Annual Report

Laporan Tahunan 2018

2018

BAIDURI BANK

What we aspire to be?

Our Vision

To be the leading banking and financial group in Brunei Darussalam

Who we are? What we do?

Our Mission

As a truly local entity in Brunei Darussalam, the Group is committed to provide innovative and comprehensive financial products and services to the Bruneian community

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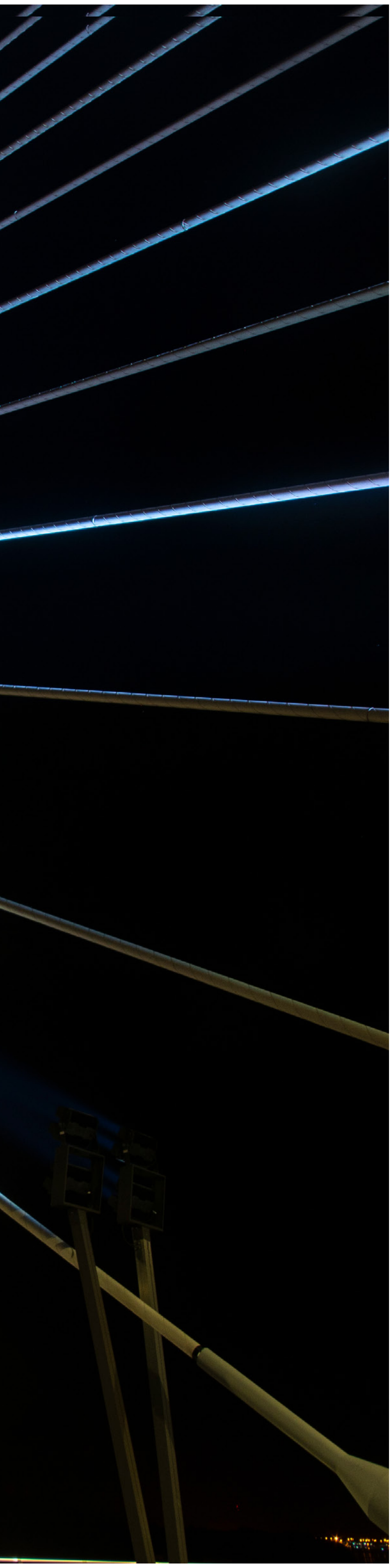


CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Baiduri Bank Berhad for the financial year ended 31st December 2018.

BRUNEI BANKING ENVIRONMENT

Brunei Darussalam's economy recorded a slight growth of 0.1% in 2018 with GDP of BND 18,387 million as energy export volumes and investment activities recovered, supported by the progress of diversification projects.
The country has a sound financial and banking sector with capital adequacy ratio and liquidity ratio standings well above the minimum requirements.

In December 2018, the Autoriti Monetari Brunei Darussalam (AMBD) launched its 'Digital Payment Roadmap for Brunei Darussalam 2019 – 2025' as part of its strategic initiatives to drive digital transformation in the domestic payment industry. The roadmap sets out key strategies towards a 'digital payment nation' and is in line with the country's strategies in the Financial Sector Blueprint 2016-2025 (FSBP) and Brunei's Vision 2035 for realising a dynamic and diversified economy.

FINANCIAL RESULTS

Baiduri Bank performed very well in 2018 with Gross Revenue increasing 29% to BND 159 million. Operating Profit was BND 91.7 million, a 38% increase from 2017 while Gross Profit after Tax was BND 70.6 million, a 40.8% increase over the same period. Total Equity increased by 6% to BND 374 million while Return on Equity increased from 15% to 19%. Capital Adequacy Ratio was 18.75%, well above the minimum 10% set by the Authorities.

This excellent result can be attributed mainly to the additional income earned from the acquired lending portfolios from the 2017 purchase of the Commercial and Retail portfolios of a foreign bank and from other income. Besides boosting market confidence in Baiduri Bank, the strategic portfolio purchase also gave us the opportunity to cross-sell our products to our new customers during 2018. As a result of

cross-selling activities, 2018 saw an increase in total cards in circulation by 10% over the previous year.

Our subsidiary Baiduri Finance achieved an Operating Profit of BND 26 million, a significant 20% increase over 2017. Baiduri Finance remains in the no. 1 position in the automobile finance industry with a 61% share in the market, based on financing of new vehicles.

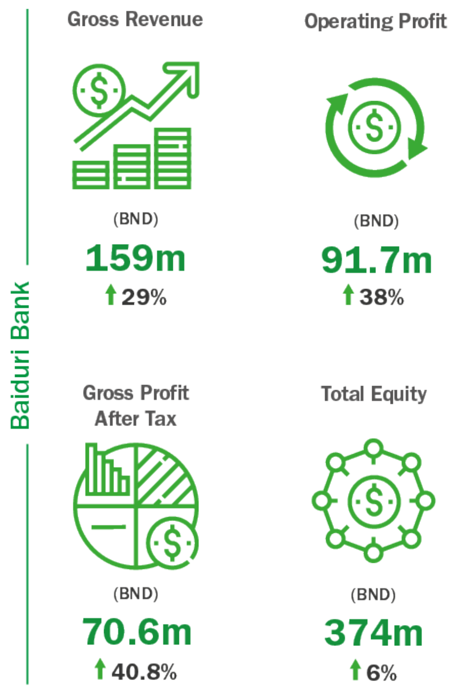
BUSINESS HIGHLIGHTS

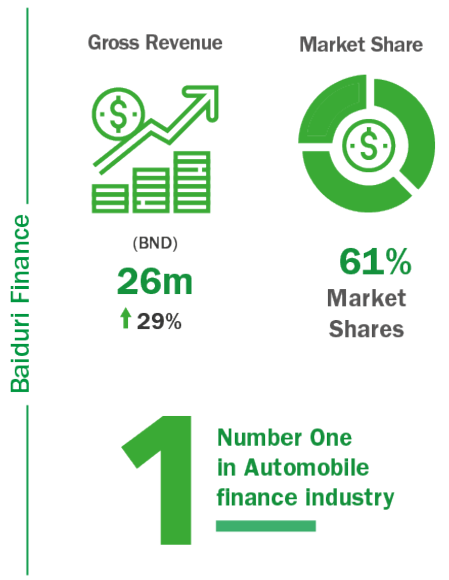
In 2018, we successfully completed the integration of the portfolio purchased from a foreign bank in November 2017. We also made great strides in our ongoing digital transformation initiatives which aligns well with the country's Digital Payment agenda.

Corporate Banking

Despite less opportunities to finance projects due to the current prolonged slow economy, through local partnership arrangements, Baiduri Bank was able to secure two major financing deals in 2018 - the financing of two units of aircraft and the financing of a vessel for maritime use in the Oil and Gas sector.

We also entered into an arrangement with Brunei Shell Petroleum to provide fast track review and approval of financing to local contractors registered with the Brunei Shell Group of Companies.





Retail Banking

We became the first in the Brunei market to introduce Mastercard World debit card, exclusively for Baiduri Prestige members. The card comes with the Mastercard Airport Experience Programme provided by LoungeKey that allows access to airport lounges in over 300 cities worldwide plus unique experiences and offers within the airport. The Baiduri Prestige Programme was enhanced with additional benefits that include complimentary access to Prestige Centres for family members. The Baiduri Smart Executive Programme (SEP) was enhanced to include complimentary visits to airport lounges and discounts at airport dining and shopping outlets worldwide using the DragonPass Airport Companion programme.

Baiduri Finance

Baiduri Finance underwent an ISO recertification audit in late 2018 and was awarded the ISO 9001:2015 certification in Quality Management System. Baiduri Finance remains the only finance company in Brunei to have achieved full end-to-end compliance to ISO standards covering all functions and processes.

Baiduri Capital

Since its launch in 2015, Baiduri Capital has been achieving its growth plans year after year. In 2018, the company launched a new fund, the United SGD Fund and organized several seminars to equip customers with better investment knowledge and skills. To raise investment literacy among students in tertiary education institutions, a competition, the Baiduri Capital Investment Challenge 2018 was also organized.

OPERATIONAL HIGHLIGHTS

Foundation Laying for new Headquarters

In May 2018, a foundation laying ceremony was held for the Bank's new headquarters in Bandar Seri Begawan. The new complex will feature modern design with energy efficient and eco-friendly facilities, such as large glazing panels to allow ample natural light, energy-efficient mechanical and electrical fittings, a rain water harvesting system to collect water for plant irrigation as well as a sky garden within the building. All these design elements were done to attain the BCA Green Mark certification, a benchmark of best practices for being environmentally friendly. The building is expected to be completed at the end of 2019.

OMD & DSD attains ISO 9001:2015 Certification

Our Operations Management Division & Diversification and Strategic Development (OMD & DSD) received the ISO 9001:2015 certification for its quality management system (QMS) in May. This milestone confirms Baiduri Bank's continuous efforts towards improving its quality standards and successfully implementing the best practices in line with the bank's vision.

Relocation of Seria Branch

Our Seria Branch was relocated in November 2018. The new premises offer full banking services to individuals and businesses and houses a Prestige Centre. The location was chosen to be closer to the increasing activity in the oil and gas industry as well as to help grow and develop local micro, small and medium enterprises (MSMEs) in the area.

INVESTMENTS IN SYSTEMS AND ONLINE SECURITY

Technology is an integral part of any business. The Bank's focus is very much on resilience, performance, security and reliability.

Online Banking

In July 2018, we rolled out Phase 2.0 of our Internet Banking enhancements. This enhancement provides a higher level of convenience and flexibility for customers transacting via our Internet Banking platform and the Mobile Banking app. Online registration for Personal Internet Banking (PIB) was revised for a better flow. For corporate customers, a new feature for Bulk Payment was introduced in Business I-Banking (BIB), allowing customers to make payments to numerous beneficiaries in one single transaction.

ATM Network

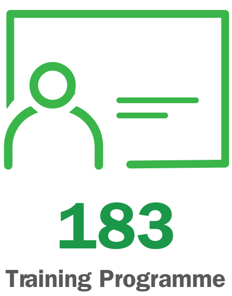
We deployed eight electronic cash recycler machines (ECRMs) to several key commercial locations. ECRMs cut down the frequency of cash replenishment leading to improved ATM uptime and allow customers to perform cash deposits without the need to go to a branch.

Data Security as our Priority

To provide customers with peace of mind while using our electronic channels, since 2014, our systems and processes have been validated and certified to internationally recognized Payment Card Data Security Standard (PCI-DSS) and is currently certified to Version 3.1. To date, we remain the only bank in Brunei to have achieved this certification.

HUMAN RESOURCES

At the end of 2018, Baiduri Bank Group employed a total of 777 personnel. During the year, a total of 183 training programmes comprising in-house, local and overseas training were organized. Greater focus was placed on Risk Management training. Some of the training initiatives organized included the International Professional Practices Framework (IPPF) training for our Internal Audit Department and a training on Internal Control in Banking for front line employees and business support departments.



SUPPORTING NATIONAL EVENTS

As an expression of loyalty, patriotism and comradeship, Baiduri Bank Group participated in three major events during the year: the 34th National Day Procession in February where 100 members of staff participated; the Brunei Darussalam Regatta in August where 30 male staff members participated and the Maulud Procession in November where 80 male staff members participated. 2018 was the first time we participated in the National Day Procession and the Brunei Darussalam Regatta.

CORPORATE SOCIAL RESPONSIBILITY

Baiduri Bank Group's CSR programme primarily focusses on three pillars: community development; reducing impact on the environment and helping the less fortunate. In 2018, we carried out several activities under the programme.

Supporting Local Charities

The Baiduri Masters is an annual golf event organized to raise funds for charity and remains the biggest golfing event in Brunei. In 2018, an amount exceeding BND 81,000 was raised during the event and donated to six charitable organizations.

Assisting the Underprivileged

During the Group's Chinese New Year Open House, nine schools received donations as financial assistance for underprivileged students to cover their school fees for a year. During the month of Ramadhan, a total of 36 underprivileged families from all four districts were treated to shopping activities and Iftar (breaking of fast). The activity was aimed to provide some relief for these families in preparation for the upcoming Hari Raya Aidilfitri celebrations.

Supporting the Development of Local Sports Talents

For the third consecutive year, Baiduri Bank signed on as the Official Bank Partner for Brunei's most prominent football team, DPMM FC, for participation in the year's Singapore League (S-League).

Supporting the Development of Local Businesses

For the tenth consecutive year, Baiduri Bank partnered with Asia Inc Forum in the Local Business Development (LBD) Programme which aims to continuously nurture Brunei SMEs in their businesses through business forums and workshops. Held in September 2018, the LBD programme comprised a one-day forum carrying the theme 'Blue Ocean Shift: Beyond Competing, Toward Creating' followed by a one-day workshop on 'Blue Ocean Shift Masterclass'.

Instilling Entrepreneurial Spirit among School Children

Baiduri Bank continues to be a major sponsor for the Junior Achievement (JA) Company Programme, targeting secondary level students to set up and operate their own business venture. 2018 saw PTES JA Co, the winner from the national level Junior Achievement Company of the Year Competition 2017 represent Brunei in the Asia-Pacific level of the competition held in Beijing, China in March 2018.

Promoting Financial Literacy

Baiduri Bank took part in the third National Savings Day 2018 organized by AMBD carrying the theme "Financially Literate Generation" which aims to raise awareness of the importance of financial planning from an early age. The activities included a school roadshow held in July, a Financial Fun Fair held in August and a Financial Showcase held in September. Financial planning talks were also conducted throughout the year to employees of public and private institutions and to students in secondary and tertiary level schools.

Supporting Green Initiatives

In observation of Earth Hour on 24 March 2018, Baiduri Bank Group joined the global community by switching off non-essential lights at its branches from 8:30 pm to 9:30 pm. This time, we also converted all current account and savings account paper statements to e-statements, thus contributing to a big reduction of our carbon footprint. In support of initiatives to develop local youth and to promote awareness of global sustainable issues, for the third consecutive year, Baiduri Bank became a major sponsor of the 14th Borneo Global Issues Conference hosted by International School Brunei (ISB). The conference, held in March 2018, saw 300 delegates from 24 schools across the Sultanate debate on global sustainable issues.

INTERNATIONAL AWARDS AND RECOGNITIONS

In 2018, the Baiduri Bank Group received four prestigious international banking awards. Baiduri Bank won the coveted "Bank of the Year Brunei" award from The Banker, UK; the "Best Banking Group Brunei" from World Finance Magazine; the "Domestic Retail Bank of the Year Brunei" and the "Credit Card Initiative of the Year Brunei" from the Asian Banking & Finance magazine while Standard & Poor's reaffirmed Baiduri Bank's credit rating of BBB+/A-2 with stable outlook in July 2018.

FUTURE PLANS

In 2019, we shall see the completion of our new Headquarters building and the completion of Phase 1 of our Digital Payment Transformation programme. As we approach our 25th year in business, we shall carry out a strategic review to see how we can make a greater impact in the financial eco-system of this country and beyond. As a leading local bank with a strong commitment to the Brunei market, Baiduri Bank Group will continue to play an active role in the economic growth of the country and its national development programmes in order to meet the goals and objectives of Brunei's Wawasan 2035.

APPRECIATION

On behalf of the Board of Directors, I would like to express our sincere appreciation to the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam and the Autoriti Monetari Brunei Darussalam (AMBD) for their support. I also wish to thank our shareholders and our customers for their continued support and confidence in us.

In conclusion, I wish to record the Board's appreciation of the management and staff for their hard work and much-valued contribution to another successful year in 2018.

YAM Pengiran Muda Dr Abdul Fattaah
Chairman

Corporate Information


BAIDURI FINANCE BERHAD

SHAREHOLDERS

Baiduri Holdings Berhad 75%
Darussalam Assets Sdn Bhd 25%

BOARD OF DIRECTORS

YAM Pengiran Muda Dr Abdul Fattaah
Chairman

YM Dato Timothy Ong Teck Mong
Director

Dayang Norliah Binti Haji Kula
Director

Haji Sofian Bin Jani
Director

Francis Gerard Caze
Director

Bertie Cheng Shao Shiong
Director

MANAGEMENT COMMITTEE

1 **Pierre Imhof**
Chief Executive Officer

2 **Ti Eng Hui**
Deputy Chief Executive Officer

3 **Hj Haliluddin bin Dato Hj Talib**
General Manager, Baiduri Finance

4 **Andrew Young Chee Ann**
Deputy General Manager, Operations Management Division & Diversification and Strategic Development

5 **Ak Nor Muhammad Nizam bin Pengiran Hj Tengah**
Group Treasurer

6 **Yasmin Abdullah**
Head, Internal Audit

7 **Veronica Chong Nyet Hwa**
Head, Human Resources and Finance

8 **Yvonne Chan Eng Pheng**
Head, Corporate Banking

9 **Pengiran Azaleen bin Pengiran Dato Hj Mustapha**
Head, Retail Banking and Branch Network

10 **Leonard Lee Jack Hui**
Head, Group Risk

INTERNATIONAL AWARDS & RECOGNITION

In 2018, Baiduri Bank received four major banking awards and recognitions. The Asian Banking and Finance magazine awarded Baiduri Bank the "Domestic Retail Bank of the Year for Brunei" for the sixth consecutive year as well as the "Credit Card Initiative of the Year for Brunei" for the first time; World Finance magazine awarded the Baiduri Bank Group the "Best Banking Group for Brunei" for the tenth consecutive year and The Banker magazine awarded Baiduri Bank the coveted "Bank of The Year for Brunei" for the thirteenth time.

Domestic Retail Bank of the Year for Brunei
Credit Card Initiative of the Year for Brunei

Best Banking Group for Brunei

Bank of The Year for Brunei

Standard & Poor's upgraded the Bank's credit rating to 'BBB+/A-2' with Stable Outlook in July 2018.

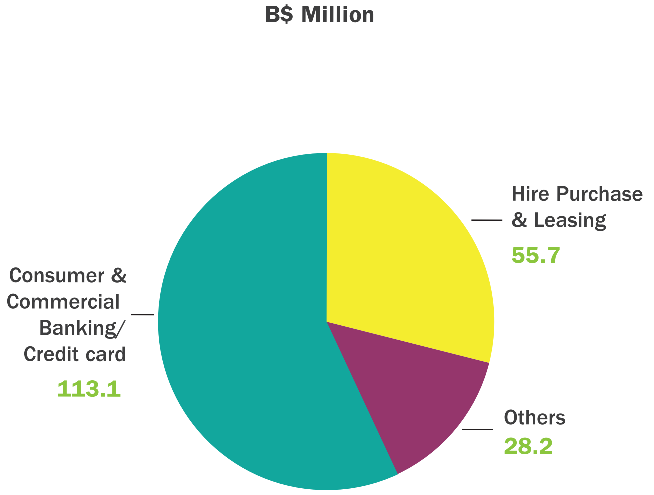
Baiduri Bank's Operations Management Division, Diversification and Strategic Development was certified to ISO9001:2015 in Quality Management Systems in May 2018. Baiduri Bank's wholly-owned subsidiary, Baiduri Finance, obtained the internationally recognised ISO9001 quality certification in 2003 making them the only finance company in Brunei to achieve this certification.

