Bank Islam Brunei Darussalam Berhad 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 B$'000	**Bank B$'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	–
	147,903	139,735

Dividends

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

	B$'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:

	Number of ordinary shares of B$0.70 each	
Name of directors	**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 اللهِ الرَّحْمنِ الرَّحِيمِ

الحمدلله 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 ʻĀmmah* (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.

KPMG

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.

KPMG

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

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

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

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

KPMG

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

Report on other legal and regulatory requirements

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

Kpmg llp

KPMG LLP
Singapore Public Accountants and
Singapore Chartered Accountants

David Jason Waller
Brunei Darussalam Public Accountant

Singapore
22 March 2019

Income Statements
Year ended 31 December 2018

	Note	Group 2018 B$'000	Group 2017 B$'000	Bank 2018 B$'000	Bank 2017 B$'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:				
Items that are or may be reclassified to profit or loss				
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 B$'000**	**2017 B$'000**	**2018 B$'000**	**2017 B$'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	----Other reserves---- 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 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)

Group	Note	Share capital B$'000	Statutory reserve B$'000	------Other reserves------ 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

				-------Other reserves-------		
Bank	**Note**	**Share capital B$'000**	**Statutory reserve B$'000**	**Fair value reserve B$'000**	**Retained profits B$'000**	**Total B$'000**
At 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 outs 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 B$'000	Bank B$'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 B$'000	**Bank B$'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.

<u>Business model assessment</u>

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.

<u>Presentation of allowance for ECL in the consolidated statement of financial position</u>

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.

<u>Write-off</u>

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)

		Group		Bank	
	Note	**2018**	**2017**	**2018**	**2017**
		B$'000	**B$'000**	**B$'000**	**B$'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	**2017**	**2018**	**2017**
	B$'000	**B$'000**	**B$'000**	**B$'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	**2017**	**2018**	**2017**
	B$'000	**B$'000**	**B$'000**	**B$'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	**2017**	**2018**	**2017**
	B$'000	**B$'000**	**B$'000**	**B$'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	**2017**	**2018**	**2017**
	B$'000	**B$'000**	**B$'000**	**B$'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	**2017**	**2018**	**2017**
	B$'000	**B$'000**	**B$'000**	**B$'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 sukuks

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

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

20.4 Available-for-sale investments

	Group 2018 B$'000	Group 2017 B$'000	Bank 2018 B$'000	Bank 2017 B$'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 *(deferred payment sale)*	654,875	790,715	654,875	790,715
Ijarah (*lease*)	187,266	162,647	187,266	162,647
Ijarah Muntahiah Bittamlik/AITAB *(lease ended with ownership)*	716,555	682,237	–	–
Murabahah (*cost-plus*)	561,341	112,468	561,341	192,359
Musharakah *(profit and loss sharing)*	143,144	118,694	143,144	118,694
Qard (*benevolent loan*)	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**
	B$'000	**B$'000**	**B$'000**	**B$'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**
	B$'000	**B$'000**	**B$'000**	**B$'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	**2017**
	B$'000	**B$'000**
Unquoted equity investments, at cost	29,204	41,519
Less: Allowances for investment in subsidiary	(1,715)	(1,715)
	27,489	39,804

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.

	2017	
	Belait Barakah	**Belait CSS**
NCI percentage	**50%**	**50%**
	B$'000	**B$'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 2018 B$'000	Group 2017 B$'000	Bank 2018 B$'000	Bank 2017 B$'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 2018 B$'000	Group 2017 B$'000	Bank 2018 B$'000	Bank 2017 B$'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 %	Effective ownership interest 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:

	Group	
	2018 B$'000	2017 B$'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.

Bank	Leasehold improvements B$'000	Equipment, furniture and fittings B$'000	Motor vehicles B$'000	Work-in-progress B$'000	Computer software B$'000	Total B$'000
Cost						
At 1 January 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$'000	Deconsolidation B$'000	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

Bank	**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**
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**
	B$'000	**B$'000**	**B$'000**	**B$'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**
	B$'000	**B$'000**	**B$'000**	**B$'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**
	B$'000	**B$'000**	**B$'000**	**B$'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 (*profit sharing*)				
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$0.70 each		Amount	
	2018	**2017**	**2018**	**2017**
Group and Bank			**B$**	**B$**
Authorised:				
Ordinary shares of B$0.70 each	1,428,571,429	1,428,571,429	1,000,000,000	1,000,000,000
Total	1,428,571,429	1,428,571,429	1,000,000,000	1,000,000,000
Issued and fully paid:				
Ordinary shares of B0.70 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

Group	**Total B$’000**
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	**Total B$’000**
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

Group	Fair value reserve B$'000	Foreign currency translation reserve B$'000	Retained profits B$'000	Total B$'000
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

