infrastructure for the financial institution industry. BIBD plays a major role in driving the industry and contributes to the country's economic development. As digital banking grows, skillsets and competencies need to be developed. We have embarked on an initiative to increase the knowledge of our staff through technical certification. This will be a continuous journey which we believe will enhance competencies in Islamic banking, accounting and finance.

Technology is one of the key enablers to drive these improvement initiatives. New technologies such as robotic process automation, analytics and business intelligence can be leveraged to develop our roles in the Finance Division. We aim to continue exploring these options to further enhance and meet the requirements of our stakeholders.

Human Resource and Human Capital



In building its human capabilities, the Human Resources and Human Capital Division (HRHCD) 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 the HRHCD's role in creating a positive, fair and performance-driven work culture that motivates BIBD employees to be a highly talented and productive workforce.

HRHCD's model



Producing a Highly-Skilled Talent Pool for Brunei Darussalam

In support of Brunei Vision 2035 to develop educated and highly-skilled people as measured by the highest international standard, strong emphasis was placed to ensure that BIBD contributes towards nation development, especially in the fourth industrial revolution. Focusing on quantity and quality, talent recruitment brought in five new members into the Leadership team to drive the business to achieve targets

and on-boarded over ninety new personnel for those areas with an increased business impact which include Compliance, IT and Sales, as well as to cater to BIBD's digital initiative through NEXGEN and new areas of business growth in asset management and the set-up of newly launched BIBD's Asian Desk. In 2018, 40% on the total learning days for BIBD employees were focused on leadership and certifications catering on improving specific target skills to enhance staff credibility and work performance. Training and certification were sourced from local and international benchmark institutions to ensure that the quality of the skillset obtained was at par with best practices. The Learning and Development Department also launched additional learning and development programs for high-potential staff to prepare them to take on future roles as BIBD's future leaders.

Moving forward, the bank seeks to improve its armory of capabilities in areas that include BASEL III and BASEL IV implementation, Islamic Investment – Shariah Stock Screening, understanding ISDA/IIFM Tahawwut Master Agreement & Credit Support Deed, Credit Risk Modelling and ISO9001:2015 Talend Training. Certification programs will also play a role to ensure standardization with international benchmarks in areas that include Financial Planning & Practitioners Program (FPPP), Anti-Money Laundering (AML) and Association of Certified Anti-Money Laundering Specialist (ACAMS) for Compliance staff and relevant IT Certification programs namely Control Objectives for Information and related Technology (COBIT) and Information Technology Infrastructure Library (ITIL). The HRHC Division is also actively involved in the organizational BIBD Transformation Group effort through the Digital Academy project to explore ways to equip the BIBD workforce to be adequately ready to face, adapt and thrive in the new digital landscape.

As one of the achievements of BIBD's human capital, we were honoured with the Outstanding International Collaboration award by the Islamic Banking & Finance Institute of Malaysia (IBFIM) in conjunction with Global Islamic Finance Forum 2018 (GIFF2018) held in Malaysia. This official recognition for the organization in talent development highlights BIBD's excellent efforts in developing Islamic finance capacities.

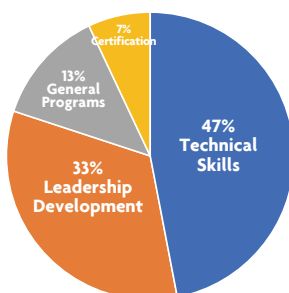
Employee Learning & Development

In 2018, a total of 2,653 learning days were conducted, of which 40% is on leadership and certifications. The learning programmes largely focused on improving specific target skills to enhance staff credibility and work performance. These programmes were conducted to increase the number of certified staff and improve staff capabilities and readiness to meet business targets, focus particularly in the areas of asset management, digitalization and in the control functions, e.g. Audit, Compliance and Risk Divisions.

12 employees received Risk Based Audit Certification by London School of Business & Finance, 20 employees completed various Microsoft Office Specialist (MOS) 2016 Certifications, 6 employees obtained Financial Planning Practitioners' Program, 7 employees completed various IT Certifications (i.e. Information Technology Infrastructure Library (ITIL) Foundation, Control Objectives for Information and related Technology (COBIT) 5, Certified Ethical Hacker and Certified Information Systems Security Professional) and 2 employees obtained Certificate in Anti-Money Laundering. We also continued to invest in our future leaders by enrolling them in prestigious international programs such as Cambridge Islamic Finance Leadership Program (IFLP). In 2018, 2 employees attended IFLP at Clare College, University of Cambridge in the United Kingdom and one of them has been placed among the top five most outstanding attendees. The program was organized to prepare the next generation of outstanding leaders in Islamic Banking and Finance by providing them with unique mentoring opportunities, rigorous leadership training from renowned leaders, and provide industry specific perspective via case studies.

To improve employee development, the Division also kick-started work to launch a new competency development framework, aimed

LEARNING DAYS BY PROGRAM



Total Learning Days : 2,653 Days
Average 3 Learning Days Per Employee

at inventorizing roles, skills and capabilities. One of the objectives of the framework is to enable employees to assess and develop their knowledge and skills in a structured manner and help them with career options in line with BIBD's business needs.



Employee Engagement

Employee engagement and communication continued to be a key agenda and the Division successfully administered a bank-wide online employee survey in May 2018 to gauge employees' experience working in BIBD, which achieved a high response rate of 89%. The survey highlighted a very positive response from staff as can be seen in the diagram below:

Follow-up engagement sessions, covering 700 employees, were conducted to further discuss staff issues and action plans at organizational and divisional levels were developed for implementation in 2019.

BIBD EMPLOYEE EXPERIENCE SURVEY 2018



New Benefit Introduced in 2018:

The BIBD Employee Study Assistance policy was revised in 2018 to cover all full-time employees of BIBD and its subsidiaries at various levels in the organization. This is to encourage employees to take responsibility for their own personal and professional growth and development through academic and professional qualifications.

Information Technology



Cyber security is of the utmost importance and we have invested almost 30% of our IT budget to minimise cyber threats. To protect BIBD customers against cyber risks, the Technology Department implemented several projects in 2018. This includes the privileged access management to secure privileged accounts and data loss protection to prevent data leakage. In addition, we conducted a risk assessment and identified risks that required immediate attention. The 24/7 Security Operation Centre (SOC) was established in partnership with the regional Managed Security Service Provider (MSSP) for early detection and prevention of security threats.

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

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

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

In 2019, the Technology Department aims to enhance the infrastructure reliability, scalability and security. BIBD has made significant investments in information security prevention systems, as well as monitoring tools for cybersecurity and infrastructure stability. To minimise risk of malwares and viruses, all ATMs and CDMs will be upgraded from Windows 7 to Windows 10. The Bank will also conduct information security awareness sessions and cybersecurity response exercise for all staff. Developing a highly competent and motivated workforce is essential, coupled with a healthy work-life balance for a sustainable optimum performance.

Government Relations and Special Projects



Government Relations and Special Projects

In maintaining our position as the Bank of Choice, the GRSP (Government Relations and Special Projects) division continues its commitment in maximizing the Bank's potential and realizing untapped potential and opportunities for both the bank and all its stakeholders through close collaboration and partnerships.

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

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



Empowering a Highly Educated Community into Wawasan 2035

Initiatives under the BIBD Corporate Social Responsibility (CSR) umbrella aims to empower individuals to be socially responsible and to contributing towards the sustainability of community and nation through its three core pillars of Education, Entrepreneurship, and Community. The initiatives under BIBD's CSR are also developed in collaboration with government agencies and bodies, along with other like-minded and committed private institutions looking to contribute towards nation-building.

Launched in 2008, the BIBD CSR initiatives has expanded tremendously, creating a wider impact to deliver sustainable outcomes to contribute towards the development of Brunei Darussalam's community. The Bank initiatives have been instrumental in transforming the lives of various segments of the community, particularly the underprivileged.

The BIBD ALAF (Advocating Life-Long Learning for an Aspiring Future) programme has seen further improvements in its capabilities which is paramount to its success as it now carries a total of 215 underprivileged students under its care. Complemented by the recent initiatives that include the expansion of its BIBD ALAF programme, and in our commitment towards creating future leaders, the BIBD ALAF office is now equipped with a digital hub that exposes students to the latest digital technologies as part of their learning and development. The hub complements the introduction of the ALAF Young Innovator Club to allow students to apply their creativity with the use of advanced tools, including the use of Micro:Bit, as a learning and development platform.

These tools allow the students to reach out and explore their capabilities to engage in extracurricular programs crafted together with the Ministry of Religious Affairs and Ministry of Education that includes education camps during school term holidays for personal and educational development encompassing debate activities on national topics. The students also created another first via the ALAF Sayyidul Istighfar video project which is a collaboration with the Ministry of Religious Affairs through the Islamic Da'wah Center, Islamic Studies Department in supporting efforts to strengthen Brunei Darussalam as a zikir state.

Communities coming closer by Banking-Supported Public-Private Partnership

BIBD continues to push boundaries of what a bank can and should be, and as the First Choice for our stakeholders, BIBD is fully involved in supporting the economy and in the spirit of giving back to the community. This project was also set up in response to His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam's Titah in promoting collaboration between the Public and Private sectors, such as Ministry of Communications, Ministry of Home Affairs and Ministry of Development, in providing the best service to customers and community.

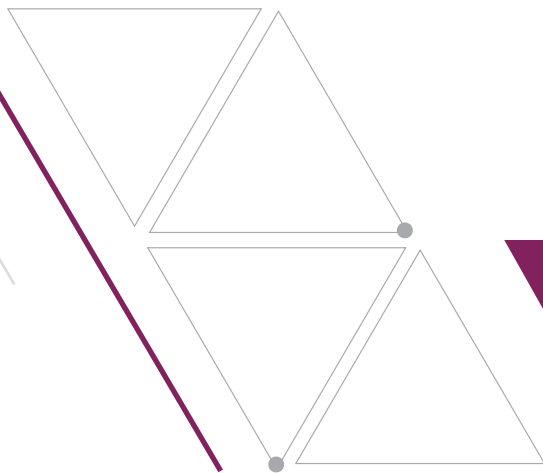
In this spirit, we launched BIBD Connects, a structure that utilizes a 'container concept' approach housing services/facilities including Brunei's only drive-through ATM. The site, which was transformed from a quiet residential area by BIBD, provides the community and MSMEs a platform for constant engagement for fostering better community activities along with MSME growth.

Due to our strong collaboration with the Brunei government and corporates, we were able to maintain a cost-effective position for BIBD Connects at 52% less off market cost of building an actual brick and mortar branch. With only one month from concept to completion, BIBD Connects is the product of public-private partnership initiated by BIBD in close collaboration with the Brunei government as part of our underlining directive to promote ease of doing business and enhance opportunities for local small and medium-sized enterprises. This in turn creates more business opportunities whilst providing alternative income streams for Brunei's economy, and a conduit for the smaller businesses to be potential BIBD corporate customers.

Creating Skilled Entrepreneurs

In our efforts in widening our reach to empower more segments of the community, the BIBDSEED Programme was established in October 2018, in collaboration with the Ministry of Religious Affairs and Ministry of Culture Youth and Sports. The programme aims to empower underprivileged mothers and women by providing relevant knowledge, training and skills in entrepreneurship, to teach, guide and mentor them in the management of sustainable businesses, generate steady income and support themselves and their families. The fifteen-month programme consists of four phases that provide continuous monitoring and coaching under close observation and mentoring from representatives in related industries and local training facilitators.

CORPORATE MILESTONES



United through Regional
Connectivity for Mutual Success

Embarking on the Next Digital Revolution

Connecting Our Community

International Recognition for BIBD

Corporate Social Responsibility

Nurturing Entrepreneurship, Investing in Growth

Sharing Our Blessings

Giving Back to the Community

Fortifying Brunei's Future: BIBD ALAF

United through Regional Connectivity for Mutual Success



Supporting Seamless National and Regional Banking Integration

Collaborating towards hosting the 48th ASEAN Banking Council, BIBD along with all the other banks in Brunei via the Brunei Association of Banks, welcomed senior personnel and representatives from banks across the South East Asia region, along with the ASEAN Bankers Association (ABA) into a 2-day council meeting in Brunei Darussalam.

The meetings, held for the second time in Brunei Darussalam, were held to strengthen cohesion and formulate strategies to support better ASEAN integration and contribute to the ASEAN Economic Community. At the same time, the ABA also seeks to increase efforts in regional and global policy advocacy.

One of the key topics for discussion was improving FDI into the region which was highlighted by the guest of honour, Minister at the Prime Minister's Office and Minister of Finance and Economy II, and BIBD Chairman, Yang Berhormat Dato Seri Setia Dr Awang

Haji Mohd Amin Liew bin Abdullah. He emphasized on the efforts to drive national diversification within an emerging and vibrant economic bloc that practices cohesion and solidarity for the purpose of prosperity.

At the same time, the meetings also highlighted embracing digital innovations and infrastructure requirements to support rapid urbanisation and further improve regional connectivity to stimulate further economic activity and cross-border trade.

Facilitating Foreign Direct Investments with BIBD's Asian Desk

Serving as a one-stop centre that caters to Foreign Direct Investment (FDI) companies with enhanced support and conveniences, BIBD's Asian Desk showcases the Bank's commitment to facilitate the growth of Brunei Darussalam's economy. The BIBD Asian Desk offers the ability to transact in additional currencies and is managed by Relationship Managers fluent in multiple languages to encourage more FDIs into the country.

Embarking on the Next Digital Revolution



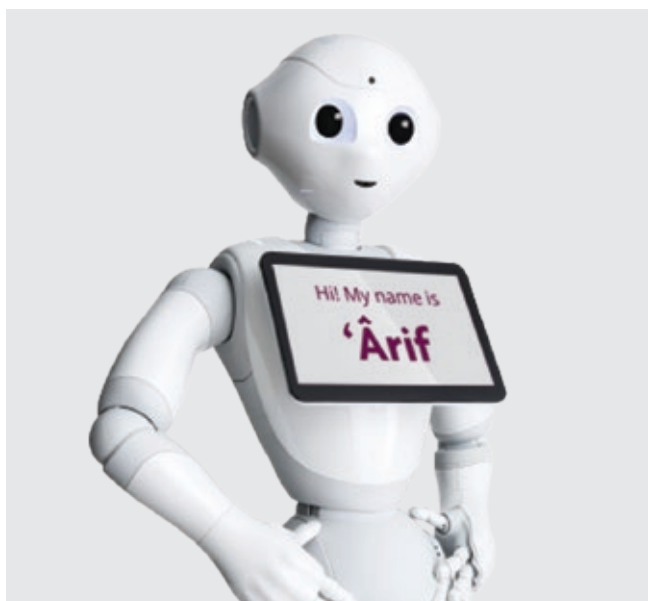
BIBD NEXGEN: Infinity of Possibilities for a Digital Banking Revolution

Harnessing the latest innovations in artificial intelligence, virtual reality, machine learning, data analytics, and customer insights, BIBD NEXGEN was launched as a new and futuristic digital banking concept that will revolutionise the future of banking, symbolising BIBD's position as a pioneer in the digital space to offer enhanced customer convenience and connectivity.

As an enabler to support larger economic efforts and financial ecosystems, BIBD NEXGEN aims to transform traditional banking and create a 'branchless banking' proposition while promoting key alliances across different industries within and beyond our shores, establishing local, regional, and international partnerships to create synergies through interoperability and open infrastructures. BIBD NEXGEN also promotes enhanced interconnectivity through digital adoption in society to progress the economy towards becoming a more documented, secured, and digitised nation.

Through platforms 'Powered by BIBD NEXGEN' via mobile-led digital technologies, banking services will become more accessible to the public and provide financial inclusion for the unbanked and underserved segments. The concept introduces next-generation experiences that allow instant account openings and registration for BIBD NEXGEN Mobile, which also received some updated conveniences including biometric log in capabilities, instant remittance services, and eCredit.

The launch of BIBD NEXGEN included the unveiling of its first truly digital branch located at the Mall, Gadong. A first of its kind in Brunei Darussalam, the branch showcases cutting-edge technologies such as virtual reality, and augmented interactive screens. The BIBD NEXGEN branch also features its first BIBD NEXGEN ambassador, aptly named Arif which is Malay for smart and wise.



BIBD BizNet Mobile App and QuickPay: Supporting the De-cashing of Brunei's Economy with Seamless Transactions

Catered towards mobility and convenience, BIBD BizNet Mobile and QuickPay were launched in tandem to offer MSMEs with cost-friendly services that bridge the digital gap between customers and business owners, particularly budding entrepreneurs. The new services aim to reduce dependencies on physical cash and receipts, and promote further ease of doing business in Brunei Darussalam for the development of a well-documented, soundly secured, and highly digitised economy as according to His Majesty's Vision 2035.

The QuickPay service is designed to offer affordable conveniences for businesses, especially MSMEs, that may not possess the capital to invest in cash registers or point-of-sale machines. At the same time, customers are able to have instant access to their CASA, cards and loyalty points as a mode of payment. Building on BIBD's existing QR payment platform, QuickPay allows for seamless digital transactions made instant with a three-step method of scan,

pay, and confirm, removing the need for physical terminals in accepting cash and card payments.

On the other hand, the mobile application for BIBD BizNet offers corporate clients and government-linked companies in Brunei Darussalam real-time mobile access to their day-to-day accounts, payments operations support, as well as a collection of other enhanced features including single security token access for Parent and Subsidiary accounts, payment approvals, and fund transfers.

Encouraging a Savings Culture with BIBD Aspirasi

BIBD Aspirasi was introduced to support the nation's and AMBD's objectives to promote a savings culture and prudent money management in Brunei Darussalam. BIBD Aspirasi is aimed at promoting better financial management habits and decision-making skills in line with His Majesty The Sultan's Titah calling for prudence in spending and the practice of thrift as they contribute the country's stability and prosperity as well as economic survival, and saving through financial planning for future needs.

This was further echoed by His Royal Highness The Crown Prince during his speech at the inaugural launch of National Savings Day organized by AMBD on raising and developing people's knowledge and understanding of financial matters towards creating a financially literate society.

BIBD Aspirasi is also part of BIBD's commitment to not only support the aspirations of its customers, but to also add value to the social and economic well-being of the country as it offers a life-changing reward program that with an annual grand prize of B\$250,000, quarterly prizes of B\$25,000, and monthly prizes of B\$2,500. The reward program encourages BIBD customers to save for their financial future by effectively managing their savings, especially via the convenience of the BIBD NEXGEN Mobile and Online platform.

