

**Bank Islam Brunei Darussalam Berhad  
and its Subsidiaries**

Financial Statements  
Year ended 31 December 2015

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## Directors' report

The directors have pleasure in presenting this report together with the audited financial statements of Bank Islam Brunei Darussalam Berhad ("the Bank") and its subsidiaries ("the Group") for the financial year ended 31 December 2015.

## Principal activities

The Bank is principally engaged in the provision of Islamic banking business as allowed under the Islamic Banking Order, 2008 and Shariah principles.

The subsidiaries are principally engaged in the provision of investment banking, Islamic hire-purchase, stockbroking, asset and fund management, leasing and management services.

There were no significant changes in these activities during the financial year.

## Results

|                            | <b>Group<br/>BS'000</b> | <b>Bank<br/>BS'000</b> |
|----------------------------|-------------------------|------------------------|
| Profit for the year        |                         |                        |
| Attributable to:           |                         |                        |
| Equity holders of the Bank | 113,588                 | 100,623                |
| Non-controlling interest   | (6,872)                 | –                      |
|                            | <u>106,716</u>          | <u>100,623</u>         |

## Dividends

The amount of dividends paid by the Bank since 31 December 2014 are as follows:

|   | <b>BS'000</b> |
|---|---------------|
| In respect of the financial year ended 31 December 2014:                  |               |
| Final dividend of 5.7 cents per ordinary share paid on<br>4 December 2015 | 41,311        |

At the forthcoming Annual General Meeting, a final dividend in respect of financial year end 31 December 2015 of 7.3 cents on 724,749,513 number of ordinary shares, amounting to B\$52,906,714 will be proposed.



## **Directors**

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

Dato Paduka Haji Bahrin bin Abdullah (Chairman)

Dato Paduka Iqbal Ahmad Khan

Junaidi bin Hj Masri

Dr Jan Hendrik van Greuning

Mubashar Khokhar (Managing Director, appointed on 30 November 2015)

Abdulaziz Mohammed L. Alsubaei

Dr Abdul Manaf bin Haji Metussin

Mozart bin Haji Ibrahim (Alternate Director to Junaidi bin Hj Masri)

## **Directors' benefit**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank was a party, whereby the directors might acquire benefits by means of acquisition of shares in the Bank or any other corporate body.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of emoluments received or due receivable by directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 37 of the financial statements) by reason of a contract made by the Bank or a related corporation with any director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Directors' interests

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

| Name of directors                    | Number of ordinary shares<br>of B\$1 each              |                       |
|--------------------------------------|--|-----------------------|
|                                      | At beginning<br>of the year/<br>Date of<br>appointment | At end<br>of the year |
| Dato Paduka Haji Bahrin bin Abdullah | 4,441  | 4,441                 |
| Dato Paduka Iqbal Ahmad Khan         | 1  | 1                     |
| Javed Ahmad bin Kamil Hasan          | 5,001  | —                     |
| Junaidi bin Hj Masri                 | 1  | 1                     |
| Mubashar Khokhar                     | —  | 1                     |

Other than as disclosed, none of the directors in office at the end of the financial year had any interest in shares and in options in the Bank or its related corporations during the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 MAR 2016



**Dato Paduka Haji Bahrin bin Abdullah**  
*Chairman*



**Mubashar Khokhar**  
*Managing Director*



**Junaidi bin Hj Masri**  
*Director*

Brunei Darussalam

## **Statement by Directors**


In the opinion of the Directors, the financial statements set out on pages FS1 to FS113 are drawn up in accordance with International Financial Reporting Standards ("IFRS"), and the provisions of the Islamic Banking Order, 2008 so as to give a true and fair view of the financial position of the Group and the Bank as of 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the Bank for the financial year ended 31 December 2015.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



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**Dato Paduka Haji Bahrin bin Abdullah**  
Chairman



---

**Mubashar Khokhar**  
Managing Director



---

**Junaidi bin Hj Masri**  
Director

**Brunei Darussalam**

**Shariah Advisory Body Report**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وعلى آله وصحبه أجمعين

**To the Shareholders of Bank Islam Brunei Darussalam Berhad,**

السلام عليكم ورحمة الله وبركاته

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

- a) We have reviewed the principles outlined in the contracts that relate to the transactions as well as the applications of these principles in the products and services introduced by Bank Islam Brunei Darussalam Berhad and its Group of Companies ("Bank") during the financial year ended 31 December 2015 to ensure conformity with the rules and principles of Shariah.
- b) In ensuring the Bank has complied with the Shariah rules and principles and rulings issued by us, we have also performed oversight role through the Shariah review and Shariah audit functions carried out by the Shariah department.
- c) We have assessed the work carried out by Shariah Department and its effectiveness to implement the Shariah Governance Framework which included pre and post Shariah review and examination, on a test basis towards the business transaction, the relevant documentations and procedures adopted and/or entered into by the Bank.
- d) The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to present an independent opinion base on our review of the Bank's business operations and to subsequently report to you.
- e) We obtained all information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated the Shariah rules and principles in all transaction that had been presented to us.

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

- a. The products and services, contracts and dealings transactions entered into by the Bank during the financial period ending 31 December 2015 that we have reviewed are in compliance with Shariah rules and principles;
- b. All tainted earnings that have been realised from sources or manner which are not fulfil the Shariah requirement have been separated and considered for disposal to charitable causes; and
- c. The zakat of the Bank's business is in accordance with the calculation methodology approved by this Body.

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

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

آمين

والله ولي التوفيق والهداية

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



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

**Brunei Darussalam**  
22 April 2016





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## **Independent auditors' report**

Members of the Bank  
Bank Islam Brunei Darussalam Berhad

### **Report on the financial statements**

We have audited the accompanying financial statements of Bank Islam Brunei Darussalam Berhad ("the Bank") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Bank as at 31 December 2015, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS113.

#### *Directors' responsibility for the financial statements*

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 ("the Act") and International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion:

- (a) the consolidated financial statements of the Group and the financial statements of the Bank are properly drawn up in accordance with the provisions of the Act and International Financial Reporting Standards to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2015, and financial performance, changes in equity and cash flows of the Group and the Bank for the year ended on that date according to the best of our information and the explanation given to us and as shown by the books of the Bank; and
- (b) we have obtained all the information and explanations that we required.