Bank	Fair value reserve B$'000	Retained profits B$'000	Total B$'000
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**
	B$'000	**B$'000**
Joint ventures		
Amount due from		
Financing	71,697	–
Others	131	–
Amount due to		
Others	2,695	–
Associate		
Amount due to		
Deposits	277,487	249,277
Others	2,562	1,864
Key management personnel		
Amount due from		
Financing (ex. Credit cards)	2,571	2,245
Credit cards	71	61
Amount due to		
Deposits	4,066	3,698
Other related parties		
Amount due to		
Deposits	1,398,088	1,928,351

	Bank	
	2018	**2017**
	B$'000	**B$'000**
Joint ventures		
Amount due from		
Financing	71,697	–
Others	131	–
Amount due to		
Deposits	2,695	–
Subsidiaries		
Amount due from		
Financing	–	79,892
Placements	364,000	364,000
Others	728	330
Amount due to		
Deposits	125,700	169,309
Others	1,450	1,144
Associate		
Amount due to		
Deposits	171,087	132,806
Others	1,045	808
Key management personnel		
Amount due from		
Financing (ex. Credit cards)	1,515	1,938
Credit cards	71	61
Key management personnel		
Amount due to		
Deposits	1,571	3,677
Other related parties		
Amount due to		
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				
Income				
Income on financing	–	–	1,263	5,533
Other income	–	–	35,614	100,183
Expenditure				
Profit paid/payable to depositors	–	–	1,448	1,019
Other expenditure	–	–	1,185	–
Joint ventures				
Income				
Income on financing	3,656	–	3,656	–
Associate				
Income				
Fees and commission	270	212	–	–
Expenditure				
Profit paid/payable to depositors	4,565	1,915	1,334	722
Other Expenditure	93	95	–	–
Key management personnel				
Income				
Income on financing	41	57	29	32
Expenditure				
Profit paid/payable to depositors	6	10	6	10
Other related parties				
Expenditure				
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**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Credit risk exposure of recognised assets:				
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 sukuks	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
Credit risk exposure of unrecognised financial instruments:				
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 B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuks B$'000	Investments B$'000	Derivative financial assets B$'000	Financing and advances B$'000	Financing lease receivables B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies B$'000
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 deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuks B$'000	Investments B$'000	Derivative financial assets B$'000	Financing and advances B$'000	Financing lease receivables B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies B$'000
2017										
Agricultural	–	–	–	–	–	8,701	–	–	8,701	5,775
Financial	4,394,324	–	–	642,437	40,865	19,675	–	–	5,097,301	269,544
Manufacturing	–	–	–	–	–	57,618	–	–	57,618	1,386
Transportation	–	–	–	52,902	–	611,630	–	–	664,532	29,640
Infrastructure	–	–	–	–	–	49,138	–	–	49,138	215,575
Traders	–	–	–	–	–	107,646	–	–	107,646	25,568
Services	–	–	–	47,498	–	70,166	12,587	–	130,251	30,708
Residential property (personal)	–	–	–	–	–	701,477	–	–	701,477	19,670
Commercial (property development)	–	–	–	126,847	–	107,707	–	–	234,554	33,100
Tourism	–	–	–	–	–	2,744	–	–	2,744	3,590
Telecommunication and information technology	–	–	–	–	–	2,819	–	–	2,819	6,233
Personal and consumption financing	–	–	–	–	–	1,141,837	–	–	1,141,837	69,036
Oil and gas	–	–	–	–	–	350,747	–	–	350,747	65,069
Others	–	456,933	16,198	307,848	–	–	–	33,072	814,051	–
Total	4,394,324	456,933	16,198	1,177,532	40,865	3,231,905	12,587	33,072	9,363,416	774,894

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

Bank	**Cash and short-term funds and deposits and placements with financial institutions B$'000**	**Balances with Autoriti Monetari Brunei Darussalam B$'000**	**Government sukuks B$'000**	**Investments B$'000**	**Derivative financial assets B$'000**	**Financing and advances B$'000**	**Financing lease receivables B$'000**	**Other assets B$'000**	**On-balance sheet total B$'000**	**Commitments and contingencies B$'000**
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.

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

Investments excludes equity investments which comprise of 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 Carrying amount of financing and advances B$'000	2018 Fair value of collateral B$'000	2017 Carrying amount of financing and advances B$'000	2017 Fair value of collateral B$'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 Carrying amount of financing and advances B$'000	2018 Fair value of collateral B$'000	2017 Carrying amount of financing and advances B$'000	2017 Fair value of collateral B$'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	Obligators rated in this category have financial commitments that are past due but no objective evidence of impairment.
Impaired	Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated.