Connecting Our Community



Boost for the community and MSMEs with BIBD Connects

Due to our shared strong commitment towards nation building with the Brunei government and other small businesses, BIBD launched its first community hub, BIBD Connects, at the heart of the Skim Tanah Kurnia Rakyat Jati Lambak community, offering members of the public a convenient and unique one-stop location equipped with amenities such as banking, food & beverage, as well as a dedicated leisure area. The hub also features BIBD's first ever drive-through ATM, allowing daily banking engagements to process much quicker.

At the same time, we were able to maintain a cost-effective position for BIBD Connects at more than half off market cost of building an actual brick and mortar branch. With only one month from concept to completion, BIBD Connects underpins national the directive to promote ease of doing business and enhance opportunities for local small and medium-sized enterprises. This in turn creates more business opportunities whilst providing alternative income streams for Brunei's economy. This is also a

conduit for the smaller businesses to be potential BIBD corporate customers.

As a key public-private partnership project, BIBD Connects was developed to spur business opportunities for local MSMEs while ensuring continued development towards a more innovative infrastructure. BIBD Connects also showcases the capabilities of local designers and contractors in design-thinking new concepts and developing modern architecture, while also highlighting the Bank's collaborative efforts in making ideas a reality.

Expanding Brunei's Largest Banking Network of Branches and ATMs

To provide customer conveniences across a fast expanding network of branches and channels, BIBD launched a new ATM at Mabohai and opened its 17th branch at One Station, Mentiri, for the convenience of residents near the area. The Mentiri Branch caters to all banking transactions and complements BIBD's Contact Centre as well as other digital offerings included under the BIBD NEXGEN platform. At present, BIBD operates the largest network of branches and ATMs in Brunei Darussalam nationwide.

International Recognition for BIBD



One of the Best Banks in Asia-Pacific and the Best Bank in Brunei

BIBD was conferred as one the Best Banks in Asia-Pacific and the country winner for Brunei Darussalam by leading financial publication Global Finance in its 25th annual World's Best Banks Awards. Global Finance also commended the winners for being world-class leaders, responding adeptly to shifting political winds, new technologies, and changing market conditions.

Safest Bank in the Country

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

Best Retail Bank in Brunei for 6th Year Running

BIBD was once again recognised as the Best Retail Bank in Brunei Darussalam by The Asian Banker for a record sixth consecutive year, highlighting the Bank's various innovative customer solutions and conveniences as the forefront of its digital transformation. BIBD was also commended for its processes and infrastructure optimisation to increase its banking efficiency and productivity as well as its strong presence and largest customer base in the country.



Representing Brunei in the Top 10 List of Strongest Banks in Asia-Pacific and Second Strongest Bank in South-East Asia

As the country's largest banking institution, BIBD was ranked as the second Strongest Bank in South-East Asia and one of the top 10 Strongest Banks in Asia-Pacific by The Asian Banker. Among Asia-Pacific's top 500 Strongest Banks by Balance Sheet, BIBD progressed from its previous ranking at 14th place, remaining as the only Bruneian bank to be featured and marking the Bank's third consecutive year.

BIBD was commended on the improvement of its strength score, its strong capital and liquidity positions, as well as its improved asset quality, which contributed to the Bank's ability to achieve a robust standing in balance sheet results.

IBFIM Outstanding International Collaboration Award: Developing Opportunities and Capabilities in Islamic Finance

Recognised for its excellent efforts in developing Islamic finance capabilities, BIBD received the Outstanding International Collaboration Award from Islamic Banking and Finance Institute Malaysia (IBFIM) in conjunction with the Global Islamic Finance Forum 2018.

IBFIM commended BIBD for its investments in talent development and upskilling of professionals, strengthening the Bank's competitive positioning. Since 2011, almost sixty Islamic Financial Planners have achieved certification, enabling them to offer highly proficient and informed consultation services to our customers.

Corporate Social Responsibility

To operate with steadfast commitment to social responsibility is part of our mission at BIBD. BIBD's growth, motivated by our Bruneian at Heart DNA, is guided by sound and sustainable practices reflected in our CSR (Corporate Social Responsibility) strategies.

Our CSR programmes are founded on three key pillars; education, social entrepreneurship and community growth.

Education projects nurture future leaders and thoughtful citizens. As a bank, we have particular expertise in financial knowledge and skills. As part of BIBD's educational initiatives, we have organised various financial awareness programmes designed to equip Bruneians with greater financial literacy in order to help them manage their personal finances better. In this regard, the Bank's accredited personal financial planners arrange regular talks on the importance of prudent and perennial financial planning at public, private and educational institutions.

One of our leading CSR programmes, BIBD ALAF (Advocating Life-Long Learning for an Aspiring Future) is now in its fifth year and currently supports 170 students. BIBD endeavours to support the education of young underprivileged Bruneians by providing them with the educational tools necessary to their progress. Apart from this, BIBD ALAF also organises various activities such as learning camps, public speaking workshops and more, in order to ensure that the students receive a holistic and well-rounded education.

As Brunei pursues greater economic diversification, the Bank will continue to nurture entrepreneurship within the community in order to drive the growth of new business. Through our partnership with FashionValet, four local designers were able to showcase and sell their products at the annual FashionValet pop-up event. These four designers are part of BIBD's Catalyst programme, an entrepreneurship project aimed at establishing mentor-mentee relationships for local Bruneian designers to help elevate them to international standards. BIBD also organised the BIBD Connects Pop Up Market, attended by more than twenty SME's, and was part of our efforts to promote local SME businesses, directly improving their capabilities to become more robust and sustainable.

Community projects preserve our tradition and way of life, helping Bruneians help each other and the environment. These are the projects with the widest social impact, and which the Bank holds closest to our heart.

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

Nurturing Entrepreneurship, Investing in Growth



BIBD strives to nurture and support innovation, creativity and the analytical prowess of our future generation, encouraging them to think divergently while maintaining a positive outlook. Keeping in line with Brunei Darussalam's Vision 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.

Supporting the Growth of Local Businesses with BIBD's MSME Account

BIBD launched its BIBD MSME Account, specifically designed to accommodate the needs of micro, small, and medium enterprises (MSME) in Brunei Darussalam. The account requires a much lower minimum opening and average monthly balance than usually imposed by most banks for corporate accounts and features access to a range of corporate banking services which include automatic listing into BIBD's list of payees on BIBD's digital banking

application, and BIBD SME 360, the Bank's initiative to promote sound financial discipline in business management and personal financial management.

Nurturing Entrepreneurial Spirit Among Our Youths: The BigStart Competition

As part of a collaborative effort between BIBD, Radio Television Brunei, and the Ministry of Education, the annual BigStart Competition aims to empower public-private efforts in nurturing the spirit of entrepreneurialism among our youths and promoting interest in business at an early age.

Open to students at the elementary level, the competition develops early student creativity especially in project planning and conducting business. BIBD continues to support pro-entrepreneurial government initiatives in line with the Bank's objectives to create a generation of innovative youths prepared to compete in local and international markets.



BIBD Catalyst Programme: Promoting Local Businesses Beyond Brunei's Borders

The BIBD Catalyst Programme is an entrepreneurial project aimed at establishing mentor-mentee relationships for local Bruneian enterprises from varying industries and elevating them to international standards, able to export and cater to markets beyond Brunei Darussalam. In the programme's first cycle, 9 local businesses were offered mentorships with FashionValet (FV) along with the opportunity to sell their products through FV's online store.

Developing Business-savvy 'Muslimpreneur' Women with the BIBDSEED Programme

The "Special Underprivileged Mothers Empowerment Entrepreneurship Development" programme (BIBDSEED) aspires to enhance the livelihood of underprivileged mothers in Brunei

Darussalam by empowering and facilitating their development as competitive, resilient, and successful entrepreneurs in the local and international markets.

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

Sharing Our Blessings



BIBD Hands Over Business Zakat for 2017

BIBD's Zakat on Business for 2017 amounted to approximately B\$2.1 million, while Zakat for customer deposits for the period of 2017-2018 came in at more than B\$720 thousand.

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 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 MUIB President.

In order to also help its Muslim customers meet this obligation, BIBD has provided its customers the convenience to pay their Zakat for customer deposits at its branch counters in Brunei Darussalam. 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.

Celebrating Aidil Adha with Members of the Kilanas Community

BIBD celebrated Hari Raya Aidil Adha at Masjid Duli Raja Isteri Pengiran Anak Damit, where a total of five buffalos were sacrificed and distributed to more than thirty recipients, comprising underprivileged members of the community among others. BIBD also contributed 150 Yaasin books to the mosque. Present as 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 Deputy State Mufti.

Giving Back to the Community



Providing Support to Those in Need

As a responsible corporate citizen, BIBD continues its commitment to elevate the welfare of underprivileged families in Brunei Darussalam and give back to the community through its various meaningful activities.

The BIBD HOPE project was launched to provide underprivileged families with safe and comfortable homes through mutual collaborative relations between government agencies, the private sector, universities, and NGOs. Through the mutual focus of community support, two families in the Tutong District were selected as part of the project and had their homes renovated and refurbished.

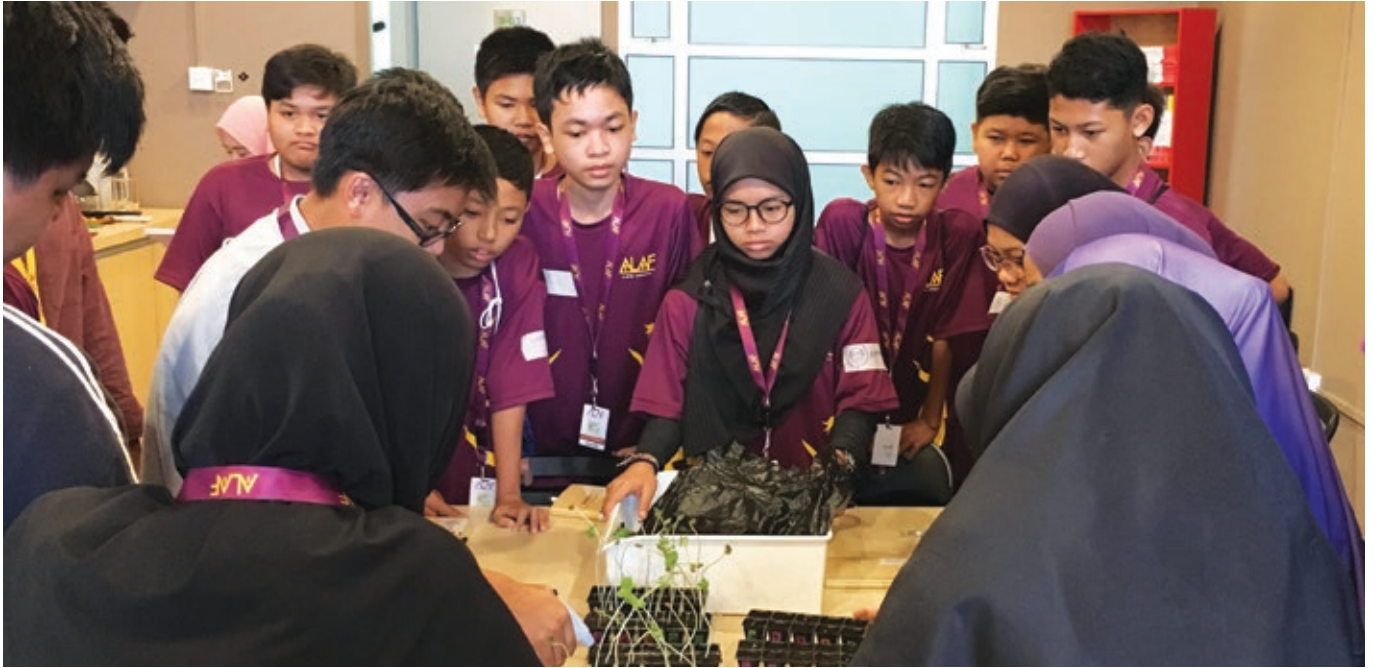
The BIBD Sirah Amal initiative has been providing support and relief to underprivileged members of Brunei Darussalam's community across all its four districts. The Bank and its staff came together to bring joy to the families they visited, contributing relief items and donations to help the families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

As part of a cooperative effort between BIBD and the Community Development Department (JAPEM), Ministry of Culture, Youth and Sports, almost B\$100,000 donated to over three thousand orphans across all four districts. BIBD also awarded more than twenty orphans with cash vouchers for their excellent exam results as part of the Bank's 'Outstanding Student Encouragement Scheme'.

Project BIBD TIFFIN: Healthy Eating Habits for Healthy Minds

In close collaboration with the Ministry of Education and selected strategic partners, BIBD introduced Project BIBD TIFFIN to enhance public awareness on the importance of balanced meals in student development. The program will ensure that children attending selected rural schools across all four districts are provided healthy meals containing the right balance of nutrition essential for them to be more active and receptive in their studies.

Fortifying Brunei's Future: BIBD ALAF



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

The BIBD ALAF Programme strives to provide education and learning, the essentials of individual growth and key indicators of national development, to less fortunate children in Brunei Darussalam so 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.

Throughout 2018, BIBD awarded programme scholarships to 31 new students, bringing the total number of students enrolled to 166. The program recorded great successes in 2018; its PSR students scored 100% passes with 35% obtained 5A's. Two students taking the Sijil Peperiksaan Agama Brunei (SPUB) Exams

both scoring distinctions in their results. One of the BIBD ALAF students was also recognised as Top 10 in the World in Mathematics by the World Mathematics Olympics.

As part of our efforts to ensure that the BIBD ALAF Programme participants provides a holistic and well-rounded educational experience, twenty ALAF students participated in our annual ALAF Convention. The theme of this year's convention was Brunei Wawasan 2035, and covered topics ranging from education to economy, tourism and health. During the convention, students also shared their perspectives of the current situation in Brunei, proposing areas that can be improved through their own research whilst also identifying best practices implemented overseas that can be applied to Brunei.

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

BANK ISLAM BRUNEI DARUSSALAM AND ITS SUBSIDIARIES

Financial Statements
Year Ended 31 December 2018



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Directors' Report

The directors have pleasure in presenting this report together with the audited financial statements of Bank Islam Brunei Darussalam Berhad ("the Bank") and its subsidiaries ("the Group") for the financial year ended 31 December 2018.

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 BS'000	Bank BS'000
Profit for the year	147,903	139,735
Attributable to:		
Equity holders of the Bank	146,328	139,735
Non-controlling interest	1,575	—
	<u>147,903</u>	<u>139,735</u>

Dividends

The amount of dividends paid by the Bank since 31 December 2017 are as follows:

	BS'000
In respect of the financial year ended 31 December 2017:	
Final dividend of 5.075 cents per ordinary share paid on 9 August 2018	36,781

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2018 of 12.17 cents on 724,749,512 number of ordinary shares, amounting to B\$88,202,016 will be proposed.

Directors

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

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

Majeed Nasser Alsubeaei

Dr Abdul Manaf bin Haji Metussin (retired on 30 January 2018)

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

Directors' interests

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

Name of directors	Number of ordinary shares of B\$0.70 each	
	At beginning of the year	At end of the year
Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah	—	2
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 22 March 2019

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

Mubashar Khokhar
Managing Director

Junaidi bin Hj Masri
Director

Brunei Darussalam

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages FS1 to FS135 are drawn up in accordance with the Brunei Darussalam Companies Act, Cap. 39 (the “Act”), Islamic Banking Order, 2008 (the “Order”) and International Financial Reporting Standards (“IFRS”) so as to give a true and fair view of the financial position of the Group and the Bank as of 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and the Bank for the financial year ended 31 December 2018.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 March 2019:

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

Mubashar Khokhar
Managing Director

Junaidi bin Hj Masri
Director

Brunei Darussalam

Shariah Advisory Body Report

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وعلى آله 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 2018 to ensure conformity with the rules and principles of Shariah.
- b) In ensuring the Bank and the Group has complied with the Shariah rules and principles and rulings issued by us, we have also performed oversight role through the Shariah review and Shariah audit functions carried out by the Shariah and Internal Audit Division.
- c) We have assessed the work carried out by Shariah Division and Shariah Audit and its effectiveness to implement the Shariah Governance Framework which included pre and post Shariah review and examination, on a test basis towards the business transaction, the relevant documentations and procedures adopted and/or entered into by the Bank.
- d) The Bank and the Group's management are responsible for ensuring that their business operations are conducted in accordance with Shariah rules and principles. It is our responsibility to present an independent opinion base on our review of the Bank and the Group's business operations and to subsequently report to you.
- e) We obtained all information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank and the Group has not violated the Shariah rules and principles in all transaction that had been presented to us.

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

- a. The products and services, contracts and dealings transactions entered into by the Bank and the Group during the financial year ended 31 December 2018, that we have reviewed are in compliance with Shariah rules and principles;
- b. In fulfilling with the Shariah compliancy, all tainted earnings that have been realised from sources or manner which have not fulfil the Shariah requirement have been separated and considered for disposal to *Maṣlaḥah 'Āmmah* (public benefit); 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
22 March 2019



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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 2018, 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 FS135.

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"), Islamic Banking Order, 2008 (the "Order") and International Financial Reporting Standards ("IFRS"), so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018 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, Mission and Values, Management Insights, About Us, Business Review and Corporate Milestone* ("*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.

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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, the Order 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.



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.

A handwritten signature in blue ink, appearing to read 'KPMG LLP'.

KPMG LLP

*Singapore Public Accountants and
Singapore Chartered Accountants*

A handwritten signature in blue ink, appearing to read 'David Jason Waller'.