Auditor
Deloitte & Touche

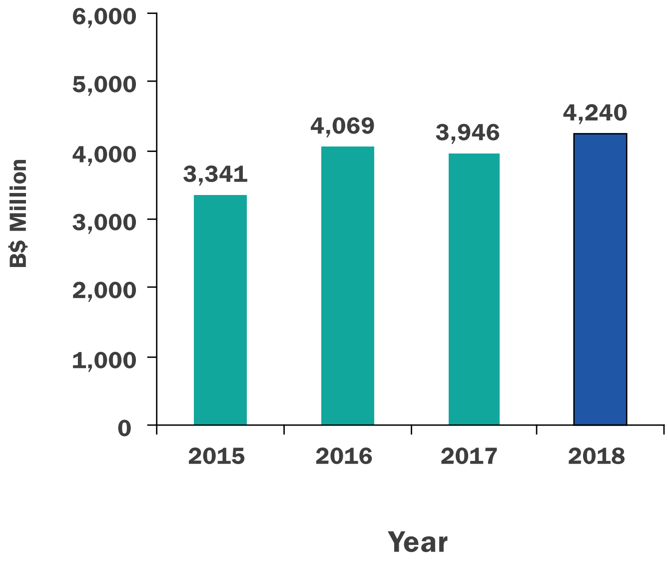
Corporate Secretarial Provider
KPMG

FINANCIAL HIGHLIGHTS

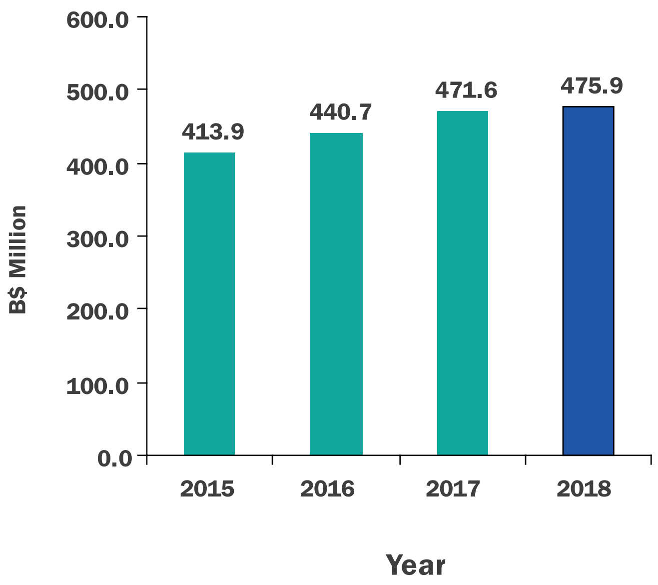
Group Total Revenue



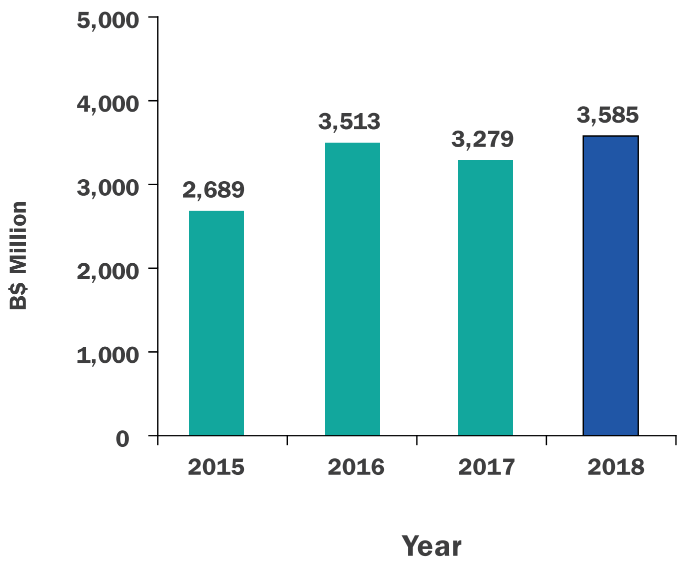
Group Assets



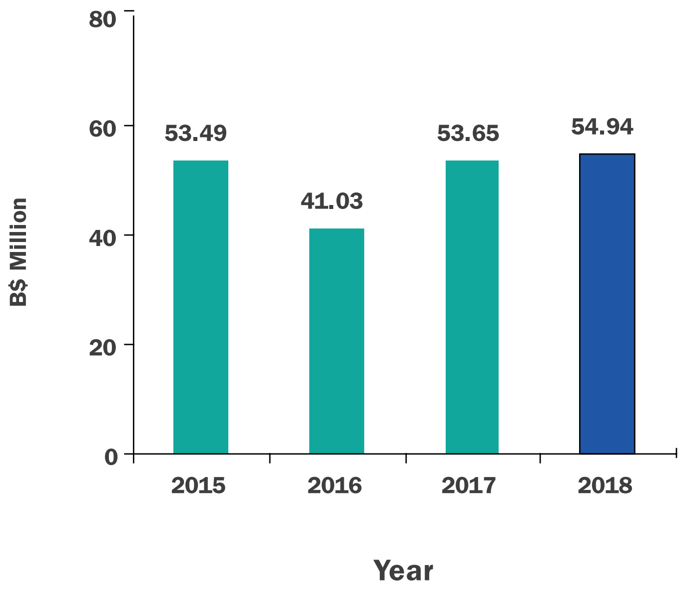
Group Shareholders' Funds



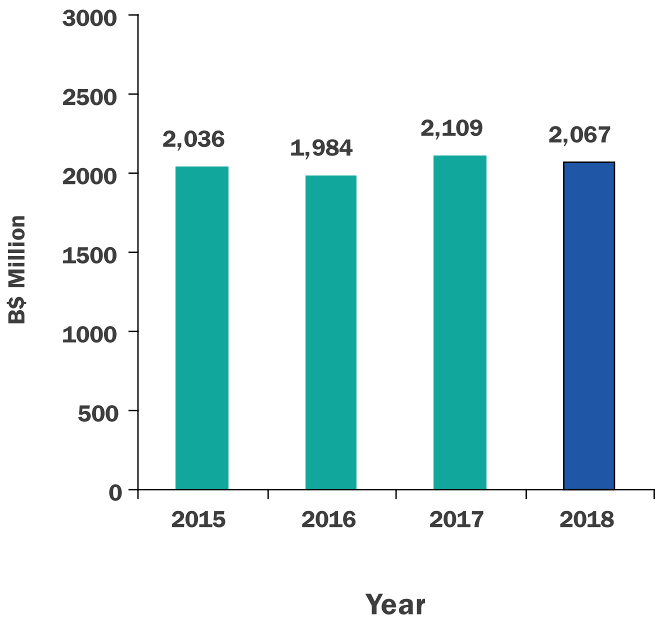
Group Customer Deposits



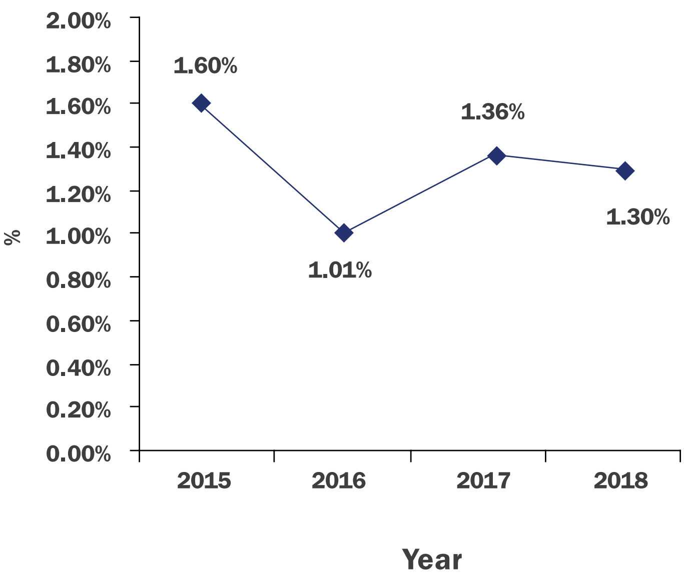
Group Net Profit After Tax



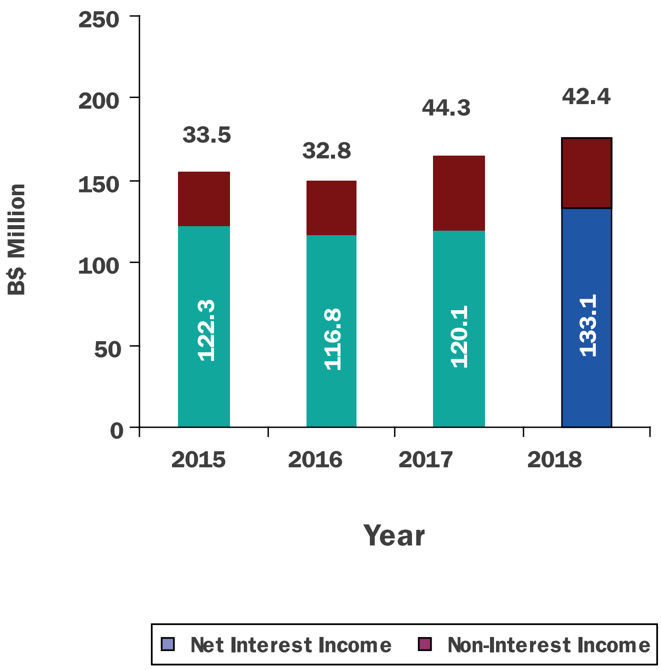
Group Customer Loans (Net)



Group Return On Total Assets



Group Total Income



Operating Results

(B$ in thousands, except per share information)	Year Ended December 31 2018	2017
For the Year – Operating Results		
Revenue (1)	**176,040**	136,923
Net Income	**158,714**	123,162
Return on assets	**2.08%**	1.67%
Return on shareholder's equity	**18.87%**	14.24%
Shares issued and paid (in thousands)	**150,000**	150,000
At Year End		
Total assets	**3,393**	3,009
Total loans and advances (net)	**1,263**	1,242
Total deposits	**2,644**	2,259
Total shareholders' equity	**374**	353

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(1) Includes interest and Non interest income excludes interest expenses

Capital Adequancy Ratios (Bank)

	2018	2017	2016	2015
Tier 1 (Core Capital)	**19.23%**	20.66%	18.62%	18.18%
Total Capital	**17.86%**	19.42%	18.21%	17.54%

Corporate Highlights


BAIDURI BANK

BRUNEI BANKING ENVIRONMENT

Brunei Darussalam's economy recorded a slight growth of 0.1% in 2018 with GDP of BND 18,387 million as energy export volumes and investment activities recovered, supported by the progress of diversification projects.

With the country's drive to move away from heavy reliance on the energy industry to developing and growing local businesses, Baiduri Bank has been supporting Brunei Darussalam's diversification programme by introducing new financial products and services designed specifically for local MSMEs, to help them in their business operations so they can contribute to the country's economic activities.

The country has a sound financial and banking sector with capital adequacy ratio and liquidity ratio standings well above the minimum requirements.

In December 2018, the Autoriti Brunei Darussalam (AMBD) launched its 'Digital Payment Roadmap for Brunei Darussalam 2019 – 2025' as part of its strategic initiatives to drive digital transformation in the domestic payment industry. The roadmap sets out key strategies towards a 'digital payment nation' and is in line with the country's strategies in the Financial Sector Blueprint 2016-2025 (FSBP) and Brunei's Vision 2035 for realising a dynamic and diversified economy. In 2018, we successfully completed the integration of the portfolio purchased from a foreign bank in November 2017. We also made great strides in our digital transformation initiatives which aligns well with the country's Digital Payment agenda.

The following sections will provide snapshots of the highlights for Baiduri Bank Group in 2018.

COPORATE BANKING

Credit Facility Programme for Brunei Shell Vendors

In line with both organizations' commitment to help develop local businesses, in February 2018, Baiduri Bank entered into an agreement with Brunei Shell Petroleum to provide financing to local contractors registered with Brunei Shell Group of Companies. Under the agreement, Baiduri will provide fast track review and approval of credit applications from these companies, subject to them meeting established criteria.

Financing of New Aircrafts and Vessel

In May 2018, in a partnership deal between local companies, Baiduri Bank entered into agreement to finance two units of aircraft as part of an airline's refleeting programme. The new fleet of eight aircrafts will allow the airline to achieve a leaner cost structure from the combination of lower ownership and maintenance costs and lower fuel burn. While development activities in the Oil and Gas Sector have tapered over the last few years, Baiduri Bank was still able to close financing deals to players in this sector. In 2018, the Bank entered into a major deal to finance a new vessel for a company for maritime use.

Mr Ti Eng Hui, the Deputy CEO of Baiduri Bank with Dato Paduka Awang Haji Matsatejo bin Sokiaw, the Deputy Minister of Energy and Industry, and Dr Ceri M Powell, the Managing Director of Brunei Shell Petroleum.

Baiduri Bank CEO Mr Pierre Imhof (left), DARe CEO Javed Ahmad (centre), and Dato Timothy Ong speaking to the participants at the LBD Programme.

Local Business Development (LBD) Programme

Under Corporate Banking, for the tenth consecutive year, Baiduri Bank partnered with Asia Inc Forum in the annual Local Business Development (LBD) Programme which aims to continuously nurture Brunei SMEs by helping groom them and their businesses through business forums and workshops. Held in September 2018, the LBD programme comprised a one-day forum carrying the theme 'Blue Ocean Shift: Beyond Competing, Toward Creating' followed by a one-day workshop on 'Blue Ocean Shift Masterclass'. These were aimed to help businesses instil confidence in their teams and seize new growth by breaking out of competition in pursuit of new markets. The workshop focussed on helping participants to understand where they are now, imagine where they could be as well as find how to get there and make their move through the use of various tools and frameworks. Business owners, managers and corporate executives, the majority of whom are clients of Baiduri Bank participated.

RETAIL BANKING

Launch of Mastercard World Debit Card and Mastercard Airport Experience Programme

In March 2018, Baiduri Bank became the first organization in Brunei to introduce the Mastercard World debit card, exclusively for Baiduri Prestige members. Packed with exceptional service and benefits specially designed to meet the needs of a global traveller, the card is accepted at millions of establishments worldwide as well as having access to thousands of ATMs. Cardmembers enjoy complimentary, round-the-clock emergency assist service anywhere in the world, available through the 24/7 Mastercard Global Emergency Service and Concierge, plus complimentary travel insurance that comes with premium coverage. Cardmembers also benefit from the Mastercard Airport Experience Programme provided by LoungeKey, where they will have access to over 850 lounges in more than 300 cities worldwide and enjoy unique experiences and offers in dining, shopping, and spa outlets within the airport.

Baiduri Prestige Programme Revamp

The Baiduri Prestige Programme, first launched in 1999 for the affluent client segment, was enhanced and relaunched in March 2018. Members now receive the Baiduri Prestige Visa Infinite credit card and the Baiduri Prestige Mastercard World debit card, both with lifetime annual fee waivers. Both cards are linked with Baiduri Instant Rewards, the best-in-market rewards programme with up to 6X bonus points earned. In addition, they receive complimentary visits to airport lounges, travel privileges and benefits worldwide using their DragonPass Airport Companion programme and LoungeKey Airport Experience programme.

Baiduri Prestige members can access any of the five Prestige Centres conveniently located throughout Brunei where they can enjoy complimentary refreshment, TV entertainment and investment channels, newspapers, magazines and teller service in the privacy of the lounge while attending to their banking needs. Besides preferential rates, each member is assigned a dedicated relationship manager to help them with their banking and investment needs. Access to Prestige Centres is also extended to family members on complimentary basis.

As a programme benefit, Baiduri Prestige members were treated to an exclusive French gourmet dinner with Celebrity Chef Arnaud Tabarec in November 2018

Baiduri Smart Executive Programme

The Baiduri Smart Executive Programme (SEP), first launched in 2013, was enhanced and relaunched in October 2018. Focusing on the upwardly mobile and digitally savvy 21 to 45 year- old demographic, the SEP offers preferential rates on loans and investment packages. Members also gain access to exclusive benefits using their SEP Visa Platinum credit card and SEP Mastercard Platinum debit card plus complimentary visits to airport lounges and discounts at airport dining and shopping outlets worldwide using their DragonPass Airport Companion programme. Other benefits include invitations to lifestyle events and investment seminars. Recognizing this segment's need for convenience and independence, members can log on to internet banking via any mobile device anywhere in the word to manage their finances.

SEP Discovery Workshop

With the aim to help SEP members achieve a balanced lifestyle, the annual discovery workshop organized by the Retail Banking division is a platform where outstanding individuals are invited to share their expertise and experiences on topics such as fashion, finance, health and fitness. In 2018, the workshop entitled "Life Goals & Financial Success" showcased speakers like Ajeeratul Abdullah, Bruneian fashion stylist and social media influencer with experience in the international fashion scene and Alim Roslan, a certified personal trainer and founder of Brunei Calisthenics and owner of Primal Tactical, a gym specializing in strength training and conditioning. Bibiena Bong, a speaker from Great Eastern Life, was also on hand to deliver a talk on achieving financial goals through effective planning.

Ajeeratul Abdullah (right), a Bruneian fashion stylist and social media influencer, and Alim Roslan (left), the founder of Brunei Calisthenics and owner of Primal Tactical, gave special talks to the audience about health and fashion, with the overall aim of encouraging SEP members to live a more balanced and fulfilling life.

Promotional Campaigns

Throughout 2018, under Retail Banking, we rolled out promotional campaigns ranging from card signup and usage campaigns to savings, insurance and investment promotions. Notable among these was a card usage campaign where the winner received an all-expenses-paid trip for two to the 2018 FIFA World Cup Russia to watch the semi-final match in Moscow plus spending money of BND 5,000. Under Wealth Management, we offered the 2018 Baiduri Certificate of Deposit in two tenure options - 3 years and 5 years with guaranteed principal and fixed returns of 1.68% per annum and 2.00% per annum respectively.

The lucky Baiduri cardholder, Eric Tong Hock Hoi, won a special all-expense paid trip for two, courtesy of Visa, to catch the FIFA World Cup semi-finals in Moscow, Russia. Pg Hajah Rodziana Pg Haji Muhidi (right), Manager of Card Development, Baiduri Bank, sent Mr Tong and his wife off on their journey at the Brunei International Airport.

Seminars on Market Outlook

In our efforts to keep customers up to date on economic development around the world and to facilitate them in preparing and strategizing their investments, two seminars were organized.

In April 2018, in collaboration with Credit Agricole CIB, the Corporate and Investment Banking arm of the Credit Agricole Group, a seminar titled "Global Outlook and the Rise of Trumpism" was held. The seminar attempted to balance the hopes and fears surrounding US President Donald Trump and his "America First" policies and to shed some light on the situation concerning the United States, United Kingdom, New Zealand, China and Singapore currencies.

The second, held in October 2018, brought together a team of specialists from DBS, Franklin Templeton, and AB Maximus and SGX Academy to share their expertise. Titled "Global Market Outlook: Identifying the Challenges and Opportunities", the seminar looked at the challenges and opportunities that lie ahead in the global financial markets, with a focus on the US-China relations and examined emerging markets to help navigate the evolving economies.

October's seminar titled, "Global Market Outlook: Identifying the Challenges and Opportunities" focused on the US-China relationship and examined the emerging markets from it. This seminar gave customers a glimpse into the challenges and opportunities that lie ahead in the global financial markets and to guided them on ways to navigate these evolving economies.

BAIDURI FINANCE

Recertified to ISO 9001:2015

Showing its unwavering commitment to improving its quality standards and upgrading its management systems, Baiduri Finance underwent an ISO recertification audit in late 2018 and was awarded the ISO 9001:2015 (latest edition) certification in Quality Management System in early 2019. Baiduri Finance remains the only finance company in Brunei to have achieved full end-to-end compliance to ISO standards covering all functions and processes throughout the organisation. The latest Quality Management System requires organisations to conform to an extremely high set of requirements including risk-based thinking, process driven approach and regular covenants of evidence-based decision making and continual improvement.

Baiduri Finance Mobile App Promo

In December 2017, Baiduri Finance launched their mobile app, leveraging on the latest technologies to provide enhanced customer experience. The main objective of the app is to give customers the convenience of paying for their monthly Hire Purchase instalments via the app without having to go to a branch or an ATM. The app includes other value-added features such as obtaining quotes for motor insurance renewals, loan calculation and general information about the company's products and services as well as the latest events. Other functions include a used vehicle tender section and a guide to submitting a tender.

To create better awareness of the app, Baiduri Finance rolled out a 3-month usage campaign in July 2018 whereby each customer who pays his Hire Purchase monthly instalment through the app stood a chance to win BND 500 in the monthly draw. As a result, Baiduri Finance recorded a continuous upsurge in the number of app downloads as well as improved utilization rates.

Since its launch in December 2017, there has been a continuous surge in the number of downloads and utilization of the Baiduri Finance mobile app. The app provides convenient access to online services anytime, anywhere in the world. Its uptake was also helped by the promotions Baiduri Finance rolled out, where users stood a chance to win attractive prizes by using the app.

Baiduri Mastercard Auto Direct Prepaid Card Promo

In October 2018, to highlight the versatility of the Baiduri Mastercard Auto Direct Prepaid Card (ADPC) and encourage usage, Baiduri Finance launched a two-month long card usage campaign called 'Turn Your Payments into Vacations'. During the promo period, 30 lucky customers would be awarded 1,000 bonus points (equivalent to BND100) each month while a grand draw to be held in January 2019 will see three lucky winners win travel tickets to Melbourne, Bangkok and Kuala Lumpur.

The Baiduri Mastercard ADPC, introduced in 2015, simplifies hire purchase (HP) payments via any Baiduri ATM or CDMs. Allowing up to four HP accounts to be linked to the card, the card can also be set up for automated payments on the cardholder's ADPC via the Baiduri Personal i-Banking platform. In addition, all spending made on the Baiduri ADPC earns bonus points which can be redeemed for purchases of goods or services at merchants locally and globally.

BAIDURI CAPITAL

Since its launch in 2015, Baiduri Bank's wholly owned subsidiary, Baiduri Capital, has been achieving its growth plans year after year. In 2018, the company launched a new fund and organized several seminars to equip customers with better investment knowledge and skills. To raise investment literacy among students in tertiary education institutions, a competition was also organized.

Launch of United SGD Fund

With the objective to provide investors with more investment options, in February 2018, Baiduri Capital launched the United SGD Fund in partnership with UOB Asset Management Ltd. The fund gives investors access to multiple sectors in the global bond market with potential for higher yield above the referenced Singapore Dollar deposit rates.

Investor Education

In continuing efforts to create awareness and instill confidence among investors, Baiduri Capital held a series of investment workshops and seminars for its customers throughout 2018. In partnership with UOB Asset Management Singapore (UOBAM), a seminar entitled, "Seeking Income and Stability in Different Economic Environments" was held at the Empire Hotel and Country Club in February. The seminar addressed the need to find suitable investment solutions in order to make the most in uncertain interest rate environment.

In May, Baiduri Capital hosted two investment workshops aimed to equip customers with the skills and tools to make well-informed investment decisions. "Investing 101 with Fundamental Analysis" workshop was designed for new investors with little to no prior

Baiduri Capital, through its partnership with UOB Asset Management Singapore, continued to hold seminars addressing the need to find suitable investment solutions even in uncertain economic environments. These various seminars were aimed at different levels, from helping to educate our customers with little to no prior knowledge of investment, to the seminars that helped build their technical analysis skills.

knowledge in investment, while "Introduction to Technical Analysis" workshop was designed to help customers build skills in technical analysis, allowing them to use more advanced investment tools in the future.