**KPMG LLP**

*Singapore Public Accountant and  
Singapore Chartered Accountants*

**David Waller**

*Brunei Darussalam Public Accountant*

**Singapore**

16 March 2016

**Income Statements**  
**Year ended 31 December 2015**

|   |             | <b>Group</b>           |                        | <b>Bank</b>            |                        |
|---|-------------|------------------------|------------------------|------------------------|------------------------|
|   | <b>Note</b> | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> |
| Profit from financing, leasing and investments          | 3           | 257,918                | 238,106                | 208,274                | 194,615                |
| Profit paid/payable to depositors                       | 4           | (29,385)               | (21,787)               | (26,395)               | (18,399)               |
| Net profit margin                                       |             | 228,533                | 216,319                | 181,879                | 176,216                |
| Fee and commission income                               | 6           | 30,137                 | 23,073                 | 28,664                 | 23,073                 |
| Fee and commission expense                              | 6           | (3,995)                | (3,094)                | (3,995)                | (3,094)                |
| Net fee and commission income                           |             | 26,142                 | 19,979                 | 24,669                 | 19,979                 |
| Loss from derivatives and investments                   | 5           | (148,980)              | (93,466)               | (149,613)              | (95,285)               |
| Other operating income                                  | 7           | 215,252                | 119,778                | 195,128                | 108,475                |
| Total income  |             | 320,947                | 262,610                | 252,063                | 209,385                |
| <b>Less:</b>  |             |                        |                        |                        |                        |
| Personnel expenses                                      | 8           | (63,656)               | (55,496)               | (50,016)               | (47,780)               |
| Other expenses  | 9           | (67,036)               | (47,181)               | (45,268)               | (36,959)               |
| Total operating expenses                                |             | (130,692)              | (102,677)              | (95,284)               | (84,739)               |
| Operating profit before allowances                      |             | 190,255                | 159,933                | 156,779                | 124,646                |
| <b>Less:</b>  |             |                        |                        |                        |                        |
| Allowance for impairment on financing and advances, net | 10          | (34,905)               | (18,033)               | (32,261)               | (16,183)               |
| Allowance for impairment on receivables                 |             | (19,460)               | –                      | –                      | –                      |
| Allowance for impairment on investments, net            | 11          | –                      | (350)                  | –                      | (350)                  |
| Operating profit  |             | 135,890                | 141,550                | 124,518                | 108,113                |
| Share of profit of associate                            | 25          | 2,365                  | 2,246                  | –                      | –                      |
| Profit before zakat and tax                             |             | 138,255                | 143,796                | 124,518                | 108,113                |
| <b>Less:</b>  |             |                        |                        |                        |                        |
| Zakat   | 12          | (3,112)                | (3,065)                | (3,112)                | (3,065)                |
| Income tax expense                                      | 13          | (28,427)               | (29,216)               | (20,783)               | (21,124)               |
| Total zakat and income tax expense                      |             | (31,539)               | (32,281)               | (23,895)               | (24,189)               |
| <b>Profit for the year</b>                              |             | <b>106,716</b>         | <b>111,515</b>         | <b>100,623</b>         | <b>83,924</b>          |
| Profit for the year attributable to:                    |             |                        |                        |                        |                        |
| Equity holders of the Bank                              |             | 113,588                | 109,271                | 100,623                | 83,924                 |
| Non-controlling interests                               |             | (6,872)                | 2,244                  | –                      | –                      |
| <b>Profit for the year</b>                              |             | <b>106,716</b>         | <b>111,515</b>         | <b>100,623</b>         | <b>83,924</b>          |
| <b>Earnings per share</b>                               |             |                        |                        |                        |                        |
| Basic earnings per share (dollars)                      | 15          | 0.16                   | 0.15                   |                        |                        |
| Diluted earnings per share (dollars)                    | 15          | 0.16                   | 0.15                   |                        |                        |

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



**Statements of Comprehensive Income  
Year ended 31 December 2015**

|  | <b>Group</b>  |               | <b>Bank</b>   |               |
|--|---------------|---------------|---------------|---------------|
|  | <b>2015</b>   | <b>2014</b>   | <b>2015</b>   | <b>2014</b>   |
|  | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> |
| <b>Profit for the year</b>   | 106,716       | 111,515       | 100,623       | 83,924        |
| <b>Other comprehensive income:</b>                                 |               |               |               |               |
| <i>Items that are or may be reclassified to<br/>profit or loss</i> |               |               |               |               |
| Fair value reserve (available-for-sale<br>financial assets):       |               |               |               |               |
| - Net change in fair value   | (22,091)      | 3,869         | (21,854)      | 4,560         |
| - Net amount transferred to profit or loss                         | 48            | (264)         | 48            | (264)         |
| Share of other comprehensive income<br>of associate                | 103           | 1,117         | —             | —             |
| Tax on other comprehensive income                                  | 4,304         | (884)         | 4,037         | (821)         |
| <b>Other comprehensive income for the year,<br/>net of tax</b>     | (17,636)      | 3,838         | (17,769)      | 3,475         |
| <b>Total comprehensive income for the year</b>                     | 89,080        | 115,353       | 82,854        | 87,399        |
| Attributable to:   |               |               |               |               |
| Equity holders of the Bank   | 95,952        | 113,109       | 82,854        | 87,399        |
| Non-controlling interests  | (6,872)       | 2,244         | —             | —             |
| <b>Total comprehensive income for the year</b>                     | 89,080        | 115,353       | 82,854        | 87,399        |

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

**Statements of Financial Position  
As at 31 December 2015**

|  |             | <b>Group</b>           |                        | <b>Bank</b>            |                        |
|--|-------------|------------------------|------------------------|------------------------|------------------------|
|  | <b>Note</b> | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> |
| <b>Assets</b>  |             |                        |                        |                        |                        |
| Cash and cash equivalents  | 16          | 888,313                | 1,185,467              | 892,387                | 1,286,103              |
| Balances with Autoriti Monetari<br>Brunei Darussalam               | 17          | 382,383                | 353,796                | 350,741                | 325,015                |
| Placements with and financing<br>and advances to banks             | 18          | 1,897,463              | 2,062,491              | 2,159,063              | 2,262,791              |
| Government sukuk   | 19          | 20,751                 | 55,977                 | 20,751                 | 55,977                 |
| Investments  | 20          | 614,344                | 757,649                | 602,997                | 747,394                |
| Derivative financial assets  | 21          | 27,971                 | 1,019                  | 27,971                 | 1,019                  |
| Financing and advances   | 22          | 3,391,737              | 2,986,860              | 2,815,031              | 2,425,531              |
| Finance lease receivables  | 23          | 12,526                 | 12,498                 | 12,526                 | 12,498                 |
| Investments in subsidiaries  | 24          | —                      | —                      | 36,682                 | 36,682                 |
| Investment in associate  | 25          | 13,829                 | 11,361                 | 7,080                  | 7,080                  |
| Other assets   | 26          | 26,994                 | 32,541                 | 42,065                 | 44,629                 |
| Property and equipment   | 27          | 184,489                | 178,522                | 46,641                 | 31,333                 |
| Investment property  | 28          | 28,646                 | 29,808                 | 28,646                 | 29,808                 |
| Deferred tax assets  | 29          | 10,790                 | 2,275                  | 13,838                 | 5,805                  |
| <b>Total assets</b>  |             | <b>7,500,236</b>       | <b>7,670,264</b>       | <b>7,056,419</b>       | <b>7,271,665</b>       |
| <b>Liabilities and equity</b>                                      |             |                        |                        |                        |                        |
| Deposits from customers  | 30          | 5,367,152              | 5,580,956              | 5,242,793              | 5,404,718              |
| Deposits from banks and other<br>financial institutions            | 31          | 545,214                | 503,014                | 452,713                | 496,516                |
| Derivative financial liabilities                                   | 21          | 68,796                 | 127,435                | 68,796                 | 127,435                |
| Other liabilities  | 32          | 92,746                 | 82,921                 | 72,422                 | 68,000                 |
| Zakat  | 33          | 3,805                  | 3,325                  | 3,805                  | 3,325                  |
| Provision for taxation   | 33          | 68,479                 | 64,552                 | 52,669                 | 49,993                 |
| <b>Total liabilities</b>   |             | <b>6,146,192</b>       | <b>6,362,203</b>       | <b>5,893,198</b>       | <b>6,149,987</b>       |
| <b>Equity</b>  |             |                        |                        |                        |                        |
| Share capital  | 34          | 724,750                | 724,750                | 724,750                | 724,750                |
| Treasury shares  | 35          | (3)                    | (3)                    | —                      | —                      |
| Statutory reserves fund  | 36          | 420,531                | 385,875                | 385,526                | 352,870                |
| Other reserves   | 36          | 182,341                | 162,356                | 52,945                 | 44,058                 |
| <b>Total equity attributable to<br/>equity holders of the Bank</b> |             | <b>1,327,619</b>       | <b>1,272,978</b>       | <b>1,163,221</b>       | <b>1,121,678</b>       |
| <b>Non-controlling interests</b>                                   |             | <b>26,425</b>          | <b>35,083</b>          | <b>—</b>               | <b>—</b>               |
| <b>Total equity</b>  |             | <b>1,354,044</b>       | <b>1,308,061</b>       | <b>1,163,221</b>       | <b>1,121,678</b>       |
| <b>Total liabilities and equity</b>                                |             | <b>7,500,236</b>       | <b>7,670,264</b>       | <b>7,056,419</b>       | <b>7,271,665</b>       |