David Jason Waller

Brunei Darussalam Public Accountant

Singapore

22 March 2019

Income Statements
Year ended 31 December 2018

		Group		Bank	
	Note	2018	2017	2018	2017
		BS'000	BS'000	BS'000	BS'000
Profit from financing, leasing and investments	3	354,229	300,392	304,841	252,582
Profit paid/payable to depositors	4	(60,071)	(42,582)	(57,213)	(39,534)
Net profit margin		294,158	257,810	247,628	213,048
Fee and commission income	5	34,728	33,360	34,020	32,112
Fee and commission expense	5	(6,221)	(5,457)	(6,221)	(5,457)
Net fee and commission income		28,507	27,903	27,799	26,655
(Loss)/gain from derivatives and investments	6	(108,961)	282,551	(108,961)	282,551
Net foreign exchange gain/ (loss)	6	85,247	(287,894)	85,247	(287,894)
Other operating income	7	26,904	51,151	46,477	113,659
Total income		325,855	331,521	298,190	348,019
Less:					
Personnel expenses	8	(65,012)	(70,745)	(57,614)	(59,677)
Other expenses	9	(65,294)	(74,370)	(59,606)	(56,791)
Total operating expenses		(130,306)	(145,115)	(117,220)	(116,468)
Operating profit before allowances		195,549	186,406	180,970	231,551
Less:					
Allowance for impairment on financing and advances, net	10	(14,029)	(38,222)	(11,162)	(36,374)
Allowance for impairment on receivables		(413)	(1,864)	(413)	(739)
Allowance for impairment on investments, net	11	(167)	(1,964)	(640)	(1,964)
Allowance for investment in subsidiary, net		—	—	—	(1,715)
Operating profit		180,940	144,356	168,755	190,759
Share of profit of associate and joint ventures	25	4,803	2,073	—	—
Profit before zakat and tax		185,743	146,429	168,755	190,759
Less:					
Zakat	12	(2,927)	(2,692)	(2,927)	(2,692)
Income tax expense	13	(34,913)	(27,555)	(26,093)	(18,249)
Total zakat and income tax expense		(37,840)	(30,247)	(29,020)	(20,941)
Profit for the year		147,903	116,182	139,735	169,818
Profit for the year attributable to:					
Equity holders of the Bank		146,328	110,582	139,735	169,818
Non-controlling interests		1,575	5,600	—	—
Profit for the year		147,903	116,182	139,735	169,818
Earnings per share					
Basic earnings per share (dollars)	15	0.20	0.15		
Diluted earnings per share (dollars)	15	0.20	0.15		

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

Statements of Comprehensive Income
Year ended 31 December 2018

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Profit for the year	147,903	116,182	139,735	169,818
Other comprehensive income:				
<i>Items that are or may be reclassified to profit or loss</i>				
Fair value reserve :				
- Net change in fair value	(6,774)	–	(6,819)	–
- reclassified to profit or loss	(11)	–	(11)	–
Fair value reserve (available-for-sale financial assets):				
- Net change in fair value	–	804	–	803
- reclassified to profit or loss	–	437	–	594
Share of other comprehensive income of associate	1,369	893	–	–
Tax on other comprehensive income	709	(258)	709	(258)
Other comprehensive income for the year, net of tax	(4,707)	1,876	(6,121)	1,139
Total comprehensive income for the year	143,196	118,058	133,614	170,957
Attributable to:				
Equity holders of the Bank	141,621	112,458	133,614	170,957
Non-controlling interests	1,575	5,600	–	–
Total comprehensive income for the year	143,196	118,058	133,614	170,957

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

Statements of Financial Position
As at 31 December 2018

		Group		Bank	
	Note	2018	2017	2018	2017
		BS'000	BS'000	BS'000	BS'000
Assets					
Cash and cash equivalents	16	2,497,449	2,419,360	2,503,325	2,610,380
Balances with Autoriti Monetari					
Brunei Darussalam	17	445,202	456,933	407,452	419,913
Placements with and financing					
and advances to banks	18	2,015,303	1,974,964	2,377,589	2,150,964
Government sukuks	19	20,414	16,198	20,414	16,198
Investments	20	1,182,348	1,179,002	1,182,348	1,179,002
Derivative financial assets	21	27,831	40,865	27,831	40,865
Financing and advances	22	3,682,451	3,231,905	2,974,352	2,639,100
Finance lease receivables	23	12,620	12,587	12,620	12,587
Investments in subsidiaries	24	—	—	27,489	39,804
Investment in associate and joint					
ventures	25	38,858	17,388	22,358	7,080
Other assets	26	41,113	41,786	70,227	31,712
Property and equipment	27	65,454	174,470	49,394	50,392
Investment property	28	24,630	25,887	24,630	25,887
Deferred tax assets	29	7,951	—	8,034	6,038
Total assets		10,061,624	9,591,345	9,708,063	9,229,922
Liabilities and equity					
Deposits from customers	30	7,621,133	7,526,368	7,512,448	7,434,748
Deposits from banks and other					
financial institutions	31	551,523	521,433	424,413	394,108
Placements from other financial					
institutions	32	498,875	240,716	498,875	240,716
Derivative financial liabilities	21	14,411	15,860	14,411	15,860
Other liabilities	33	117,753	115,400	109,245	99,808
Zakat	34	3,566	2,831	3,566	2,831
Provision for taxation	34	69,939	54,783	56,188	38,150
Deferred tax liabilities	29	—	3,371	—	—
Total liabilities		8,877,200	8,480,762	8,619,146	8,226,221
Equity					
Share capital	35	507,325	507,325	507,325	507,325
Statutory reserves fund	36	534,433	497,499	493,429	458,495
Other reserves	36	142,666	84,583	88,163	37,881
Total equity attributable to equity holders of the Bank		1,184,424	1,089,407	1,088,917	1,003,701
Non-controlling interests		—	21,176	—	—
Total equity		1,184,424	1,110,583	1,088,917	1,003,701
Total liabilities and equity		10,061,624	9,591,345	9,708,063	9,229,922

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 2018 and the financial performance for the year ended 31 December 2018.

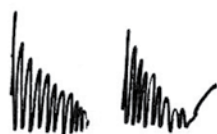


Mubashar Khokhar
Managing Director

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



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



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam
22 March 2019

Statement of Changes in Equity
Year ended 31 December 2018

Group	Note	Share capital B\$'000	Statutory reserve B\$'000	Fair value reserve B\$'000	-----Other reserves-----				Total shareholders' funds B\$'000	Non-controlling interests B\$'000	Total equity B\$'000
					Foreign currency translation reserve B\$'000	Retained profits B\$'000					
At 31 December 2017		507,325	497,499	2,406	(18)	82,195		1,089,407	21,176		1,110,583
Adjustment on initial application of IFRS 9	2.1	–	–	2,670	–	(11,183)		(8,513)	–		(8,513)
Restated balance at 1 January 2018		507,325	497,499	5,076	(18)	71,012		1,080,894	21,176		1,102,070
Profit for the year		–	–	–	–	146,328		146,328	1,575		147,903
Other comprehensive income		–	–	(4,707)	–	–		(4,707)	–		(4,707)
Total comprehensive income for the year		–	–	(4,707)	–	146,328		141,621	1,575		143,196
Transfers to statutory reserve	36	–	36,934	–	–	(36,934)		–	–		–
Foreign currency movement		–	–	–	(12)	–		(12)	–		(12)
Transactions with owners of the Bank											
Changes in ownership interest in subsidiaries											
Disposal of interest in subsidiaries		–	–	–	–	(1,298)		(1,298)	(22,751)		(24,049)
Contributions and distributions											
Dividends paid on ordinary shares	14	–	–	–	–	(36,781)		(36,781)	–		(36,781)
Total contributions and distributions		–	–	–	–	(36,781)		(36,781)	–		(36,781)
At 31 December 2018		507,325	534,433	369	(30)	142,327		1,184,424	–		1,184,424

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

Statement of Changes in Equity (Cont'd)

-----Other reserves-----									
Group	Note	Share capital B\$'000	Statutory reserve B\$'000	Fair value reserve B\$'000	Foreign currency 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 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	36	—	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.

Statement of Changes in Equity
Year ended 31 December 2018

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 31 December 2017		507,325	458,495	377	37,504	1,003,701
Adjustment on initial application of IFRS 9	2.1	–	–	2,625	(14,242)	(11,617)
Restated balance at 1 January 2018		507,325	458,495	3,002	23,262	992,084
Profit for the year		–	–	–	139,735	139,735
Other comprehensive income		–	–	(6,121)	–	(6,121)
Total comprehensive income for the year		–	–	(6,121)	139,735	133,614
Transfer to statutory reserve	36	–	34,934	–	(34,934)	–
Transactions with owners of the Bank						
Contributions and distributions						
Dividends paid on ordinary shares	14	–	–	–	(36,781)	(36,781)
Total contributions and distributions		–	–	–	(36,781)	(36,781)
At 31 December 2018		507,325	493,429	(3,119)	91,282	1,088,917

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

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 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	36	–	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.

Statements of Cash Flows
Year ended 31 December 2018

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Cash flows from operating activities				
Profit before zakat and tax	185,743	146,429	168,755	190,759
Adjustments for:				
Dividend income from subsidiaries	–	–	(30,000)	(98,328)
Allowance for impairment on financing and advances	14,029	38,222	11,162	36,374
Allowance for impairment on receivables	413	1,864	413	739
Change in fair value of derivatives and investments	23,714	5,785	23,714	5,708
Depreciation of property and equipment and investment property	17,754	20,067	13,650	13,363
Allowance for impairment of investments, net	167	1,964	640	1,964
Allowance for impairment on investment in subsidiary, net	–	–	–	1,715
Loss/(gain) on disposal of property and equipment	81	(138)	–	(138)
Loss on write-off of investment property	–	243	–	243
Share of profit of associate and joint ventures	(4,803)	(2,073)	–	–
	237,098	212,363	188,334	152,399
Changes in:				
Deposits from customers	96,799	348,925	79,734	357,334
Deposits from banks and other financial institutions	30,090	11,161	30,305	30,169
Other liabilities	4,856	12,423	9,024	17,397
Balances with Autoriti Monetari Brunei Darussalam	11,731	6,449	12,461	10,618
Placements with and financing and advances to banks	(44,850)	552,067	(232,850)	449,417
Government sukuks	(4,218)	10,517	(4,218)	10,517
Investments	(16,143)	(413,271)	(16,188)	(418,241)
Placements from other financial institutions	258,159	182,844	258,159	182,844
Financing and advances	(398,485)	(92,188)	(360,060)	(81,327)
Other assets	(8,620)	(5,331)	(38,549)	13,602
	166,417	825,959	(73,848)	724,729
Zakat paid	(2,192)	(3,898)	(2,192)	(3,899)
Taxes paid	(13,235)	(29,416)	(5,612)	(21,811)
Net cash generated from/(used in) operating activities	150,990	792,645	(81,652)	699,019

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

Statements of Cash Flows (Cont'd)
Year ended 31 December 2018

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Cash flow from investing activities				
Purchase of property and equipment	(26,116)	(14,909)	(11,348)	(14,509)
Purchase of investment property	(47)	(12)	(47)	(12)
Investment in subsidiary	–	–	(2,963)	(693)
Proceeds from disposal of property and equipment	–	163	–	163
Dividend income from subsidiaries	–	–	30,000	98,328
Dividend income from associate	–	91	–	–
Loss of control over subsidiaries	(5,663)	–	–	–
Net cash (used in)/from investing activities	(31,826)	(14,667)	15,642	83,277
Cash flow from financing activities				
Dividends paid	(36,781)	(197,113)	(36,781)	(197,113)
Reduction in capital	–	(217,425)	–	(217,425)
Capital redeemed by non-controlling interest	–	(5,803)	–	–
Net cash used in financing activities	(36,781)	(420,341)	(36,781)	(414,538)
Net change in cash and cash equivalents	82,383	357,637	(102,791)	367,758
Cash and cash equivalents at 1 January	2,419,360	2,113,791	2,610,380	2,294,667
Effect of exchange rate fluctuations on cash and cash equivalents held	(4,294)	(52,068)	(4,264)	(52,045)
Cash and cash equivalents at 31 December	2,497,449	2,419,360	2,503,325	2,610,380

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 2018 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 2018:

- (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 (deconsolidated on 31 March 2018)
- (g) IBB Transport Sdn Bhd
- (h) Saujana Sdn Bhd
- (i) Belait CSS Sdn Bhd (deconsolidated on 31 March 2018)
- (j) Better Sdn Bhd
- (k) BIBD Middle East Limited

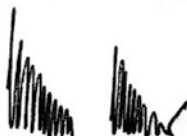
During the year, no provision or impairment has been made by the Bank for its investments in subsidiaries. The profit/(loss) of the subsidiaries have been taken into account by the directors of the Bank in arriving at the profit of the Group as disclosed in the financial statements.

On behalf of the Board of Directors



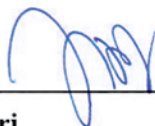
Dato Seri Setia Dr Awang Haji Mohd Amin Liew bin Abdullah

Chairman



Mubashar Khokhar

Managing Director



Junaidi bin Hj Masri

Director

Brunei Darussalam

22 March 2019

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 2018 comprise the results and financial position of the Bank and its subsidiaries.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

(a) Statement of compliance

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

Standards adopted during the year 31 December 2018

This is the first set of the financial statements of the Group and of the Bank in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have been applied.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group’s financial statements.

An explanation of how the adoption of IFRS 15 and IFRS 9 have affected the Group’s and Bank’s statements of financial position, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows is set out under the accompanying notes.

IFRS 15 *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognized as separate assets when specified criteria are met. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The Group initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with FRS 8 without any practical expedients. The application of IFRS 15 does not have a material effect on the Group's and Bank's financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

On 1 January 2018, IFRS 9 replaced the existing IAS 39 "incurred loss" model with a forward-looking expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI), except for investments in equity instruments, and certain financing commitments and financial guarantee contracts.

The Group has initially adopted IFRS 9 *Financial Instruments* from 1 January 2018. The effect of initially applying this standard is mainly the following:

- Changes in classification and measurement of financial assets (see (i) below)
- An increase in impairment losses recognised on financial assets (see (ii) below).

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of the Group's and Bank's reserves and retained earnings.

	Note	Impact of adopting IFRS 9 on opening balance as at 1 Jan 2018	
		Group BS'000	Bank BS'000
Fair value reserve			
Reclassification of available-for-sale investments to Investment at FVTPL		2,119	2,119
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	(ii)	320	275
Related tax		231	231
Impact at 1 January 2018		2,670	2,625
Retained earnings			
Recognition of expected credit losses under IFRS 9	(ii)	(12,562)	(15,621)
Reclassification of available-for-sale investments to Investment at FVTPL		(2,119)	(2,119)
Related tax		3,498	3,498
Impact at 1 January 2018		(11,183)	(14,242)

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, financing and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's and the Bank's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at; amortised cost; FVOCI – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

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

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

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective yield method. The amortised cost is reduced by impairment losses (see (ii) below). Profit income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Profit income calculated using the effective yield method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's and the Bank's financial assets as at 1 January 2018.

Group

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 B\$'000	New carrying amount under IFRS 9 B\$'000
Financial assets					
Sovereign debt securities		Available-for-sale	FVOCI – debt instrument	16,198	16,198
Debt securities	(a)	Available-for-sale	FVOCI – debt instrument	1,177,186	298,476
Debt securities	(a)	Available-for-sale	Amortised cost	—	806,363
Equity securities	(b)	Available-for-sale	FVTPL	—	1,470
Financing and advances	(c)	Financing and receivables	Amortised cost	3,231,905	3,220,904
Placements with and financing and advances to banks		Financing and receivables	Amortised cost	1,974,964	1,974,514
Cash and cash equivalents		Financing and receivables	Amortised cost	2,419,360	2,419,360
Total financial assets				8,819,613	8,737,285

Bank

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 B\$'000	New carrying amount under IFRS 9 B\$'000
Financial assets					
Sovereign debt securities		Available-for-sale	FVOCI – debt instrument	16,198	16,198
Debt securities	(a)	Available-for-sale	FVOCI – debt instrument	1,177,186	298,476
Debt securities	(a)	Available-for-sale	Amortised cost	—	806,363
Equity securities	(b)	Available-for-sale	FVTPL	—	1,470
Financing and advances	(c)	Financing and receivables	Amortised cost	2,639,100	2,626,238
Placements with and financing and advances to banks		Financing and receivables	Amortised cost	2,150,964	2,149,271
Cash and cash equivalents		Financing and receivables	Amortised cost	2,610,380	2,610,380
Total financial assets				8,593,828	8,508,396

- a. The debt securities categorised as available-for-sale under IAS 39 are held by the Group's and the Bank's treasury unit in a separate portfolio to provide profit income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group and the Bank consider that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. These assets have therefore been classified as financial assets at FVOCI under IFRS 9. On transition to IFRS 9, an allowance for impairment of B\$320,000 (Group) and B\$275,000 (Bank) was recognised as a decrease in opening retaining earnings and an increase in fair value reserves at 1 January 2018.

A portfolio of corporate debt securities that were previously classified as available-for-sale are now classified at amortised cost. These assets are held within the business model whose objective is to collect contractual cash flows and these cash flows consist solely of payments of principal and profit on the principal amount outstanding. An increase of B\$792,000 (Group and Bank) in the allowance for impairment was recognised in opening retaining earnings at 1 January 2018 on transition to IFRS 9.

- b. Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.
- c. Financing and advances under IAS 39 are now classified at amortised cost under IFRS 9. An increase of B\$11,001,000 (Group) and B\$12,862,000 (Bank) in the allowance for impairment on these financing and advances was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

Group	IAS 39 carrying amount at 31 December 2017 B\$'000	Reclassification B\$'000	Remeasurement B\$'000	IFRS 9 carrying amount at 1 January 2018 B\$'000
Financial assets				
Amortised cost				
Financing and advances	3,231,905	–	(11,001)	3,220,904
Debt securities	–	807,155	(792)	806,363
Placements with and financing and advances to banks	1,974,964	–	(450)	1,974,514
Cash and cash equivalents	2,419,360	–	–	2,419,360
Total amortised cost	7,626,229	807,155	(12,243)	8,421,141
Financial assets FVOCI				
Sovereign debt securities	16,198	–	–	16,198
Debt securities	1,177,186	(878,710)	–	298,476
Total FVOCI	1,193,384	(878,710)	–	314,674

Bank	IAS 39 carrying amount at 31 December 2017 B\$'000	Reclassification B\$'000	Remeasurement B\$'000	IFRS 9 carrying amount at 1 January 2018 B\$'000
Financial assets				
Amortised cost				
Financing and advances	2,639,100	–	(12,862)	2,626,238
Debt securities	–	807,155	(792)	806,363
Placements with and financing and advances to banks	2,150,964	–	(1,693)	2,149,271
Cash and cash equivalents	2,610,380	–	–	2,610,380
Total amortised cost	7,400,444	807,155	(15,347)	8,192,252
Financial assets FVOCI				
Sovereign debt securities	16,198	–	–	16,198
Debt securities	1,177,186	(878,710)	–	298,476
Total FVOCI	1,193,384	(878,710)	–	314,674

ii. Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of financing and advances, financial guarantees and undrawn commitments, cash and cash equivalents, placements with and financing and advances to banks, corporate debt securities and other assets.

Under IFRS 9, loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*; these are ECLs that result from significant increase in credit risk over the expected life of a financial instrument.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective yield rate of the financial asset.