Baiduri Capital Investment Challenge

Following the success of the first Investment Challenge which took place from October 2017 to April 2018, Baiduri Capital launched the second Baiduri Capital Investment Challenge in October 2018. A total of 6 teams from three tertiary education institutions: Politeknik Brunei, Universiti Teknologi Brunei and Laksamana College of Business participated. Each team comprised four members with a lecturer as mentor and were given BND 5,000 to invest in any of the securities listed on the Singapore Stock Exchange, Malaysia Stock Exchange, Hong Kong Stock Exchange, China A-Shares or the US Stock Exchange through the Baiduri Capital online securities trading platform. The challenge will end in April 2019 and any profits earned will be kept by the team. The Investment Challenge is an initiative undertaken by Baiduri Capital and aims to provide a platform for the students to apply what they have learnt in the classroom in real life settings and is in support of AMBD's Capital Market Unit's goal to increase investment literacy among the general public.

The three teams that participated in BCIC: JEC, Kelupis and the Young Economists, along with Mr. Peng Eng Soon, General Manager of Baiduri Capital (in red), and other staff of Baiduri Capital, at the end of the competition.

OPERATIONAL HIGHLIGHTS

Foundation Laying for new Headquarters

In May 2018, marking another milestone in Baiduri Bank's 24-year history, a foundation laying ceremony was held for the Bank's new headquarters at Kampong Kumbang Pasang in the capital, Bandar Seri Begawan. Yang Amat Mulia Pengiran Muda Dr Abdul Fattaah, Chairman of the Board of Directors was on hand to officiate the ceremony as the guest of honour. The new complex will feature modern design with energy efficient and eco-friendly facilities, such as large glazing panels to allow ample natural light, energy-efficient mechanical and electrical fittings, a rain water harvesting system to collect water for plant irrigation as well as a sky garden within the building. All these design elements were done to attain the BCA Green Mark certification, a benchmark of best practices for being environmentally friendly. The building will also be fitted with modern electronic queue management and notification system to deliver better services to customers and is expected to be completed at the end of 2019.

Yang Amat Mulia Pengiran Muda Dr Abdul Fattaah Ibni Duli Yang Teramat Mulia Paduka Seri Pengiran Perdana Wazir Sahibul Himmah Wal-Waqar Pengiran Muda Mohamed Bolkiah, Chairman of the Board of Directors of Baiduri Bank, poured concrete during the foundation laying ceremony, and then proceeded to take a guided tour that showed artist renditions of the future headquarters.

OMD & DSD attains ISO 9001:2015 Certification

In May 2018, our Operations Management Division & Diversification and Strategic Development (OMD & DSD) received the ISO 9001:2015 certification for its quality management system (QMS) in a certificate presentation ceremony. This milestone confirms Baiduri Bank's continuous efforts towards improving its quality standards and successfully implementing the best practices in line with the bank's vision.

The departments under OMD & DSD that are now ISO 9001:2015 certified in quality management system are Global Payment Services, Group Electronic Banking & Trade Services, Group Credit Documentation Services, Operations Process & Service Management, Card Centre Operations, Property Department, Security Control Department, Business Continuity Planning Unit and Diversification and Strategic Development.

The ISO 9001:2015 is based on quality management principles that organizations use to improve their performance. This certification is acknowledged as the world's most coveted quality recognition and is dedicated to improving the performance of organizations globally.

Presenting the certificate to Pierre Imhof, CEO of Baiduri Bank (centre), and Andrew Young, Deputy General Manager of OMD&DSD, was Nicholas Cheong, Head of Operations of BSI (British Standard Institution) Malaysia (left).

CUSTOMER EXPERIENCE INITIATIVES

ATM and Electronic Cash Recycler Machines

While the Brunei Government is aiming to transform the country to a cashless society under the Digital Payment Roadmap for Brunei Darussalam 2019-2025, cash transactions are still very much in demand domestically. To cater to customer needs, we deployed eight electronic cash recycler machines (ECRM) to several key commercial locations in a bid to promote our services beyond traditional branches. ECRMs enable less frequent cash replenishment leading to improved ATM uptime and at the same time allows customers to perform cash deposits without the need to go to a branch. The ECRMs provide convenience to businesses located in surrounding areas to deposit their end-of-day cash takings via ECRMs, accessible 24 hours.

In 2018, we launched a new ATM offsite location at Jerudong Park providing convenience to our customers residing in the Jerudong area and those in the vicinity, which includes Jerudong Park Medical Centre, Pantai Jerudong Specialist Centre and BRIDEX. For better convenience, two existing offsite ATM locations in Bunut and Tutong were relocated to Shahryza Fuel Station, Bunut and Berjaya Complex, Tutong respectively. As at end 2018, our ATM network comprised 33 locations nationwide.

A key achievement for ATM operations in 2018 was the reduction of ATM faults. In the first half of the year, faults were averaging 2,231 per month. After in-depth studies, we were able to fix software issues resulting in reduction in average ATM faults per month to 1,816 during the second half of the year, representing an improvement of 18.6%. The number of trips taken by the Cash Team to attend offsite ATMs also reduced from an average of 45 trips per month before the fixes to an average 24 trips per month.

As at end 2018, migration of counter services such as cash withdrawals, cash deposits and cheque deposits to ATMs averaged 79.7%. Compared to 2017, this was an increase by 1.2%.

Branch Network

As part of our ongoing efforts to better serve our customers, our Seria Branch was relocated to a new location in November 2018. Featuring modern and contemporary décor to reflect the dynamism and innovative spirit of Baiduri Bank, the new branch offers full banking services to individuals and businesses and houses a Prestige Centre. The location was chosen to be closer to the increasing activity in the oil and gas industry as well as to help grow and develop local MSMEs in the area.

Yang Berhormat Dato Seri Setia Dr Awang Haji Mat Suny bin Haji Mohd Hussein, Minister of Energy, Manpower and Industry, was the Guest of Honour as Baiduri Bank celebrated the launch of their new Seria branch.

PROMOTING FINANCIAL LITERACY

National Savings Day 2018

Baiduri Bank took part in the third National Savings Day 2018 organized by AMBD carrying the theme “Financially Literate Generation”. The first event was a school roadshow held on 11th July at the IBTE Sultan Saiful Rijal Campus, where we set up a booth at the helicopter hanger. The Financial Fun Fair was held at the Jerudong Park Colonade on 4th and 5th August and was open to the public while the Financial Showcase was held at The Mall, Gadong on 1st and 2nd September, also open to the public. During these events, the Bank helped raise awareness on the importance of financial planning using fun and interactive activities and games. A team of financial planners were available at the Baiduri Bank booths during all three events to answer questions from visitors.

During the three events for National Savings Day 2018, the Bank focused on educating members of the public on the importance of financial planning using fun and interactive activities and games.

Financial Planning Talks

On 6th August 2018, Baiduri Bank personnel conducted a talk at the Ministry of Defence. Specifically tailored to army personnel who are transitioning to retirement, the topics covered financial planning, lifestyle and insurance planning as well as investment. Throughout the year, Baiduri Bank was invited to speak on the topic of financial planning to employees of public and private institutions and to students in secondary and tertiary level schools.

Financially Fit Family Fun Day

The cost of children's education is one of the most important expense in a family's budget. With education cost on an all-time high coupled with an increasing need for access to higher education, even the most seasoned parents can find the strain to be quite stressful and overwhelming. To help parents plan for their children's education, Baiduri Bank held a roadshow focussing on creating a financial plan for children's education at the Family Day Out event at Times Square Shopping Complex from 28 to 30 September 2018. At the event, visitors can approach a personal financial planner to get a free professional financial consultation where they were given guidance on a logical and systemic understanding of their cashflow, defining their objectives and goals, going through budgeting and learning how much to save as well as to invest.

Specifically tailored for the participants from the Ministry of Defence who were transitioning to retirement, the talk covered the topics of financial planning, lifestyle, and insurance planning. The team of Siti Aminah Abdul Rahman from Wealth Management, Baiduri Bank, and, Muhammad Zharif Haji Sabli from Baiduri Capital delivered the talk.

At the roadshow, visitors could approach a personal financial planner to get a free professional financial consultation. During the consultation, they were taught a logical and systemic understanding of their cashflow, as well as defining their objectives, budgeting and how to save and invest their earnings.

MAJOR INVESTMENTS IN SYSTEMS AND ONLINE SECURITY

Technology is an integral part of any business. The Bank's focus is very much on resilience, performance, security and reliability.

Online Banking

In July 2018, we rolled out Phase 2.0 of our Internet Banking enhancements. This enhancement provides a higher level of convenience and flexibility for customers transacting via our Internet Banking platform and the Mobile Banking app. For funds transfer to local banks, customers can choose between two transfer services - Real Time Gross Settlement (RTGS) or Automated Clearing House (ACH). In addition, for funds transfer to banks abroad, customers have the option to state the amount they are remitting either in local currencies (BND) or the available foreign currencies.

Our online registration for Personal Internet Banking (PIB) was revised for improved customer experience via a seamless registration flow. For corporate customers, a new feature for Bulk Payment was introduced in Business I-Banking (BIB) which allows customers to make payments to numerous beneficiaries (vendors, suppliers, etc) in one single transaction. This cuts down the time to make multiple payments individually, which greatly helps with the fast pace of business nowadays.

As a result of all these improvements, at the end of 2018, the number of sign-ups (PIB and BIB) totalled 12,205 with online registration contributing to 26.8%, an increase of 5.6% over the previous year. Internet banking activities such as funds transfers, bill payments and prepaid top-ups increased by 34.7% while activities via Mobile Banking app increased by 61.2% over the same period.

Data Security as our Priority

To provide customers with peace of mind irrespective of the channel they are using, we are constantly striving to ensure that the data protection in our systems are secured to international standards. Baiduri Bank is certified under the internationally recognized Payment Card Data Security Standard (PCI-DSS) and is currently certified to Version 3.1. PCI-DSS is a payment card industry security requirement for entities that process, transmit or store cardholder data and reflects Baiduri Bank's commitment to data security at its highest level. To date, we remain the only bank in Brunei to have achieved this certification.

HUMAN RESOURCES

Human Resources is an important function that enables the Baiduri Bank Group's business activities to achieve sustainability through people working together to provide the highest level of service to our customers. As of 31st December 2018, Baiduri Bank Group employed a total of 777 personnel.

Baiduri Bank Group recognizes that as it continues to grow, much focus is required on recruiting and retaining the best people and as part of the initiative, the Group actively participates in career fairs to attract the best talent from the market.

To sustain the Group's competitive edge, the Group continuously invests in training to build the quality of its human capital. Training programmes were organized to provide employees with the necessary skills sets to meet the business needs. This included equipping sales staff with product knowledge which are necessary to meet the demands of customers and stakeholders in the rapidly changing business environment.

In 2018, greater focus was placed on Risk Management and some of the learning initiatives organized included the International Professional Practices Framework (IPPF) training for our Internal Audit Department and senior officers to elevate core skills and enhance their capacity in order to achieve high service standard. The Group also organized a training on Internal Control in Banking for employees in the front line and business support departments to understand the importance of control and management of risk in banking.

In 2018, a total of 183 training programmes comprising in-house, local and overseas training were organized, a slight increase over the previous year. Our inhouse e-learning programmes are regularly reviewed for relevance and adequacy and continue to be a reliable method for delivery of training in 2018.

In addition, as part of Baiduri Bank Group's emergency preparedness initiative, a simulated fire drill was conducted at the Kuala Belait branches of Baiduri Bank and Baiduri Finance in December 2018. The aim was to raise awareness on fire safety and security procedures amongst the branch employees. The drill provided tactical experience and knowledge as well as empower them to handle situations that might arise during emergencies. The exercise was a joint effort between the Baiduri Bank Group, the Fire and Rescue Department, the Royal Brunei Police Force, the Department of Electrical Services as well as the Emergency Medical Ambulance Service (EMAS).

During the simulated fire drill, four casualties, played by Baiduri Bank staff members, depicted unique injury scenarios, such as broken arms, broken legs, a burn victim, and unconsciousness to simulate a real-life scenario, and to test the fire marshal's ability to adequately assess the situation. The casualties were brought out on stretchers to the nearby medical team and had their injuries treated at the Casualty Clearance Station.

SUPPORTING NATIONAL EVENTS

In a show of nationalism and comradeship, Baiduri Bank Group participated in three major national events during the year.

34th National Day Procession

Brunei Darussalam celebrates its National Day on 23rd February each year to commemorate the country's independence from Great Britain in the year 1984. In 2018, a 100-member contingent made up of staff from the Baiduri Bank Group joined more than 100 other organizations in the 34th National Day Procession around Bandar Seri Begawan which culminated in a march past at the Taman Omar Ali Saifuddien in front of the Royal Dais, witnessed by His Majesty the Sultan, members of the Royal family and other state dignitaries.

The 100-strong contingent that represented the Baiduri Bank Group in the 34th National Day Procession around Bandar Seri Begawan was led by Ak Nor Muhd Nizam bin Pg Hj Tengah, Group Treasurer and Head of Institutional Bank.

Brunei Darussalam Regatta

A team of rowers comprising of 30 male staff of the Baiduri Bank Group put on a good show in the annual boat race held on the Brunei River in conjunction with the 72nd Birthday of His Majesty the Sultan and Yang DiPertuan of Brunei Darussalam. The event took place on 12 August 2018 and this was our first participation in the event. Although we were unplaced, it was a great learning experience for the team members.

While our rowers were unplaced in their first outing at the annual boat race in conjunction with the 72nd Birthday of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam, it didn't dampen their spirits to come back stronger in the following edition.

More than 80 male members of staff dressed in national attire formed a team and represented the Group in the Maulud Grand Assembly and Procession to commemorate the anniversary of the birth of Prophet Mohammad. After the event, the contingent also had the opportunity to take photos with His Majesty The Sultan and Yang Di-Pertuan of Brunei Darussalam.

Maulud Procession

For the sixth year since 2013, volunteers from Baiduri Bank Group formed a team to participate in the Maulud Grand Assembly and Procession to commemorate the anniversary of the birth of Prophet Mohammad. The event, which took place on 20 November 2018 saw more than 80 male members of staff dressed in national attire assemble early in the morning at Taman Sultan Omar Ali Saifuddien before marching through the streets around Bandar Seri Begawan. Altogether, 126 teams made up of more than 13,000 participants took part in the procession.

CORPORATE SOCIAL RESPONSIBILITY

23rd Edition of the Baiduri Masters

2018 marked the 23rd edition of The Baiduri Masters Charity Golf Tournament. The tournament saw over 800 golfers participating in charity through golf while hoping to walk away with a variety of prizes. Johari Haji Ahmad, the champion, received the coveted Baiduri Masters Green Jacket and Challenge Trophy. The tournament also featured hole-in-one prizes comprising a BMW 320i M Sport and a Mini Cooper S as well as three cash prizes of BND20,000 each. From the tournament proceeds, donations totaling BND 81,000 were presented to six charity organizations during the prize presentation dinner held at Manggis Ballroom. These organizations were: YASKA (Children's Cancer Foundation); Pusat Ehsan Al-Ameerah Al-Hajjah Maryam; Learning Ladders Society; Child Development Centre; Dana Hospital RIPAS and SMARTER Brunei.

Presenting the Challenge Trophy to the champion, Johari Hj Ahmad was Yang Amat Mulia Pengiran Muda Dr Abdul Fattaah, the Guest of Honour of the event. Johari Hj Ahmad was also awarded a cash prize of BND1,500. He concluded the tournament with a gross score of 73.

Supporting the Development of Local Sports Talents

As a continued sign of our support towards the local community, Baiduri Bank signed on as the Official Bank Partner for Brunei's most prominent football team, DPMM FC, for the year's Singapore League (S-League). 2018 marked the third year that Baiduri Bank has been the Official Bank Partner for DPMM FC. In February 2018, Ak Nor Md Nizam, Group Treasurer and Head of Institutional Bank, and Dorothy Newn, Head of Group Corporate Communications of Baiduri Bank inked the deal in a Partnership Signing Ceremony at the Centrepoint Hotel.

For the third year Baiduri Bank signed on to become the Official Bank Partner for DPMM FC, for the team's participation in this year's Singapore League (S-League). In February, Ak Nor Md Nizam, Group Treasurer and Head of Institutional Bank, and Dorothy Newn, Head of Group Corporate Communications, represented Baiduri Bank in a Partnership Signing Ceremony at the Centrepoint Hotel.

Instilling Entrepreneurial Spirit among School Children

Since 2012, Baiduri Bank has been a supporter and major sponsor for the Junior Achievement (JA) Company Programme, JA's flagship after-school programme targeting secondary level students to operate their own business venture.

Over the years, the schools that have participated in the JA Company Programme are Sultan Omar Ali Saifuddien College, Menglait Secondary School, Sayyidina Umar Al-Khattab Secondary School, Sultan Muhammad Jamalul Alam Secondary School, Sekolah Tinggi Perempuan Raja Isteri, Paduka Seri Begawan Sultan Science College, Sayyidina Ali Secondary School, Duli Pengiran Muda Al-Muhtadee Billah College and sixth form centres from Tutong, Meragang and Sengkurong.

2018 saw the winning team from the national level Junior Achievement Company of the Year Competition 2017, PTES JA Co represent Brunei in the Asia-Pacific level of the competition held in Beijing, China in March 2018.

For the sixth year, Baiduri Bank was a supporter and major sponsor of the Junior Achievement (JA) Company Programm. Over the years, some 11 schools have participated in the programme ranging from secondary schools to sixth form centres.

The JA Company of the Year Programme invites students to plan, create and run their own businesses, with the help of established mentors. The country level of the 3rd Annual JA Brunei Company of the Year Competition was held in October 2018. Six teams participated in the competition, out of which two were selected to represent Brunei in the Asia Pacific JA Company of the Year Competition 2019 to be held in Manila, Philippines. Baiduri Bank sponsored the national level competition.

Supporting Green Initiatives: Earth Hour

To commemorate Earth Hour, on 24 March 2018, Baiduri Bank Group joined the global community by switching off non-essential lights at its branches from 8:30 pm to 9:30 pm. Other than taking a stand and switching off non-essential lights, Baiduri Bank also went beyond the hour and converted all current account and savings account paper statements to e-statements, thus contributing to a big reduction of our carbon footprint, reflecting our commitment to reduce our environmental impact.

Staff of Baiduri Bank Group and their families also joined the millions of people around the world in this World Wild Life Fund for Nature (WWF) initiative aimed at raising awareness of climate change and energy conservation and switched off lights and non-essential electrical and electronic appliances and gadgets at their homes to conserve energy. By taking part in this movement, Baiduri Bank Group hopes to inspire and encourage other people to participate in Earth Hour in order to make a change in the environment.

Supporting Green Initiatives: 14th Borneo Global Issues Conference

In support of initiatives to develop local youth and to promote awareness of global sustainable issues, for the third consecutive year, Baiduri Bank became a major sponsor of the 14th Borneo Global Issues Conference hosted by International School Brunei (ISB). The conference, held in March 2018, saw 300 delegates from 24 schools across the Sultanate debated on global sustainable issues led by two keynote speakers - Danni Washington from USA and Anna Oposa from the Philippines. With the theme 'Life below Water', the conference focussed on issues such as plastic pollution, coral reef and sea animal conservation. The theme holds a significant importance in Brunei with the need to protect the marine and coastal ecosystem from pollution. ISB BGIC is an annual student-led model United Nations conference where participants representing various countries, share their views on current and real-world issues. The four-day conference is aimed at expanding students' understanding of global citizenship and improving their public speaking and negotiation skills.

Yvonne Chan (right), Head of Corporate Banking, represented the bank at the 14th ISB BGIC, where the bank has been a major sponsor for the third consecutive year.

Blood Donation Campaign

In May 2018, in collaboration with the Raja Isteri Pengiran Anak Saleha (RIPAS) Hospital, Baiduri Bank Group organized a Blood Donation Drive held at Baiduri Bank Headquarters in Kiarong. The event was organised as part of the Group's Corporate Social Responsibility (CSR) programme and is an annual event aimed to help replenish the low blood supplies faced by the National Blood Bank in RIPAS Hospital. With the theme "You've always been somebody's type", the campaign also aims to educate the public on the different blood types and to cultivate the spirit of caring and giving among the bank's employees. A total of 116 people comprising of staff, customers and members of the public joined in this initiative.

Under the theme of "You've always been somebody's type", this year's blood donation drive focused on educating staff on the different blood types. The event also aimed to cultivate the spirit of caring and giving among the bank's employees. In 2018, a total of 116 people comprising of staff, customers and members of the public joined in this initiative.

Assisting Students from Less Privileged Families

During the Group's Chinese New Year Open House held in March, nine schools received donations as financial assistance for deserving students from underprivileged homes at the schools. The donations cover a year's school fees for each student.

Let's Give Back this Ramadhan

In the spirit of giving back to society, Baiduri Bank Group organized four events comprising of shopping activities and Iftar (breaking of fast) for underprivileged families in the country. A total of 36 families from all four districts (Brunei-Muara, Tutong, Belait and Temburong) benefitted from the programme in 2018. The programme was intended to provide some relief for these families during Ramadhan by taking them shopping for household necessities in preparation for the upcoming Hari Raya Aidilfitri celebrations.

This spirit of caring for one another is a quality we value and encourage among our staff and is one of the pillars in our corporate responsibility program. This activity provides a hands-on opportunity for our employees to get to know the community better and are a key aspect of our corporate social responsibility framework.