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

**Certification**

I certify that the above financial statements give a true and fair view of the financial position as at 31 December 2015 and the financial performance for the year ended 31 December 2015.



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**Mubashar Khokhar**  
*Managing Director*

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



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**Dato Paduka Haji Bahrin bin Abdullah**  
*Chairman*



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**Mubashar Khokhar**  
*Managing Director*



---

**Junaidi bin Hj Masri**  
*Director*

**Brunei Darussalam**  
16 MAR 2016

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

**Consolidated Statement of Changes in Equity  
Year ended 31 December 2015**

| -----Attributable to equity holders of the Bank----- |      |                         |                           |                             |                              |                            |                                     |                                     |                        |
|--|------|-------------------------|---------------------------|-----------------------------|------------------------------|----------------------------|-------------------------------------|-------------------------------------|------------------------|
| Group  | Note | Share capital<br>BS'000 | Treasury shares<br>BS'000 | Statutory reserve<br>BS'000 | Fair value reserve<br>BS'000 | Retained profits<br>BS'000 | Total shareholders' funds<br>BS'000 | Non-controlling interests<br>BS'000 | Total equity<br>BS'000 |
|  |      |                         |                           |                             |                              |                            |                                     |                                     |                        |
| At 1 January 2015                                    |      | 724,750                 | (3)                       | 385,875                     | 3,275                        | 159,081                    | 1,272,978                           | 35,083                              | 1,308,061              |
| Profit for the year                                  |      | —                       | —                         | —                           | —                            | 113,588                    | 113,588                             | (6,872)                             | 106,716                |
| Other comprehensive income                           |      | —                       | —                         | —                           | (17,636)                     | —                          | (17,636)                            | —                                   | (17,636)               |
| Total comprehensive income for the year              |      | —                       | —                         | —                           | (17,636)                     | 113,588                    | 95,952                              | (6,872)                             | 89,080                 |
| Transfers to statutory reserve                       |      | —                       | —                         | 34,656                      | —                            | (34,656)                   | —                                   | —                                   | —                      |
| Transactions with owners of the Bank                 |      |                         |                           |                             |                              |                            |                                     |                                     |                        |
| Contributions and distributions                      |      |                         |                           |                             |                              |                            |                                     |                                     |                        |
| Dividends paid on ordinary shares                    | 14   | —                       | —                         | —                           | —                            | (41,311)                   | (41,311)                            | —                                   | (41,311)               |
| Redemptions by non-controlling interest              |      | —                       | —                         | —                           | —                            | —                          | —                                   | (1,786)                             | (1,786)                |
| Total contributions and distributions                |      | —                       | —                         | —                           | —                            | (41,311)                   | (41,311)                            | (1,786)                             | (43,097)               |
| At 31 December 2015                                  |      | 724,750                 | (3)                       | 420,531                     | (14,361)                     | 196,702                    | 1,327,619                           | 26,425                              | 1,354,044              |

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

**Consolidated Statement of Changes in Equity (Cont'd)  
Year ended 31 December 2015**

| -----Attributable to equity holders of the Bank----- |      |                         |                           |                             |                              |                            |                                     |         |                                     |                        |
|--|------|-------------------------|---------------------------|-----------------------------|------------------------------|----------------------------|-------------------------------------|---------|-------------------------------------|------------------------|
| Group  | Note | Share capital<br>BS'000 | Treasury shares<br>BS'000 | Statutory reserve<br>BS'000 | -----Other reserves-----     |                            |                                     |         | Non-controlling interests<br>BS'000 | Total equity<br>BS'000 |
|  |      |                         |                           |                             | Fair value reserve<br>BS'000 | Retained profits<br>BS'000 | Total shareholders' funds<br>BS'000 |         |                                     |                        |
| At 1 January 2014                                    |      | 724,750                 | (2,872)                   | 294,147                     | (563)                        | 170,528                    | 1,185,990                           | 24,685  | 1,210,675                           |                        |
| Profit for the year                                  |      | -                       | -                         | -                           | -                            | 109,271                    | 109,271                             | 2,244   | 111,515                             |                        |
| Other comprehensive income                           |      | -                       | -                         | -                           | 3,838                        | -                          | 3,838                               | -       | 3,838                               |                        |
| Total comprehensive income for the year              |      | -                       | -                         | -                           | 3,838                        | 109,271                    | 113,109                             | 2,244   | 115,353                             |                        |
| Disposal of Bank's shares held by subsidiaries       |      |                         |                           |                             |                              |                            |                                     |         |                                     |                        |
| Transfers to statutory reserve                       |      | -                       | 2,869                     | -                           | -                            | -                          | 2,869                               | -       | 2,869                               |                        |
| Additional transfer to statutory reserve             |      | -                       | -                         | 43,642                      | -                            | (43,642)                   | -                                   | -       | -                                   |                        |
|  |      | -                       | -                         | 48,086                      | -                            | (48,086)                   | -                                   | -       | -                                   |                        |
| Transactions with owners of the Bank                 |      |                         |                           |                             |                              |                            |                                     |         |                                     |                        |
| Contributions and distributions                      |      |                         |                           |                             |                              |                            |                                     |         |                                     |                        |
| Dividends paid on ordinary shares                    | 14   | -                       | -                         | -                           | -                            | (28,990)                   | (28,990)                            | (2,000) | (30,990)                            |                        |
| Contributions from non-controlling interest          |      | -                       | -                         | -                           | -                            | -                          | -                                   | 10,154  | 10,154                              |                        |
| Total contributions and distributions                |      | -                       | -                         | -                           | -                            | (28,990)                   | (28,990)                            | 8,154   | (20,836)                            |                        |
| At 31 December 2014                                  |      | 724,750                 | (3)                       | 385,875                     | 3,275                        | 159,081                    | 1,272,978                           | 35,083  | 1,308,061                           |                        |