Credit-impaired financial assets

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

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impact of the new impairment model

The application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

	Group BS'000	Bank BS'000
Loss allowance at 31 December 2017 under IAS 39	77,243	67,702
Additional impairment recognised at 1 January 2018 on:		
Financing and advances	11,001	12,862
Debt securities	1,066	1,066
Placements with and financing and advances to banks	450	1,693
Loss allowance at 1 January 2018 under IFRS 9	89,760	83,323

Financing and advances and contract assets

The following analysis provides further detail about the calculation of ECLs related to financing and advances on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past five years.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry and delinquency status for financing and advances.

Actual credit loss experience was adjusted by scalar factors to reflect difference between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the financing and advances.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

Standards and interpretations issued but not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new IFRSs, interpretations and amendments to IFRSs are effective for annual periods beginning after 1 January 2019:

Applicable to 2019 financial statements

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28)
- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9)
- *Previously Held Interest in a Joint Operation* (Amendments to IFRS 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to IAS12)

- *Borrowing Costs Eligible for Capitalisation* (Amendments to IAS 23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS19)

Applicable to 2021 financial statements

- IFRS 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).

IFRS 16

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 does not expect significant impact on adoption of IFRS 16.

(b) Basis measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 2.9 – Impairment for non financial assets
- Note 2.5 – financial instruments

2.2 Basis of consolidation***Business combinations***

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

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

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

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

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

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

Acquisition of non-controlling interest

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

Subsidiaries

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

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

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

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

Loss of control

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

Associate

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

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

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

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

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

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

Non-controlling interests

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

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

Transactions eliminated on consolidation

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

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

2.3 Foreign currency

Foreign currency transactions and balances

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

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

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

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

2.4 Cash and cash equivalents

Cash and cash equivalents include cash 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

Policy applicable from 1 January 2018

Recognition and initial measurement

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

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

The Group categorises its financial instruments as follows:

Financial assets

(a) Classification

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual profit, maintaining a particular yield rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how management is compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

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

Non-recourse financing

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

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

Reclassifications

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

(b) Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Restructured financial assets

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

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective yield rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

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

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

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

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

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

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

Write-off

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

Financial liabilities

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

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

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

(b) Deposits of non-bank customers

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

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

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

As at financial year ended 31 December 2018, there are no financial liability that has been designated at FVTPL. A description of the basis for each designation is set out in the note for the relevant financial liability class.

Derivative financial instruments

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

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

Non-integral financial guarantee contracts

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

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

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

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

Fair value measurement

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

Derecognition

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

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

Offsetting

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

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

Policy applicable before 1 January 2018***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 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 yield 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 yield 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 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.

(e) Impairment - financial assets

The Group 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 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 on terms that the Group 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;
- (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 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 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 yield 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.

Derivative financial instruments

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

Foreign exchange trading positions, including spot and swaps 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 yield 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 yield 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 |
| • Asset under lease
(2017: Ship vessel) | 4 years or lease terms which ever is shorter
(2017: 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 under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

Lease assets – Lessor

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

2.9 Impairment for non-financial assets

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

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

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

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

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

2.10 Deposits, financing and other liabilities

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

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

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

2.11 Provisions

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

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

Onerous contracts

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

2.12 Contingent liabilities

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

2.13 Contingent assets

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

2.14 Share capital

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

2.15 Recognition of income and expense

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

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

When calculating the effective yield rate, the Group have considered the contractual terms of the financial instruments but do not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective yield rate, as well as premium or discounts.

Once a financial asset or a group of financial assets have been written down as a result of an impairment loss, income is recognised using the yield rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission

Fee and commission income and expense that are integral to the effective yield rate on a financial asset or financial liability are included in the measurement of the effective yield rate.

Other fee and commission income, including financing arrangements, participation fees, underwriting commissions and brokerage fees are recognised as income earned. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Profit from placements and investments

Profit from deposit placements and investments are recognised on an effective yield basis.

Dividend income

Dividend income from subsidiaries and other investments are recognised when the Bank's rights to receive payment is established.

2.16 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Income Tax Act (Chapter 35) and amendments thereto.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2.17 Zakat

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

2.18 Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plan

The Group contributes to the Tabung Amanah Pekerja (“TAP”) and the Supplemental Contributory Pension scheme (“SCP”), both defined contribution plans regulated and managed by the Government of Negara Brunei Darussalam, which applies to the majority of the employees. Obligations for contributions to defined contribution plans are recognised as an employee benefits expense in income statement in the period during which related services are rendered by employees.

The Bank operates an Employee Retirement Fund (“ERF”) with monthly contributions made to the pension fund based on a percentage of the gross emoluments excluding certain allowances. The Bank matches employees’ contributions up to a maximum of 12% (inclusive of TAP contribution) of contribution made by the employee. The contributions to TAP and ERF are charged to profit or loss in the period to which the contributions relate.

Other long-term employee benefits

The Group’s net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

2.19 Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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 Managing Director (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 Managing Director 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	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Financing and leasing	230,715	207,408	175,748	157,755
Securities				
- Profit from sukuk	41,507	33,581	41,507	33,581
- Dividend income	4,378	2,570	2,896	2,570
Balances and placements with banks				
and other financial institutions	77,629	56,833	84,690	58,676
Total	354,229	300,392	304,841	252,582

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

During the year, the Group and Bank's profit from financing, leasing and investments is from financial assets at amortised cost with the exception of dividend income from investments at FVTPL of B\$2,896,000 (2017: B\$nil) and profit from investments at FVOCI of B\$20,721,000 (2017: at available for sale of B\$36,151,000).

4 Profit paid/payable to depositors

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Deposits from customers:				
- Mudharabah fund	160	164	160	164
- Non-Mudharabah fund	54,336	38,839	53,615	38,198
	54,496	39,003	53,775	38,362
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	5,575	3,579	3,438	1,172
Total	60,071	42,582	57,213	39,534

During the year, the Group and Bank's profit paid/payable to depositors are fully from financial liabilities measured at amortised cost.

5 Net fee and commission income

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Fee and commission income:				
- Trade finance and Al-Kafalah (guarantee)	2,848	2,740	2,848	2,740
- Ar-Rahnu (pawn/pledge)	1,893	1,763	1,893	1,763
- Credit and debit cards	19,659	18,850	19,659	18,850
- Commission	4,198	3,872	3,928	3,660
- Others	6,130	6,135	5,692	5,099
Total fee and commission income	34,728	33,360	34,020	32,112
Fee and commission expense:				
- Credit cards	(6,221)	(5,457)	(6,221)	(5,457)
Total fee and commission expense	(6,221)	(5,457)	(6,221)	(5,457)
Net fee and commission income	28,507	27,903	27,799	26,655

The Group and Bank's net fee and commission income are fully from financial assets and liabilities measured at amortised cost. The net fee and commission income above were excluded in determining the effective yield rate on financial assets and financial liabilities that are not at fair value through profit or loss, but includes other income and expense relating to such financial assets and financial liabilities.

6 (Loss)/gain from derivative and investments

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Net fair value (loss)/gain on derivatives	(106,535)	280,945	(106,535)	280,945
Fair value (loss)/gain on investments designated at fair value through profit and loss	(2,415)	1,318	(2,415)	1,318
Loss from sale of investment securities at fair value through other comprehensive income	(11)	–	(11)	–
Gain from sale of available for sale investment securities	–	288	–	288
Total	(108,961)	282,551	(108,961)	282,551
Net fair value (loss)/gain on derivatives	(106,535)	280,945	(106,535)	280,945
Net foreign exchange gain/(loss)	85,247	(287,894)	85,247	(287,894)
Net effect from derivatives and foreign exchange loss	(21,288)	(6,949)	(21,288)	(6,949)

The foreign exchange risk exposure is managed through the use of foreign exchange forwards and swaps to hedge currency risk as set out in Note 38. The Bank does not adopt hedge accounting for such currency hedges, so in accordance with the accounting policies in Note 2, the foreign exchange gains or losses on assets are recognised in net foreign exchange (loss)/gain of the income statements and the fair value movements in the forward currency hedges are included in gain or loss from derivatives and investments.

7 Other operating income

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Dividend income from subsidiaries	–	–	30,000	98,328
Rental income from investment property	2,843	3,147	2,843	3,147
Income from charter of vessels	7,230	34,147	–	–
Recovery of financing written off	13,889	12,051	12,375	10,908
Others	2,942	1,806	1,259	1,276
Total	26,904	51,151	46,477	113,659

Others include finance lease income of B\$693,116 (2017: B\$691,348) on finance lease receivables for the current financial year.

8 Personnel expenses

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Salaries and wages	39,753	40,947	35,082	33,803
Allowances and bonuses	17,881	21,953	15,356	18,523
Contributions to defined contribution plans	3,958	3,635	3,608	3,349
Others	3,420	4,210	3,568	4,002
Total	65,012	70,745	57,614	59,677

9 Other expenses

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Promotion				
Advertisement and publicity	2,412	1,891	2,338	1,303
Operational				
Office rental	5,404	5,166	5,022	4,786
Depreciation of property and equipment and investment property	17,754	20,067	13,650	13,363
Electronic data processing expenses	9,810	9,057	8,438	7,119
Hire of equipment	206	150	206	150
Office expenses	9,795	9,321	9,200	8,819
	42,969	43,761	36,516	34,237
General expenses				
Management fees	171	623	–	–
Auditors' remuneration:				
- Statutory audit fees	706	625	610	561
- Audit related fees	91	800	91	800
- Non-audit services	18	442	10	436
Professional fees	5,398	9,007	6,161	8,507
Other operating expense - Investment property	1,059	946	1,059	946
Insurance coverage	1,701	2,002	1,619	1,535
Repairs and maintenance	2,046	2,602	1,716	1,626
Licenses	2,479	1,741	2,440	1,704
Others	6,244	9,930	7,046	5,136
	19,913	28,718	20,752	21,251
Total	65,294	74,370	59,606	56,791

10 Allowance for impairment on financing and advances (net)

	Note	Group		Bank	
		2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Allowance for impaired financing and advances	22 (h)	14,029	38,222	11,162	36,374

Profit accrued during the year on impaired financing amounts to B\$2,115,742 (2017: B\$1,363,281).

11 Allowance for impairment on investments (net)

		Group		Bank	
		2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Allowance for impairment on investment:					
- Investment in unquoted security		–	758	–	758
- Investment in quoted debt securities		167	1,206	640	1,206
Total		167	1,964	640	1,964

12 Zakat

		Group		Bank	
		2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Zakat					
Current zakat provision		2,927	2,692	2,927	2,692

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

13 Income tax expense

Tax recognised in profit or loss	Group		Bank	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Current tax expense				
Current year	32,450	15,885	24,258	7,257
Deferred tax expense				
Origination and reversal of temporary differences	2,463	11,670	1,835	10,992
Total tax expense recognised in profit or loss	34,913	27,555	26,093	18,249
Tax recognised in other comprehensive income				
Investments at fair value through other comprehensive income	(709)	–	(709)	–
Available-for-sale financial instrument	–	258	–	258

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

	Group		Bank	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Profit before zakat and taxation	185,743	146,429	168,755	190,759
Income tax using the domestic corporate tax rate of 18.5% (2017: 18.5%)	34,362	27,089	31,220	35,290
Tax effect of non-deductible expenses	1,347	3,172	728	2,124
Tax effect of non-taxable revenue	–	–	(5,550)	(18,191)
Tax incentives	(633)	(447)	(614)	(447)
Tax effect of zakat	(541)	(495)	(541)	(495)
Others	378	(1,764)	850	(32)
Total	34,913	27,555	26,093	18,249

14 Dividend per ordinary share

	Group and Bank	
	2018	2017
	B\$'000	B\$'000
On ordinary shares		
Net dividend paid on ordinary shares	36,781	197,113

	-----Group and Bank-----			
	2018		2017	
	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	0.050750	36,781	0.147000	106,538
Interim dividend paid	–	–	0.124974	90,575

At the Annual General Meeting on 11 July 2018, a final dividend in respect of financial year ended 31 December 2017 of B\$0.05075 on 724,749,512 ordinary shares, amounting to B\$36,781,046 was approved and paid on 9 August 2018.

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2018 of B\$0.12170 cents on 724,749,512 number of ordinary shares, amounting to B\$88,202,016 will be proposed. The dividend will be accounted for as a distribution in the 2019 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	
	2018	2017
Profit for the year attributable to equity holders of the Bank (B\$'000)	146,328	110,582
Weighted average number of ordinary shares ('000)	724,750	724,750
Basic EPS (B\$)	0.20	0.15

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	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Cash in hand	59,297	55,463	59,023	55,126
Balances with banks and other financial institutions	377,919	543,139	384,069	546,496
Money at call and short notice and interbank placements with original maturities not exceeding three months	2,060,233	1,820,758	2,060,233	2,008,758
Cash and cash equivalents in the statements of financial position	2,497,449	2,419,360	2,503,325	2,610,380

17 Balances with Autoriti Monetari Brunei Darussalam

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

18 Placements with and financing and advances to banks

Money at call and short notice and interbank placements have original maturities greater than three months.

19 Government sukuku

Government sukuku are classified as fair value through other comprehensive income (2017: Available-for-sale investments) and have maturities less than one year.

	Group		Bank	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Fair value through other comprehensive income	20,414	–	20,414	–
Available-for-sale investments	–	16,198	–	16,198
Total	20,414	16,198	20,414	16,198

20 Investments

	Note	Group		Bank	
		2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Investments at amortised cost	20.1	602,683	–	602,683	–
Investments at fair value through profit or loss	20.2	100,553	1,816	100,553	1,816
Investments at fair value through other comprehensive income	20.3	479,112	–	479,112	–
Available-for-sale investments	20.4	–	1,177,186	–	1,177,186
Total		1,182,348	1,179,002	1,182,348	1,179,002

20.1 Investments at amortised cost

	Group		Bank	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Quoted debt securities	603,333	–	603,333	–
Less: Expected Credit Losses	(650)	–	(650)	–
Total	602,683	–	602,683	–

20.2 Investments at fair value through profit or loss

	Group		Bank	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Unquoted fund	1,485	–	1,485	–
Structured deposits	99,068	1,816	99,068	1,816
Total	100,553	1,816	100,553	1,816

20.3 Investments at fair value through other comprehensive income

	Group		Bank	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Quoted debt securities	478,783	–	478,783	–
Unquoted security	329	–	329	–
Total	479,112	–	479,112	–

20.4 Available-for-sale investments

	Group		Bank	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Quoted debt securities	–	1,105,631	–	1,105,631
Unquoted security	–	1,470	–	1,470
Structured deposits	–	70,085	–	70,085
Total	–	1,177,186	–	1,177,186

21 Derivative financial assets/(liabilities)

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

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

	Group and Bank			
	Principal/Nominal amount		Carrying amount	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Foreign exchange forward contracts:				
Derivative assets	4,657,254	4,007,746	27,831	40,865
Derivative liabilities	987,692	590,694	(14,411)	(15,860)
Total	5,644,946	4,598,440	13,420	25,005

The Group uses foreign exchange forward contracts to manage its foreign exchange risk as set out in Note 38.

22 Financing and advances

(a) By type of product

	Group		Bank	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Cash line/Naqad (overdrafts)	111,369	118,180	111,369	118,180
Mortgages	565,087	542,361	565,087	542,361
Syndicated financing	94,427	20,117	94,427	20,117
Hire purchase	647,087	595,970	—	—
Lease receivables	187,266	162,647	187,266	162,647
Other term financing	1,901,368	1,645,058	1,833,381	1,640,620
Bills receivable	147,854	136,341	147,854	136,341
Staff financing	24,611	25,248	24,611	25,248
Credit/charge cards	47,511	47,732	47,511	47,732
Others	28,322	15,494	26,841	13,556
Gross financing and advances	3,754,902	3,309,148	3,038,347	2,706,802
Less: Allowances for losses on financing and advances	(72,451)	(77,243)	(63,995)	(67,702)
Net financing and advances	3,682,451	3,231,905	2,974,352	2,639,100

(b) By contract

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Al-Kafalah bil Mal and Al-Bai	1,398	2,765	1,398	2,765
Al-Wakalah bil Ujrah	46,113	44,967	46,113	44,967
Bal' Bithaman Ajil (<i>deferred payment sale</i>)	654,875	790,715	654,875	790,715
Ijarah (<i>lease</i>)	187,266	162,647	187,266	162,647
Ijarah Muntahiah Bittamlik/AITAB (<i>lease ended with ownership</i>)	716,555	682,237	–	–
Murabahah (<i>cost-plus</i>)	561,341	112,468	561,341	192,359
Musharakah (<i>profit and loss sharing</i>)	143,144	118,694	143,144	118,694
Qard (<i>benevolent loan</i>)	3	4	3	4
Tawarruq	1,417,366	1,381,094	1,417,366	1,381,094
Others	26,841	13,557	26,841	13,557
Total	3,754,902	3,309,148	3,038,347	2,706,802

(c) By security

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Unsecured	230,476	111,089	230,476	111,089
Credit enhanced by:				
- Assignment of salary	1,155,264	1,213,060	1,155,264	1,213,060
- Assignment of project income or receivables	18	35,200	18	35,200
- Assignment of fixed or floating charges	25,571	25,394	25,571	25,394
- Assignment of rental	3,649	7,402	3,649	7,402
Secured by:				
- Cash	219,326	238,595	219,326	238,595
- Properties	764,862	750,046	764,862	750,046
- Vessels	625,290	231,095	625,290	310,987
- Guarantees	–	897	–	897
- Motor vehicles	662,184	614,644	851	1,319
- Others	68,262	81,726	13,040	12,813
Total	3,754,902	3,309,148	3,038,347	2,706,802

(d) By sector

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Agricultural	9,794	15,203	9,794	15,203
Financial	48,130	20,140	48,130	20,140
Manufacturing	85,525	59,093	85,525	59,093
Transportation	958,261	542,049	296,260	8,004
Infrastructure	29,054	49,528	28,292	48,042
Traders	112,963	116,008	112,963	116,008
Services	116,198	72,443	116,198	72,443
Residential property (personal)	734,988	713,007	734,988	713,007
Commercial (property development)	103,453	114,573	103,453	114,573
Tourism	6,042	2,755	6,042	2,755
Telecommunication and information technology	1,043	2,846	1,043	2,846
Personal and consumption financing	1,099,830	1,157,782	1,046,038	1,090,967
Oil and gas	449,621	443,721	449,621	443,721
Total	3,754,902	3,309,148	3,038,347	2,706,802

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

(e) By type of customer

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Domestic business enterprise	903,266	557,061	903,266	637,565
Small and medium industries	208,891	219,730	201,867	196,222
Individuals	2,491,271	2,464,515	1,781,740	1,805,173
Foreign entities	151,474	67,842	151,474	67,842
Total	3,754,902	3,309,148	3,038,347	2,706,802

(f) Non-performing financing and advances

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

	Group		Bank	
	2018	2017	2018	2017
	BS'000	BS'000	BS'000	BS'000
At 1 January	84,813	160,416	76,777	153,416
Impact on adoption of IFRS 9 on 1 January 2018	78,096	–	78,096	–
Classified as impaired during the year	90,169	30,564	86,706	26,890
Reclassified as performing	(28,662)	(3,137)	(27,484)	(2,058)
Amount received	(50,721)	(36,362)	(50,721)	(36,362)
Amount written off against allowances	(29,822)	(66,668)	(27,731)	(65,109)
At 31 December	143,873	84,813	135,643	76,777
Gross impaired financing as a percentage of gross financing and advances	3.8%	2.6%	4.5%	2.8%

The Group considers a financing as non-performing when the financing is credit impaired under IFRS 9.