The Let's Give Back this Ramadhan campaign is an annual Baiduri Bank Group initiative towards helping the needy in the country during the month of Ramadhan. The families were identified through the Community Development Department (JAPEM), Ministry of Culture Youth and Sports.

In the spirit of giving back during the month of Ramadhan, Baiduri Bank organised a shopping activity and a breaking of fast for numerous underprivileged families in all four districts. The event as a whole, is aimed at easing the financial strain for underprivileged families in the nation.

INTERNATIONAL AWARDS AND RECOGNITIONS

In 2018, the Baiduri Bank Group received four major banking awards and recognition.

Bank of the Year 2018

For the thirteenth consecutive year, Baiduri Bank won the coveted Bank of the Year award from The Banker, UK. Pierre Imhof, CEO of Baiduri Bank received the award at a gala black-tie dinner at the Sheraton Grand London Park Lane, London in November 2018. The Banker Awards was attended by representatives from 149 countries, a reflection on the importance and significance banks put on winning The Banker's Bank of The Year awards. In determining the winners, The Banker, the world's premier banking and finance resource, looks beyond raw data for evidence of banks setting new standards for their local industries using new technology or innovative ways of expanding their business. The judging is carried out by an editorial committee based on submitted entries and data from The Banker's database.

Baiduri Bank rounded off the year with the coveted Bank of The Year award from The Banker magazine in an awards ceremony in London. The CEO of Baiduri Bank, Pierre Imhof (c), received the award making this the fourth international banking award this year for Baiduri Bank. It's also the thirteenth time that the bank has received this accolade.

The Best Banking Group 2018

For the tenth year running, Baiduri Bank won the Best Banking Group from World Finance Magazine. Receiving the award was Pierre Imhof, CEO of Baiduri Bank at London Stock Exchange Studios, London. The Best Banking Group award reflects Baiduri Bank Group's strong performance in customer service, compliance and innovation among other factors. World Finance is a quarterly print and online magazine providing comprehensive coverage and analysis of the financial industry, international business and the global economy. With a judging panel boasting over 230 years of financial and business journalism, supported by a research team that works round the clock, World Finance ensures the award winners are the most deserving in their sector.

Baiduri Bank was recognised by World Finance as The Best Banking Group for Brunei 2018, making it the tenth consecutive year that Baiduri has received this award, with the first being in 2009. The award was presented to Mr Pierre Imhof, CEO of Baiduri Bank at the London Stock Exchange Studios, London, by Paul Richardson, World News Media (L).

Domestic Retail Bank of the Year for Brunei 2018

Baiduri Bank received the Domestic Retail Bank of the Year award for the sixth year in a row from the Asian Banking & Finance magazine. Present to receive the award during the awards ceremony at the Shangri-La, Singapore, was Pengiran Azaleen bin Pengiran Dato Haji Mustapha, Head of Retail Banking and Branch Network at Baiduri Bank. In 2017, Baiduri Bank launched the Micro Account to complement MerchantSuite service; launched the Business Hub, our first dedicated center for business customers; refreshed our Visa Infinite and Visa Platinum card programmes to cater more towards the affluent customers, including the introductions of DragonPass, the world's first all-in-one digital airport companion. Since 2006, the Asian Banking & Finance (ABF) magazine has been honouring and recognising the best of the best in the Banking and Finance industry in Asia. It focuses on commercial and retail banking and on the securities market from a banking perspective.

Credit Card Initiative of the Year for Brunei 2018

In 2017, Baiduri Bank undertook to refresh its client value propositions for the Visa Infinite and Visa Platinum card programmes. The cards were relaunched packed with global privileges, exclusive travel deals, 24/7 international assistance and best in market rewards programme. As a result of this initiative, Baiduri Bank received the Credit Card Initiative of the Year for Brunei 2018 award from the Asian Banking & Finance magazine. Pengiran Azaleen bin Pengiran Dato Haji Mustapha, Head of Retail Banking and Branch Network at Baiduri Bank received the award at the awards ceremony at the Shangri-La, Singapore in July 2018.

Pg Azaleen Pg Dato Hj Mustapha, Head of Retail Banking and Branch Network represented Baiduri Bank in Singapore when the Bank was awarded the "Domestic Retail Bank of the Year for Brunei 2018" for the sixth consecutive year as well as the "Credit Card Initiative of the Year for Brunei 2018" for the very first time, by the Asian Banking & Finance Magazine.

International Credit Rating

In July 2018, Standard & Poor's reaffirmed Baiduri Bank's credit rating of BBB+/A-2 with Stable Outlook based on the expectation that the Bank will maintain its high systemic importance in Brunei and S&P's view that Baiduri Bank's financial profile will remain steady due to the bank's adequate internal capital accruals amid single digit growth over the next 18-24 months.

Financial Statements


PRESTIGE

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Annual Report and Audited Consolidated Financial Statements of Baiduri Bank Berhad (the "Bank") and its subsidiaries (the "Group") for the financial year ended December 31, 2018.

PRINCIPLE ACTIVITIES

The principal activities of the Bank and the Group are to carry on the business of banking and related financial services including dealing in investment securities and e-financial services. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Bank B$'000	Group B$'000
Balance as at December 31, 2017	69,257	158,787
Impact of IFRS 9 adoption at January 1, 2018	2,683	868
Balance as at January 1, 2018	71,940	159,655
Total profits for the financial year	70,642	54,941
Transferred to Statutory Reserve from Retained Earnings	(17,660)	(20,859)
Dividends paid	(51,500)	(51,500)
Balance as at December 31, 2018	73,422	142,237

RESERVES AND PROVISIONS

There were no other material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The state of affairs of the Bank and the Group as at December 31, 2018 is set out in the Statements of Financial Position. These Consolidated Financial Statements were approved by the Board of Directors on March 20, 2019.

DIVIDEND

Dividends declared and paid during the financial year are as follow:-

	B$
Final dividend paid in respect of the financial year ended December 31, 2017	16,500,000
Exceptional dividend paid in respect of the financial year ended December 31, 2017	35,000,000

At the forthcoming Annual General Meeting, a final dividend of B$ 17,000,000 in respect of the current financial year ended December 31, 2018 will be proposed for shareholders' approval.

DIRECTORS

The directors in office during the financial year and at the date of this report are:

YAM Pengiran Muda Dr Abdul Fattaah
YM Dato Paduka Timothy Ong Teck Mong
Dayang Norliah Binti Haji Kula
Haji Sofian Bin Jani
Francis Gerard Caze
Bertie Cheng Shao Shiong
YTM Pg Anak Isteri Pengiran Anak Hajah Zariah
(resigned on January 2, 2018)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND/OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the Bank or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND/ OR DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital or debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the bank except as follows:

Name of directors and companies in which interests are held	Holdings registered under the name of director or nominee At December 31,2018	At January 1, 2018 or date of appointment, if later
Subsidiary company		
Baiduri Finance Berhad		
(Ordinary shares)		
YAM Pengiran		
Muda Abdul Fattaah	1	1
YM Dato Paduka		
Timothy Ong Teck Mong	1	1
Francis Gerard Caze	1	1

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed, by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

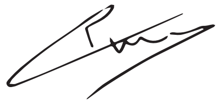
AUDITORS

The auditors, Deloitte & Touche, have indicated their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

Director

Director



Director

Brunei Darussalam

Date: March 20, 2019

REPORT OF THE AUDITOR

We have audited the financial statements of Baiduri Bank Berhad (the "Bank") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Bank and the Group as at December 31, 2018, the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Bank and the Group for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, out on pages *43 to 101.*

OPINION

In our opinion, the accompanying financial statements of the Bank and the Group are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Cap. 39 (the "Act"), the Banking Order, 2006 (the "Order") and International Financial Reporting Standards ("IFRS"), so as to give a true and fair view of the financial position of the Bank and the Group as at December 31, 2018, and of the financial performance, changes in equity and cash flows of the Bank and Group for the financial 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank and the Group in accordance with the International Ethics Standards Board of 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.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the Directors' Report included in pages 1 to 3 but does not include the Consolidated Financial Statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of Consolidated 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 directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material mistatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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 Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act and the Order to be kept by the Bank and the Group have been properly kept in accordance with the provisions of the Act and the Order. We have obtained all the information and explanations that we required.

DELOITTE & TOUCHE
Certified Public Accountants

HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN
Public Accountant

Brunei Darussalam
Date: March 20, 2019

STATEMENTS OF PROFIT OR LOSS

For The Year ended December 31, 2018

	Note	Bank 2018 B$'000	Bank 2017 B$'000	Bank Change	Group 2018 B$'000	Group 2017 B$'000	Group Change
Income							
Interest Income		97,907	83,021	17.93%	154,071	138,879	10.94%
Interest Expense		(17,014)	(13,459)	26.41%	(20,964)	(18,819)	11.40%
Net Interest Income	5	80,893	69,562	16.29%	133,107	120,060	10.87%
Fee Income		9,566	8,913	7.33%	10,408	9,628	8.10%
Fee Expense		(312)	(302)	3.31%	(458)	(409)	11.98%
Net Fee Income		9,254	8,611	7.47%	9,950	9,219	7.93%
Other Operating Income	6	70,010	44,220	58.32%	33,888	34,359	-1.34%
Net (Loss)/gain from Other Financial Instruments at Fair Value through Profit or Loss	7	(1,443)	769	-287.65%	(1,443)	769	-287.65%
Net Other Operating Income		68,567	44,989	52.41%	32,445	35,128	-7.61%
Total Operating Income before Impairment Charges and Allowances		158,714	123,162	28.87%	175,502	164,407	6.76%
Less:							
Personnel Expenses	8	(32,686)	(29,274)	11.66%	(38,673)	(35,026)	10.41%
Provision for End of Service Benefits		(1,000)	(400)	150.00%	(1,288)	(688)	87.21%
Other Overhead Expenses	9	(33,321)	(27,133)	22.81%	(54,433)	(48,353)	12.60%
Total Operating Expenses		(67,007)	(56,807)	17.96%	(94,394)	(84,067)	12.30%
Less:							
Impairment Losses for Loans	4.4	(11,669)	(5,526)	111.17%	(12,051)	(12,405)	-2.85%
Loans/Financing Written Off		(7)	15	-146.67%	(7)	15	-146.67%
Impairment of Investments		(84)	(2,225)	-96.22%	(84)	(2,225)	-96.22%
Total Impairment Charges and Allowances		(11,760)	(7,736)	52.02%	(12,142)	(14,615)	-16.92%
Profit before Taxation		79,947	58,619	36.38%	68,966	65,725	4.93%
Less: Income Tax Expense	10	(9,305)	(8,428)	10.41%	(14,025)	(12,074)	16.16%
Profit after taxation / Profit for the Year		70,642	50,191	40.75%	54,941	53,651	2.40%

The significant accounting policies and the notes from pages 43 to 101 form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

For The Year ended December 31, 2018

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Profit after Taxation / Profit for the year	70,642	50,191	54,941	53,651
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the year	70,642	50,191	54,941	53,651

The significant accounting policies and the notes from pages 43 to 101 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2018

		Bank			Group		
	Note	2018 B$'000	2017 B$'000	Change	2018 B$'000	2017 B$'000	Change
ASSETS							
Cash and Short Term Funds	11	**1,948,064**	1,601,308	21.65%	**1,953,743**	1,607,501	21.54%
Balances with AMBD	12	**-**	-	-%	**57,126**	61,975	-7.82%
Derivative Assets	13	**179**	228	-21.49%	**179**	228	-21.49%
Government Sukuk	14	**24,660**	9,909	148.86%	**24,660**	9,909	148.86%
Investment Securities	15	**63,033**	80,553	-21.75%	**63,033**	80,553	-21.75%
Loans and Advances	16	**1,263,254**	1,242,050	1.71%	**2,067,235**	2,109,162	-1.99%
Investments in Subsidiaries	17	**47,949**	27,949	71.56%	**-**	-	-
Property, Plant and Equipment	18	**35,134**	30,549	15.01%	**35,700**	31,442	13.54%
Other Assets	19	**10,356**	16,118	-35.75%	**38,401**	45,385	-15.39%
Total Assets		**3,392,629**	3,008,664	12.76%	**4,240,077**	3,946,155	7.45%
LIABILITIES AND EQUITY							
Deposits from Customers	20	**2,643,869**	2,259,124	17.03%	**3,584,979**	3,278,768	9.34%
Deposits from Banks and Other Financial Institutions	21	**226,612**	229,534	-1.27%	**4,676**	3,753	24.59%
Derivative Liabilities	13	**124**	111	11.71%	**124**	111	11.71%
Borrowings	22	**54,641**	80,252	-31.91%	**54,641**	80,252	-31.91%
Group Balances Payable	23	**5,222**	5,456	-4.29%	**-**	-	-
Other Liabilities	24	**61,365**	57,873	6.03%	**71,407**	66,861	6.80%
Deferred Taxation	25	**8,446**	8,446	0.00%	**8,493**	8,493	0.00%
Provision for Taxation	10	**18,021**	15,364	17.29%	**39,880**	36,349	9.71%
Total Liabilities		**3,018,300**	2,656,160	13.63%	**3,764,200**	3,474,587	8.34%
SHAREHOLDERS' EQUITY							
Share Capital	26	**150,000**	150,000	0.00%	**150,000**	150,000	0.00%
Statutory Reserves	27	**145,753**	128,093	13.79%	**178,486**	157,627	13.23%
Other Reserves	28	**78,576**	74,411	5.60%	**147,391**	163,941	-10.10%
Total Shareholders' Funds / Total Equity		**374,329**	352,504	6.19%	**475,877**	471,568	0.91%
Total Liabilities and Equity		**3,392,629**	3,008,664	12.76%	**4,240,077**	3,946,155	7.45%
Off Balance Sheet items:							
CONTINGENCIES AND COMMITMENTS	29	**830,449**	1,044,410	-21.61%	**830,449**	1,044,410	-21.61%

The significant accounting policies and the notes from pages 43 to 101 form an integral part of the financial statements.

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

Director	**Director**	**Director**

The significant accounting policies and the notes from pages 43 to 101 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For The Year ended December 31, 2018

Bank	Share Capital B$'000	Statutory Reserve B$'000	General Reserve B$'000	Retained Earnings: Retained Earnings B$'000	Retained Earnings: Prudential Reserve for Credit Losses B$'000	Total Equity B$'000
Balance as at January 1, 2017	150,000	115,488	5,154	54,491	-	325,133
Net profit for the year	-	-	-	50,191	-	50,191
Transfer during the year	-	12,605	-	(12,605)	-	-
Effect of additional specific impairment losses	-	-	-	(8,320)	-	(8,320)
Dividend paid	-	-	-	(14,500)	-	(14,500)
Balance as at December 31, 2017	150,000	128,093	5,154	69,257	-	352,504
Impact of IFRS 9 adoption at January 1, 2018	-	-	-	2,683	-	2,683
Balance as at January 1, 2018	150,000	128,093	5,154	71,940	-	355,187
Net profit for the year	-	-	-	70,642	-	70,642
Transfer to:						
- Statutory reserve	-	17,660	-	(17,660)	-	-
- Prudential reserve for credit losses	-	-	-	(25,282)	25,282	-
Dividend paid	-	-	-	(51,500)	-	(51,500)
Balance as at December 31, 2018	150,000	145,753	5,154	48,140	25,282	374,329

Group	Share Capital B$'000	Statutory Reserve B$'000	General Reserve B$'000	Retained Earnings: Retained Earnings B$'000	Retained Earnings: Prudential Reserve for Credit Losses B$'000	Total Equity B$'000
Balance as at January 1, 2017	150,000	144,122	5,154	141,461	-	440,737
Net profit for the year	-	-	-	53,651	-	53,651
Transfer during the year	-	13,505	-	(13,505)	-	-
Effect of additional specific impairment losses	-	-	-	(8,320)	-	(8,320)
Dividend paid	-	-	-	(14,500)	-	(14,500)
Balance as at December 31, 2017	150,000	157,627	5,154	158,787	-	471,568
Impact of adoption IFRS 9 at January 1, 2018	-	-	-	868	-	868
Balance as at January 1, 2018	150,000	157,627	5,154	159,655	-	472,436
Net profit for the year	-	-	-	54,941	-	54,941
Transfer to:						
- Statutory reserve	-	20,859	-	(20,859)	-	-
- Prudential reserve for credit losses	-	-	-	(25,524)	25,524	-
Dividend paid	-	-	-	(51,500)	-	(51,500)
Balance as at December 31, 2018	150,000	178,486	5,154	116,713	25,524	475,877

The significant accounting policies and the notes from pages 43 to 101 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For The Year ended December 31, 2018

		Bank		Group	
	Note	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
Cash flows from operating activities					
Profit before tax:		79,947	58,619	68,966	65,725
Adjustments for non-cash items:					
Depreciation of Property, Plant and Equipment	18	5,236	4,166	5,640	4,548
Net Gain on disposal of Property, Plant and Equipment		(16)	(39)	(16)	(39)
Fixed Asset expensed off		-	3,000	-	3,000
Net Loss/(Gain) from Other Financial Instruments at Fair Value through Profit or Loss		1,443	(769)	1,443	(769)
Impairment of Investments		84	2,225	84	2,225
Impairment Losses for Loans		11,669	5,526	12,051	12,405
Operating Profit Before Change in Operating Assets and Liabilities		98,363	72,728	88,168	87,095
Change in Operating assets and liabilities:					
Placements with Banks		(166,576)	153,463	(328,206)	153,463
Balances with AMBD		-	154,305	4,849	151,156
Derivative Assets		49	158	49	158
Loan and Advances		(29,581)	(143,126)	30,943	(145,847)
Other Assets		5,762	(3,102)	6,984	(948)
Deposits from customers		384,745	(254,985)	306,211	(235,394)
Deposits from banks and other financial institutions		(2,922)	23,740	923	(2,692)
Derivative Liabilities		13	(248)	13	(248)
Other Liabilities		3,258	525	4,546	1,851
Cash from operating activities		293,111	3,458	114,480	8,594
Income tax paid		(7,257)	(6,550)	(10,692)	(10,055)
Net cash from/(used in) operating activities		285,854	(3,092)	103,788	(1,461)
Cash flows from investing activities					
Purchase of Property, Plant and Equipment	18	(9,821)	(7,692)	(9,896)	(7,954)
Proceeds from Disposal of Property, Plant and Equipment		16	70	16	70
Net investments		1,242	54,620	1,242	54,620
Investment in Subsidiary		(20,000)	-	-	-
Net cash (used in)/from investing activities		(28,563)	46,998	(8,638)	46,736
Cash flows from financing activities					
Net (decrease)/increase in borrowings		(25,611)	80,252	(25,611)	80,252
Dividend paid		(51,500)	(14,500)	(51,500)	(14,500)
Net cash (used in)/from financing activities		(77,111)	65,752	(77,111)	65,752
Net change in cash and cash equivalents		180,180	109,658	18,039	111,027
Cash and cash equivalents at January 1		1,390,261	1,280,603	1,396,452	1,285,425
Cash and cash equivalents as at December 31	30	1,570,441	1,390,261	1,414,491	1,396,452

The significant accounting policies and the notes from pages 43 to 101 form an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year ended December 31, 2018

1. GENERAL

Baiduri Bank Berhad (the "Bank") is incorporated in Negara Brunei Darussalam with its principal place of business and registered office at Units 1-4, Block A, Kiarong Complex, Lebuhraya Sultan Hassanal Bolkiah, Bandar Seri Begawan BE1318, Negara Brunei Darussalam. The Bank carries on the business of banking and related financial services including dealing in investment securities and e-financial services. There have been no significant changes in the nature of these activities during the financial year.

The Consolidated Financial Statements were authorised for issue by the Board of Directors on March 20, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Financial Statements Preparation

The financial statements of the Bank and the Group have been prepared in accordance with the Brunei Darussalam Companies Act, Cap. 39, the Brunei Banking Order, 2006 and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Details of the Bank and the Group's accounting policies, including changes during the year, are included in Notes 2.4 and 2.11.

2.2 Basis of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Bank and its subsidiaries. Control is achieved when the Bank:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Bank's separate financial statements, investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2.3 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for certain investment securities and derivative financial instruments classified as held at fair value through profit or loss that have been measured at fair value. The financial statements are presented in Brunei dollars and all values are rounded to the nearest thousand (B$000), except when otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in inventories or value in use for assessing impairment of non-financial assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) inactive markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectlyand
- Level 3 inputs are unobservable inputs for the asset or liability.

2.4 New and Revised IFRS Affecting the Reported Financial Performance and/or Financial Position

Impact of application of IFRS 9

In the current year, the Group has applied IFRS 9 (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) impairment for financial assets. Details of these new requirements as well as their impact on the Group's Consolidated Financial Statements are described below:

2.4.1 Classification and measurement of financial assets and financial liabilities on the date of initial application of IFRS 9

Financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirement of IFRS 9) is January 1, 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. Effects arising from the adoption of IFRS 9 have been recognised in the opening retained earnings.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Bank's and Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that ae solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;

- debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at FVTOCI; and

- all other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

In the current year, the Group had not designated any debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial assets:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income; and

- the Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

The directors of the Bank reviewed and assessed the Group's existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- financial assets classified as held-to maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

- financial assets that were measured at FVTPL under IAS 39 continued to be measured as such under
 IFRS 9.

None of the reclassifications of financial assets have had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income for both financial years.