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 **B$'000**	**2017** **B$'000**	**2018** **B$'000**	**2017** **B$'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

	2018			
Group	**12-month ECL B$'000**	**Lifetime ECL – not credit-impaired B$'000**	**Lifetime ECL – credit-impaired B$'000**	**Total B$'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:

	2018		
	12-month ECL B$'000	**Lifetime ECL – not credit-impaired B$'000**	**Total B$'000**
Group			
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			
Bank	**12-month ECL B$'000**	**Lifetime ECL – not credit-impaired B$'000**	**Lifetime ECL – credit-impaired B$'000**	**Total B$'000**
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 B$'000	**Lifetime ECL – not credit-impaired B$'000**	**Total B$'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 B$'000	Bank 2017 B$'000
Neither past due nor impaired financing	3,094,615	2,501,406

Past due but not impaired financing

	Group 2017	
	B$'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	
	B$'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 B$'000	Bank 2017 B$'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 B$'000	Bank 2017 B$'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 encironment.

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

Group and Bank	Gross carrying amount B$'000	12-month ECL B$'000	Lifetime ECL- not credit impaired B$'000	Lifetime ECL- credit impaired B$'000	Total B$'000
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

Group and Bank	Gross carrying amount B$'000	12-month ECL B$'000	Lifetime ECL- not credit impaired B$'000	Lifetime ECL- credit impaired B$'000	Total B$'000
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

Group and Bank	Gross carrying amount B$'000	12-month ECL B$'000	Lifetime ECL- not credit impaired B$'000	Lifetime ECL- credit impaired B$'000	Total B$'000
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 sukuks held by the Group (refer to Note 19) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 21) are generally above the rating of A-. For other assets, impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the expsoures. The amount of the allowance on these balances is insignificant.

Comparative information under IAS 39

Group and Bank	Investments – Financial assets at fair value through PL B$'000	Investments – Financial assets available-for-sale B$'000	Total B$'000
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		
	Gross amounts of recognised financial instruments B$'000	Gross amounts of recognised financial instruments offset in the statements of financial position B$'000	Net amounts of financial instruments presented in the statements of financial position B$'000	Financing instruments B$'000	Financing collateral B$'000	Net amount B$'000
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 yied 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.

	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								
2018								
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 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	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.

	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								
2018								
Liabilities								
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 sukuks	–	–	16,198	–	–	–	–	16,198
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,816	1,816
Financial assets available-for-sale	66,866	181,088	67,119	505,751	354,892	–	–	1,175,716
Derivative financial assets	–	–	–	–	–	–	40,865	40,865
Financing and advances	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.

	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								
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

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**
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.

	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								
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 sukuks	–	–	16,198	–	–	–	–	16,198
Financial assets at fair value through profit or loss	–	–	–	–	–	–	1,816	1,816
Financial assets available-for-sale	66,866	181,088	67,119	505,751	354,892	–	–	1,175,716
Derivative financial assets	–	–	–	–	–	–	40,865	40,865
Financing and advances	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.

	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								
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.

	Profit or loss / Equity					
Group and Bank	**100 bp increase B$'000**	**100 bp decrease B$'000**	**300 bp increase B$'000**	**300 bp decrease B$'000**	**800 bp increase B$'000**	**800 bp decrease B$'000**
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	**EUR**	**GBP**	**Others**
2018	**B$'000**	**B$'000**	**B$'000**	**B$'000**
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			
2017	**USD B$'000**	**EUR B$'000**	**GBP B$'000**	**Others B$'000**
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	
Group and Bank	**- 1% depreciation B$'000**	**+ 1% appreciation B$'000**	**- 1% depreciation B$'000**	**+ 1% Appreciation B$'000**
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$147,000and B$147,000respectively). 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 sukuks	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

Group 2017	**Carrying amount B$'000**	**Gross nominal inflow/ (outflow) B$'000**	**Less than 3 months B$'000**	**3 – 6 months B$'000**	**6 – 12 months B$'000**	**1 – 3 years B$'000**	**3 – 5 years B$'000**	**Over 5 years B$'000**	**No specific maturity B$'000**
Assets									
Cash, balances and placements with banks	2,419,360	2,608,442	2,608,442	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	456,933	456,933	301,063	72,712	35,331	10,807	–	37,020	–
Placements with and financing and advances to banks	1,974,964	2,164,465	962,641	803,335	398,489	–	–	–	–
Government sukuks	16,198	16,310	–	6,310	10,000	–	–	–	–
Investments	1,177,532	1,305,872	256,465	8,073	80,060	264,037	318,730	266,451	112,056
Derivatives financial assets	40,865	39,526	35,134	525	2,105	1,762	–	–	–
Financing and advances	3,231,905	4,048,277	534,836	195,759	443,551	1,341,672	612,272	920,187	–
Finance lease receivables	12,587	30,580	165	165	330	1,420	1,440	27,060	–
Other assets	33,072	33,072	20,311	3,306	1,873	1,565	3,443	2,574	–
Total	9,363,416	10,703,477	4,719,057	1,090,185	971,739	1,621,263	935,885	1,253,292	112,056