(g) Non-performing financing and advances by sector

	Group		Bank	
	2018	2017	2018	2017
	BS'000	BS'000	BS'000	BS'000
Agricultural	4,061	1,465	4,061	1,465
Manufacturing	28,768	2,239	28,768	2,239
Transportation	8,541	8,825	2,779	2,763
Infrastructure	2,796	1,474	2,037	1,462
Traders	16,259	5,429	16,259	5,429
Services	5,363	900	5,363	900
Residential property (personal)	35,443	31,786	35,443	31,785
Commercial (property development)	10,264	17,696	10,264	17,696
Tourism	334	204	334	204
Personal and consumption financing	18,730	14,795	17,021	12,834
Oil and gas	13,314	–	13,314	–
Total	143,873	84,813	135,643	76,777

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

	Note	Group B\$'000	Bank B\$'000
At 1 January 2017		105,689	96,437
Allowance made during the year	10	38,222	36,374
Amount written off during the year		(66,668)	(65,109)
As reported at 31 December 2017		77,243	67,702
Impact on adoption of IFRS 9 on 1 January 2018		11,001	12,862
Allowance made during the year	10	14,029	11,162
Amount written off during the year		(29,822)	(27,731)
At 31 December 2018		72,451	63,995

23 Finance lease receivables

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

The finance lease receivables are as follows:

	-----Group and Bank -----		
	Future minimum lease payments B\$'000	Profit B\$'000	Present value of minimum lease payments B\$'000
2018			
Within one year	700	21	679
Between one and five years	2,880	438	2,442
More than five years	26,340	16,841	9,499
Total	29,920	17,300	12,620
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

24 Investments in subsidiaries

	Bank	
	2018 BS'000	2017 BS'000
Unquoted equity investments, at cost	29,204	41,519
Less: Allowances for investment in subsidiary	(1,715)	(1,715)
	<u>27,489</u>	<u>39,804</u>

Details of the Group's subsidiaries are as follows:

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest	
			2018 %	2017 %
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 (closed during the year)	Islamic financing arrangement	Negara Brunei Darussalam	—	100
BIBD Management & Services Bhd	Management services	Negara Brunei Darussalam	100	100
- Belait CSS Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	—	50
IBB Capital Asset Management Sdn Bhd	Fund management	Negara Brunei Darussalam	100	100
Belait Barakah Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	—	50
IBB Transport Sdn Bhd	Vehicle leasing	Negara Brunei Darussalam	100	100
Saujana Sdn Bhd	Aircraft leasing	Negara Brunei Darussalam	52.5	52.5
BIBD Middle East Limited	Fund management	United Arab Emirates	100	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.

NCI percentage	2017	
	Belait Barakah 50% B\$'000	Belait CSS 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

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

On 31 March 2018, due to loss of power to cast the majority of votes at meetings of the Board of Directors, the Group deconsolidated the related assets, liabilities and non-controlling interests of Belait CSS Sdn Bhd and Belait Barakah Sdn Bhd.

25 Investment in associate and joint ventures

		Group		Bank	
		2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
Investment in associate	25.1	20,816	17,388	7,080	7,080
Investment in joint ventures	25.2	18,042	–	15,278	–
Total		38,858	17,388	22,358	7,080

25.1 Investments in associate

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
At cost				
Unquoted shares	7,080	7,080	7,080	7,080
Share of post-acquisition reserves	13,736	10,308	—	—
Investment in associate	20,816	17,388	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	
			2018 %	2017 %
Syarikat Takaful Brunei Darussalam Sdn Bhd	Family and general takaful businesses	Negara Brunei Darussalam	31	31
			2018 B\$'000	2017 B\$'000
Group's share in net assets of associate at the beginning of the year			17,388	14,513
Group's share of:				
- profit from continuing operations			2,039	2,073
- dividends received			–	(91)
- other comprehensive income			1,389	893
Carrying amount of interest in associate at the end of the year			20,816	17,388

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

	2018 B\$'000	2017 B\$'000
Current assets	280,936	247,028
Non-current assets	55,200	55,375
Current liabilities	(17,938)	(16,770)
Non-current liabilities	(251,229)	(229,425)
Net assets	66,969	56,208
Revenue	27,265	30,908
Profit from continuing operations	5,961	6,687
Other comprehensive income	4,480	2,880
Total comprehensive income	10,441	9,567

Included in balances above are the following amounts:

	2018 B\$'000	2017 B\$'000
Cash and cash equivalents	262,182	230,675
Current financial liabilities excluding trade, other payables and provisions	(2,699)	(2,059)
Non-current financial liabilities excluding trade, other payables and provisions	(251,229)	(229,425)
Depreciation and amortisation	(573)	(563)
Income tax expense or income	(1,303)	(187)

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

	Group	
	2018 B\$'000	2017 B\$'000
Profit from continuing operations	2,039	2,073
Dividend received	—	(91)
Other comprehensive income	1,389	893
Total comprehensive income	3,428	2,875

25.2 Investments in joint ventures

	Group		Bank	
	2018 B\$'000	2017 B\$'000	2018 B\$'000	2017 B\$'000
At cost				
Unquoted shares	15,278	—	15,278	—
Share of post-acquisition reserves	2,764	—	—	—
Investment in joint ventures	18,042	—	15,278	—

On 31 March 2018, the Bank sold 1 share of Belait CSS Sdn Bhd and 1 share of Belait Barakah Sdn Bhd each at a consideration of B\$1.00. The sale of shares resulted in a change in 0.01% and 0.01% effective ownership interest of Belait CSS Sdn Bhd and Belait Barakah Sdn Bhd (collectively known as “subsidiaries”). Accordingly, the Group assesses that it ceased control over the subsidiaries as the Group is no longer exposed to, or has rights to, variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

Upon the loss of control, the Group derecognised the NCI related to the subsidiaries amounting to B\$22,751,000. The total asset and total liabilities deconsolidated amounted to B\$133,421,000 and B\$94,196,000 respectively. The gain on deconsolidation of subsidiary amounting to B\$2 in profit or loss.

As the Group continues to retain interest of 49.99% and 49.99% in Belait CSS Sdn Bhd and Belait Barakah Sdn Bhd. Subsequently, the Group accounted Belait CSS Sdn Bhd and Belait Barakah Sdn Bhd as equity accounted joint ventures. The fair value of these entity on derecognition is B\$22,751,000.

Details of the joint ventures acquired during the year, which are unquoted, are as follows:

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest	
			2018 %	2017 %
Belait CSS Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	50	—
Belait Barakah Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	50	—
			2018 B\$'000	2017 B\$'000
Group's share in net assets of joint ventures acquired during the year			15,278	—
Group's share of:				
- profit from continuing operations			2,764	—
Carrying amount of interest in joint ventures at the end of the year			18,042	—

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

	2018 B\$'000	2017 B\$'000
Current assets	17,055	—
Non-current assets	116,024	—
Current liabilities	(10,691)	—
Non-current liabilities	(70,701)	—
Net assets	51,687	—

	2018 B\$'000	2017 B\$'000
Revenue	18,641	—
Profit from continuing operations	5,363	—

Included in balances above are the following amounts:

	2018 B\$'000	2017 B\$'000
Cash and cash equivalents	3,206	—
Current financial liabilities excluding trade, other payables and provisions	(5,453)	—
Non-current financial liabilities excluding trade, other payables and provisions	(66,781)	—
Depreciation and amortisation	(4,519)	—
Income tax expense or income	(1,210)	—

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

	2018 B\$'000	Group 2017 B\$'000
Profit from continuing operations	2,764	—

26 Other assets

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Receivables	12,305	15,376	11,691	8,411
Accrued income and bills receivable	15,616	12,779	15,681	12,863
Foreign acceptance receivables	4,325	1,036	4,325	1,036
Sundry debtors	2,340	3,881	1,233	1,214
Intercompany receivables	—	—	30,820	131
	34,586	33,072	63,750	23,655
Prepayments	6,527	8,714	6,477	8,057
Total	41,113	41,786	70,227	31,712

During the year, the Group and the Bank recognised an allowance for impairment of B\$413,000 (2017: B\$1,864,000) and B\$413,000 (2017: B\$739,000) respectively on its receivables in profit or loss.

27 Property and equipment

Group	Leasehold improvements B\$'000	Equipment, furniture and fittings B\$'000	Motor vehicles B\$'000	Asset under lease B\$'000	Work-in-progress B\$'000	Computer software B\$'000	Total B\$'000
Cost							
At 1 January 2017	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
Additions	51	587	–	12,023	12,937	518	26,116
Disposals	(19)	(1,235)	(22)	–	–	(104)	(1,380)
Transfers	689	2,048	–	–	(7,409)	4,672	–
Disposal of interest in subsidiaries	–	(2,874)	–	(147,938)	–	–	(150,812)
At 31 December 2018	35,320	40,594	133	12,023	8,636	66,675	163,381
Accumulated depreciation							
At 1 January 2017	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
Depreciation for the year	2,790	4,685	18	3,266	–	5,691	16,450
Disposals	(19)	(1,153)	(22)	–	–	(104)	(1,298)
Disposal of interest in subsidiaries	–	(2,790)	–	(29,422)	–	–	(32,212)
At 31 December 2018	18,004	29,816	109	1,820	–	48,178	97,927
Carrying amounts							
At 31 December 2017	19,366	12,994	42	119,962	3,108	18,998	174,470
At 31 December 2018	17,316	10,778	24	10,203	8,636	18,497	65,454

Assets under lease include motor vehicles (2018: motor vehicles, 2017: vessels) under operating lease.

	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
Bank						
Cost						
At 1 January 2017	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
Additions	51	808	—	9,971	518	11,348
Disposals	(19)	(20)	(22)	—	(104)	(165)
Transfers	689	2,048	—	(7,409)	4,672	—
At 31 December 2018	33,543	34,062	138	5,670	66,614	140,027
Accumulated depreciation						
At 1 January 2017	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
Depreciation for the year	2,709	3,927	18	—	5,692	12,346
Disposals	(19)	(20)	(22)	—	(104)	(165)
At 31 December 2018	16,797	25,599	113	—	48,124	90,633
Carrying amounts						
At 31 December 2017	18,715	9,534	43	3,108	18,992	50,392
At 31 December 2018	16,746	8,463	25	5,670	18,490	49,394

28 Investment property

	Group and Bank B\$'000
Cost	
At 1 January 2017	32,845
Additions	12
Write-off	(412)
At 31 December 2017	32,445
Additions	47
At 31 December 2018	32,492
Accumulated depreciation	
At 1 January 2017	5,411
Charge for the year	1,316
Write-off	(169)
At 31 December 2017	6,558
Charge for the year	1,304
At 31 December 2018	7,862
Carrying amounts	
At 31 December 2017	25,887
At 31 December 2018	24,630

In 2011, the Bank entered into a lease agreement with a customer pursuant to which the Bank was granted rights to the lease with a remaining term of 49 years in consideration for the Bank agreeing to waive its right to repayment of a financing extended to the customer. As a result, the Bank recorded its interest in the investment property based on the carrying amount of the outstanding financing amount as at the date of the agreement. This amount also approximated the fair value of the investment property at that date.

Fair value hierarchy, valuation technique and unobservable inputs

Based on the latest valuation report, the fair value of the investment property is B\$36,100,000 (2017: 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% (2017: 70.0%).

29

Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

Group	At 1 January 2017 B\$'000	Recognised in profit or loss B\$'000	Recognised in other comprehensive income B\$'000	At 31 December 2017 B\$'000	Impact on adoption of IFRS 9 B\$'000	Recognised in profit or loss B\$'000	Recognised in other comprehensive income B\$'000	Deconsolidation At 31 December 2018 B\$'000
Deferred tax assets								
Allowance for financing and advances	11,964	(1,696)	–	10,268	2,380	(1,600)	–	11,048
Allowance for investment	7,331	(7,331)	–	–	197	43	–	240
Allowance for investment in subsidiary	–	317	–	317	–	–	–	317
Investments at fair value through other comprehensive income	–	–	–	–	–	–	855	855
Available-for-sale investments	173	–	(173)	–	231	–	(231)	–
Other liabilities	–	370	–	370	314	(219)	–	465
Total	19,468	(8,340)	(173)	10,955	3,122	(1,776)	624	12,925
Deferred tax liabilities								
Property and equipment	(10,911)	(3,330)	–	(14,241)	–	(687)	–	9,954 (4,974)
Available-for-sale investments	–	–	(85)	(85)	–	–	85	–
Total	(10,911)	(3,330)	(85)	(14,326)	–	(687)	85	9,954 (4,974)
Total deferred tax assets/(liabilities)	8,557	(11,670)	(258)	(3,371)	3,122	(2,463)	709	9,954 7,951

	At 1 January 2017 B\$'000	Recognised in profit or loss B\$'000	Recognised in other comprehensive income B\$'000	At 31 December 2017 B\$'000	Impact on adoption of IFRS 9 B\$'000	Recognised in profit or loss B\$'000	Recognised in other comprehensive income B\$'000	At 31 December 2018 B\$'000
Bank								
Deferred tax assets								
Allowance for financing and advances	12,154	(1,874)	–	10,280	2,380	(2,002)	–	10,658
Allowance for investment	7,331	(7,331)	–	–	197	43	–	240
Allowance for investment in subsidiary	–	317	–	317	–	–	–	317
Investments at fair value through other comprehensive income	–	–	–	–	–	–	855	855
Available-for-sale investments	173	–	(173)	–	231	–	(231)	–
Others	–	–	–	–	314	151	–	465
Total	19,658	(8,888)	(173)	10,597	3,122	(1,808)	624	12,535
Deferred tax liabilities								
Property and equipment	(2,370)	(2,104)	–	(4,474)	–	(27)	–	(4,501)
Available-for-sale investments	–	–	(85)	(85)	–	–	85	–
Total	(2,370)	(2,104)	(85)	(4,559)	–	(27)	85	(4,501)
Total deferred tax assets/(liabilities)	17,288	(10,992)	(258)	6,038	3,122	(1,835)	709	8,034

30 Deposits from customers

(a) By type of deposit

	Group		Bank	
	2018	2017	2018	2017
	BS'000	BS'000	BS'000	BS'000
Non-Mudharabah				
Demand deposits	1,521,620	1,582,402	1,524,369	1,597,157
Saving deposits	1,116,697	1,101,916	1,066,459	1,051,841
General investment deposits	4,797,937	4,640,357	4,736,741	4,584,057
	7,436,254	7,324,675	7,327,569	7,233,055
Mudharabah (profit sharing)				
Demand deposits	77,008	86,084	77,008	86,084
Savings deposits	107,871	115,609	107,871	115,609
	184,879	201,693	184,879	201,693
Total	7,621,133	7,526,368	7,512,448	7,434,748

(b) By type of customer

	Group		Bank	
	2018	2017	2018	2017
	BS'000	BS'000	BS'000	BS'000
Government and statutory bodies	3,157,134	2,102,297	3,157,134	2,102,297
Business enterprises	1,821,160	2,831,732	1,808,046	2,838,310
Individuals	2,642,839	2,592,339	2,547,268	2,494,141
Total	7,621,133	7,526,368	7,512,448	7,434,748

31 Deposits from banks and other financial institutions

	Group		Bank	
	2018	2017	2018	2017
	BS'000	BS'000	BS'000	BS'000
Non-Mudharabah				
Licensed conventional banks and financial institutions in Brunei Darussalam	192	6,853	192	6,853
Licensed Islamic banks and financial institutions in Brunei Darussalam	191,397	179,396	91,396	79,816
Licensed finance companies in Brunei Darussalam	2	2	121,438	154,228
Licensed insurance companies in Brunei Darussalam	897	3,783	897	3,783
Licensed Islamic insurance companies in Brunei Darussalam	333,003	308,950	184,458	126,979
Other banks and financial institutions abroad	23,453	7,979	23,453	7,979
Total	548,944	506,963	421,834	379,638

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Mudharabah (<i>profit sharing</i>)				
Licensed Islamic banks and financial institutions in Brunei Darussalam	1,100	10,180	1,100	10,180
Licensed insurance companies in Brunei Darussalam	50	–	50	–
Licensed Islamic insurance companies in Brunei Darussalam	1,429	4,290	1,429	4,290
Total	2,579	14,470	2,579	14,470
Total	551,523	521,433	424,413	394,108

32 Placements from other financial institutions

Short term interbank placements have original maturities less than three months.