Financial liabilities

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

2.4.2 Impairment of Financial Assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to the specific and general provisioning model under the AMBD notice. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on (i) debt investments subsequently measured at amortised cost or at FVTOCI and (ii) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12month ECL.

As at January 1, 2018, the directors of the Group reviewed and assessed the Group's existing financial assets, and loan commitments and financial guarantee contracts issued using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at January 1, 2018.

The following table shows the original classification categories and measurement in accordance with the previous accounting policy and the new classification categories and remeasurement under IFRS 9 for the Bank and the Group's financial assets and liabilities as at January 1, 2018. The table also shows the remeasurement as a result of impairment based on IFRS 9.

Bank	Original Classification Under Previous Accounting Policy	New Classification under IFRS 9	Original Carrying Amount under Previous Accounting Policy B$'000	Remeasure -ment B$'000	New Carrying Amount under IFRS 9 B$'000
Financial Assets					
Cash and Short Term Funds	Loans and Receivables	Amortised Cost	1,601,308	-	1,601,308
Derivative Assets	FVTPL	FVTPL	228	-	228
Government Sukuk	Held to maturity	Amortis ed Cost	9,909	-	9,909
Investment Securities	Held to maturity / FVTPL	Amortised Cost / FVTPL	80,553	-	80,553
Loans and Advances	Loans and Receivables	Amortised Cost	1,242,050	3,292	1,245,342
Others Assets	Loans and Receivables	Amortised Cost	14,477	-	14,477
Total Financial Assets			**2,948,525**	**3,292**	**2,951,817**
Financial Liabilities					
Deposits from Customers	Amortised Cost / FVTPL	Amortised Cost / FVTPL	2,259,124	-	2,259,124
Deposits from Banks and Other Financial Institutions	Amortised Cost	Amortised Cost	229,534	-	229,534
Derivative Liabilities	FVTPL	FVTPL	111	-	111
Borrowings	Amortised Cost	Amortised Cost	80,252	-	80,252
Group Balance Payables	Amortised Cost	Amortised Cost	5,456	-	5,456
Other Liabilities	Amortised Cost	Amortised Cost	51,390	-	51,390
Total Financial Liabilities			**2,625,867**	**-**	**2,625,867**

Group	Original Classification Under Previous Accounting Policy	New Classification under IFRS 9	Original Carrying Amount under Previous Accounting Policy B$'000	Remeasure -ment B$'000	New Carrying Amount under IFRS 9 B$'000
Financial Assets					
Cash and Short Term Funds	Loans and Receivables	Amortised Cost	1,607,501	-	1,607,501
Balances with AMBD	Loans and Receivables	Amortised Cost	61,975	-	61,975
Derivative Assets	FVTPL	FVTPL	228	-	228
Government Sukuk	Held to maturity	Amortised Cost	9,909	-	9,909
Investment Securities	Held to maturity / FVTPL	Amortised Cost / FVTPL	80,553	-	80,553
Loans and Advances	Loans and Receivables	Amortised Cost	2,109,162	1,067	2,110,229
Others Assets	Loans and Receivables	Amortised Cost	43,569	-	43,569
Total Financial Assets			**3,912,897**	**1,067**	**3,913,964**
Financial Liabilities					
Deposits from Customers	Amortised Cost / FVTPL	Amortised Cost / FVTPL	3,278,768	-	3,278,768
Deposits from Banks and Other				-	
Financial Institutions	Amortised Cost	Amortised Cost	3,753	-	3,753
Derivative Liabilities	FVTPL	FVTPL	111	-	111
Borrowings	Amortised Cost	Amortised Cost	80,252	-	80,252
Other Liabilities	Amortised Cost	Amortised Cost	58,496	-	58,496
Total Financial Liabilities			**3,421,380**	**-**	**3,421,380**

The following table analyses the impact, net of tax, of transition to IFRS 9 on retained earnings. There is no impact on other components of equity.

	Impact of IFRS 9 adoption at January 1, 2018	
	Bank B$'000	Group B$'000
Retained Earnings		
Closing balance under previous accounting policy as at 31 December 2017	69,257	158,787
Recognition of expected credit losses under IFRS 9	2,683	868
(including loan commitments and financial guarantee contracts)		
Opening balance under IFRS 9 as at 1 January 2018	71,940	159,655

The following table reconciles:

- The closing loss allowance for financial assets in accordance with the previous accounting policy and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 as at December 31, 2017; to
- The opening loss allowance determined in accordance with IFRS 9 as at January 1, 2018.

Bank	December 31, 2017 (Previous accounting policy)	Reclassification	Remeasurement B$'000	January 1, 2018 (IFRS 9) B$'000
Loans and advances	96,759	-	(5,055)	91,704
Loan commitments and financial guarantee contracts issued	-	-	1,763	1,763
Total	96,759	-	(3,292)	93,467

Group	December 31, 2017 (Previous accounting policy)	Reclassification	Remeasurement B$'000	January 1, 2018 (IFRS 9) B$'000
Loans and advances	104,640	-	(2,830)	101,810
Loan commitments and financial guarantee contracts issued	-	-	1,763	1,763
Total	104,640	-	(1,067)	103,573

The Principal accounting policies are set out below

2.5 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

2.5.1 Interest

Interest income and expense for all financial instruments, except those measured at fair value through profit and loss are recognised in profit or loss using the effective interest method except for short term receivables/payables when the effect of discounting is not significant. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

Interest income and expense on all trading assets and liabilities that are considered to be incidental to the Bank's trading operations other derivatives held for risk management purposes and other financial assets or liabilities carried at fair value through profit or loss are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

2.5.2 Fees and Commission

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

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

2.5.3 Other operating income

Other operating income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

2.5.4 Net income from other financial at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

2.6 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.7 Foreign Currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the netinvestment in the foreign operation), are ecognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

2.8 Taxation

2.8.1 Current tax

Current tax payable is based on taxable profit for the financial year. Taxable profit differs from 'profit before taxation' as reported in the statements of profit or loss because of items of income or expense that are taxable or deductible in other financial years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.8.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.8.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.9 Property Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

At each year end, the management reassessed the estimated useful lives of various items of property, plant and equipment. The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

Freehold Land and Buildings	50 years (buildings)
Leasehold Land and Buildings	Over period of the lease
Leasehold Improvements	5 – 20 years
Computers	2 - 8 years
Equipment / Furniture	5 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.10.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.11 Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.11.1 Financial Assets (effective prior to January 1, 2018)

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'net gain/(loss) from Other Financial Instruments at Fair Value through Profit or Loss' line item. Fair value is determined in the manner described in Note 4.

Changes in the fair value of financial assets at FVTPL relating to changes in foreign currency rates and interest income calculated using the effective interest method are recognised in profit or loss.

The fair value of financial assets at FVTPL, that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the financial assets

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is not significant.

(iv) Impairment of loans and receivables

The Group reviews its loan portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group.

In accordance with a notice from Autoriti Monetari Brunei Darussalam (AMBD) dated September 10, 2015 and March 15, 2017 respectively, the Group modified the requirement of IAS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Guideline No.1/2009 'Provision for Bad and Doubtful Debts' (AMBD Guideline) and 'Flexibility under Notice no: BU/N-5/2017/40 – Classification of Impaired Credit/Financing Facilities and Financial Assets for Provisioning Purposes' issued pursuant to the Banking Order, 2006. AMBD required the Group to recognize allowance for impairment losses for loans and receivables at an amount calculated based on the higher of AMBD Guideline or IAS 39. The allowance for impairment is calculated at an individual company level within the Group.

Individually assessed impairment allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. The Group considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In making the assessment for individual impairment, the Group also takes into consideration the minimum impairment required under the following prudential arrangements set out in the AMBD Guideline as below:

- **Substandard Accounts (Facilities in Arrears)**

  A specific provision to cover the amount of the expected exposure. Such provisioning shall not be less than 20 percent of the amount outstanding in the event such interest has been debited to the loan/overdraft account. At this stage the value of collateral will not be considered.

- **Doubtful Accounts (Facilities in Arrears)**

  A specific provision to cover the amount of the expected exposure. Such provisioning shall not be less than 50 percent of the amount outstanding, net of realisable value of security in the event such interest has been debited to the loan/overdraft account.

- **Loss Accounts (Facilities in Arrears)**

  A specific provision equivalent to 100 percent of the amount outstanding, net of realisable security value, if any, in the event such interest has been debited to the loan/overdraft account.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(v) **Derecognition of financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the group proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

2.11.2 Financial Assets (effective from January 1, 2018)

(i) Financial assets at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. The principal amount may change over the life of the financial assets (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodities prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business model for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to general cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonable expect to occur, such as so-called 'worse case' or 'stress case' scenarios. The Group takes into consideration all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel'; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models.

When a financial asset, that is not an equity investment, measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit and loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit and loss but transferred within equity.

Financial assets that are subsequently measured at amortised cost or FVTOCI are subject to impairment.

(ii) Financial assets at FVTPL

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'net gain/(loss) from Other Financial Instruments at Fair Value through Profit or Loss' line item. Fair value is determined in the manner described in Note 4.

Changes in the fair value of financial assets at FVTPL relating to changes in foreign currency rates and interest income calculated using the effective interest method are recognised in profit or loss.

The fair value of financial assets at FVTPL, that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the financial asset.

(iii) Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

(iv) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other Operating Income' line item;

- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'Other Operating Income' line item. Other exchange differences are recognised in OCI in the investments revaluation reserve;

- For financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in profit or loss either in 'Net trading income', if the asset is held for trading, or in 'Net (loss)/gain from other financial instruments at fair value through profit or loss' if otherwise held at FVTPL; and

- For equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investments revaluation reserve.

(v) Impairment

The Group recognised loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- Loans and advances
- Government Sukuk
- Investment Securities
- Loan commitments issued; and
- Financial guarantee contracts issued

No impairment loss is recognised on equity investments.

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage 1); or

- Full lifetime ECL i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risks on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 2.11.2 (ix).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loans and the cash flows that the Group expects to receive if the loan is drawn down; and

- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed financial instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measure ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR regardless of whether it is measured on an individual basis or a collective basis.

(vi) Credit-Impaired financial assets

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. Credit-impaired financial assets are referred to as Stage 3 assets which are past due more than 90 days. Evidence of credit-impairment includes observable data about the following events:

- a non-payment of any principal or interest of loans, bonds or sukuks when due;
- the Bank, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the Bank would not otherwise consider; and
- he purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assess whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired or significant increase in credit risk, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding etc.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for more than 90 days.

(vii) Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For those assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

(vii) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see below).

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators as highlighted in 2.11.2 (v) above.

(ix) Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group's accounting policy is not to use the practical expedient that financial assets with "low" credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated when the financial instrument was first recognised. In making this assessment, the Group considers both qualitative and quantitative information that is reasonable and supportable including historical experience and forward-looking information that is available without undue cost or effort.

As a back-stop when an asset is more than 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

(x) Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction of adjustment of existing covenants or an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment) and amendments to covenants. The Group has an established forbearance policy which applies for corporate and retail.

When a financial asset is modified, the Group assesses whether this modification results in derecognition. In accordance with the Group's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified term is substantially different from the original contractual term, the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10%, the Group deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to write-off, the Group considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual term; with
- the remaining lifetime PD at the reporting date based on the modified terms.

The financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of credit impairment, the Group performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire (including expiry arising from a modification with substantially different terms), or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the group proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(xi) Write off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains, which will be presented in 'Impairment Losses for Loans' in the statement of profit of loss.

(xii) Presentation of allowance for ECL in the statement of financial position

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

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the

investments revaluation reserve;

- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan 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.

2.11.3 Financial liabilities and equity instruments classifications

<u>Classification as debt or equity</u>
Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.11.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the entity are recognised when the proceeds received, net of direct issue costs.

2.11.5 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or/as other financial liabilities. For all financial liabilities, the amounts presented on the statement of financial position represent all amounts payable including interest accruals.

2.11.6 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net gain/(loss) from Other Financial Instruments at Fair Value through Profit or Loss' line item. Fair value is determined in the manner described in Note 4.5.

2.11.7 Other Financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2.11.8 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 payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies.

The Group has not designated any financial guarantee contracts as at FVTPL.

2.11.9 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.11.10 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks (foreign exchange forward contracts).

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of profit or loss depends on the nature of the hedge relationship.

2.11.11 Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

2.12 Employee Benefits

2.12.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

The Group contributes to the Tabung Amanah Pekerja (TAP) and Supplementary Contributory Pension (SCP) schemes. These are the defined contribution plans regulated and managed by the Government of Brunei Darussalam, which applies to all local employees.

2.12.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Provisions for end of service benefits are made periodically based on the entitlements of the employees. The provisions for end of service benefits are calculated on the basis of the number of years serviced by the employees and are charged to the statement of profit or loss in the period in which the entitlements arise.

2.12.3 Short-term employee benefits

Short-term employees benefit obligations 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 salary and wages or accumulated paid absence 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.

2.13 Standards issued but not yet effective

As at January 1, 2018, other than IFRS 9, there were no other new standards effective and relevant for the Group's operations for which adoption had a material impact on the Group's financial statements.

The following accounting standards have been issued by the International Accounting Standards (IASB) but are not yet effective for the Group and earlier application is permitted; however, the Group has not early applied the following accounting standards in preparing these financial statements.

Accounting standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 16 *Leases*	IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the IAS 17 operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor. When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, IFRIC 4 *Determining whether an Arrangement contains a Lease*; SIC 15 *Operating Leases—Incentives*; and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 is also applied	The Group does not anticipate that the application of IFRS 16 will have a material impact on its financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical Judgement In Applying Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect to the amounts recognised in the financial statements:

- Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets are held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continue to be appropriate and if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets.

- Significant increase of credit risk: As explained in note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk on an asset has significantly increase, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change, there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

- Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models including assumptions that relate to key drivers of credit risk.

- Determination of life of revolving credit facilities: The Group measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

The following are key estimations that the management have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario: When measuring ECL, the Group uses reasonable and supportable forward looking information which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive taking into account cash flows from collateral.

- Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Group uses market observable data to the extend it is available. Where such level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES

4.1 Capital Management

The Group's regulator, Autoriti Monetari Brunei Darussalam sets and monitors capital requirements for the Group.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group's overall strategy remains unchanged from the previous financial year.

The capital structure of the Group consists of equity of the Bank (comprising issued capital, reserves, and retained earnings).

The Group has complied with all imposed capital requirements for the financial years ended December 31, 2017 and 2018. Management monitors capital based on "capital funds" as defined under the Banking Order, 2006.

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Capital				
Core Capital (Tier I Capital)	374,329	352,504	475,877	471,568
Supplementary Capital (Tier II Capital)	21,174	6,730	22,752	9,708
Less: Investment in Subsidiaries	(47,949)	(27,949)	-	-
Total Capital base	347,554	331,285	498,629	481,276
Risk-weighted amount				
Risk-Weighted amount for Credit Risk	1,693,901	1,484,501	2,333,188	2,180,139
Risk-Weighted amount for Operational and Market Risk	252,438	221,332	310,777	298,163
Total Risk-weighted amount	1,946,339	1,705,833	2,643,965	2,478,302
Capital Ratios				
Core Capital (Tier I) Ratio, %	19.23%	20.66%	18.00%	19.03%
Total Capital Ratio, %	17.86%	19.42%	18.86%	19.42%

4.2 A. Categories of Financial Instruments

Bank	2018 Mandatory At Fair Value Through Profit or Loss B$'000	2018 At Amortised Cost B$'000	2018 Total Carrying Amount B$'000	2017 At Fair Value Through Profit or Loss B$'000	2017 Loans and Receivables B$'000	2017 At Amortised Cost B$'000	2017 Total Carrying Amount B$'000
Financial Assets							
Cash and Short Term Funds	-	1,948,064	**1,948,064**	-	-	1,601,308	1,601,308
Derivative Assets	179	-	**179**	228	-	-	228
Government Sukuk	-	24,660	**24,660**	-	-	9,909	9,909
Investment Securities	22,958	40,075	**63,033**	18,314		62,239	80,553
Loans and Advances	-	1,263,254	**1,263,254**	-	1,242,050	-	1,242,050
Others Assets	-	8,805	**8,805**	-	-	14,477	14,477
Total Financial Assets	**23,137**	**3,284,858**	**3,307,995**	18,542	1,242,050	1,687,933	2,948,525
Financial Liabilities							
Deposits from Customers	22,112	2,621,757	**2,643,869**	17,884	-	2,241,240	2,259,124
Deposits from Banks and Other Financial Institutions	-	226,612	**226,612**	-	-	229,534	229,534
Derivative Liabilities	124	-	**124**	111	-	-	111
Borrowings	-	54,641	**54,641**	-	-	80,252	80,252
Group Balances Payable	-	5,222	**5,222**	-	-	5,456	5,456
Other Liabilities	-	54,122	**54,122**	-	-	51,390	51,390
Total Financial Liabilities	**22,236**	**2,962,354**	**2,984,590**	17,995	-	2,607,872	2,625,867

Group	2018 Mandatory At Fair Value Through Profit or Loss B$'000	2018 At Amortised Cost B$'000	2018 Total Carrying Amount B$'000	2017 At Fair Value Through Profit or Loss B$'000	2017 Loans and Receivables B$'000	2017 At Amortised Cost B$'000	2017 Total Carrying Amount B$'000
Financial Assets							
Cash and Short Term Funds	-	1,953,743	**1,953,743**	-	-	1,607,501	1,607,501
Balances with AMBD	-	57,126	**57,126**	-	-	61,975	61,975
Derivative Assets	179	-	**179**	228	-	-	228
Government Sukuk	-	24,660	**24,660**	-	-	9,909	9,909
Investment Securities	22,958	40,075	**63,033**	18,314		62,239	80,553
Loans and Advances	-	2,067,235	**2,067,235**	-	2,109,162	-	2,109,162
Others Assets	-	36,771	**36,771**	-	-	43,569	43,569
Total Financial Assets	**23,137**	**4,179,610**	**4,202,747**	18,542	2,109,162	1,785,193	3,912,897
Financial Liabilities							
Deposits from Customers	22,112	3,562,867	**3,584,979**	17,884	-	3,260,884	3,278,768
Deposits from Banks and Other Financial Institutions	-	4,676	**4,676**	-	-	3,753	3,753
Derivative Liabilities	124	-	**124**	111	-	-	111
Borrowings	-	54,641	**54,641**	-	-	80,252	80,252
Other Liabilities	-	61,995	**61,995**	-	-	58,496	58,496
Total Financial Liabilities	**22,236**	**3,684,179**	**3,706,415**	17,995	-	3,403,385	3,421,380

4.3 Financial Instruments Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

Bank and Group	Gross amounts of Recognised Financial Assets/ Liabilities	Gross amounts of recognised Financial Liabilities / Assets set off in the Statements of Financial Position	Net amounts of Financial Assets presented in the Statements of Financial Position	Related Amounts not set off in the Statements of Financial Position		
				Financial Instruments	Cash Collateral received	Net amount
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2018						
Type of Financial Asset						
Other Assets: Rental income receivable	9	-	9	-	9	-
	9	-	9	-	9	-
Type of Financial Liability						
Other Liabilities: Refundable deposits from Tenants	11	-	11	-	9	2
	11	-	11	-	9	2
2017						
Type of Financial Asset						
Other Assets: Rental income receivable	2	-	2	-	2	-
	2	-	2	-	2	-
Type of Financial Liability						
Other Liabilities: Refundable deposits from Tenants	5	-	5	-	2	3
	5	-	5	-	2	3

4.4 Financial Risk Management Objectives

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

- credit risk;
- liquidity risk;
- market risks; and
- operational risks.

Risk management framework

The Group's Board of Directors has appointed the Executive Committee (EXCO) to have overall responsibility for the establishment and oversight of the Group's risk management framework and the Audit Committee (AC) and Risk Management Committee (RMC) to control the EXCO. The EXCO has established the Asset and Liability committee (ALCO) and the Credit Committee, which is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's AC and RMC oversee how management monitors compliance with the Group's risk management policies and procedures, and review the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's AC and RMC are assisted in its oversight role by the Internal Audit function. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, and reports to the AC and the RMC.

Credit risk

Credit risk is the risk of financial losses to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposures (such as individual obligor default risk and sector risk).

The EXCO approves major prudential policies and limits that govern large customer exposures and industry concentration. The EXCO appoints the Group's Credit Committee who would work with the business lines to ensure that approved policies are applied appropriately and optimal returns on the Group's risk exposure are being achieved.

In respect of its lending-related activities, management regularly reviews the amount of risk accepted in relation to one borrower or groups of borrowers, the industry segments, the risks of non-performing loans and the adequacy of provisioning.

Exposure to credit risk is also managed in part by obtaining collateral. Some of the assets typically included as collateral are properties, assignment of leases and rental income, assignment of contract payments, salaries and deposit placements.

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a "base-case" scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The "base-case" scenario is the single most likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumption to the downside weight to the weighted ECL increased by 10%. The total weighted ECL should then be increased by B$ 41,581 based on the above assumption.

Measurement of ECL

The key inputs used for measurement ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD)

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability weighted forward looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at point in time. For investment securities, the calculation is based on statistical models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available and applicable), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The calculation is on a discounted cash flow basis where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date including repayments of principal and interest and expected drawdowns on committed facilities.

The Group measures ECL considering the risk of default over the maximum contractual period over which the entity is exposed to credit risk. The measurement of ECL is based on "base-case" scenario. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk, it may be necessary to performed the assessment on a collective basis.