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

**Statement of Changes in Equity  
Year ended 31 December 2015**

| <b>Bank</b>                                 | <b>Note</b> | <b>Share<br/>capital<br/>B\$'000</b> | <b>Statutory<br/>reserve<br/>B\$'000</b> | <b>-----Other reserves-----</b>           |   |                          |
|---|-------------|--------------------------------------|--|---|---|--------------------------|
|   |             |                                      |  | <b>Fair value<br/>reserve<br/>B\$'000</b> | <b>Retained<br/>profits<br/>B\$'000</b> | <b>Total<br/>B\$'000</b> |
| At 1 January 2015                           |             | 724,750                              | 352,870                                  | 2,096                                     | 41,962                                  | 1,121,678                |
| Profit for the year                         |             | —                                    | —  | —   | 100,623                                 | 100,623                  |
| Other comprehensive income                  |             | —                                    | —  | (17,769)                                  | —                                       | (17,769)                 |
| Total comprehensive income for the year     |             | —                                    | —  | (17,769)                                  | 100,623                                 | 82,854                   |
| Transfer to statutory reserve               |             | —                                    | 32,656                                   | —   | (32,656)                                | —                        |
| <b>Transactions with owners of the Bank</b> |             |                                      |  |   |   |                          |
| <b>Contributions and distributions</b>      |             |                                      |  |   |   |                          |
| Dividends paid on ordinary shares           | 14          | —                                    | —  | —   | (41,311)                                | (41,311)                 |
| Total contributions and distributions       |             | —                                    | —  | —   | (41,311)                                | (41,311)                 |
| At 31 December 2015                         |             | 724,750                              | 385,526                                  | (15,673)                                  | 68,618                                  | 1,163,221                |

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

**Statement of Changes in Equity (Cont'd)  
Year ended 31 December 2015**

| <b>Bank</b>                                 | <b>Note</b> | <b>Share capital<br/>BS'000</b> | <b>Statutory reserve<br/>BS'000</b> | <b>-----Other reserves-----</b>      |                                    |                         |
|---|-------------|---------------------------------|-------------------------------------|--------------------------------------|------------------------------------|-------------------------|
|   |             |                                 |                                     | <b>Fair value reserve<br/>BS'000</b> | <b>Retained profits<br/>BS'000</b> | <b>Total<br/>BS'000</b> |
| At 1 January 2014                           |             | 724,750                         | 262,822                             | (1,379)                              | 77,076                             | 1,063,269               |
| Profit for the year                         |             | —                               | —                                   | —                                    | 83,924                             | 83,924                  |
| Other comprehensive income                  |             | —                               | —                                   | 3,475                                | —                                  | 3,475                   |
| Total comprehensive income for the year     |             | —                               | —                                   | 3,475                                | 83,924                             | 87,399                  |
| Transfer to statutory reserve               |             | —                               | 41,962                              | —                                    | (41,962)                           | —                       |
| Additional transfer to statutory reserve    |             | —                               | 48,086                              | —                                    | (48,086)                           | —                       |
| <b>Transactions with owners of the Bank</b> |             |                                 |                                     |                                      |                                    |                         |
| <b>Contributions and distributions</b>      |             |                                 |                                     |                                      |                                    |                         |
| Dividends paid on ordinary shares           | 14          | —                               | —                                   | —                                    | (28,990)                           | (28,990)                |
| Total contributions and distributions       |             | —                               | —                                   | —                                    | (28,990)                           | (28,990)                |
| At 31 December 2014                         |             | 724,750                         | 352,870                             | 2,096                                | 41,962                             | 1,121,678               |

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

**Statements of Cash Flows  
Year ended 31 December 2015**

|   | <b>Group</b>     |                | <b>Bank</b>      |                |
|---|------------------|----------------|------------------|----------------|
|   | <b>2015</b>      | <b>2014</b>    | <b>2015</b>      | <b>2014</b>    |
|   | <b>BS'000</b>    | <b>BS'000</b>  | <b>BS'000</b>    | <b>BS'000</b>  |
| <b>Cash flows from operating activities</b>                           |                  |                |                  |                |
| Profit before zakat and tax   | 138,255          | 143,796        | 124,518          | 108,113        |
| Adjustments for:  |                  |                |                  |                |
| Dividend income   | (2,418)          | (1,270)        | (1,950)          | (748)          |
| Allowances for impairment on financing and advances                   | 34,905           | 18,033         | 32,261           | 16,183         |
| Allowances for impairment on receivables                              | 19,460           | —              | —                | —              |
| Change in fair value of derivatives and investments                   | (19,251)         | 4,036          | (18,618)         | 3,806          |
| Depreciation of property, plant and equipment and investment property | 24,597           | 16,358         | 14,593           | 13,066         |
| Impairment of investments, net  | —                | 350            | —                | 350            |
| Gain on disposal of fixed assets                                      | —                | (44)           | —                | (46)           |
| Share of profit from associate  | (2,365)          | (2,246)        | —                | —              |
| Gain on derecognition of financing                                    | —                | (2,394)        | —                | (2,394)        |
| Operating profit before change in operating assets and liabilities    | 193,183          | 176,619        | 150,804          | 138,330        |
| Change in operating assets and liabilities:                           |                  |                |                  |                |
| Deposits of non-bank customers  | (193,293)        | 983,264        | (141,414)        | 1,021,879      |
| Deposits and balances of banks  | 42,200           | 83,320         | (43,803)         | 100,653        |
| Other liabilities   | 9,822            | 16,212         | 4,417            | 10,783         |
| Balances with Autoriti Monetari Brunei Darussalam                     | (28,587)         | (46,507)       | (25,726)         | (41,840)       |
| Deposits and placements with banks and other financial institutions   | 122,575          | (251,926)      | 61,275           | (381,227)      |
| Government sukuk and treasury bills                                   | 35,226           | (27,991)       | 35,226           | (27,991)       |
| Investments   | 104,526          | (33,358)       | 105,222          | (33,861)       |
| Placements from other financial institutions                          | —                | (104,401)      | —                | (104,401)      |
| Financing and advances  | (449,548)        | (142,640)      | (431,528)        | (128,992)      |
| Other assets  | (13,940)         | (6,010)        | 2,540            | (5,771)        |
| Cash from operating activities  | (177,836)        | 646,582        | (282,987)        | 547,562        |
| Zakat paid  | (2,632)          | (2,356)        | (2,632)          | (2,356)        |
| Taxes paid  | (28,711)         | (27,189)       | (22,104)         | (21,874)       |
| Dividends received  | 2,418            | 1,270          | 1,950            | 748            |
| <b>Net cash (used in)/ generated from operating activities</b>        | <b>(206,761)</b> | <b>618,307</b> | <b>(305,773)</b> | <b>524,080</b> |