33 Other liabilities

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Accrued expenditure	30,121	26,763	27,013	24,094
Provisions for defined contribution plan	791	515	670	406
Liability for long service award	2,769	3,027	2,721	2,982
Short-term employee benefit	12,343	13,738	10,017	11,340
Cashier's order payable	5,162	5,360	5,162	5,360
Profit payable to depositors	20,644	17,202	18,658	14,979
Foreign acceptance payable	4,325	909	4,325	908
Merchant payable	7,196	3,339	7,196	3,339
Share dividend payable	3,376	5,429	3,376	3,429
Sundry creditors	8,887	11,680	7,442	6,614
Financing deposits related liabilities	6,061	8,698	6,061	8,698
Intercompany payables	–	–	1,639	979
Others	16,078	18,740	14,965	16,680
Total	117,753	115,400	109,245	99,808

34 Zakat and provision for taxation

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Zakat	3,566	2,831	3,566	2,831
Provision for taxation	69,939	54,783	56,188	38,150
Total	73,505	57,614	59,754	40,981

35 Share capital

	Number of shares of B\$0.70 each		Amount	
	2018	2017	2018 B\$	2017 B\$
Group and Bank				
Authorised:				
Ordinary shares of B\$0.70 each	1,428,571,429	1,428,571,429	1,000,000,000	1,000,000,000
Total	1,428,571,429	1,428,571,429	1,000,000,000	1,000,000,000
Issued and fully paid:				
Ordinary shares of B\$0.70 each	724,749,512	724,749,512	507,324,659	507,324,659
At the end of the year	724,749,512	724,749,512	507,324,659	507,324,659

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

36 Statutory and other reserves

Statutory reserves

	Total B\$'000
Group	
At 1 January 2017	453,044
Transfer in respect of current year's profit	44,455
At 31 December 2017	497,499
Transfer in respect of current year's profit	36,934
At 31 December 2018	534,433
Bank	
At 1 January 2017	416,040
Transfer in respect of current year's profit	42,455
At 31 December 2017	458,495
Transfer in respect of current year's profit	34,934
At 31 December 2018	493,429

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

Other reserves

	Fair value reserve	Foreign currency translation reserve	Retained profits	Total
	BS'000	BS'000	BS'000	BS'000
Group				
At 1 January 2017	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
Impact of adopting IFRS 9	2,670	–	(11,183)	(8,513)
Total comprehensive income for the year	(4,707)	–	146,328	141,621
Disposal of interest in subsidiaries	–	–	(1,298)	(1,298)
Foreign currency movement	–	(12)	–	(12)
Transfer to statutory reserves	–	–	(36,934)	(36,934)
Dividends paid on ordinary shares	–	–	(36,781)	(36,781)
At 31 December 2018	369	(30)	142,327	142,666
Distributable retained profits			139,327	139,327
Non-distributable retained profits for PRCL			3,000	3,000
At 31 December 2018			142,327	142,327

	Fair value reserve BS'000	Retained profits BS'000	Total BS'000
Bank			
At 1 January 2017	(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
Impact of adopting IFRS 9	2,625	(14,242)	(11,617)
Total comprehensive income for the year	(6,121)	139,735	133,614
Transfer to statutory reserve	–	(34,934)	(34,934)
Dividends paid on ordinary shares	–	(36,781)	(36,781)
At 31 December 2018	(3,119)	91,282	88,163
Distributable retained profits		88,282	88,282
Non-distributable retained profits for PRCL		3,000	3,000
At 31 December 2018		91,282	91,282

The fair value reserve includes the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income, including impairment losses, until the financial asset is derecognised.

Non-distributable retained profits comprise of prudential reserve for credit losses (PRCL) which relates to accrued profit income on non-performing financing and advances. In compliance with AMBD regulations, the reserves are not distributable until they are collected.

37 Related party transactions

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

The Group and Bank have related party relationships with its subsidiaries, substantial shareholders, associate and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain senior management members of the Group.

Key management have banking relationships with Group entities which are entered into in the normal course of business and on substantially the same terms, including 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	
	2018	2017
	BS'000	BS'000
Joint ventures		
<i>Amount due from</i>		
Financing	71,697	—
Others	131	—
<i>Amount due to</i>		
Others	2,695	—
Associate		
<i>Amount due to</i>		
Deposits	277,487	249,277
Others	2,562	1,864
Key management personnel		
<i>Amount due from</i>		
Financing (ex. Credit cards)	2,571	2,245
Credit cards	71	61
<i>Amount due to</i>		
Deposits	4,066	3,698
Other related parties		
<i>Amount due to</i>		
Deposits	1,398,088	1,928,351

	Bank	
	2018	2017
	BS'000	BS'000
Joint ventures		
<i>Amount due from</i>		
Financing	71,697	—
Others	131	—
<i>Amount due to</i>		
Deposits	2,695	—
Subsidiaries		
<i>Amount due from</i>		
Financing	—	79,892
Placements	364,000	364,000
Others	728	330
<i>Amount due to</i>		
Deposits	125,700	169,309
Others	1,450	1,144
Associate		
<i>Amount due to</i>		
Deposits	171,087	132,806
Others	1,045	808
Key management personnel		
<i>Amount due from</i>		
Financing (ex. Credit cards)	1,515	1,938
Credit cards	71	61
Key management personnel		
<i>Amount due to</i>		
Deposits	1,571	3,677
Other related parties		
<i>Amount due to</i>		
Deposits	1,398,088	1,928,351

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

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Subsidiaries				
<i>Income</i>				
Income on financing	—	—	1,263	5,533
Other income	—	—	35,614	100,183
<i>Expenditure</i>				
Profit paid/payable to depositors	—	—	1,448	1,019
Other expenditure	—	—	1,185	—
Joint ventures				
<i>Income</i>				
Income on financing	3,656	—	3,656	—
Associate				
<i>Income</i>				
Fees and commission	270	212	—	—
<i>Expenditure</i>				
Profit paid/payable to depositors	4,565	1,915	1,334	722
Other Expenditure	93	95	—	—
Key management personnel				
<i>Income</i>				
Income on financing	41	57	29	32
<i>Expenditure</i>				
Profit paid/payable to depositors	6	10	6	10
Other related parties				
<i>Expenditure</i>				
Profit paid/payable to depositors	16,141	9,610	16,141	9,610

Key management personnel

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

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Directors' fees and other remuneration	1,136	1,222	1,136	1,222
Other key management personnel:				
- Salary and employee benefits	6,151	6,486	5,647	6,279
Withholding tax paid	435	621	435	621

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

	Group	
	2018	2017
Number of shares held ('000)	49	63

Interest held by associate

The number of shares of the Bank held by the associate as at 31 December 2018 is 11,707,000 (2017: 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.

38 Financial risk management

As the Group's statements of financial position, income statements, statements of comprehensive income, changes in equity and cash flows comprise mainly the Bank and a material subsidiary, the financial risk management policies disclosed relates to the Bank, unless otherwise stated.

Overview of risk management

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Market 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 Credit Risk Committee ("CRC"), Asset Liability Committee ("ALCO") and Enterprise Risk Committee ("ERC"), are independent and clearly segregated from the business divisions.

(a) Credit risk

Overview of credit risk of the Bank

Credit risk arises as a result of customers' or counterparties' to a financial instruments failure to meet their contractual obligations when they fall due. These obligations arise from the Bank's direct financing operations, trade finance and investments undertaken by the Bank. The Bank's exposure to credit risk is primarily from its financing activities to retail, corporate borrowers', including small & medium enterprises ("SMEs") and financial institutions.

Management of credit risk

The Board of Directors of the Bank has delegated responsibility for oversight of credit risk to its Credit Risk Committee. A separate Risk Management Division, reporting to the Credit Risk Committee, is responsible for managing the Bank's credit risk, including the following:

- To support management in building a healthy credit portfolio in line with the Bank's overall strategy and risk appetite;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk issues; and
- To conform with statutory, regulatory and internal credit requirements.

Corporate credit risks are assessed by business units and evaluated and approved in accordance to the Bank's Credit Risk Governance. Each borrower is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors including a borrower's financial position, types of facilities and proposed securities or collateral. Bank wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently within the Bank.

Reviews are conducted on a regular basis with updated information on a borrower's financial position, market position, industry and economic condition and conduct of account. Corrective actions are taken when there are signs of credit deterioration.

Retail credit exposures are managed on a programme basis. Credit programmes are assessed jointly between credit risk and business units. Reviews on credit programmes are conducted on a regular basis to assess the performance of the portfolio.

Counterparty credit risk exposures are managed via counterparty limits either on a single name basis or counterparty group basis which adheres to the Guidance on Single Borrowing Limit issued by AMBD. The Bank monitors and manages its exposures to counterparties on a day-to-day basis.

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

- Sovereign;
- Business segments;
- Economic sectors;
- Single customer groups;
- Banks and non-bank financial institutions;
- Counterparties; and
- Collaterals.

The Bank has established a dedicated team of Collections and Recovery to effectively manage vulnerable borrowers. Special attention is given to vulnerable borrowers where frequent and intensive monitoring are performed to accelerate remedial action.

Internal credit rating reviews

Internal credit rating reviews are an integral part of the Bank's credit risk management, decision making process, adequacy of provision and capital assessment.

The credit risk grades for Corporates, SMEs, Financial Institutions and Banks are assessed using the Standard & Poor's ("S&P") rating methodology. The ratings are linked to the Bank's risk appetite and allow the Bank to map the ratings to default statistics.

Overview of credit risk of the subsidiary

Credit risk arises as a result of customers' or counterparties' to a financial instruments failure to settle their, financial or non-financial, contractual obligations. During the reporting period, the subsidiary's highest credit risks exposures are from its hire-purchase financing activities followed by its cash placements with the Bank and the regulator, and to lesser extent, its other accounts receivables.

(a) Business rules committee

To manage its most significant credit risk, the subsidiary board, through the business rules committee, has established a sales policy, with business rules and approval authority matrix operationalised by the use of a decision support system, which ensure consistency and compliance in its credit underwriting process. The performance of the decision support system is monitored, monthly, by the committee and policies adjustments are made as necessary.

(b) Internal credit rating scorecard

Internal credit rating scorecard models are an integral part of the subsidiary's credit risk management, decision making process, adequacy of provision and capital assessment. Retail exposure is assigned a rating utilising customised application and behavioural scorecard model, based on assessment of relevant predictive characteristics. The predictive performance of the two scorecards are validated monthly by the business rules committee using established methods, including rank ordering, PSI statistics, K factor and Gini coefficient.

(c) Recovery department

The subsidiary has established a dedicated recovery department function comprising of three units to deal with the different stages of default; the front-end negotiation team, the repossession and collateral disposal team and the litigation team. The teams report to the Head of Recovery who, in turn, report to the business rules committee its performance to minimise the incurred credit losses.

Maximum exposure to credit risk

The following table presents the Group's and Bank's maximum exposure to credit risk of recognised assets and unrecognised financial instruments, without taking into account of any collateral held or other credit enhancements. For recognised assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Group		Bank	
	2018	2017	2018	2017
	BS'000	BS'000	BS'000	BS'000
<i>Credit risk exposure of recognised assets:</i>				
Cash and cash equivalents	2,497,449	2,419,360	2,503,325	2,610,380
Balances with Autoriti Monetari Brunei Darussalam	445,202	456,933	407,452	419,913
Placements with and financing and advances to banks	2,015,303	1,974,964	2,377,589	2,150,964
Government sukuk	20,414	16,198	20,414	16,198
Investments	1,180,534	1,177,532	1,180,534	1,177,532
Derivative financial assets	27,831	40,865	27,831	40,865
Financing and advances	3,682,451	3,231,905	2,974,352	2,639,100
Finance lease receivables	12,620	12,587	12,620	12,587
Other assets	34,586	33,072	63,750	23,655
Sub-total	9,916,390	9,363,416	9,567,867	9,091,194
<i>Credit risk exposure of unrecognised financial instruments:</i>				
Credit commitments	153,057	179,528	153,057	179,528
Contingent liabilities	373,507	595,366	373,507	595,366
Sub-total	526,564	774,894	526,564	774,894
Total credit exposures	10,442,954	10,138,310	10,094,431	9,866,088

Investments excludes equity investments which comprise of unquoted security and unquoted fund.

Other assets exclude prepayments.

(i) **Concentration of credit risk for Group and Bank**

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

Group	Cash and short-term funds and deposits and placements with financial institutions	Balances with Autoriti Monetari Brunei Darussalam	Government sukuku	Investments	Derivative financial assets	Financing and advances	Financing lease receivables	Other assets	On-balance sheet total	Commitments and contingencies
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
2018										
Agricultural	—	—	—	—	—	8,770	—	—	8,770	3,471
Financial	4,512,752	—	—	537,412	27,831	48,053	—	—	5,126,048	156,278
Manufacturing	—	—	—	—	—	76,359	—	—	76,359	4,793
Transportation	—	—	—	71,062	—	949,107	—	—	1,020,169	19,951
Infrastructure	—	—	—	—	—	28,368	—	—	28,368	114,052
Traders	—	—	—	—	—	106,217	—	—	106,217	29,794
Services	—	—	—	75,092	—	113,120	12,620	—	200,832	30,647
Residential property (personal)	—	—	—	—	—	722,491	—	—	722,491	20,830
Commercial (property development)	—	—	—	63,260	—	101,094	—	—	164,354	20,835
Tourism	—	—	—	—	—	6,006	—	—	6,006	3,713
Telecommunication and information technology	—	—	—	—	—	1,024	—	—	1,024	4,525
Personal and consumption financing	—	—	—	—	—	1,079,406	—	—	1,079,406	62,978
Oil and gas	—	—	—	—	—	442,436	—	—	442,436	54,697
Others	—	445,202	20,414	433,708	—	—	—	34,586	933,910	—
Total	4,512,752	445,202	20,414	1,180,534	27,831	3,682,451	12,620	34,586	9,916,390	526,564

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

Group	Cash and short-term funds and placements with financial institutions B\$'000	Balances with Autoriti Monetari Brunei Darussalam B\$'000	Government sukuk 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 unquoted security and unquoted fund.

Other assets exclude prepayments.

	Cash and short-term funds and deposits and placements with financial institutions	Balances with Autoriti Monetari Brunei Darussalam	Government sukuk	Investments	Derivative financial assets	Financing and advances	Financing lease receivables	Other assets	On-balance sheet total	Commitments and contingencies
Bank	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
2018										
Agricultural	—	—	—	—	—	8,770	—	—	8,770	3,471
Financial	4,880,914	—	—	537,412	27,831	48,053	—	—	5,494,210	156,278
Manufacturing	—	—	—	—	—	76,359	—	—	76,359	4,793
Transportation	—	—	—	71,062	—	295,561	—	—	366,623	19,951
Infrastructure	—	—	—	—	—	27,607	—	—	27,607	114,052
Traders	—	—	—	—	—	106,216	—	—	106,216	29,794
Services	—	—	—	75,092	—	113,120	12,620	—	200,832	30,647
Residential property (personal)	—	—	—	—	—	722,491	—	—	722,491	20,830
Commercial (property development)	—	—	—	63,260	—	101,094	—	—	164,354	20,835
Tourism	—	—	—	—	—	6,006	—	—	6,006	3,713
Telecommunication and information technology	—	—	—	—	—	1,024	—	—	1,024	4,525
Personal and consumption financing	—	—	—	—	—	1,025,615	—	—	1,025,615	62,978
Oil & gas	—	—	—	—	—	442,436	—	—	442,436	54,697
Others	—	407,452	20,414	433,708	—	—	—	63,750	925,324	—
Total	4,880,914	407,452	20,414	1,180,534	27,831	2,974,352	12,620	63,750	9,567,867	526,564

Investments excludes equity investments which comprise of unquoted security and unquoted fund.

Other assets exclude prepayments.

	Cash and short-term funds and placements with financial institutions	Balances with Autoriti Monetari Brunei Darussalam	Government sukuk	Investments	Derivative financial assets	Financing and advances	Financing lease receivables	Other assets	On-balance sheet total	Commitments and contingencies
Bank	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	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 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	2018		2017	
	Carrying amount of financing and advances BS'000	Fair value of collateral BS'000	Carrying amount of financing and advances BS'000	Fair value of collateral BS'000
Type of collateral				
Cash	219,326	219,326	238,595	238,595
Properties	764,862	703,746	750,046	679,542
Vessels	625,290	624,199	231,095	230,432
Guarantees	–	–	897	897
Motor vehicles and others	730,446	608,751	696,370	579,245
Total	2,339,924	2,156,022	1,917,003	1,728,711

Bank	2018		2017	
	Carrying amount of financing and advances BS'000	Fair value of collateral BS'000	Carrying amount of financing and advances BS'000	Fair value of collateral BS'000
Type of collateral				
Cash	219,326	219,326	238,595	238,595
Properties	764,862	703,746	750,046	679,542
Vessels	625,290	624,199	310,987	310,324
Guarantees	–	–	897	897
Motor vehicles and others	13,891	13,891	14,132	14,132
Total	1,623,369	1,561,162	1,314,657	1,243,490

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\$10,034,600 for the Group (2017: B\$16,360,000) and B\$6,504,600 for the Bank (2017: B\$14,221,000).

(iii) Credit quality of gross financing and advances

Gross financing and advances are classified by the following internal risk category 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	Obligors rated in this category have financial commitments that are past due but no objective evidence of impairment.
Impaired	Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated.

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

	Group		Bank	
	2018	2017	2018	2017
	BS'000	BS'000	BS'000	BS'000
Neither past due nor impaired	3,519,888	3,094,615	2,844,078	2,501,406
Past due but not impaired	91,141	63,130	58,626	62,028
Impaired	143,873	151,403	135,643	143,368
	3,754,902	3,309,148	3,038,347	2,706,802
Allowance for impaired financing and advances	(72,451)	(77,243)	(63,995)	(67,702)
Total	3,682,451	3,231,905	2,974,352	2,639,100

Credit quality analysis

Group	2018			
	12-month ECL BS'000	Lifetime ECL – not credit- impaired BS'000	Lifetime ECL – credit- impaired BS'000	Total BS'000
Neither past due nor impaired				
Excellent to good	2,669,898	19,406	–	2,689,304
Fair	826,011	4,573	–	830,584
Past due but not impaired	30,925	60,216	–	91,141
Impaired	–	–	143,873	143,873
Total	3,526,834	84,195	143,873	3,754,902
Allowance for impaired financing and advances	(17,833)	(5,076)	(49,542)	(72,451)
Total	3,509,001	79,119	94,331	3,682,451

The following table sets out information about the ageing status of gross financing and advances facilities for obligors categorised as past due but not impaired:

Group	2018		
	12-month ECL BS'000	Lifetime ECL – not credit- impaired BS'000	Total BS'000
By ageing:			
Current	1,041	8,636	9,677
1 month-in-arrears (1 to 30 days)	29,884	37,320	67,204
2 months-in-arrears (31 to 60 days)	–	10,873	10,873
3 months-in-arrears (61 to 90 days)	–	3,387	3,387
Total	30,925	60,216	91,141

	2018			Total BS'000
	12-month ECL BS'000	Lifetime ECL – not credit- impaired BS'000	Lifetime ECL – credit- impaired BS'000	
Bank				
Neither past due nor impaired				
Excellent to good	2,255,219	19,406	–	2,274,625
Fair	564,880	4,573	–	569,453
Past due but not impaired	30,925	27,701	–	58,626
Impaired	–	–	135,643	135,643
Total	2,851,024	51,680	135,643	3,038,347
Allowance for impaired financing and advances	(16,674)	(4,586)	(42,735)	(63,995)
Total	2,834,350	47,094	92,908	2,974,352

The following table sets out information about the ageing status of gross financing and advances facilities for obligors categorised as past due but not impaired:

	2018		
	12-month ECL BS'000	Lifetime ECL – not credit- impaired BS'000	Total BS'000
Bank			
By ageing:			
Current	1,041	8,636	9,677
1 month-in-arrears (1 to 30 days)	29,884	4,838	34,722
2 months-in-arrears (31 to 60 days)	–	10,840	10,840
3 months-in-arrears (61 to 90 days)	–	3,387	3,387
Total	30,925	27,701	58,626

A table showing a reconciliation between the movement of ECL by IFRS9 staging will be disclosed when the Group enhanced its existing ECL system for disclosures.