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include instruments type, collateral type and industry. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Credit Quality

The Group monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial instrument line item.

Class of Financial Instruments	Financial Statement Line
Loan and Advances to customers at amortised cost	Loans and Advances
Government Sukuk at amortised cost	Government Sukuk
Investment securities at amortised cost	Investment Securities
Loan commitments and financial guarantee contracts	Other Liabilities - Provision

Concentration of credit risk

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances and other commitments is shown below.

	Loans and Advances		Contingencies and Other Commitments		Total	
	2018	2017	2018	2017	2018	2017
Bank	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Agriculture	4,884	6,093	3,694	5,247	8,578	11,340
Constructions and Property Financing	493,069	534,857	63,417	98,722	556,486	633,579
Financial	9	257	67,257	85,316	67,266	85,573
Infrastructure	6,792	7,519	671	1,524	7,463	9,043
Manufacturing	78,946	65,409	86,675	90,280	165,621	155,689
Personal and Consumption Loans	227,358	228,607	10,636	308,964	237,994	537,571
Services	136,486	149,283	271,498	275,435	407,984	424,718
Telecommunication and Information Technology	9,337	5,091	3,871	24,329	13,208	29,420
Tourism	21,703	11,826	2,375	1,678	24,078	13,504
Traders	174,750	171,571	139,258	136,575	314,008	308,146
Transportation	236,968	158,296	181,097	16,340	418,065	174,636
Total	1,390,302	1,338,809	830,449	1,044,410	2,220,751	2,383,219

	Loans and Advances		Contingencies and Other Commitments		Total	
	2018	2017	2018	2017	2018	2017
Group	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Agriculture	4,884	6,093	3,694	5,247	8,578	11,340
Constructions and Property Financing	493,069	534,857	63,417	98,722	556,486	633,579
Financial	9	257	67,257	85,316	67,266	85,573
Infrastructure	6,792	7,519	671	1,524	7,463	9,043
Manufacturing	78,946	65,409	86,675	90,280	165,621	155,689
Personal and Consumption Loans	227,358	228,607	10,636	308,964	237,994	537,571
Services	136,486	149,283	271,498	275,435	407,984	424,718
Telecommunication and Information Technology	9,337	5,091	3,871	24,329	13,208	29,420
Tourism	21,703	11,826	2,375	1,678	24,078	13,504
Traders	174,750	171,571	139,258	136,575	314,008	308,146
Transportation	1,051,133	1,033,289	181,097	16,340	1,232,230	1,049,629
Total	2,204,467	2,213,802	830,449	1,044,410	3,034,916	3,258,212

Non-performing loans and advances

The Bank and the Group regards a loan and advance as non-performing if it is in arrears for more than 3 months.

	Total Credit Exposure		Non-performing Loans		%	
	2018	2017	2018	2017	2018	2017
Bank	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Agriculture	8,578	11,340	-	-	0.00%	0.00%
Constructions and Property Financing	556,486	633,579	30,729	35,861	5.52%	5.66%
Financial	67,266	85,573	-	-	0.00%	0.00%
Infrastructure	7,463	9,043	-	-	0.00%	0.00%
Manufacturing	165,621	155,689	310	450	0.19%	0.29%
Personal and Consumption Loans	237,994	537,571	26,569	23,753	11.16%	4.42%
Services	407,984	424,718	31,783	17,188	7.79%	4.05%
Telecommunication and Information Technology	13,208	29,420	-	-	0.00%	0.00%
Tourism	24,078	13,504	-	-	0.00%	0.00%
Traders	314,008	308,146	29,291	23,468	9.33%	7.62%
Transportation	418,065	174,636	-	-	0.00%	0.00%
Total	2,220,751	2,383,219	118,682	100,720		

	Total Credit Exposure		Non-performing Loans		%	
	2018	2017	2018	2017	2018	2017
Group	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Agriculture	8,578	11,340	-	-	0.00%	0.00%
Constructions and Property Financing	556,486	633,579	30,729	35,861	5.52%	5.66%
Financial	67,266	85,573	-	-	0.00%	0.00%
Infrastructure	7,463	9,043	-	-	0.00%	0.00%
Manufacturing	165,621	155,689	310	450	0.19%	0.29%
Personal and Consumption Loans	237,994	537,571	26,569	23,753	11.16%	4.42%
Services	407,984	424,718	31,783	17,188	7.79%	4.05%
Telecommunication and Information Technology	13,208	29,420	-	-	0.00%	0.00%
Tourism	24,078	13,504	-	-	0.00%	0.00%
Traders	314,008	308,146	29,291	23,468	9.33%	7.62%
Transportation	1,232,230	1,049,629	11,670	15,094	0.95%	1.44%
Total	3,034,916	3,258,212	130,352	115,814		

Bank	December 31, 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total	December 31, 2017 Total
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Non past due	1,239,686	6,574	1,587	9,655	1,257,502	1,191,308
Month-in-arrear 1	-	9,513	5,336	413	15,262	56,910
Month- in- arrear 2	-	1,664	2,154	3	3,821	7,487
Month- in-arrear 3 and above	-	-	94,933	18,784	113,717	83,104
Total gross carrying amount	**1,239,686**	**17,751**	**104,010**	**28,855**	**1,390,302**	**1,338,809**
Loss allowances	(21,791)	(10,163)	(75,906)	(19,188)	(127,048)	(96,759)
Net carrying amount	**1,217,895**	**7,588**	**28,104**	**9,667**	**1,263,254**	**1,242,050**

Group	December 31, 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total	December 31, 2017 Total
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Non past due	1,936,416	6,574	1,587	9,655	**1,954,232**	1,936,030
Month-in-arrear 1	-	99,670	5,336	413	**105,419**	150,852
Month- in- arrear 2	-	17,731	2,154	3	**19,888**	27,507
Month- in-arrear 3 and above	-	-	105,619	19,309	**124,928**	99,413
Total gross carrying amount	**1,936,416**	**123,975**	**114,696**	**29,380**	**2,204,467**	**2,213,802**
Loss allowances	(22,752)	(14,110)	(81,094)	(19,276)	(137,232)	(104,640)
Net carrying amount	**1,913,664**	**109,865**	**33,602**	**10,104**	**2,067,235**	**2,109,162**

This table summarise the loss allowance as of the year end by class of exposure/asset.

	Bank		Group	
	2018	2017	**2018**	2017
	B$'000	B$'000	**B$'000**	B$'000
Loan and Advances	**125,285**	96,759	**135,469**	104,640
Loan Commitments	**1,565**	-	**1,565**	-
Financial Guarantee Contracts	**198**	-	**198**	-
Total	**127,048**	96,759	**137,232**	104,640

The table below sets out a reconciliation of changes in the carrying amount of loans and advances.

Loans and Advances

Bank	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 Lifetime ECL B$'000	POCI B$'000	Total B$'000
Gross carrying amount as at December 31, 2017	1,191,308	64,397	83,104	-	**1,338,809**
Reconciliation to opening balance	(8,135)	(10,108)	13,133	46,476	**41,366**
Gross carrying amount as at January 1, 2018	**1,183,173**	**54,289**	**96,237**	**46,476**	**1,380,175**
Changes in the Gross carrying amount					
- Transfer to stage 1	24,410	(24,196)	(214)	-	**-**
- Transfer to stage 2	(12,480)	12,486	(6)	-	**-**
- Transfer to stage 3	(7,308)	(21,525)	28,833	-	**-**
- Increase/(Decrease) during the year	(115,377)	(2,514)	(198)	(1,188)	**(119,277)**
- Change due to modifications that did not result in derecognition	(194)	-	87	-	**(107)**
New financial assets originated or purchased	383,699	5,785	8,597	-	**398,081**
Financial assets that have been derecognised	(216,237)	(6,180)	(7,564)	(16,433)	**(246,414)**
Write offs	-	(394)	(21,762)	-	**(22,156)**
Gross carrying amount as at December 31, 2018	**1,239,686**	**17,751**	**104,010**	**28,855**	**1,390,302**
Loss allowances as at December 31, 2018	**(20,028)**	**(10,163)**	**(75,906)**	**(19,188)**	**(125,285)**

Group	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 Lifetime ECL B$'000	POCI B$'000	Total B$'000
Gross carrying amount as at December 31, 2017	1,936,030	178,360	99,412	-	2,213,802
Reconciliation to opening balance	(8,135)	(10,108)	11,605	48,289	41,651
Gross carrying amount as at January 1, 2018	**1,927,895**	**168,252**	**111,017**	**48,289**	**2,255,453**
Changes in the Gross carrying amount					
- Transfer to stage 1	61,356	(60,409)	(947)	-	**-**
- Transfer to stage 2	(70,664)	71,884	(1,220)	-	**-**
- Transfer to stage 3	(13,108)	(27,727)	40,835	-	**-**
- Increase/(Decrease) during the year	(266,453)	(24,865)	(5,496)	(1,663)	**(298,477)**
- Change due to modifications that did not result in derecognition	(194)	-	87	-	**(107)**
New financial assets originated or purchased	587,828	20,640	9,559	-	**618,027**
Financial assets that have been derecognised	(219,536)	(13,641)	(16,627)	(17,085)	**(266,889)**
Write offs	(70,708)	(10,159)	(22,512)	(161)	**(103,540)**
Gross carrying amount as at December 31, 2018	**1,936,416**	123,975	**114,696**	**29,380**	**2,204,467**
Loss allowances as at December 31, 2018	**(20,989)**	**(14,110)**	**(81,094)**	**(19,276)**	**(135,469)**

Loan Commitments

Bank and Group	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 Lifetime ECL B$'000	POCI B$'000	Total B$'000
Total amount committed as at January 1, 2018	**418,037**	**133**	-	-	**418,170**
Changes in amount committed					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increase/(Decrease) during the year	27,075	-	-	-	27,075
- Change due to modifications that did not result in derecognition	-	-	-	-	-
New loan commitments originated or purchased	36,685	-	-	-	36,685
Loan commitments that have been derecognised	(49,207)	(133)			(49,340)
Total amount committed as at December 31, 2018	**432,590**	-	-	-	**432,590**
Loss allowances as at December 31, 2018	**1,565**	-	-	-	**1,565**

Financial guarantees

Bank and Group	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 Lifetime ECL B$'000	POCI B$'000	Total B$'000
Total amount guaranteed as at January 1, 2018	**24,243**	-	-	-	**24,243**
Changes in amount guaranteed					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increase/(Decrease) during the year	(3)	-	-	-	(3)
- Change due to modifications that did not result in derecognition	-	-	-	-	-
New financial guarantees originated or purchased	7,546	-	-	-	7,546
Financial guarantees that have been derecognised	(8,933)	-	-	-	(8,933)
Total amount guaranteed as at December 31, 2018	**22,853**	-	-	-	**22,853**
Loss allowances as at December 31, 2018	**198**	-	-	-	**198**

Loss Allowances – Loans and Advances

Bank	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 Lifetime ECL B$'000	POCI B$'000	Total B$'000
Loss allowances as at December 31, 2017	6,730	-	90,029	-	**96,759**
Restatement of the prior year	12,823	24,642	(20,342)	19,202	**36,325**
Loss allowances as at January 1, 2018	**19,553**	**24,642**	**69,687**	**19,202**	**133,084**
Write offs	-	(222)	(19,232)	-	**(19,454)**
Increase/(Decrease) in allowance recognised in Profit or Loss					
Changes in Loss allowances					
- Transfer to stage 1	11,176	(11,003)	(173)	-	**-**
- Transfer to stage 2	(235)	240	(5)	-	**-**
- Transfer to stage 3	(133)	(9,933)	10,066	-	**-**
- Increase/(Decrease) due to change in credit risk	(13,110)	5,551	17,331	214	**9,986**
- Changes due to modifications that did not result in derecognition	(3)	-	23	-	**20**
New financial assets originated or purchased	6,571	3,456	5,375	109	**15,511**
Financial assets that have been derecognised	(3,791)	(2,568)	(7,166)	(337)	**(13,862)**
Loss allowances as at December 31, 2018	**20,028**	**10,163**	**75,906**	**19,188**	**125,285**

Group	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 Lifetime ECL B$'000	POCI B$'000	Total B$'000
Loss allowances as at December 31, 2017	9,709	-	94,600	331	**104,640**
Restatement of the prior year	10,544	28,265	(19,409)	19,435	**38,835**
Loss allowances as at January 1, 2018	**20,253**	**28,265**	**75,191**	**19,766**	**143,475**
Write offs	(3)	(501)	(31,061)	(179)	**(31,744)**
Amounts recovered for financial assets previously written off	-	-	-	11,701	**11,701**
Increase/(Decrease) in allowance recognised in Profit or Loss					
Changes in Loss allowances					
- Transfer to stage 1	12,512	(12,179)	(333)	-	**-**
- Transfer to stage 2	(289)	555	(266)	-	**-**
- Transfer to stage 3	(138)	(10,096)	10,234	-	**-**
- Increase/(Decrease) due to change in credit risk	(14,340)	6,699	29,405	(30)	**21,734**
- Changes due to modifications that did not result in derecognition	(3)	-	23	-	**20**
New financial assets originated or purchased	6,853	4,158	5,588	109	**16,708**
Financial assets that have been derecognised	(3,856)	(2,791)	(7,687)	(390)	**(14,724)**
Amounts Amounts recovered during the year	-	-	-	(11,701)	**(11,701)**
Loss allowances as at December 31, 2018	**20,989**	**14,110**	**81,094**	**19,276**	**135,469**

Loss Allowances – Loans Commitments

Bank and Group	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 Lifetime ECL B$'000	POCI B$'000	Total B$'000
Loss allowances as at December 31, 2017	-	-	-	-	-
Restatement of the prior year	1,520	11	-	-	**1,531**
Loss allowances as at January 1, 2018	**1,520**	**11**	**-**	**-**	**1,531**
Increase/(Decrease) in allowance recognised in Profit or Loss					
Changes in Loss allowances					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increase during the year	124	-	-	-	**124**
- Changes due to modifications that did not result in derecognition	-	-	-	-	-
New loan commitments originated or purchased	336	-	-	-	**336**
Loan commitments that have been derecognised	(415)	(11)			**(426)**
Loss allowances as at December 31, 2018	**1,565**	**-**	**-**	**-**	**1,565**

Loss Allowances – Financial Guarantees

Bank and Group	Stage 1 12-month ECL B$'000	Stage 2 Lifetime ECL B$'000	Stage 3 Lifetime ECL B$'000	POCI B$'000	Total B$'000
Loss allowances as at December 31, 2017	-	-	-	-	
Restatement of the prior year	218	-	-	-	-
Loss allowances as at January 1, 2018	**218**	**-**	**-**	**-**	**218**
Increase/(Decrease) in allowance recognised in Profit or Loss					**218**
Changes in Loss allowances					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increase during the year	(4)	-	-	-	**(4)**
- Changes due to modifications that did not result in derecognition	-	-	-	-	-
New Financial guarantees originated or purchased	68	-	-	-	**68**
Financial guarantees that have been derecognised	(84)				**(84)**
Loss allowances as at December 31, 2018	**198**	**-**	**-**	**-**	**198**

Loans with renegotiated terms and the Bank's forbearance practice

When there is deterioration in the borrower's financial position, loans may be restructured with renegotiated terms where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance practice in order to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance practise, loan forbearance is granted on an elective basis in situation where the debtor is currently in default on its debt, or where there is a high risk of default.

The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants.

Both retail and corporate loans are subject to the forbearance practice.

	Bank		Group	
	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
Renegotiated loans and advances	2,361	2,713	13,203	10,134

Write-off policy

The Group writes off a loan and advances balance, and any related allowances for impairment losses, when the Group's management determines that the loan or security is uncollectible and all necessary actions have been taken. This determination is made after considering information such as the borrower's / issuer's latest financial position and chances of its ability to settle the obligation, the legal status, and /or proceeds from other collateral is minimum and will not be sufficient to pay back the entire exposure. Such proposal is proposed by the Legal and Recovery section and approved by the Management.

The Group's credit policy is in compliance with the Autoriti Monetari Brunei Darussalam's regulations and the laws of Brunei Darussalam.

Collateral held and other credit enhancements and their financial effect

The Group holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of Credit Exposure	Principal Type of Collateral Held for Secured Lending	Bank: Loans and Advances B$'000	Bank: Financial Effect of Collateral Held B$'000	Bank: Net Exposure from Loans and Advances B$'000	Group: Loans and Advances B$'000	Group: Financial Effect of Collateral Held B$'000	Group: Net Exposure from Loans and Advances B$'000
2018							
Agriculture	Cash / Mortgage	4,884	4,884	-	4,884	4,884	-
Constructions and Property Financing	Mortgage / Property	493,069	438,350	54,719	493,069	438,350	54,719
Financial	Cash	9	9	-	9	9	-
Infrastructure	Cash	6,792	5,343	1,449	6,792	5,343	1,449
Manufacturing	Cash / Debenture	78,946	45,819	33,127	78,946	45,819	33,127
Personal and Consumption Loans	Mortgage / Cash	227,358	31,585	195,773	227,358	31,585	195,773
Services	Cash / Mortgage	136,486	76,985	59,501	136,486	76,985	59,501
Telecommunication and Information Technology	Cash / Property	9,337	4,555	4,782	9,337	4,555	4,782
Tourism	Cash / Debentures	21,703	8,965	12,738	21,703	8,965	12,738
Traders	Cash / Property	174,750	96,528	78,222	174,750	96,528	78,222
Transportation	Cash / Debentures	236,968	103,703	133,265	1,051,133	503,001	548,132
Total		1,390,302	816,726	573,576	2,204,467	1,216,024	988,443

Type of Credit Exposure	Principal Type of Collateral Held for Secured Lending	Bank: Loans and Advances B$'000	Bank: Financial Effect of Collateral Held B$'000	Bank: Net Exposure from Loans and Advances B$'000	Group: Loans and Advances B$'000	Group: Financial Effect of Collateral Held B$'000	Group: Net Exposure from Loans and Advances B$'000
2017							
Agriculture	Cash / Mortgage	6,093	6,093	-	6,093	6,093	-
Constructions and Property Financing	Mortgage / Property	534,857	483, 788	51,069	534,857	483,788	51,069
Financial	Cash	257	257	-	257	257	-
Infrastructure	Cash	7,519	6,884	635	7,519	6,884	635
Manufacturing	Cash / Debenture	65,409	36,575	28,834	65,409	36,575	28,834
Personal and Consumption Loans	Mortgage / Cash	228,607	36,513	192,094	228,607	36,513	192,094
Services	Cash / Mortgage	149,283	93,598	55,685	149,283	93,598	55,685
Telecommunication and Information Technology	Cash / Property	5,091	4,505	586	5,091	4,505	586
Tourism	Cash / Debentures	11,826	11,342	484	11,826	11,342	484
Traders	Cash / Property	171,571	107,929	63,642	171,571	107,929	63,642
Transportation	Cash / Debentures	158,296	108,885	49,411	1,033,289	650,263	383,026
Total		1,338,809	896,369	442,440	2,213,802	1,437,747	776,055

Cash and cash equivalents

The Group held cash and cash equivalents of B$1,414,491,000 at December 31, 2018 (2017: B$1,396,452,000). Most of the cash and cash equivalents, except deposits with the Autoriti Monetari Brunei Darussalam, are held with bank and financial institution counterparties which are rated at least an investment grade.

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

Management of liquidity risk

The Group's ALCO sets the Group's strategy for managing liquidity risk and has the responsibility for the oversight of the implementation of this policy. Treasury manages the Group's liquidity position on a day-to- day basis and reviews daily reports covering the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to the management and ALCO.

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

The key elements of the Group's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities with other banks;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity; and
- Monitoring liquidity ratios, maturity mismatchesbehavioural characteristics of the Group's financial assets and liabilities.

Treasury receives information from other business units and reports from the system regarding the liquidity profile of financial assets and liabilities and details of other projected cash flows arising from projected future businesses. Treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, money market placements with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group. The liquidity requirements of business units are centrally managed by the Treasury department to cover any short-term fluctuations and longer term funding requirements.

Treasury monitors compliance with local regulatory limits on a daily basis.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of liquid assets to deposits from customers and short term liabilities. For this purpose, liquid assets are considered as including cash and cash equivalents, bank placements and debt securities for which there is an active and liquid market.

A similar, but not identical, calculation is used to measure the Bank's compliance with the Assets Management Ratio (AMR) under the Deposit Protection Order, 2010.

Maturity analysis for financial assets and liabilities

The tables below set out the remaining contractual maturities of the Bank and the Group's financial assets and financial liabilities.