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



**Statements of Cash Flows (Cont'd)**  
**Year ended 31 December 2015**

|  | <b>Group</b>    |                  | <b>Bank</b>     |                  |
|--|-----------------|------------------|-----------------|------------------|
|  | <b>2015</b>     | <b>2014</b>      | <b>2015</b>     | <b>2014</b>      |
|  | <b>BS'000</b>   | <b>BS'000</b>    | <b>BS'000</b>   | <b>BS'000</b>    |
| <b>Cash flow from investing activities</b>                             |                 |                  |                 |                  |
| Purchase of property and equipment                                     | (29,205)        | (126,590)        | (28,541)        | (11,031)         |
| Proceeds from disposal of property and equipment                       | –               | 61               | –               | 61               |
| Purchase of investment property  | (197)           | (679)            | (197)           | (679)            |
| Purchase of investment in joint venture                                | –               | –                | –               | (10,199)         |
| <b>Net cash used in investing activities</b>                           | <b>(29,402)</b> | <b>(127,208)</b> | <b>(28,738)</b> | <b>(21,848)</b>  |
| <b>Cash flow from financing activities</b>                             |                 |                  |                 |                  |
| Dividends paid   | (41,311)        | (30,990)         | (41,311)        | (28,990)         |
| Capital (redeemed)/ contributed by non-controlling interest            | (1,786)         | 10,154           | –               | –                |
| Proceeds from sale of treasury shares                                  | –               | 2,869            | –               | –                |
| <b>Net cash used in financing activities</b>                           | <b>(43,097)</b> | <b>(17,967)</b>  | <b>(41,311)</b> | <b>(28,990)</b>  |
| Net change in cash and cash equivalents                                | (279,260)       | 473,132          | (375,822)       | 473,242          |
| Cash and cash equivalents at 1 January                                 | 1,185,467       | 690,814          | 1,286,103       | 791,340          |
| Effect of exchange rate fluctuations on cash and cash equivalents held | (17,894)        | 21,521           | (17,894)        | 21,521           |
| <b>Cash and cash equivalents at 31 December</b>                        | <b>888,313</b>  | <b>1,185,467</b> | <b>892,387</b>  | <b>1,286,103</b> |

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

**Statement pursuant to Section 125 of the Brunei Darussalam Companies Act**

The consolidated profit for the financial year ended 31 December 2015 as shown in the consolidated financial statements of the Group includes the share of profit/(loss) from the following subsidiaries, for the financial year ended 31 December 2015:

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

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

On behalf of the Board of Directors



**Dato Paduka Haji Bahrin bin Abdullah**  
Chairman



**Mubashar Khokhar**  
Managing Director



**Junaidi bin Hj Masri**  
Director

**Brunei Darussalam**  
16 MAR 2016

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

## **Notes to the financial statements**

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

### **1 Principal activities and general information**

Bank Islam Brunei Darussalam Berhad (“the Bank”) is incorporated and domiciled in Negara Brunei Darussalam and the registered office of the Bank is Bangunan BIBD, Lot 159, Jalan Pemancha, Bandar Seri Begawan BS8711, Negara Brunei Darussalam.

The Bank is principally engaged in the provision of Islamic banking business in accordance with Shariah principles as allowed under the Islamic Banking Order, 2008.

The subsidiaries are principally engaged in the provision of Islamic hire-purchase, stockbroking, asset and fund management, leasing and management services. There were no significant changes in these activities during the financial year.

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 comprise the Bank and its subsidiaries (together referred to as “the Group” and individually as “Group entities”) and the Group’s interest in associates.

### **2 Summary of significant accounting policies**

#### **2.1 Basis of preparation**

##### **(a) Statement of compliance**

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

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

##### **Standards and interpretations issued but not yet effective**

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

##### **(i) IFRS 9 *Financial Instruments***

IFRS 9 introduces new requirements for the classification and measurement of financial instruments, methods of measuring impairment based on expected loss model, and introduces new requirements for hedge accounting.

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

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

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

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

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

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

The mandatory effective date of IFRS 9 is for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

**(ii) IFRS 14 *Regulatory Deferral Accounts***

IFRS 14 was issued to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. IFRS 14 permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires regulatory deferral of account balances and movements therein to be presented as separate line items on the face of the financial statements, distinguished from assets, liabilities, income and expenses that are recognised in accordance with other IFRSs. An entity that already presents IFRS financial statements is not eligible to apply this standard.

The mandatory effective date of IFRS 14 is for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

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

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

The mandatory effective date of IFRS 15 is for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

**(iv) IFRS 16 *Leases***

IFRS 16 was issued in January 2016 that specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019.

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

**(v) Amendments and improvements**

IASB also introduces the following improvements and amendments:

- Amendments to IFRS 11 *Joint Arrangements – Amendment to Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 19 Employee Benefits Plans – Amendments relating to discount rate: regional market issue
- Amendments to IAS 27 – *Equity Method in Separate Financial Statements*
- Amendments to IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Improvements to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*
- Improvements to IFRS 7 – *Financial Instrument: Disclosure*

The Group is in the process of evaluating the potential effect of the adoption of the amendments.

**(b) Basis measurement**

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

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgements**

In the preparation of the financial statements, management has been required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates is revised and in any future period affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amount recognised in the financial statements are described in the following notes:

- Note 10 – Impairment of financing and advances
- Note 11 – Impairment of investments



## **2.2 Basis of consolidation**

### ***Business combinations***

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

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

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

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

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

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

### **Acquisitions before 1 January 2013**

As part of its transition to IFRS in 2014, the Group elected not to restate those business combinations that occurred before the date of transition to IFRS, i.e., 1 January 2013.

### ***Acquisition of non-controlling interest***

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

### ***Subsidiaries***

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

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

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

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

### ***Loss of control***

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

### ***Associate***

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

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

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

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

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

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



### ***Non-controlling interests***

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

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

### ***Transactions eliminated on consolidation***

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

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

## **2.3 Foreign currency**

### ***Foreign currency transactions and balances***

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

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

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

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

## **2.4 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and other financial institutions and money-at-call and short notice and interbank placements with original maturity not exceeding three months.

## **2.5 Financial instruments**

### ***Recognition***

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

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

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

### **Financial assets**

#### **(a) Financing and receivables**

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

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

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

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

##### **(i) Held-for-trading**

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

##### **(ii) Designated under fair value option**

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

- it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or recognising gains or losses on them, using different bases; or
- the financial asset contains an embedded derivative that would otherwise need to be separately recorded

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

**(c) Financial assets held-to-maturity**

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

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

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

**(d) Financial assets available-for-sale**

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

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

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

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

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment. See note 2.10 Impairment.