Comparative information under IAS 39**Neither past due nor impaired financing**

	Group 2017 BS'000	Bank 2017 BS'000
Neither past due nor impaired financing	3,094,615	2,501,406

Past due but not impaired financing

	Group 2017 BS'000	% of gross financing
By ageing:		
1 month-in-arrears (1 to 30 days)	48,321	1.5
2 months-in-arrears (31 to 60 days)	10,007	0.3
3 months-in-arrears (61 to 90 days)	4,802	0.1
Total	63,130	1.9

	Bank 2017 BS'000	% of gross financing
By ageing:		
1 month-in-arrears (1 to 30 days)	47,223	1.9
2 months-in-arrears (31 to 60 days)	10,003	0.4
3 months-in-arrears (61 to 90 days)	4,802	0.2
Total	62,028	2.5

Impaired financing

	Group 2017 BS'000	Bank 2017 BS'000
Individually assessed	113,495	105,460
Of which:		
0 month-in-arrears	58,297	55,225
1 month-in-arrears (1 to 30 days)	122	—
2 months-in-arrears (31 to 60 days)	5,098	4,676
3 months-in-arrears and above (> 60 days)	49,978	45,559
Collectively assessed	37,908	37,908
Total	151,403	143,368

Impaired financing - rescheduled and restructured financing

	Group 2017 BS'000	Bank 2017 BS'000
Impaired financing - rescheduled and restructured financing	20,163	19,036

Rescheduled and restructured financing are financing where the terms have been renegotiated due to deterioration in the borrowers' financial position and the Group 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.

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

The Group managed its exposure to credit risk by investing only in liquid debt securities majority with counterparties that have a credit rating of at least BBB- or its rating equivalent from AMBD approved External Credit Assessment Institution (ECAI), and a small portion to below investment grade or unrated Sukuk. If no such ECAI is unavailable, the Sukuk (obligor) will be assessed using internal model and at least be rated BBB-

The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and, where available, credit default swap (CDS) prices together with available press and regulatory information about issuers which include quarterly earning updates, and the operating environment.

12-month and lifetime probabilities of default are based on historical data supplied by Moody's Investor Service for each credit rating and are recalibrated based on current bond yields. Loss given default (LGD) parameters generally reflect recovery rate depending the type of asset and sukuk feature which ranging between 28.1% to 50% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective yield rate.

The following table presents an analysis of the credit quality of debt securities at amortised cost, FVOCI and FVTPL (2017: available-for-sale). It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

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

Amortised cost

	Gross carrying amount BS'000	12-month ECL BS'000	Lifetime ECL- not credit impaired BS'000	Lifetime ECL- credit impaired BS'000	Total BS'000
Group and Bank					
2018					
Islamic debt securities					
Rated AAA	—	—	—	—	—
Rate AA+ to AA-	—	—	—	—	—
Rate A+ to A-	258,532	(91)	—	—	258,441
Rated BBB+ to BBB-	189,420	(164)	—	—	189,256
Rated BB+ or below	154,216	(393)	—	—	153,823
Unrated-Quasi- government	1,165	(2)	—	—	1,163
Unrated-Others	—	—	—	—	—
Other investments	—	—	—	—	—
Total	603,333	(650)	—	—	602,683

Fair value through profit and loss

	Gross carrying amount BS'000	12-month ECL BS'000	Lifetime ECL- not credit impaired BS'000	Lifetime ECL- credit impaired BS'000	Total BS'000
Group and Bank					
2018					
Islamic debt securities	—	—	—	—	—
Rated AAA	—	—	—	—	—
Rate AA+ to AA-	—	—	—	—	—
Rate A+ to A-	—	—	—	—	—
Rated BBB+ to BBB-	—	—	—	—	—
Rated BB+ or below	—	—	—	—	—
Unrated-Quasi- government	—	—	—	—	—
Unrated-Others	—	—	—	—	—
Other investments	99,068	—	—	—	99,068
Total	99,068	—	—	—	99,068

Fair value through other comprehensive income

	Gross carrying amount BS'000	12-month ECL BS'000	Lifetime ECL- not credit impaired BS'000	Lifetime ECL- credit impaired BS'000	Total BS'000
Group and Bank					
2018					
Islamic debt securities					
Rated AAA	—	—	—	—	—
Rate AA+ to AA-	107,095	(29)	—	—	107,066
Rate A+ to A-	126,359	(63)	—	—	126,296
Rated BBB+ to BBB-	—	—	—	—	—
Rated BB+ or below	19,592	(299)	—	—	19,293
Unrated-Quasi- government	76,426	(143)	—	—	76,283
Unrated-Others	149,311	(53)	—	—	149,258
Other investments	—	—	—	—	—
Total	478,783	(587)	—	—	478,196

Government sukuk held by the Group (refer to Note 19) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 21) are generally above the rating of A-. For other assets, impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

Comparative information under IAS 39

	Investments – Financial assets at fair value through PL BS'000	Investments – Financial assets available-for-sale BS'000	Total BS'000
Group and Bank			
2017			
Islamic debt securities			
Rated AAA	—	—	—
Rated AA1+ to AA-	—	26,608	26,608
Rated A+ to A-	—	653,663	653,663
Rated BBB+ to BBB-	—	299,419	299,419
Rated BB+ or below	—	46,502	46,502
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

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					Net amount B\$'000
	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	
Group and Bank						
2018						
Derivative financial assets	27,831	—	27,831	(11,313)	—	16,518
Derivative financial liabilities	14,411	—	14,411	(11,313)	—	3,098
2017						
Derivative financial assets	40,865	—	40,865	(11,323)	—	29,542
Derivative financial liabilities	15,860	—	15,860	(11,323)	—	4,537

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position that are disclosed in the above tables are measured in the statements of financial position on fair value.

(b) Market risk**Overview of the Bank's market risk**

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

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

Management of market risk

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

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

The Bank is exposed to the following risks:

Profit Rate Risk: Changes in the market wide yield rate i.e. yield curve will have an impact on the income of the Bank. This depends on how quickly the Bank can absorb the change in yield rate and price this in the composition of assets and liabilities. Stress test and sensitivity analysis is performed at 1%, 3% and 8% parallel shift in market yield rates and the resulting change in 1 year net income position of the Bank.

Fair Value/Duration Risk: The fair value of assets and liabilities changes as the discount factor i.e. the yield curve moves up or down. The composition and duration of the assets and liabilities will determine the net change in net asset value. The base discount factor is the market SGD yield curve, to which a premium is added to reflect the market perception of the Bank's credit standing. The changes in fair value will not have a material impact on the financial statements of the Group and the Bank.

Foreign Exchange Risk: The Bank has substantial exposure in foreign exchange denominated assets, particularly the United States Dollar ("USD"). This foreign exchange risk is managed through foreign exchange forward currency hedges, whereby all foreign exchange assets are required to be covered by either liabilities in the same currency and/or foreign exchange forward hedge with a reputable international counterparty. The Bank's Executive Committee has given approval for only B\$10 million equivalent in total aggregate of foreign currency open position.

Overview of the subsidiary's market risk

All the subsidiary's financing assets are fixed rate and is not subject to future movement. However, the subsidiary's deposit from customers are subject to future repricing risk and the risk that prices and rates will move, resulting in profit or loss to the subsidiary.

The subsidiary is exposed to the following risks:

Rate of return or profit risk: risk that changes in prevailing yield rate for deposits will adversely affect the earnings stream of the subsidiary, thus resulting in reduced net financing income;

Price Risk: risk that changes in prevailing yield rate will adversely affect the values of assets, liabilities, and capital. Price risk is the valuation effect due to changes in rates and other market factors both internal and external to the subsidiary. The objective of the subsidiary's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the subsidiary's approved risk appetite.

Market risk governance and management

The board of the subsidiary reviews these risks at least annually, and more often as conditions may warrant. This helps to provide for growth that is sound, profitable and balanced without sacrificing the quality of service and to manage and maintain policies and procedures that are consistent with the subsidiary's and Group's strategic goals.

(i) **Profit rate risk**

The tables below summarise the Group's and Bank's exposure to profit rate risk and gap position on non-trading portfolio. The tables indicate the periods in which the financial instruments reprice or mature, whichever is earlier.

Group 2018	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Assets								
Cash and cash equivalents	1,457,192	597,166	–	–	–	443,091	–	2,497,449
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	445,202	–	445,202
Placements with and financing and advances to bank	413,806	1,127,315	474,182	–	–	–	–	2,015,303
Government sukuku	10,575	–	9,839	–	–	–	–	20,414
Investments at amortised cost	–	36,628	2,789	364,122	199,144	–	–	602,683
Investments at fair value through profit or loss	–	–	–	–	–	–	99,068	99,068
Investments at fair value through other comprehensive income	–	61,264	–	249,709	167,810	–	–	478,783
Derivative financial assets	–	–	–	–	–	–	27,831	27,831
Financing and advances	118,096	402,623	342,819	1,115,438	1,703,475	–	–	3,682,451
Finance lease receivables	–	–	–	–	12,620	–	–	12,620
Other assets	–	–	–	–	–	34,586	–	34,586
Total	1,999,669	2,224,996	829,629	1,729,269	2,083,049	922,879	126,899	9,916,390

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund. Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing. Other assets exclude prepayments.

**Group
2018**

Liabilities

	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Deposits from customers	(3,972,878)	(2,277,379)	(1,182,746)	(188,130)	–	–	–	(7,621,133)
Deposits from banks and other financial institutions	(14,587)	(102,300)	(313,936)	(120,700)	–	–	–	(551,523)
Derivative financial liabilities	–	–	–	–	–	–	(14,411)	(14,411)
Placements from other financial institutions	(455,011)	(43,864)	–	–	–	–	–	(498,875)
Other liabilities	–	–	–	–	–	(117,753)	–	(117,753)
Total	(4,442,476)	(2,423,543)	(1,496,682)	(308,830)	–	(117,753)	(14,411)	(8,803,695)

Recognised assets profit sensitivity gap	(2,442,807)	(198,547)	(667,053)	1,420,439	2,083,049	805,126	112,488	1,112,695
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	(526,564)	–	(526,564)
Total profit sensitivity gap	(2,442,807)	(198,547)	(667,053)	1,420,439	2,083,049	278,562	112,488	586,131

	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Group 2017								
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 sukuk	–	–	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	61,135	130,108	231,981	991,362	1,817,319	–	–	3,231,905
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

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund. Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing. Other assets exclude prepayments.

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 bearing 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

	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Bank 2018								
Assets								
Cash and cash equivalents	1,463,068	597,166	–	–	–	443,091	–	2,503,325
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	407,452	–	407,452
Placements with and financing and advances to bank	413,806	1,127,315	836,468	–	–	–	–	2,377,589
Government sukuks	10,575	–	9,839	–	–	–	–	20,414
Investments at amortised cost	–	36,628	2,789	364,122	199,144	–	–	602,683
Investments at fair value through profit or loss	–	–	–	–	–	–	99,068	99,068
Investments at fair value through other comprehensive income	–	61,264	–	249,709	167,810	–	–	478,783
Derivative financial assets	–	–	–	–	–	–	27,831	27,831
Financing and advances	102,969	398,308	309,860	685,655	1,477,560	–	–	2,974,352
Finance lease receivables	–	–	–	–	12,620	–	–	12,620
Other assets	–	–	–	–	–	63,750	–	63,750
Total	1,990,418	2,220,681	1,158,956	1,299,486	1,857,134	914,293	126,899	9,567,867

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund. Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing. Other assets exclude prepayments.

Bank 2018	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Liabilities								
Deposits from customers	(3,919,092)	(2,263,693)	(1,154,570)	(175,093)	–	–	–	(7,512,448)
Deposits and placements of banks and other financial institutions	(125,377)	(49,500)	(169,336)	(80,200)	–	–	–	(424,413)
Derivative financial liabilities	–	–	–	–	–	–	(14,411)	(14,411)
Placements from other financial institutions	(455,011)	(43,864)	–	–	–	–	–	(498,875)
Other liabilities	–	–	–	–	–	(109,245)	–	(109,245)
Total	(4,499,480)	(2,357,057)	(1,323,906)	(255,293)	–	(109,245)	(14,411)	(8,559,392)
Recognised assets profit sensitivity gap	(2,509,062)	(136,376)	(164,950)	1,044,193	1,857,134	805,048	112,488	1,008,475
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	(526,564)	–	(526,564)
Total profit sensitivity gap	(2,509,062)	(136,376)	(164,950)	1,044,193	1,857,134	278,484	112,488	481,911

	Up to 1 month B\$'000	1 – 3 months B\$'000	3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit bearing B\$'000	Trading book B\$'000	Total B\$'000
Bank 2017								
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 sukuk	–	–	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	60,882	129,427	219,731	622,581	1,606,479	–	–	2,639,100
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

Financial assets at fair value through profit or loss and other comprehensive income exclude investments in unquoted security and unquoted fund. Financing and advances is arrived at after deducting allowances for losses from the outstanding gross impaired financing. Other assets exclude prepayments.

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 bearing 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

Profit sensitivity analysis for variable rate instruments:

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

Group and Bank	Profit or loss / Equity					
	100 bp 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
2018						
Variable rate instruments	9,094	(9,094)	27,282	(27,282)	72,752	(72,752)
2017						
Variable rate instruments	7,884	(7,884)	23,652	(23,652)	63,072	(63,072)

(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-----			
	USD B\$'000	EUR B\$'000	GBP B\$'000	Others B\$'000
2018				
Assets				
Cash and short term funds	1,935,442	72,283	148,057	10,654
Placements with and financing and advances to bank	1,948,444	18,793	17,325	—
Investments	1,182,865	329	—	—
Financing and advances	361,411	—	—	—
Others	20,623	234	4,851	—
Total	5,448,785	91,639	170,233	10,654
Liabilities				
Deposits from customers	(530,223)	(10,107)	(356,184)	(10,073)
Deposits from banks and other financial institutions	(16,062)	—	(1)	—
Placements from other financial institutions	(392,367)	(62,645)	—	(43,864)
Others	(8,985)	(3)	(559)	102
Total	(947,637)	(72,755)	(356,744)	(53,835)
Net foreign exchange exposure	4,501,148	18,884	(186,511)	(43,181)
Effect of use of derivatives	(4,505,994)	(18,719)	186,529	43,749
Net exposure	(4,846)	165	18	568
2017				
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

	-----Group and Bank-----			
	USD B\$'000	EUR B\$'000	GBP B\$'000	Others B\$'000
2017				
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

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			
	2018		2017	
	- 1% depreciation B\$'000	+ 1% appreciation B\$'000	- 1% depreciation B\$'000	+ 1% Appreciation B\$'000
Group and Bank				
USD	48	(48)	(78)	78
EUR	(2)	2	(1)	1
GBP	–	–	(1)	1
Others	(6)	6	(7)	7
Total	40	(40)	(87)	87

(iii) Equity price risk

The Group is exposed to equity price risk on its equity investments which are carried at fair value through profit or loss and through other comprehensive income.

For a 10% increase in the value of equity securities, the impact on profit or loss of the Group and the Bank would have been an increase of B\$149,000 and B\$149,000 respectively (2017: B\$ nil and B\$ nil respectively). A 10% decrease in the value of the equity securities would have an equal and opposite effect on the profit or loss of the Group and the Bank.

For a 10% increase in the value of equity securities, the impact on fair value reserve of the Group and the Bank would have been an increase of B\$33,000 and B\$33,000 respectively (2017: B\$147,000 and B\$147,000 respectively). A 10% decrease in the value of the equity securities would have an equal and opposite effect on the fair value reserve of the Group and the Bank.

(c) Liquidity risk**Overview of the Bank's liquidity risk**

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

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

In addition, the Bank and one of its subsidiaries have to comply with Section 45(1) of the Islamic Banking Order, 2008 and section 13A of the Finance Companies Act, Cap 89 respectively to maintain minimum cash balances with the AMBD. The Bank and the subsidiary were in compliance with these requirements during the year ended 31 December 2018.

Management of liquidity and funding risk

The Bank manages its liquidity under the purview of its ALCO which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

Overview of the subsidiary's liquidity risk

Liquidity risk is the risk that the subsidiary will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The subsidiary's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the subsidiary's reputation.

Management of liquidity risk

Liquidity risk is managed in accordance with the subsidiary's liquidity needs through, in large part, receipt of placements from the Bank, in addition to the receipt of deposits from other financial institutions and retail depositors. This will ensure that liquidity risk is monitored and managed in a manner that ensures sufficient funds are available over a range of market conditions.

Maturity analysis

The table below summarises the Group's and Bank's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from customers are not all expected to be withdrawn immediately.

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Group 2018									
Assets									
Cash, balances and placements with banks	2,497,449	2,500,678	2,500,678	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	445,202	445,202	325,856	29,488	38,726	13,382	–	37,750	–
Placements with and financing and advances to banks	2,015,303	2,036,168	1,547,392	229,153	259,623	–	–	–	–
Government sukuk	20,414	20,580	10,580	–	10,000	–	–	–	–
Investments	1,180,534	1,342,568	107,463	11,459	49,816	364,959	416,167	286,925	105,779
Derivatives financial assets	27,831	27,294	20,781	6,245	268	–	–	–	–
Financing and advances	3,682,451	4,427,008	881,295	231,614	428,635	1,361,395	583,628	940,441	–
Finance lease receivables	12,620	29,920	165	175	360	1,440	1,440	26,340	–
Other assets	34,586	34,586	19,417	3,337	1,181	2,478	3,631	4,542	–
Total	9,916,390	10,864,004	5,413,627	511,471	788,609	1,743,654	1,004,866	1,295,998	105,779

Investments excludes investments in unquoted security and unquoted fund.

Other assets exclude prepayments.