Bank	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
2018								
Non-Derivative Assets								
Cash	37,832	37,832	37,832	-	-	-	-	-
Due from Banks / AMBD	1,910,232	1,918,182	1,709,087	76,614	53,726	61,591	17,164	-
Government Sukuk	24,660	25,000	-	-	25,000	-	-	-
Investment Securities	63,033	70,893	15,186	10,388	13,467	15,329	16,215	308
Loans and Advances	1,263,254	1,469,336	163,797	115,724	161,450	475,193	255,639	297,533
Other On Balance Sheet Assets	8,805	8,805	1,088	-	7,319	398	-	-
Other Off Balance Sheet Assets	80,761	80,761	80,761	-	-	-	-	-
Total	3,388,577	3,610,809	2,007,751	202,726	260,962	552,511	289,018	297,841
Non-Derivative Liabilities								
Deposits	2,870,481	2,881,388	1,194,847	367,201	558,500	737,463	23,377	-
Borrowings	54,641	54,745	54,745	-	-	-	-	-
Group Balances Payable	5,222	5,222	5,222	-	-	-	-	-
Other On Balance Sheet Liabilities	54,122	59,303	180	-	-	51,880	-	7,243
Other Off Balance Sheet Liabilities	80,761	80,761	80,761	-	-	-	-	-
Undrawn Credit Lines	606,754	606,754	606,754	-	-	-	-	-
Total	3,671,981	3,688,173	1,942,509	367,201	558,500	789,343	23,377	7,243
Net cash Inflow/(Outflow)	(283,404)	(77,364)	65,242	(164,475)	(297,538)	(236,832)	265,641	290,598
Derivative Financial Instruments								
- Inflow	-	19,137	915	16,010	2,212	-	-	-
- Outflow	-	(19,099)	(906)	(16,001)	(2,192)	-	-	-
Total	-	38	9	9	20	-	-	-

Group	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
2018								
Non-Derivative Assets								
Cash	40,491	40,491	40,491	-	-	-	-	-
Due from Banks / AMBD	1,970,378	1,978,330	1,769,234	76,614	53,726	61,591	17,165	-
Government Sukuk	24,660	25,000	-	-	25,000	-	-	-
Investment Securities	63,033	70,893	15,186	10,388	13,467	15,329	16,215	308
Loans and Advances	2,067,235	2,468,421	232,768	182,524	287,838	899,774	501,051	364,466
Other On Balance Sheet Assets	36,771	36,771	29,054	-	7,319	398	-	-
Other Off Balance Sheet Assets	80,761	80,761	80,761	-	-	-	-	-
Total	4,283,329	4,700,667	2,167,494	269,526	387,350	977,092	534,431	364,774
Non-Derivative Liabilities								
Deposits	3,589,655	3,609,222	1,286,269	402,116	694,016	1,203,444	23,377	-
Borrowings	54,641	54,745	54,745	-	-	-	-	-
Other On Balance Sheet Liabilities	61,995	67,175	8,052	-	-	51,880	-	7,243
Other Off Balance Sheet Liabilities	80,761	80,761	80,761	-	-	-	-	-
Undrawn Credit Lines	606,754	606,754	606,754	-	-	-	-	-
Total	4,393,806	4,418,656	2,036,581	402,116	694,016	1,255,324	23,377	7,243
Net cash Inflow/(Outflow)	(110,477)	282,011	130,913	132,590	(306,666)	(278,232)	511,054	357,531
Derivative Financial Instruments								
- Inflow	-	19,137	915	16,010	2,212	-	-	-
- Outflow	-	(19,099)	(906)	(16,001)	(2,192)	-	-	-
Total	-	38	9	9	20	-	-	-

Bank	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
2017								
Non-Derivative Assets								
Cash	36,232	36,232	36,232	-	-	-	-	-
Due from Banks / AMBD	1,565,076	1,570,965	1,416,300	50,254	21,086	65,479	16,674	1,172
Government Sukuk	9,909	10,000	-	-	10,000	-	-	-
Investment Securities	80,553	87,748	5,014	271	33,255	49,208	-	-
Loans and Advances	1,242,050	1,447,858	164,215	93,071	99,938	486,867	232,012	371,755
Other On Balance Sheet Assets	14,477	14,477	9	-	14,077	391	-	-
Other Off Balance Sheet Assets	95,887	95,887	95,887	-	-	-	-	-
Total	3,044,184	3,263,167	1,717,657	143,596	178,356	601,945	248,686	372,927
Non-Derivative Liabilities								
Deposits	2,488,658	2,497,001	864,341	421,054	449,142	747,889	14,575	-
Borrowings	80,252	80,469	80,469	-	-	-	-	-
Group Balances Payable	5,456	5,456	5,456	-	-	-	-	-
Other On Balance Sheet Liabilities	51,390	56,572	1,499	23	-	48,566	-	6,484
Other Off Balance Sheet Liabilities	95,887	95,887	95,887	-	-	-	-	-
Undrawn Credit Lines	781,778	781,778	781,778	-	-	-	-	-
Total	3,503,421	3,517,163	1,829,430	421,077	449,142	796,455	14,575	6,484
Net cash Inflow/(Outflow)	(459,237)	(253,996)	(111,773)	(277,481)	(270,786)	(194,510)	234,111	366,443
Derivative Financial Instruments								
- Inflow	-	29,373	3,821	22,519	2,765	267	-	-
- Outflow	-	(29,136)	(3,713)	(22,414)	(2,741)	(267)	-	-
Total	-	237	108	105	24	-	-	-

Notes to the Consolidated Financial Statements

Group	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
2017								
Non-Derivative Assets								
Cash	39,856	39,856	39,856	-	-	-	-	-
Due from Banks / AMBD	1,629,620	1,635,509	1,480,844	50,254	21,086	65,479	16,674	1,172
Government Sukuk	9,909	10,000	-	-	10,000	-	-	-
Investment Securities	80,553	87,748	5,014	271	33,255	49,208	-	-
Loans and Advances	2,109,162	2,545,381	238,862	165,412	237,950	954,959	501,236	446,962
Other On Balance Sheet Assets	43,569	43,569	29,101	-	14,077	391	-	-
Other Off Balance Sheet Assets	95,887	95,887	95,887	-	-	-	-	-
Total	4,008,556	4,457,950	1,889,564	215,937	316,368	1,070,037	517,910	448,134
Non-Derivative Liabilities								
Deposits	3,282,521	3,299,924	1,001,145	415,491	630,390	1,238,323	14,575	-
Borrowings	80,252	80,469	80,469	-	-	-	-	-
Other On Balance Sheet Liabilities	58,496	63,678	8,605	23	-	48,566	-	6,484
Other Off Balance Sheet Liabilities	95,887	95,887	95,887	-	-	-	-	-
Undrawn Credit Lines	781,778	781,778	781,778	-	-	-	-	-
Total	4,298,934	4,321,736	1,967,884	415,514	630,390	1,286,889	14,575	6,484
Net cash Inflow/(Outflow)	(290,378)	136,214	(78,320)	(199,577)	(314,022)	(216,852)	503,335	441,650
Derivative Financial Instruments								
- Inflow	-	29,373	3,821	22,519	2,765	267	-	-
- Outflow	-	(29,136)	(3,713)	(22,414)	(2,741)	(267)	-	-
Total	-	237	108	105	24	-	-	-

The above tables show the undiscounted cash flows on the Bank and the Group's non-derivative financial assets and liabilities, including issued financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The gross nominal inflows / (outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to derivative financial liabilities and assets held for risk management purposes. The disclosure shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts).

As part of the management of its liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and debt securities for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with banks and holds unencumbered assets eligible for use as collateral.

Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the value of the Group's holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Group's solvency while optimising the return on risk.

Management of market risks

Overall authority for market risk is vested in the Management Committee. Management may set up limits for each type of risk in aggregate and for portfolios and is responsible for the day-to-day review of their implementation.

The Group monitors and limits market risk exposures through weekly management meetings.

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed to is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps by the management and it is assisted by the Treasury in its day-to-day monitoring activities. A summary of the Group's interest rate bearing assets and liabilities position on the non-trading positions based on earlier of repricing or maturity dates is as follows:

Bank	Carrying Amount	Non-Interest Bearing	Interest Bearing					
			Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2018								
Financial Assets								
Cash	**37,832**	37,832	-	-	-	-	-	-
Due from Banks / AMBD	**1,910,232**	208,686	1,498,498	76,091	53,020	58,729	15,208	-
Government Sukuk	**24,660**	-	-	-	24,660	-	-	-
Investment Securities	**63,033**	-	15,070	9,950	13,048	14,264	10,393	308
Loans and Advances	**1,263,254**	-	139,087	91,450	83,994	427,870	215,678	305,175
Other Assets	**8,805**	8,805	-	-	-	-	-	-
Total	**3,307,816**	**255,323**	**1,652,655**	**177,491**	**174,722**	**500,863**	**241,279**	**305,483**
Financial Liabilitiess								
Deposits	**2,870,481**	764,818	1,010,386	301,665	361,541	410,605	21,466	-
Borrowings	**54,641**	-	54,641	-	-	-	-	-
Group Balances Payable	**5,222**	5,222	-	-	-	-	-	-
Other Liabilities	**54,122**	54,122	-	-	-	-	-	-
Total	**2,984,466**	**824,162**	**1,065,027**	**301,665**	**361,541**	**410,605**	**21,466**	**-**
2017								
Financial Assets								
Cash	36,232	36,232	-	-	-	-	-	-
Due from Banks / AMBD	1,565,076	236,486	1,179,589	49,245	20,747	65,165	13,844	-
Government Sukuk	9,909	-	-	-	9,909	-	-	-
Investment Securities	80,553	-	4,852	-	27,425	48,276	-	-
Loans and Advances	1,242,050	-	146,997	80,335	76,811	422,294	200,238	315,375
Other Assets	14,477	14,477	-	-	-	-	-	-
Total	2,948,297	287,195	1,331,438	129,580	134,892	535,735	214,082	315,375
Financial Liabilities								
Deposits	2,488,658	811,304	669,914	351,138	241,848	400,832	13,622	-
Borrowings	80,252	-	80,252	-	-	-	-	-
Group Balances Payable	5,456	5,456	-	-	-	-	-	-
Other Liabilities	51,390	51,390	-	-	-	-	-	-
Total	2,625,756	868,150	750,166	351,138	241,848	400,832	13,622	-

Group	Carrying Amount	Non-Interest Bearing	Interest Bearing: Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2018								
Financial Assets								
Cash	**40,491**	40,491	-	-	-	-	-	-
Due from Banks / AMBD	**1,970,378**	268,833	1,498,498	76,091	53,019	58,729	15,208	-
Government Sukuk	**24,660**	-	-	-	24,660	-	-	-
Investment Securities	**63,033**	-	15,070	9,950	13,048	14,264	10,393	308
Loans and Advances	**2,067,235**	-	202,578	140,236	192,588	767,475	404,380	359,978
Other Assets	**36,771**	36,771	-	-	-	-	-	-
Total	**4,202,568**	346,095	1,716,146	226,277	283,315	840,468	429,981	360,286
Financial Liabilitiess								
Deposits	**3,589,655**	708,834	1,111,467	336,097	514,505	897,286	21,466	-
Borrowings	**54,641**	-	54,641	-	-	-	-	-
Other Liabilities	**61,995**	61,995	-	-	-	-	-	-
Total	**3,706,291**	**770,829**	**1,166,108**	**336,097**	**514,505**	**897,286**	**21,466**	**-**
2017								
Financial Assets								
Cash	39,856	39,856	-	-	-	-	-	-
Due from Banks / AMBD	1,629,620	301,030	1,179,589	49,245	20,747	65,165	13,844	-
Government Sukuk	9,909	-	-	-	9,909	-	-	-
Investment Securities	80,553	-	4,852	-	27,425	48,276	-	-
Loans and Advances	2,109,162	-	214,091	136,253	194,434	792,088	399,471	372,825
Other Assets	43,569	43,569	-	-	-	-	-	-
Total	3,912,669	384,455	1,398,532	185,498	252,515	905,529	413,315	372,825
Financial Liabilities								
Deposits	3,282,521	754,299	809,721	356,776	428,669	919,434	13,622	-
Borrowing	80,252	-	80,252	-	-	-	-	-
Other Liabilities	58,496	58,496	-	-	-	-	-	-
Total	3,421,269	812,795	889,973	356,776	428,669	919,434	13,622	-

The management of interest rate risk is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various interest rate scenarios. Scenarios that are considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in all yield curves.

Interest rate movements affect reported retained earnings due to increases or decreases in net interest income and the fair value changes reported in profit or loss.

If interest rates had been 10 basis points higher or lower and all other variables were held constant, the Bank and the Group's projected net interest income for the financial year ended December 31, 2018 would increase/(decrease) by:

	Bank		Group	
	+0.10% B$'000	-0.10% B$'000	+0.10% B$'000	-0.10% B$'000
As at December 31, 2018	321	(321)	(551)	551
As at December 31, 2017	265	(265)	(634)	634

Overall non-trading interest rate risk positions are managed by Treasury and Finance department which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's activities.

<u>**Foreign exchange risk**</u>

Foreign exchange risk is the risk to earnings and value of financial instruments caused by fluctuations in foreign exchange rates.

Currency risks primarily arise for the fluctuation in the exchange rates on the open position of the Bank for all currencies other than its functional currency. The main dealing currencies of the Group are BND against major currencies, including USD, GBP, AUD and SGD. The Group is not exposed to foreign exchange risk for SGD due to the Currency Interchangeability Agreement between Singapore and Brunei Darussalam which interchange the two currencies at par. The Group has limited foreign exchange transactions and does not hold speculative trading positions. The Group manages the foreign exchange risk by monitoring the exposure against limits set by ALCO.

Bank and Group	**USD B$'000**	**GBP B$'000**	**AUD B$'000**	**Others B$'000**
2018				
Financial Assets				
Cash	917	472	192	1,222
Due from Banks / AMBD	90,654	16,788	52,692	23,813
Investment Securities	13,885	-		
Loans and Advances	101,885	-	-	-
Total	**207,341**	**17,260**	**52,884**	**25,035**
Financial Liabilitiess				
Deposits	143,415	16,334	50,058	20,282
Borrowings	54,604	-	-	-
Other Liabilities	78	72	-	25
Total	**198,097**	**16,406**	**50,058**	**20,307**
Off Balance Sheet Derivative Financial Instruments	**(10,565)**	**(1,013)**	**(3,186)**	**(4,324)**

2017				
Financial Assets				
Cash	610	284	137	1,055
Due from Banks / AMBD	118,574	16,515	49,864	41,295
Loans and Advances	120,086	2	-	-
Total	239,270	16,801	50,001	42,350
Financial Liabilities				
Deposits	155,888	17,008	50,305	23,892
Borrowing	80,166	-	-	-
Other Liabilities	89	-	-	25
Total	236,143	17,008	50,305	23,917
Off Balance Sheet Derivative Financial Instruments	(10,690)	-	151	(18,383)

The estimated impact on the Bank's and the Group's profit or loss for a 10% change in the foreign exchange rates (USD, GBP, AUD and others) against BND is shown below:

	Bank		Group	
	+0.10% B$'000	-0.10% B$'000	+0.10% B$'000	-0.10% B$'000
As at December 31, 2018	(132)	(16)	(36)	40
As at December 31, 2017	(756)	(21)	(15)	5

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group's policy requires compliance with all applicable legal and regulatory requirements.

The Executive Committee ("EXCO") has delegated responsibility for operational risk to its Deputy General Manager of the Operations Management Division (OMD) who is responsible for the development and implementation of procedures and processes to address operational risk.

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair Value as at		Level of the Fair Value Hierarchy	Valuation Technique(s) & Key
	2018 B$'000	2017 B$'000		
Assets				
Investment Securities – Index Linked Notes	18,275	18,121	2	Reuters Quote
Investment Securities – Structured Deposits	4,042	-	2	Reuters Quote
Investment Securities – Corporate Bonds	333	-	2	Quoted Prices
Investment Securities – Equity	308	193	3	Net Asset Value
Derivative Assets	179	228	2	Reuters Quote
Total	23,137	18,542		
Liabilities				
Deposits from Customers – Structured Deposits	22,112	17,883	2	Reuters Quote or Adjusted Quoted Prices
Derivative liabilities	124	111	2	Reuters Quote
Total	22,236	17,994		

Reconciliation of Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	Bank and Group	
	2018 B$'000	2017 B$'000
Investment Securities		
Opening balance as at January 1	-	-
Total Gains or Losses included in Profit or Loss for the year:		
- Net income from other Financial instruments at Fair value through Profit or Loss	-	-
Purchases during the year	308	-
Balance as at December 31	308	-

Financial assets and financial liabilities not measured at fair value on the statements of financial position

Fair value of financial instruments

Where possible, fair values have been estimated using market prices for financial instruments. Where market prices are not available, fair values have been estimated using quoted prices for financial instruments with similar characteristics, or otherwise using a suitable valuation technique where practicable to do so. The fair value information presented represents the Group's best estimate of those values and may be subject to certain assumptions and limitations.

Methodologies

The methodologies and assumptions used in estimating fair values depend on the terms and risk characteristics of the various instruments and include the following:

Financial instruments for which carrying value approximates fair value

These include cash and balances with AMBD, deposits from customers, deposits from banks and other financial institutions, loans and advances and intercompany balances which reprice generally within six months of the reporting date, and accrued interest receivable and payable. The carrying value of these financial instruments is an approximation of the fair value because they are either short-term in nature, reprice frequently or are receivable or payable on demand and do not have significant credit risk.

Loans and Advances

For loans and advances which mature or reprice after six months, the fair value is principally estimated by discounting anticipated cash flows (including interest at contractual rates). Performing loans are grouped, to the extent possible, into homogenous pools segregated by maturity and the coupon rates of the loans within each pool. In general, cash flows are discounted using current market rates for instruments with similar maturity, repricing and credit risk characteristics.

For non-performing uncollateralised loans and advances, an estimate is made of the time period to realise these cash flows and the fair value is estimated by discounting these cash flows at the market rate. For non-performing loans and advances where collateral exists, the fair value is the lesser of the carrying value of the loans and advances, net of specific allowances, or the fair value of the collateral, discounted as appropriate.

Deposits by customers

Deposits by customer which mature or reprice after six months from the reporting date are grouped by residual maturity. The fair value is calculated using discounted cash flow models, based on the deposit type and its related maturity, applying either market rates, where applicable or current rates offered for deposits of similar remaining maturities.

Derivative financial instruments

The fair values of derivative financial instruments such as foreign exchange contracts are based on quoted market prices at the end of the reporting period.

Summary

The fair value of certain financial assets and liabilities approximate their carrying values at the end of the reporting period. Accordingly, the Group has not disclosed the fair value and their levels in the fair value hierarchy for financial assets and liabilities carried at amortised cost.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Bank and Group			
	2018		2017	
	Carrying Amount B$'000	Fair Value B$'000	Carrying Amount B$'000	Fair Value B$'000
<u>Financial Assets</u>				
Investments at amortised cost				
- Government Sukuk	24,660	24,660	9,909	9,909
- Investment Securities	40,075	40,297	62,239	61,932
Total	64,735	64,957	72,148	71,841

	Fair Value Hierarchy			
	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
<u>2018</u>				
<u>Financial Assets</u>				
Investments at amortised cost				
- Government Sukuk	-	-	24,660	24,660
- Investment Securities	40,297	-	-	40,297
Total	40,297	-	24,660	64,957
<u>2017</u>				
<u>Financial Assets</u>				
Investments at amortised cost				
- Government Sukuk	-	-	9,909	9,909
- Investment Securities	61,932	-	-	61,932
Total	61,932	-	9,909	71,841

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

5. NET INTEREST INCOME

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Interest Income				
Loans and Advances	74,298	64,996	130,462	120,854
Government Sukuk	205	144	205	144
Investment Securities	1,390	1,540	1,390	1,540
Placements with Other Banks	22,012	16,338	22,012	16,338
Others	2	3	2	3
Total Interest Income	97,907	83,021	154,071	138,879
Interest Expense				
Deposits and Borrowings	17,014	13,459	20,964	18,819
Net Interest Income	80,893	69,562	133,107	120,060

Total interest income and expense calculated using the effective interest method are reported above. The effective interest relating to financial assets or liabilities carried at fair value through profit or loss for the Bank's and Group's included above is an interest income of B$415,741 (2017: B$557,130) and an interest expense of B$349,461 (2017: B$337,621) respectively.