### ***Derivative financial instruments***

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

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

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

### **Financial liabilities**

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

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

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

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

### ***Financial guarantee contracts***

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

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

### ***Fair value measurement***

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

### ***Reclassification of financial assets***

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

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

### ***Derecognition***

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

### ***Offsetting***

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

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

## **2.6 Property and equipment**

### **(a) Recognition and measurement**

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

### **(b) Subsequent costs**

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

### **(c) Depreciation**

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

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

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



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

|                                     |                                    |
|-------------------------------------|------------------------------------|
| • Leasehold building                | Shorter of lease term and 10 years |
| • Equipment, furniture and fittings | 3-5 years                          |
| • Motor vehicles                    | 7 years                            |
| • Ship vessel                       | 20 years                           |
| • Dry dock of ship vessel           | 4 years                            |

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period.

## **2.7 Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. The Group holds investment property which has been acquired through the enforcement of security over financing and advances. Investment property is initially measured at cost and subsequently at cost less accumulated depreciation and impairment loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Depreciation on investment property is recognised in profit or loss on a straight-line basis over 49 years.

## **2.8 Leased assets – operating lease**

Leases, where the Group or the Bank does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

## **2.9 Impairment**

### **Financial assets**

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

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

- (i) significant financial difficulty of the issuer or obligor;
- (ii) restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- (iii) indications that a debtor or issuer will enter bankruptcy;
- (iv) adverse changes in the payment status of borrowers or issuers in the Group;
- (v) economic conditions that correlate with defaults; or
- (vi) the disappearance of an active market for a security.

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

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

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



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

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

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

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

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

#### **Non-financial assets**

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

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

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

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

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

## **2.10 Deposits, financing and other liabilities**

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

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

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

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

## **2.11 Provisions**

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

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

### ***Onerous contracts***

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

## **2.12 Contingent liabilities**

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

## **2.13 Contingent assets**

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

## **2.14 Share capital**

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

## **2.15 Recognition of income**

### **Financing income**

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments.

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

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

### **Fee and other income recognition**

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

## **Income derived from placements and investments**

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

## **Dividend income**

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

## **2.16 Income tax**

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

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

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

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

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

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

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

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

## **2.17 Zakat**

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

## **2.18 Employee benefits**

### **Short term employee benefits**

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

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

### **Other long-term employee benefits**

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

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

## **2.19 Earnings per ordinary share**

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

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

### 3 Profit from financing, leasing and investments

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015           | 2014           | 2015           | 2014           |
|  | BS'000         | BS'000         | BS'000         | BS'000         |
| Financing and leasing  | 207,882        | 188,886        | 157,027        | 145,237        |
| Securities   |                |                |                |                |
| - Profit from sukuk  | 22,337         | 22,684         | 22,337         | 22,684         |
| - Dividend income  | 2,418          | 1,270          | 1,950          | 748            |
| Balances and placements with banks<br>and other financial institutions | 25,281         | 25,266         | 26,960         | 25,946         |
| <b>Total</b>   | <b>257,918</b> | <b>238,106</b> | <b>208,274</b> | <b>194,615</b> |

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

### 4 Profit paid/payable to depositors

|   | Group         |               | Bank          |               |
|---|---------------|---------------|---------------|---------------|
|   | 2015          | 2014          | 2015          | 2014          |
|   | BS'000        | BS'000        | BS'000        | BS'000        |
| Deposits from customers:  |               |               |               |               |
| - Mudharabah fund   | 162           | 171           | 162           | 171           |
| - Non-Mudharabah fund   | 26,249        | 19,477        | 24,719        | 16,717        |
|   | 26,411        | 19,648        | 24,881        | 16,888        |
| Deposits and placements of banks<br>and other financial institutions: |               |               |               |               |
| - Non-Mudharabah fund   | 2,974         | 2,139         | 1,514         | 1,511         |
| <b>Total</b>  | <b>29,385</b> | <b>21,787</b> | <b>26,395</b> | <b>18,399</b> |

### 5 Loss from derivatives and investments

|   | Group            |                 | Bank             |                 |
|---|------------------|-----------------|------------------|-----------------|
|   | 2015             | 2014            | 2015             | 2014            |
|   | BS'000           | BS'000          | BS'000           | BS'000          |
| Net fair value gain/(loss) on financial<br>instruments held-for-trading                 |                  |                 |                  |                 |
| - Derivatives   | (149,153)        | (95,803)        | (149,153)        | (95,803)        |
| - Others  | (212)            | 2,521           | (212)            | 702             |
| Fair value losses on investments<br>designated at fair value through profit<br>and loss | (402)            | (431)           | (1,035)          | (431)           |
| Gain from sale of available for sale debt<br>securities                                 | 787              | 247             | 787              | 247             |
| <b>Total</b>  | <b>(148,980)</b> | <b>(93,466)</b> | <b>(149,613)</b> | <b>(95,285)</b> |



The foreign exchange risk exposure is managed through foreign exchange forward currency hedges as set out in Note 38. The Bank does not adopt hedge accounting for such currency hedges, so in accordance with the accounting policies in Note 2, the foreign exchange gains or losses on assets are recognised in other operating income (Note 7) and the fair value movements in the forward currency hedges are included in gain or loss from derivatives and investments.

## 6 Net fee and commission income

|                                      | Group         |               | Bank          |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2015          | 2014          | 2015          | 2014          |
|                                      | BS'000        | BS'000        | BS'000        | BS'000        |
| Fees and commission income:          |               |               |               |               |
| - Trade finance                      | 860           | 1,104         | 860           | 1,104         |
| - Ar-Rahnu (pawn/pledge)             | 1,928         | 1,959         | 1,928         | 1,959         |
| - Credit and Debit Cards             | 14,481        | 12,980        | 14,481        | 12,980        |
| - Al-Kafalah (guarantee)             | 1,502         | 1,357         | 1,502         | 1,357         |
| - Commission                         | 3,650         | 1,876         | 3,435         | 1,876         |
| - Others                             | 7,493         | 3,797         | 6,458         | 3,797         |
| Arrangement fees                     | 223           | —             | —             | —             |
| Total fee and commission income      | 30,137        | 23,073        | 28,664        | 23,073        |
| Fee and commission expense:          |               |               |               |               |
| - Credit Card                        | (3,995)       | (3,094)       | (3,995)       | (3,094)       |
| Total fee and commission expense     | (3,995)       | (3,094)       | (3,995)       | (3,094)       |
| <b>Net fee and commission income</b> | <b>26,142</b> | <b>19,979</b> | <b>24,669</b> | <b>19,979</b> |

The net fee and commission income above relate to financial assets and financial liabilities that are not at fair value through profit or loss.