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Group 2018									
Liabilities									
Deposits from customers	(7,621,133)	(7,640,899)	(6,259,232)	(543,940)	(645,406)	(192,321)	–	–	–
Deposits and placements of banks and other financial institutions	(551,523)	(563,954)	(41,138)	(129,104)	(363,072)	(30,640)	–	–	–
Derivative financial liabilities	(14,411)	(15,400)	(6,310)	(5,725)	(3,365)	–	–	–	–
Placements from other financial institutions	(498,875)	(499,117)	(499,117)	–	–	–	–	–	–
Other liabilities	(117,753)	(117,753)	(85,007)	(14,593)	(10,268)	(3,274)	(429)	(4,182)	–
Total	(8,803,695)	(8,837,123)	(6,890,804)	(693,362)	(1,022,111)	(226,235)	(429)	(4,182)	–
Recognised assets net liquidity gap	1,112,695	2,026,881	(1,477,177)	(181,891)	(233,502)	1,517,419	1,004,437	1,291,816	105,779
Commitments and contingencies	(526,564)	(526,564)	(526,564)	–	–	–	–	–	–
Net liquidity gap	586,131	1,500,317	(2,003,741)	(181,891)	(233,502)	1,517,419	1,004,437	1,291,816	105,779

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Group 2017									
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 sukuk	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 investments in unquoted security and unquoted fund.
Other assets exclude prepayments.

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Group 2017									
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

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Bank 2018									
Assets									
Cash and cash equivalents	2,503,325	2,506,554	2,506,554	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei									
Darussalam	407,452	407,452	325,856	29,488	38,726	13,382	–	–	–
Placements with and financing and advances to banks									
Government sukus	2,377,589	2,398,454	1,547,392	227,439	623,623	–	–	–	–
Investments	20,414	20,580	10,580	–	10,000	–	–	–	–
Derivative financial assets	1,180,534	1,342,568	107,463	11,459	49,816	364,959	416,167	286,925	105,779
Financing and advances	27,831	27,294	20,781	6,245	268	–	–	–	–
Finance lease receivables	2,974,352	3,604,921	830,133	231,614	283,697	819,945	583,628	855,904	–
Other assets	12,620	29,920	165	175	360	1,440	1,440	26,340	–
	63,750	63,750	48,581	3,337	1,181	2,478	3,631	4,542	–
Total	9,567,867	10,401,493	5,397,505	509,757	1,007,671	1,202,204	1,004,866	1,173,711	105,779

Investments excludes investments in unquoted security and unquoted fund.
Other assets exclude prepayments.

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Bank 2018									
Liabilities									
Deposits from customers	(7,512,448)	(7,531,190)	(6,190,901)	(531,154)	(630,234)	(178,901)	–	–	–
Deposits from banks and other financial institutions	(424,413)	(428,730)	(174,990)	(44,912)	(126,304)	(82,524)	–	–	–
Derivative financial liabilities	(14,411)	(15,400)	(6,310)	(5,725)	(3,365)	–	–	–	–
Placements from other financial institutions	(498,875)	(499,117)	(499,117)	–	–	–	–	–	–
Other liabilities	(109,245)	(109,245)	(67,723)	(14,593)	(10,268)	(12,050)	(429)	(4,182)	–
Total	(8,559,392)	(8,583,682)	(6,939,041)	(596,384)	(770,171)	(273,475)	(429)	(4,182)	–
Recognised assets net liquidity gap	1,008,475	1,817,811	(1,541,536)	(86,627)	237,500	928,729	1,004,437	1,169,529	105,779
Commitments and contingencies	(526,564)	(526,564)	(526,564)	–	–	–	–	–	–
Net liquidity gap	481,911	1,291,247	(2,068,100)	(86,627)	237,500	928,729	1,004,437	1,169,529	105,779

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	3 – 6 months B\$'000	6 – 12 months B\$'000	1 – 3 years B\$'000	3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Bank 2017									
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									
Government sukus	2,150,964	2,152,991	959,488	798,510	394,993	–	–	–	–
Investments	16,198	16,310	–	6,310	10,000	–	–	–	–
Derivative financial assets	1,177,532	1,298,035	243,498	8,073	80,152	264,405	315,817	274,034	112,056
Financing and advances	40,865	38,169	33,777	525	2,105	1,762	–	–	–
Finance lease receivables	2,639,100	3,316,014	479,697	195,759	287,634	804,990	612,272	935,662	–
Other assets	12,587	30,580	165	165	330	1,420	1,440	27,060	–
	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 investments in unquoted security and unquoted fund.
Other assets exclude prepayments.

	Carrying amount B\$'000	Gross nominal inflow/ (outflow) B\$'000	Less than 3 months B\$'000	> 3 – 6 months B\$'000	> 6 – 12 months B\$'000	> 1 – 3 years B\$'000	> 3 – 5 years B\$'000	Over 5 years B\$'000	No specific maturity B\$'000
Bank 2017									
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

(d) Operational Risk of the Group**Overview of the Bank and a material subsidiary's operational risk**

Operational risk is the potential for loss resulting from events involving people, internal processes, systems or external events. A set of minimum control standards for operational risk management has been developed with the objective of ensuring that operational risks within the Group are identified and managed in a structured and consistent manner.

Operational Risk Management Framework

Operational risks can arise from all business lines and from all activities carried out by the Bank. Operational risks are systematically identified at the divisional level. Risk Coordinators are appointed from each division and are responsible for risk identification and risk management in all the identified risk areas. This includes maintaining an effective control environment arising from those activities as their first line of defence responsibilities.

Operational risk exposures can take various forms, and the Bank seeks to manage them in accordance with standards that drive systematic risk identification, assessment, control and monitoring. These standards are reviewed regularly to ensure their ongoing effectiveness. To support the systematic identification of material operational risk exposures associated with a given process, the Bank classifies them into the following risk types:

- People
- Process
- System
- External

Operational risk exposures are rated 'high', 'medium' or 'low' in accordance with defined risk assessment criteria. Risks that are outside set materiality thresholds receive a different level of management attention and are reported to Senior Management (Ad-Hoc Basis) and Enterprise Risk Management ("ERM") committee (Monthly Basis) and AFRC (Quarterly Basis). Significant risk events or financial losses that have occurred are analysed to identify the root cause of any failure for remediation and future mitigation. Actual operational losses are recorded.

As the second line of defence, Operational Risk Management ("ORM") unit of the Risk Management Division is responsible for setting and maintaining the standards for operational risk management and control. ORM also creates awareness of possible risk issues in business units and provides risk awareness training and workshops.

The ERM Committee oversees the management of operational risks across the Bank, supported by all business unit heads. The ERM Committee operates on the basis of terms of reference derived from the Operational Risk Management mandate/framework which is approved by the Leadership Forum.

Overview of a material subsidiary's operational risk

Operational risk is the potential for loss resulting from events involving people, internal processes, systems or external events. A set of minimum control standards for operational risk management has been developed with the objective of ensuring that operational risks within the subsidiary are identified and managed in a structured and consistent manner.

(a) ORIC committee

The subsidiary's board, through the Operational Risk and Internal Controls Committee ("ORIC"), is responsible for the ongoing monitoring of operational risks and the development, implementation and monitoring of established internal controls to address the operational risks, by monitoring identified key risk indicators, measuring board approved risk appetite limit against near-miss, potential loss and actual-loss events, monitoring of identified early warning signals indicators and operational risk incident reports. The committee is also responsible to ensure timely closures of audit points raised by internal and external auditors.

(b) Risk controls self-assessment

All divisions in the subsidiary have established internal controls framework ("ICF"), requiring appropriate segregation of duties, reconciliation and monitoring of transactions. The ICF is updated at least annually, as part of the risk controls self-assessment exercise, where each department will assess its level of compliance to the ICF, identify control gaps and report its findings to ORIC.

39 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The information presented herein represents the estimates of fair values as at the reporting date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded from this note as they do not fall within the scope of IFRS 13: *Fair Value Measurements* which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Group's and the Bank's financial instruments such as cash and short-term funds, balances with AMBD, deposits and placements with banks and other financial institutions, deposits from customers and banks, government sukuk, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market yield rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at the reporting date approximate their fair values.

The fair values are based on the following methodologies and assumptions:

Investments

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset of the investee.

Financing and advances

The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

Derivatives

The fair values of derivatives are obtained based on quoted rates of similar instruments at the reporting date.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
 - Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
 - Level 3 – Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.
-

The effect of initially applying IFRS 9 on the Group's financial instruments is described in Note 2.1(a). Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amounts				Fair values			
	FVOCI – debt instrument B\$'000	Mandatorily at FV/TPL B\$'000	Amortised cost B\$'000	Total B\$'000	Level 1 B\$'000	Level 2 B\$'000	Level 3 B\$'000	Total B\$'000
Group 2018								
Financial assets measured at fair value								
Investments	479,112	100,553	602,683	1,182,348	478,783	701,751	1,814	1,182,348
Government sukuk	20,414	–	–	20,414	–	–	20,414	20,414
Forward exchange contracts	–	27,831	–	27,831	–	27,831	–	27,831
	<u>499,526</u>	<u>128,384</u>	<u>602,683</u>	<u>1,230,593</u>	<u>478,783</u>	<u>729,582</u>	<u>22,228</u>	<u>1,230,593</u>
Financial liabilities measured at fair value								
Forward exchange contracts	–	(14,411)	–	(14,411)	–	(14,411)	–	(14,411)

	Carrying amounts					Fair values			
	Designated at fair value B\$'000	Held for trading B\$'000	Available for sale B\$'000	Financing 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	1,105,631	71,901	1,470	1,179,002
Government sukuk	–	–	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	1,105,631	112,766	17,668	1,236,065
Financial liabilities measured at fair value									
Forward exchange contracts	–	15,860	–	–	15,860	–	15,860	–	15,860

	Carrying amounts				Fair values			
	FVOCI – debt instrument B\$'000	Mandatorily at FVTPL B\$'000	Amortised cost B\$'000	Total B\$'000	Level 1 B\$'000	Level 2 B\$'000	Level 3 B\$'000	Total B\$'000
Bank								
2018								
Financial assets measured at fair value								
Investments	479,112	100,553	602,683	1,182,348	478,783	701,751	1,814	1,182,348
Government sukuk	20,414	–	–	20,414	–	–	20,414	20,414
Forward exchange contracts	–	27,831	–	27,831	–	27,831	–	27,831
	499,526	128,384	602,683	1,230,593	478,783	729,582	22,228	1,230,593
Financial liabilities measured at fair value								
Forward exchange contracts	–	(14,411)	–	(14,411)	–	(14,411)	–	(14,411)

	Carrying amounts				Fair values				
	Designated at fair value B\$'000	Held for trading B\$'000	Available for sale B\$'000	Financing and receivables B\$'000	Total B\$'000	Level 1 B\$'000	Level 2 B\$'000	Level 3 B\$'000	Total B\$'000
Bank									
2017									
Financial assets measured at fair value									
Investments	1,816	–	1,177,186	–	1,179,002	1,105,631	71,901	1,470	1,179,002
Government sukuk	–	–	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	1,105,631	112,766	17,668	1,236,065
Financial liabilities measured at fair value									
Forward exchange contracts	–	15,860	–	–	15,860	–	15,860	–	15,860

Valuation techniques and significant unobservable inputs

The table below sets out information about valuation techniques and significant unobservable inputs used at in estimating parameters of 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	Quoted prices	–
Quoted debt securities	FVOCI	1	Quoted prices	–
Quoted debt securities	Amortised Cost	2	Discounted cash flows	Yield curve and credit spreads
Forward exchange contracts	FVTPL	2	Quoted prices	–
Unquoted security	FVOCI	3	Net asset value	–
Unquoted funds	FVTPL	3	Net asset value	Net asset value
Government sukuks	FVOCI	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

Before 1 January 2018, the following securities for the Group and Bank were classified as available-for-sale in accordance with IAS 39. From 1 January 2018, in accordance with IFRS 9, these securities are classified as:

	FVOCI	FVTPL	Total
	B\$'000	B\$'000	B\$'000
At 1 January 2018	17,668	–	17,668
Reclass to FVTPL	(1,470)	1,470	–
Matured during the year	(16,198)	–	(16,198)
Purchased during the year	20,703	–	20,703
Gains recognised in other comprehensive income	40	–	40
Gains recognised in profit and loss	–	15	15
At 31 December 2018	20,743	1,485	22,228

2017
B\$'000

Securities available-for-sale

At 1 January 2017	15,237
Unrealised gains recognised in other comprehensive income	2,431
At 31 December 2017	17,668

There were no transfers from Level 1 instruments to Level 2, and no transfers into or out of Level 3 instruments during the year ended 31 December 2018 (2017:NIL).

40 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	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Within one year	1,974	1,996	1,915	1,719
Between one and five years	1,818	3,565	1,797	3,489
More than five years	3	15	3	15
Total	3,795	5,576	3,715	5,223

41 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Assets				
Investments	980,785	860,643	980,785	860,643
Financing and advances	2,818,913	2,779,764	2,163,215	2,200,143
Finance lease receivables	11,941	11,946	11,941	11,946
Investments in subsidiaries	–	–	27,489	39,804
Investment in associate and joint ventures	38,858	17,388	22,358	7,080
Property and equipment	65,454	174,470	49,394	50,392
Investment property	24,630	25,887	24,630	25,887
Deferred tax assets	7,951	–	8,034	6,038
Liabilities				
Deposits from customers	188,130	189,476	175,093	178,993
Deposits from banks and other financial institutions	120,700	107,700	80,200	22,500
Deferred tax liabilities	–	3,371	–	–

42 Commitments

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Commitments:				
Undrawn credit lines	152,759	179,083	152,759	179,083
Forward deposits	298	445	298	445
Total	153,057	179,528	153,057	179,528
Capital expenditure:				
- Approved and contracted for but not provided for in the financial statements	5,894	5,337	5,894	5,337
- Approved but not contracted for and provided for in the financial statements	859	250	859	250
Total	6,753	5,587	6,753	5,587
Total commitments	159,810	185,115	159,810	185,115

43 Capital adequacy

Capital Management

The Group's objective when managing capital is to maintain a strong capital position to support business growth, and to maintain investor, depositor, customer, rating agency and market confidence. In line with this, the Group manages its capital actively and ensure the capital adequacy ratios which takes into account the risk profile of the Group are comfortably above the regulatory minimum. The Group and the Bank have applied all effective pronouncements and interpretations of IFRS in arriving at the capital position of the Group and the Bank.

Capital Adequacy Ratios

The Group and Bank are required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by AMBD. The Group and Bank were in compliance with all prescribed capital ratios throughout the year.

	Group		Bank	
	2018	2017	2018	2017
	BS'000	BS'000	BS'000	BS'000
Regulatory capital				
Core capital (Tier 1 capital) before dividend	1,184,424	1,089,407	1,088,917	1,003,701
Less: Dividends to be proposed for the financial year	(88,202)	(36,781)	(88,202)	(36,781)
Core capital (Tier 1 capital) after dividend	1,096,222	1,052,626	1,000,715	966,920
Supplementary capital (Tier II capital)	21,720	32,909	20,073	29,306
Less: Investments in associate and subsidiaries	(7,080)	(7,080)	(31,576)	(31,603)
Total capital base	1,110,862	1,078,455	989,212	964,623
Total risk-weighted amount				
Risk-weighted amount for credit risk	5,829,733	5,502,408	5,467,745	5,137,779
Risk-weighted amount for operational risk	613,932	570,978	566,539	480,008
Risk-weighted amount for market risk	2,478	5,644	2,478	5,644
Total risk-weighted amount	6,446,143	6,079,030	6,036,762	5,623,431
Capital ratios				
Core capital (Tier 1) ratio %	17.0%	17.3%	16.6%	17.2%
Total capital ratio %	17.2%	17.7%	16.4%	17.2%

The core capital is derived after deducting the dividends to be proposed for the financial year ended 31 December 2018 subsequent to the year end amounting to B\$88,202,016 (2017: B\$36,781,038).

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.

44 **Contingent liabilities**

	Group		Bank	
	2018	2017	2018	2017
	B\$'000	B\$'000	B\$'000	B\$'000
Letters of credit	12,548	26,385	12,548	26,385
Guarantees, bonds	325,356	420,815	325,356	420,815
Shipping guarantees	5,326	7,120	5,326	7,120
Acceptances	2,213	10	2,213	10
Trade risk participation	27,333	140,782	27,333	140,782
Import bills	731	254	731	254
Total	373,507	595,366	373,507	595,366

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.

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

	Business segments					
Group	Retail Banking Group B\$'000	Corporate Banking Group B\$'000	Treasury and Global Markets B\$'000	Hire Purchase B\$'000	Head Office and Others B\$'000	Total B\$'000
2018						
Total income	132,756	39,520	86,275	54,594	12,710	325,855
Operating profit before allowances	114,859	30,243	79,264	43,758	(72,575)	195,549
Allowances and impairment for financing and advances and other assets	(9,390)	(2,076)	(276)	(2,867)	–	(14,609)
Operating profit	105,469	28,167	78,988	40,891	(72,575)	180,940
Share of profit of associate						4,803
Profit before zakat and tax						185,743
Zakat and income tax expense						(37,840)
Profit for the year						147,903
Non-controlling interests						(1,575)
Profit for the year attributable to equity holders of the Bank						146,328
Other information:						
Depreciation	694	2,556	310	2,649	11,545	17,754

	Business segments					Total B\$'000
	Retail Banking Group B\$'000	Corporate Banking Group B\$'000	Treasury and Global Markets B\$'000	Hire Purchase B\$'000	Head Office and Others B\$'000	
Group						
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

	Business segments -----			
	Retail Banking Group B\$'000	Corporate Banking Group B\$'000	Treasury and Global Markets B\$'000	Head Office and Others B\$'000
Bank				Total
2018				B\$'000
Total income	132,756	32,046	90,811	42,577
				298,190
Operating profit before allowances	114,859	25,384	83,101	(42,374)
Allowances and impairment for financing and advances and other assets	(9,390)	(2,076)	(749)	–
Operating profit	105,469	23,308	82,352	(42,374)
				168,755
Profit before zakat and tax				168,755
Zakat and income tax expense				(29,020)
Profit for the year attributable to equity holders of the Bank				139,735
Other information:				
Depreciation	694	1,111	306	11,539
				13,650

	Business segments				
	Retail Banking Group B\$'000	Corporate Banking Group B\$'000	Treasury and Global Markets B\$'000	Head Office and Others B\$'000	Total B\$'000
Bank					
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

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