Investments excludes 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	2,377,589	2,398,454	1,547,392	227,439	623,623	–	–	–	–
Government sukuks	20,414	20,580	10,580	–	10,000	–	–	–	–
Investments	1,180,534	1,342,568	107,463	11,459	49,816	364,959	416,167	286,925	105,779
Derivative financial assets	27,831	27,294	20,781	6,245	268	–	–	–	–
Financing and advances	2,974,352	3,604,921	830,133	231,614	283,697	819,945	583,628	855,904	–
Finance lease receivables	12,620	29,920	165	175	360	1,440	1,440	26,340	–
Other assets	63,750	63,750	48,581	3,337	1,181	2,478	3,631	4,542	–
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

Bank 2017	**Carrying amount B$'000**	**Gross nominal inflow/ (outflow) B$'000**	**Less than 3 months B$'000**	**3 – 6 months B$'000**	**6 – 12 months B$'000**	**1 – 3 years B$'000**	**3 – 5 years B$'000**	**Over 5 years B$'000**	**No specific maturity B$'000**
Assets									
Cash and cash equivalents	2,610,380	2,611,462	2,611,462	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	419,913	419,913	301,063	72,712	35,331	10,807	–	–	–
Placements with and financing and advances to banks	2,150,964	2,152,991	959,488	798,510	394,993	–	–	–	–
Government sukuks	16,198	16,310	–	6,310	10,000	–	–	–	–
Investments	1,177,532	1,298,035	243,498	8,073	80,152	264,405	315,817	274,034	112,056
Derivative financial assets	40,865	38,169	33,777	525	2,105	1,762	–	–	–
Financing and advances	2,639,100	3,316,014	479,697	195,759	287,634	804,990	612,272	935,662	–
Finance lease receivables	12,587	30,580	165	165	330	1,420	1,440	27,060	–
Other assets	23,655	23,655	10,892	3,309	1,872	1,565	3,443	2,574	–
Total	9,091,194	9,907,129	4,640,042	1,085,363	812,417	1,084,949	932,972	1,239,330	112,056

Investments excludes 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 sukuks, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market yield rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at the reporting date approximate their fair values.

The fair values are based on the following methodologies and assumptions:

Investments

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset of the investee.

Financing and advances

The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

Derivatives

The fair values of derivatives are obtained based on quoted rates of similar instruments at the reporting date.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 – Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The 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$'000	**Mandatorily at FVTPL B$'000**	**Amortised cost B$'000**	**Total B$'000**	**Level 1 B$'000**	**Level 2 B$'000**	**Level 3 B$'000**	**Total B$'000**
Group								
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 sukuks	20,414	–	–	20,414	–	–	20,414	20,414
Forward exchange contracts	–	27,831	–	27,831	–	27,831	–	27,831
	499,526	128,384	602,683	1,230,593	478,783	729,582	22,228	1,230,593
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 sukuks	–	–	16,198	–	16,198	–	–	16,198	16,198
Forward exchange contracts	–	40,865	–	–	40,865	–	40,865	–	40,865
	1,816	40,865	1,193,384	–	1,236,065	1,105,631	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 sukuks	20,414	–	–	20,414	–	–	20,414	20,414
Forward exchange contracts	–	27,831	–	27,831	–	27,831	–	27,831
	499,526	128,384	602,683	1,230,593	478,783	729,582	22,228	1,230,593
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 sukuks	–	–	16,198	–	16,198	–	–	16,198	16,198
Forward exchange contracts	–	40,865	–	–	40,865	–	40,865	–	40,865
	1,816	40,865	1,193,384	–	1,236,065	1,105,631	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 B$'000	FVTPL B$'000	Total 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 B$'000	2017 B$'000	2018 B$'000	2017 B$'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**
	B$'000	**B$'000**	**B$'000**	**B$'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

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	B$'000	**B$'000**	**B$'000**	**B$'000**
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.

45 Operating segments

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

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

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

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

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

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

By business segments

Group	Retail Banking Group B$'000	Corporate Banking Group B$'000	Treasury and Global Markets B$'000	Hire Purchase B$'000	Head Office and Others B$'000	Total B$'000
	---- Business segments ----					
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

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

	---------- Business segments ----------				
Bank	**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**
2018					
Total income	132,756	32,046	90,811	42,577	298,190
Operating profit before allowances	114,859	25,384	83,101	(42,374)	180,970
Allowances and impairment for financing and advances and other assets	(9,390)	(2,076)	(749)	–	(12,215)
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	----------------------------			
Bank	**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**
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