## 7 Other operating income

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015           | 2014           | 2015           | 2014           |
|  | BS'000         | BS'000         | BS'000         | BS'000         |
| Dividend income from subsidiary            | —              | —              | 15,000         | 2,000          |
| Gain on disposal of property and equipment | —              | 44             | —              | 46             |
| Net foreign exchange gain                  | 169,016        | 91,471         | 169,016        | 91,471         |
| Rental income                              | 740            | 508            | 729            | 496            |
| Rental income from investment property     | 2,035          | 1,668          | 2,035          | 1,668          |
| Income from charter of vessel              | 33,941         | 10,566         | —              | —              |
| Recovery of financing written off          | 8,870          | 11,158         | 7,989          | 10,166         |
| Others                                     | 650            | 4,363          | 359            | 2,628          |
| <b>Total</b>                               | <b>215,252</b> | <b>119,778</b> | <b>195,128</b> | <b>108,475</b> |

Rental income amounts include finance lease income of B\$688,089 (2014: B\$454,147) on finance lease receivables for the current financial year.



## 8 Personnel expenses

|   | Group         |               | Bank          |               |
|---|---------------|---------------|---------------|---------------|
|   | 2015          | 2014          | 2015          | 2014          |
|   | BS'000        | BS'000        | BS'000        | BS'000        |
| Salaries and wages                          | 40,429        | 34,757        | 30,303        | 29,079        |
| Allowances and bonuses                      | 17,128        | 16,654        | 13,925        | 14,839        |
| Contributions to defined contribution plans | 3,231         | 2,935         | 2,930         | 2,712         |
| Others                                      | 2,868         | 1,150         | 2,858         | 1,150         |
| <b>Total</b>                                | <b>63,656</b> | <b>55,496</b> | <b>50,016</b> | <b>47,780</b> |

## 9 Other expenses

|  | Group         |               | Bank          |               |
|--|---------------|---------------|---------------|---------------|
|  | 2015          | 2014          | 2015          | 2014          |
|  | BS'000        | BS'000        | BS'000        | BS'000        |
| <b>Promotion</b>   |               |               |               |               |
| Advertisement and publicity                                    | 2,284         | 1,947         | 1,993         | 1,352         |
| <b>Operational</b>   |               |               |               |               |
| Office rental  | 4,881         | 4,578         | 4,602         | 4,346         |
| Depreciation of property and equipment and investment property | 24,597        | 16,358        | 14,593        | 13,066        |
| Electronic data processing expenses                            | 5,664         | 5,095         | 4,645         | 3,896         |
| Hire of equipment  | 87            | 56            | 87            | 56            |
| Office expenses  | 8,777         | 5,615         | 6,672         | 5,295         |
|  | <b>44,006</b> | <b>31,702</b> | <b>30,599</b> | <b>26,659</b> |
| <b>General expenses</b>  |               |               |               |               |
| Management fees  | 1,131         | 412           | –             | –             |
| Auditors' remuneration:  |               |               |               |               |
| - Statutory audit fees – current year                          | 575           | 485           | 436           | 398           |
| - Non-audit services   | 678           | 568           | 672           | 568           |
| Professional fees  | 4,119         | 1,349         | 4,053         | 1,167         |
| Other operating expense – Investment property                  | 773           | 522           | 773           | 522           |
| Others   | 13,470        | 10,196        | 6,742         | 6,293         |
|  | <b>20,746</b> | <b>13,532</b> | <b>12,676</b> | <b>8,948</b>  |
| <b>Total</b>   | <b>67,036</b> | <b>47,181</b> | <b>45,268</b> | <b>36,959</b> |

# 10 Allowance for impairment on financing and advances (net)

|  |      | Group           |                 | Bank            |                 |
|--|------|-----------------|-----------------|-----------------|-----------------|
|  | Note | 2015<br>B\$'000 | 2014<br>B\$'000 | 2015<br>B\$'000 | 2014<br>B\$'000 |
| Allowance for impaired financing and advances: |      |                 |                 |                 |                 |
| - collective allowance                         | 22   | 4,691           | 17,351          | 4,908           | 16,645          |
| - individual allowance                         | 22   | 30,214          | 682             | 27,353          | (462)           |
| <b>Total</b>                                   |      | <b>34,905</b>   | <b>18,033</b>   | <b>32,261</b>   | <b>16,183</b>   |

Profit accrued during the year on impaired financing amounts to B\$15,539,497 (2014: B\$15,988,904).

# 11 Allowance for impairment on investments

|  |  | Group           |                 | Bank            |                 |
|--|--|-----------------|-----------------|-----------------|-----------------|
|  |  | 2015<br>B\$'000 | 2014<br>B\$'000 | 2015<br>B\$'000 | 2014<br>B\$'000 |
| Impairment of allowance for impairment losses: |  |                 |                 |                 |                 |
| - Investment in unquoted fund                  |  | —               | 350             | —               | 350             |

# 12 Zakat

|                         |  | Group           |                 | Bank            |                 |
|-------------------------|--|-----------------|-----------------|-----------------|-----------------|
|                         |  | 2015<br>B\$'000 | 2014<br>B\$'000 | 2015<br>B\$'000 | 2014<br>B\$'000 |
| <b>Zakat</b>            |  |                 |                 |                 |                 |
| Current zakat provision |  | 3,112           | 3,065           | 3,112           | 3,065           |

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

## 13 Taxation

| Tax recognised in profit or loss                      | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| <b>Current tax expense</b>                            |                |                |                |                |
| Current year  | 32,638         | 43,189         | 24,779         | 28,530         |
| <b>Deferred tax expense</b>                           |                |                |                |                |
| Origination and reversal of temporary differences     | (4,211)        | (13,846)       | (3,996)        | (7,394)        |
| Reduction in tax rate                                 | –              | (127)          | –              | (12)           |
|   | (4,211)        | (13,973)       | (3,996)        | (7,406)        |
| <b>Total tax expense recognised in profit or loss</b> | <b>28,427</b>  | <b>29,216</b>  | <b>20,783</b>  | <b>21,124</b>  |
| <b>Tax recognised in other comprehensive income</b>   |                |                |                |                |
| Available-for-sale financial instrument               | (4,304)        | 884            | (4,037)        | 821            |

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

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| Profit before zakat and taxation  | 138,255        | 143,796        | 124,518        | 108,113        |
| Income tax using the domestic corporate tax rate of 18.5% (2014: 18.5%) | 25,577         | 26,602         | 23,036         | 20,001         |
| Tax effect of non-deductible expenses                                   | 2,106          | 164            | 1,862          | 164            |
| Tax effect of non-taxable revenue                                       | –              | (382)          | (2,775)        | (382)          |
| Tax incentives  | (452)          | (471)          | (376)          | (471)          |
| Tax effect of zakat   | (576)          | (565)          | (576)          | (565)          |
| Others  | 1,772          | 3,868          | (388)          | 2,377          |
| <b>Total</b>  | <b>28,427</b>  | <b>29,216</b>  | <b>20,783</b>  | <b>21,124</b>  |

## 14 Dividend per ordinary share

|                                      | <b>Group and Bank</b> |                |
|--------------------------------------|-----------------------|----------------|
|                                      | <b>2015</b>           | <b>2014</b>    |
|                                      | <b>B\$'000</b>        | <b>B\$'000</b> |
| <b>On ordinary shares</b>            |                       |                |
| Net dividend paid on ordinary shares | 41,311                | 28,990         |

|                     | <b>-----Group and Bank-----</b>     |                                    |                                     |                                    |
|---------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
|                     | <b>2015</b>                         |                                    | <b>2014</b>                         |                                    |
|                     | <b>Gross dividend per share B\$</b> | <b>Dividend net of tax B\$'000</b> | <b>Gross dividend per share B\$</b> | <b>Dividend net of tax B\$'000</b> |
| <b>Authorised:</b>  |                                     |                                    |                                     |                                    |
| Final dividend paid | 0.057                               | 41,311                             | 0.040                               | 28,990                             |

At the Annual General Meeting on 6 November 2015, a final dividend in respect of financial year ended 31 December 2014 of B\$0.057 on 724,749,513 number of ordinary shares, amounting to B\$41,310,722 was approved by shareholders and was paid on 4 December 2015.