6. OTHER OPERATING INCOME

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Fees, charges and others	23,063	23,393	25,862	27,970
Dividend income from Subsidiary	37,121	14,439	-	-
Management fee from a subsidiary	1,800	-	-	-
Realised and Unrealised gains from				
Foreign Exchange transactions	8,010	6,349	8,010	6,350
Gains on Disposal of Property, Plant and Equipment	16	39	16	39
Total	70,010	44,220	33,888	34,359

7. NET INCOME FROM OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT

	Bank and Group	
	2018	2017
	B$'000	B$'000
Investment Securities at Fair Value Through Profit or Loss:		
- Indexed link notes	-	1,717
- Real Estate Investment Trust	-	4
- Corporate Bond	(1,443)	-
Deposits at Fair Value Through Profit or Loss:		
- Structured Deposit	-	(952)
Total	(1,443)	769

8. PERSONNEL EXPENSES

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Directors' fees	5,132	2,770	5,298	2,930
Salaries and Wages	19,141	18,206	23,324	22,278
Allowances and Bonuses	5,711	5,483	6,838	6,588
Others	2,702	2,815	3,213	3,230
Total	32,686	29,274	38,673	35,026

9. OTHER OVERHEAD EXPENSES

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Promotion				
Advertisement & Publicity	2,246	2,016	2,566	2,332
Operational				
Depreciation	5,236	4,166	5,640	4,548
Repair and maintenance	3,064	3,042	3,895	3,665
Rental	1,896	1,777	2,591	2,448
Hire of Equipment	225	174	226	177
General Expenses				
Auditors' Fees	300	295	376	385
Professional Fees	3,404	2,140	4,872	3,094
Loss on Disposal of Fixed Assets	-	-	-	-
Loss on Disposal of Investment Securities	19	200	20	200
Dealer's commission and incentives	-	-	10,267	11,173
Others	16,931	13,323	23,980	20,331
Total	33,321	27,133	54,433	48,353

10. INCOME TAX EXPENSE

	Bank		Group	
	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
Recognised in the Profit & Loss Statements				
Current Tax Expense				
Current year	9,305	8,428	14,025	12,074
Deferred Tax Expense				
Origination & reversal of temporary differences	-	-	-	-
Total Income Tax Expense	9,305	8,428	14,025	12,074
Movement in Provision for Taxation				
Opening Balance as at January 1	15,364	13,486	36,349	34,330
Impact of IFRS 9 adoption at January 1, 2018	608	-	198	-
Current year provision	9,305	8,428	14,025	12,074
Income tax paid	(7,256)	(6,550)	(10,692)	(10,055)
Closing balance as at December 31	18,021	15,364	39,880	36,349
Reconciliation of Effective Tax Rate at 18.50%				
Profit before income tax	79,947	58,619	68,966	65,725
Income Tax using the domestic corporation tax rate	14,790	10,844	12,759	12,159
Tax effect of non-taxable revenue and others	(5,485)	(2,416)	1,266	(85)
Total	9,305	8,428	14,025	12,074

11. CASH AND SHORT TERM FUNDS

	Bank		Group	
	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
Cash in hand	37,832	36,232	40,491	39,856
Balances with Banks and Other Financial Institutions	208,686	236,486	211,706	239,055
Money at call and short notice and interbank	184,917	6,680	184,917	6,680
Placements with remaining maturity not exceeding one year	1,516,629	1,321,910	1,516,629	1,321,910
Total	1,948,064	1,601,308	1,953,743	1,607,501

12. BALANCES WITH AUTORITI MONETARI BRUNEI DARUSSALAM (AMBD)

This is maintained as required by the provisions of Section 45 of the Brunei Darussalam Banking Order 2006 and a directive issued by the Autoriti Monetari Brunei Darussalam in accordance with Section 25(2) of the Finance Companies Act, Cap.89. This is not available for use in the Bank and its subsidiaries' day to day operations. At present the minimum cash reserve requirement is 6% (2017: 6%) of the deposit liabilities and is maintained under the RTGS account with AMBD.

13. DERIVATE FINANCIAL INSTRUMENTS

	Bank and Group		
	Notional	Assets	Liability
	B$'000	B$'000	B$'000
2018			
Foreign Exchange Contracts	19,137	179	124
2017			
Foreign Exchange Contracts	29,351	228	111

14. GOVERNMENT SUKUK

	Bank and Group	
	2018	2017
	B$'000	B$'000
Government Sukuk measured at amortised cost	24,660	9,909

15. INVESTMENT SECURITIES

	Bank and Group	
	2018	2017
	B$'000	B$'000
Investments securities mandatorily measured at FVTPL	22,958	18,314
Investment securities measured at amortised cost	40,075	62,239
Total	63,033	80,553

The table below sets out a reconciliation of changes in the impairment of Investment Securities held at amortised cost.

	Bank and Group	
	2018	2017
	B$'000	B$'000
Balances as at 1 January	5,225	3,000
(Impairment no longer required)/Impairment during the year	(5,225)	2,225
Balances as at December 31	-	5,225

16. LOANS AND ADVANCES

	Bank		Group	
	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
By Type:				
Cash line / Overdrafts	173,249	189,397	173,249	189,397
Term Loans				
- Property Loans	317,592	335,199	317,592	335,199
- Hire Purchase Receivables	-	-	814,165	874,993
- Other Term Loans	699,284	642,669	699,284	642,669
Bills Receivable	-	-	-	-
Trust Receipts	130,480	112,419	130,480	112,419
Staff Loans	5,325	5,523	5,325	5,523
Credit / Charge cards	40,914	39,282	40,914	39,282
Revolving credit	8,951	6,493	8,951	6,493
Syndicated Loan	13,614	6,670	13,614	6,670
Others	893	1,157	893	1,157
Gross Loans and advances	1,390,302	1,338,809	2,204,467	2,213,802
Less: Loss allowances	(127,048)	(96,759)	(137,232)	(104,640)
Net Loans and advances	1,263,254	1,242,050	2,067,235	2,109,162

17. INVESTMENT IN SUBSIDIARIES

			Cost		%Holding	
Name of Company	**Principal Activity**	**Country of Incorporation**	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
Baiduri Finance Berhad	Finance Company	Brunei Darussalam	45,249	25,249	100%	100%
Baiduri Capital Sdn Bhd	Sharebrokers & Dealers in Securities & Investments of all kinds	Brunei Darussalam	2,700	2,700	99.99%	99.99%
Total			47,949	27,949		

18. PROPERTY, PLANT AND EQUIPMENT

Bank	Freehold Land and Buildings B$'000	Leasehold Land and Buildings B$'000	Leasehold Improvements B$'000	Computers B$'000	Equipment / Furniture B$'000	Motor Vehicles B$'000	Total 2018 B$'000	Total 2017 B$'000
Cost								
As at beginning of the year	4,963	14,331	3,389	17,305	2,425	570	**42,983**	40,536
Additions	-	4,258	634	4,680	232	17	**9,821**	7,692
Disposals	-	-	-	(2,777)	(379)	(16)	**(3,172)**	(2,245)
Written-Off	-	-	-	-	-	-	**-**	(3,000)
As at end of year	4,963	18,589	4,023	19,208	2,278	571	**49,632**	42,983
Accumulated Depreciation								
As at beginning of the year	461	1,382	1,361	7,663	1,329	238	**12,434**	10,483
Depreciation for the year	80	321	655	3,668	401	111	**5,236**	4,166
Disposals	-	-	-	(2,777)	(379)	(16)	**(3,172)**	(2,215)
As at end of the year	541	1,703	2,016	8,554	1,351	333	**14,498**	12,434
Carrying Amounts								
As at December 31, 2018	**4,422**	**16,886**	**2,007**	**10,654**	**927**	**238**	**35,134**	**-**
As at December 31, 2017	4,502	12,949	2,028	9,642	1,096	332	30,549	-

Group	Freehold Land and Buildings B$'000	Leasehold Land and Buildings B$'000	Leasehold Improvements B$'000	Computers B$'000	Equipment / Furniture B$'000	Motor Vehicles B$'000	Total 2018 B$'000	Total 2017 B$'000
Cost								
As at beginning of the year	4,963	14,331	4,344	18,280	3,106	669	**45,693**	42,984
Additions	-	4,258	689	4,682	251	16	**9,896**	7,954
Disposals	-	-	-	(2,777)	(380)	(16)	**(3,173)**	(2,245)
Written-Off	-	-	-	-	-	-	**-**	(3,000)
As at end of year	4,963	18,589	5,033	20,185	2,977	669	**52,416**	45,693
Accumulated Depreciation								
As at beginning of the year	461	1,382	1,933	8,400	1,798	277	**14,251**	11,197
Depreciation for the year	79	320	844	3,765	501	131	**5,640**	4,548
Disposals	-	-	-	(2,778)	(380)	(17)	**(3,175)**	(2,214)
As at end of the year	540	1,702	2,777	9,387	1,919	391	**16,716**	14,251
Carrying Amounts								
As at December 31, 2018	**4,423**	**16,887**	**2,256**	**10,798**	**1,058**	**278**	**35,700**	**-**
As at December 31, 2017	4,502	12,949	2,411	9,880	1,308	392	31,442	-

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2017: nil).

Included in the Leasehold Land and Buildings is a building on a 99 years leasehold land.

19. OTHER ASSETS

	Bank		Group	
	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
Accounts Receivables	598	385	745	530
Sundry Debtors and Others	8,207	14,092	8,539	14,280
Prepayments and consumables	1,551	1,641	1,630	1,816
Dealer's commission and incentives	-	-	27,487	28,759
Total	10,356	16,118	38,401	45,385

20. DEPOSITS FROM CUSTOMER

	Bank		Group	
	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
By type of Deposit				
Demand Deposits	701,231	748,241	704,158	750,547
Savings Deposits	620,268	599,251	1,454,403	1,488,604
Fixed Deposits	1,322,370	911,632	1,426,418	1,039,617
Total	2,643,869	2,259,124	3,584,979	3,278,768

21. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Bank		Group	
	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
Licensed Conventional Bank in Brunei Darussalam	82	31	82	31
Licensed Finance Companies in Brunei Darussalam	221,936	225,781	-	-
Banks and Financial Institutions Abroad	4,594	3,722	4,594	3,722
Total	226,612	229,534	4,676	3,753

22. BORROWINGS

	Bank and Group	
	2018 B$'000	2017 B$'000
By Product		
Call Money Borrowing	54,641	80,252
By Maturity		
Due within One Year	54,641	80,252

23. GROUP BALANCES PAYABLE

	Bank		Group	
	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
Due to Subsidiaries	5,222	5,456	-	-

24. OTHER LIABILITIES

	Bank		Group	
	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
Other Creditors	2,030	963	9,314	7,668
Accrued Expenditure and provisions	25,864	20,060	26,390	20,424
Provision for Bonuses and End of Service Benefits	11,980	11,498	14,150	13,380
Others	21,491	25,352	21,553	25,389
Total	61,365	57,873	71,407	66,861

25. DEFERRED TAX ASSETS AND LIABILITIES

	Bank		Group	
	2018 B$'000	2017 B$'000	2018 B$'000	2017 B$'000
Balances as at January 1 and December 31	8,446	8,446	8,493	8,493

26. SHARE CAPITAL

	Bank and Group	
	2018 B$'000	2017 B$'000
Authorised		
200,000,000 Ordinary shares of B$1 each	200,000	200,000
Issued and Paid Up		
150,000,000 Ordinary shares of B$1 each	150,000	150,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time. At any General Meeting, every member present in person, shall have on a show of hands have one vote. All ordinary shares rank equally with regard to the Bank and Group's residual assets.

27. STATUTORY RESERVES

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Balances as at January 1	128,093	115,488	157,627	144,122
Add: Transfer during the year	17,660	12,605	20,859	13,505
Balances as at December 31	145,753	128,093	178,486	157,627

28. OTHER RESERVES

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Retained Earnings				
Balances as at January 1	69,257	54,491	158,787	141,461
Impact of IFRS 9 adoption at January 1, 2018	2,683	-	868	-
Profit for the financial year	70,642	50,191	54,941	53,651
Less: Transfer during the year:				
- Statutory Reserve	(17,660)	(20,925)	(20,859)	(21,825)
- Prudential Reserve for Credit Losses	(25,282)	-	(25,524)	-
Prudential Reserve for Credit Losses *	25,282	-	25,524	-
Dividend	(51,500)	(14,500)	(51,500)	(14,500)
Balances as at December 31	73,422	69,257	142,237	158,787
General Reserve				
Opening and closing balance	5,154	5,154	5,154	5,154
Total Other Reserves	78,576	74,411	147,391	163,941

The Prudential Reserve for Credit Losses is a non-distributable reserve account that is used to reflect an amount equal to the outstanding accrued interest/profit income on non-performing financial assets via a transfer from retained earnings as mandated by AMBD Notice no: BU/N-7/2018/57 Prudential Treatment of Problem assets and accounting for Expected Credit Losses.

29. CONTINGENCIES AND COMMITMENTS

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

	Bank and Group	
	2018	2017
	B$'000	B$'000
Contingencies		
Letters of Credit	60,181	63,718
Guarantees, Bonds	142,915	166,745
Shipping Guarantees	19	-
Acceptances	1,443	2,818
Forward purchase	19,137	29,351
Sub-Total	223,695	262,632
Commitments		
Undrawn Credit Lines	606,754	781,778
Sub-Total	606,754	781,778
Total Contingencies and Commitments	830,449	1,044,410

30. CASH AND CASH EQUIVALENTS

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Cash in hand	37,832	36,232	40,491	39,856
Balances and placements with banks and other financial contractual maturity of less than 3 months	1,532,609	1,354,029	1,374,000	1,356,596
Total	1,570,441	1,390,261	1,414,491	1,396,452

31. LEASE COMMITMENTS

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows.

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Less than one year	1,289	1,169	1,800	1,711
Between one and five years	2,822	2,403	4,595	4,201
More than five years	-	50	-	447
Total	4,111	3,622	6,395	6,359

The Bank leases a number of branch and office premises under operating leases. The leases typically run for a period of 1 to 10 years, and with an option to renew the lease after that date.

32. RELATED PARTY TRANSACTION

The Bank and the Group considered members of the board of directors as key management personnel of the Bank and the Group

Some of the Bank's transactions and arrangements are with related parties and subsidiary companies and the effect of these on the basis determined between the parties are reflected in these financial statements.

(i) Transactions with Key Management Personnel for Bank and Group:

	2018	2017
	B$'000	B$'000
Statements of Financial Position		
Assets		
Loans and Advances (exclude Credit cards)	1,041	2,288
Credit Cards (Secured)	338	319
Total	1,379	2,607
Liabilities		
Deposits	11,955	54,547
Total	11,955	54,547
Off Balance Sheet items		
Undrawn Facilities	2,368	1,239
Total	2,368	1,239
Statements of Profit or Loss and Other Comprehensive Income		
Income		
Interest Income	100	113
Total	100	113
Expenses		
Interest Expenses	1,424	1,420
Other Expenses	3,253	3,054
Total	4,677	4,474

(ii) The group related party, shall include parent, subsidiaries and other related companies.

	Bank		Group	
	2018	2017	2018	2017
	B$'000	B$'000	B$'000	B$'000
Statements of Financial Position				
Assets				
Loans and Advances (exclude Credit cards)	-	-	33,366	41,570
Credit Cards (Secured)	-	-	38	41
Other assets	14	5	-	-
Total	14	5	33,404	41,611
Liabilities				
Deposits	221,936	225,781	164,302	74,605
Other Liabilities	5,236	5,462	-	-
Total	227,172	231,243	164,302	74,605
Off-Balance sheet items				
Letters of Credit	-	-	-	-
Guarantees	-	-	562	654
Undrawn Facilities	-	-	1,323	15,054
Contingencies and Other Commitments	-	-	-	6,479
Total	-	-	1,885	22,187
Statements of Profit or Loss and Other Comprehensive Income				
Income				
Interest Income	-	-	232	232
Total	-	-	232	232
Expenses				
Interest Expenses	1,906	1,246	2,274	1,987
Total	1,906	1,246	2,274	1,987

List of Offices, Branches & ATM Network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LIST OF OFFICES, BRANCHES AND ATM NETWORK

HEAD OFFICE
Block A, Units 1-4, Kiarong Complex
Lebuhraya Sultan Hassana I Bolkiah
Tel No: 2268300
Fax No: 2455599

BRANCHES

* **Prestige Centre**
 # Corporate Banking Centre

KIARONG BRANCH *#
Block A, Ground Floor
Units 1-4, Kiarong Complex
Lebuhraya Sultan Hassanal Bolkiah
Tel: (673) 226 8300
Fax: (673) 245 2888

KIULAP BRANCH *
Unit 1, Block A,
Kompleks Shakirin, Kampong Kiulap
Tel: (673) 223 6905, 223 6906,
223 6910
Fax: (673) 223 6904

KUALA BELAIT BRANCH *#
Units 2-4, Tang Ching Ying Building
Jalan Sungai, Kuala Belait
Tel: (673) 333 0650
Fax: (673) 334 2297

MUARA TOWN BRANCH
Units G2 & G3, Ground Floor
Al-Warasah Building, Muara Town
Tel: (673) 277 1700, 277 1701
Fax: (673) 277 1702

SERIA BRANCH *
Unit 1F, Ground Floor
39/40 Jalan Sultan Omar Ali, Seria
Tel: (673) 322 2450, 322 2438,
322 2960, 322 2963
Fax: (673) 322 2433

SERUSOP BRANCH *
Unit 2-4, Block A, Pelangi Complex
Simpang 52, Kampong Delima Satu
Jalan Muara BB4713
Tel: (673) 234 3288
Fax: (673) 234 328

SUMBANGSIH BRANCH
(Financial Services Centre)
Units 16-17, Ground Floor

SUPA SAVE GADONG BRANCH
Units 6-8, Supa Save Gadong
Kampong Mata Mata, Jalan Gadong
Tel No: (673) 242 0627, 242 0629
Fax No: (673) 242 0909

TANJONG BUNUT BRANCH
Unit 1, Block D, Medan Tanjong Bunut
Kampong Tanjong Bunut, Jalan Tutong
Tel No: (673) 266 3960
Fax No: (673) 266 3959

THE MALL BRANCH
Unit G-30, Ground Floor, The Mall
Abdul Razak Complex, Jalan Gadong
Tel: (673) 242 1498, 242 1398, 242 1396
Fax: 673) 242 1415

TIMES SQUARE BRANCH
Unit F26, 1st Floor, Times Square
Kampong Jaya Setia, Mukim Berakas A
Tel: (673) 234 5111
Fax: (673) 234 5112

TUTONG BRANCH
Units 8 & 9, Ground Floor, Block C
Bangunan Hj Abdul Malik & Anak-Anak
Kampong Petani, Tutong
Tel: (673) 426 0707
Fax: (673) 426 0714

YAYASAN BRANCH
Unit G-25, Ground Floor, Block C
Yayasan Sultan Haji Hassanal Bolkiah Complex
Bandar Seri Begawan
Tel: (673) 223 3233
Fax: (673) 222 1891

COSTUMER SERVICE CENTRES

CARD CENTRE
Block A, Unit 8, Kiarong Complex
Lebuhraya Sultan Hassanal Bolkiah BE1318
Tel No: 226 8300
Fax No: 245 4184

LOAN CENTRE
Block A, Unit 6, Kiarong Complex
Lebuhraya Sultan Hassanal Bolkiah BE1318
Tel No: (673) 226 8433
Fax No: (673) 245 4193

WEALTH MANAGEMENT CENTRE
Unit 10, 2nd Floor, Block A Kiarong
Complex Lebuhraya Sultan Hassanal Bolkiah
Brunei Darussalam
Tel: 2268363, 2268359
Fax: 2268364

E-BANKING CENTRE
Unit 4, Block B 1st Floor, Kiarong Complex
Lebuhraya Sultan Hassanal Bolkiah BE1318
Tel: (673) 244 9666
Card Centre
Block A, Unit 8, Kiarong Complex
Lebuhraya Sultan Hassanal Bolkiah BE1318
Tel No: (673) 226 8300
Fax No: (673) 245 4184

LOAN CENTRE
Block A, Unit 6, Kiarong Complex
Lebuhraya Sultan Hassanal Bolkiah BE1318
Tel No: (673) 226 8433
Fax No: (673) 245 4193

BUSINESS HUB
Unit 2-4, First Floor, Block A
Pelangi Complex
Simpang 52, Kampong Delima Satu
Jalan Muara
Tel: 234 3286, 234 3227

SUBSIDIARY COMPANIES

BAIDURI FINANCE

HEAD OFFICE
Units 1-3, Sumbangsih Bahagia
Kompleks Perindustrian Beribi
Gadong
Tel No: 242 6800
Fax No: 245 0877

KUALA BELAIT BRANCH
Unit 1, Ground Floor
Tang Ching Ying Building
Jln Sungai, Kuala Belait KA2331
Negara Brunei Darussalam
Tel No: 333 0570 / 333 0569 / 334 1436
Fax No: 333 0572

BAIDURI CAPITAL
Unit 9, Ground Floor
Block A, Kiarong Complex
Lebuhraya Sultan Hassanal Bolkiah
Bandar Seri Begawan BE1318
Tel: 226 8825

OFFSITE ATM NETWORK

BERJAYA COMPLEX
Kampung Bukit Bendera
Pekan Tutong

BRUNEI INTERNATIONAL AIRPORT
Departure Hall

CENTREPOINT
Ground Floor, The Centrepoint
Abdul Razak Complex, Gadong

FRESHCO BATU SATU
Ground Floor, Plaza Abdul Razak
Jalan Tutong

RIMBA POINT
Kampung Rim a, Mukim Gadong

GRAND CITY HOTEL
Kampong Pengkalan Gadong
Mukim Gadong

HUA HO MANGGIS MALL
Basement Level 1
Kampong Manggis, Jalan Muara

HUA HO MALL, TANJONG BUNUT
Medan Tanjong Bunut
Jalan Tutong

JERUDONG PARK
JP Food Court Complex
Kampong Jerudong

KB SENTRAL
Ground Floor, KB Sentral Shopping Centre
Jalan Seri Maharaja
Kuala Belait

MAIL PROCESSING CENTRE
Old Airport Road, Berakas

RIPAS HOSPITAL
Koperasi Kementerian Kesihatan Berhad

SHAHRYZA PETROL STATION
Simpang 665 Kampong Perpindahan Bunut
Jalan Tutong

SOON LEE MEGAMART KB
Pandan 7, Kg Mumong
Kuala Belait

SOON LEE MEGAMART LAMBAK KANAN
Ground Floor, Kampong Lambak Kanan
Jalan Utama Berakas

SOON LEE MEGAMART SUNGAI LIANG
Bangunan Lim Kui Hong
Kampong Gana, Sungai Liang, Kuala Belait

SUPA SAVE MABOHAI
Mabohai Shopping Complex
Simpang 99, Jalan Kebangsaan

SUPA SAVE PANAGA
Kampong Lorong Empat Belas Barat
Mukim Seria

TIMES SQUARE MALL
Ground Floor, Times Square
Kampong Jaya Setia, Mukim Berakas A

THE CORE
Universiti Brunei Darussalam
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