## 15 Earnings per share

### Basic Earnings per Share ("EPS")

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

|  | <b>Group</b> |             |
|--|--------------|-------------|
|  | <b>2015</b>  | <b>2014</b> |
| Profit for the year attributable to equity holders (B\$'000) | 113,588      | 109,271     |
| Weighted average number of ordinary shares ('000)            | 724,747      | 724,747     |
| Basic EPS (B\$)  | 0.16         | 0.15        |

### Diluted Earnings per Share

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

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

## 16 Cash and cash equivalents

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| Cash in hand   | 78,327         | 55,548         | 77,673         | 55,379         |
| Balances with banks and other financial institutions   | 108,117        | 140,693        | 112,845        | 141,498        |
| Money at call and short notice and interbank placements with original maturity not exceeding three months <sup>(1)</sup> | 701,869        | 989,226        | 701,869        | 1,089,226      |
| Cash and cash equivalents in the statements of financial position <sup>(1)</sup>   | 888,313        | 1,185,467      | 892,387        | 1,286,103      |

<sup>(1)</sup> Comparatives have been restated to conform to current year's presentation.

Comparatives have been restated to conform to current year's presentation so that interbank placements with original maturity of less than 3 months are classified as cash and cash equivalents. As a result, B\$854,534,000 for Group and B\$887,534,000 for Bank have been reclassified to placements with and financing and advances to banks. Restricted cash amounting to B\$4,867,222 (2014: B\$20,932,000) is included above in the current year's cash and cash equivalents balances for both Group and Bank.

## 17 Balances with Autoriti Monetari Brunei Darussalam

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

## 18 Placements with and financing and advances to banks

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

## 19 Government sukuk

Government sukuk are classified as held-to-maturity and have maturities less than one year.

## 20 Investments

|   | Note | Group          |                | Bank           |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| Investments at fair value through<br>profit or loss | 20.1 | 20,456         | 22,098         | 1,700          | 2,920          |
| Available-for-sale investments                      | 20.2 | 579,749        | 713,335        | 587,158        | 722,258        |
| Held-to-maturity investments                        | 20.3 | 14,139         | 22,216         | 14,139         | 22,216         |
| <b>Total</b>  |      | <b>614,344</b> | <b>757,649</b> | <b>602,997</b> | <b>747,394</b> |

### 20.1 Investment at fair value through profit or loss

|                     |  | Group          |                | Bank           |                |
|---------------------|--|----------------|----------------|----------------|----------------|
|                     |  | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| Quoted equities     |  | 21,018         | 21,671         | 2,262          | 2,493          |
| Structured deposits |  | (562)          | 427            | (562)          | 427            |
| <b>Total</b>        |  | <b>20,456</b>  | <b>22,098</b>  | <b>1,700</b>   | <b>2,920</b>   |

### 20.2 Available-for-sale investments

|                        |  | Group          |                | Bank           |                |
|------------------------|--|----------------|----------------|----------------|----------------|
|                        |  | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| Quoted debt securities |  | 498,872        | 675,816        | 498,872        | 675,816        |
| Unquoted security      |  | —              | —              | 7,409          | 8,923          |
| Unquoted fund          |  | 4,000          | 5,072          | 4,000          | 5,072          |
| Structured deposits    |  | 76,877         | 32,447         | 76,877         | 32,447         |
| <b>Total</b>           |  | <b>579,749</b> | <b>713,335</b> | <b>587,158</b> | <b>722,258</b> |

### 20.3 Held-to-maturity investments

|                                |  | Group          |                | Bank           |                |
|--------------------------------|--|----------------|----------------|----------------|----------------|
|                                |  | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| Quoted debt securities (sukuk) |  | 14,139         | 22,216         | 14,139         | 22,216         |

## 21 Derivative financial assets/(liabilities)

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

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

|                                     | Group           |                  | Bank            |                  |
|-------------------------------------|-----------------|------------------|-----------------|------------------|
|                                     | 2015            | 2014             | 2015            | 2014             |
|                                     | BS'000          | BS'000           | BS'000          | BS'000           |
| Foreign exchange forward contracts: |                 |                  |                 |                  |
| Derivative assets                   | 27,971          | 1,019            | 27,971          | 1,019            |
| Derivative liabilities              | (68,796)        | (127,435)        | (68,796)        | (127,435)        |
| <b>Total</b>                        | <b>(40,825)</b> | <b>(126,416)</b> | <b>(40,825)</b> | <b>(126,416)</b> |

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

## 22 Financing and advances

### (a) By type of products

|   | Group            |                  | Bank             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2015             | 2014             | 2015             | 2014             |
|   | BS'000           | BS'000           | BS'000           | BS'000           |
| <b>At amortised cost</b>                              |                  |                  |                  |                  |
| Cash line/Naqad (overdrafts)                          | 99,420           | 71,531           | 99,420           | 71,533           |
| Mortgages   | 393,055          | 381,748          | 393,055          | 381,747          |
| Syndicated financing                                  | 63,947           | 54,452           | 63,947           | 54,452           |
| Hire purchase   | 583,016          | 667,280          | 23               | 148              |
| Lease receivables                                     | 398,729          | 224,221          | 398,729          | 224,221          |
| Other term financing                                  | 1,714,912        | 1,412,688        | 1,715,424        | 1,508,914        |
| Bills receivable                                      | 141,314          | 153,254          | 141,314          | 153,254          |
| Staff financing                                       | 28,201           | 35,239           | 28,201           | 35,239           |
| Credit/charge cards                                   | 51,124           | 47,400           | 51,124           | 47,400           |
| Revolving credits                                     | 23,175           | 21,357           | 23,175           | 21,357           |
| Others  | 20,541           | 20,854           | 16,844           | 20,854           |
| Gross financing and advances                          | 3,517,434        | 3,090,024        | 2,931,256        | 2,519,119        |
| Less: Allowances for losses on financing and advances |                  |                  |                  |                  |
| Individual assessment allowance                       | (73,670)         | (46,686)         | (68,984)         | (42,113)         |
| Collective assessment allowance                       | (52,027)         | (56,478)         | (47,241)         | (51,475)         |
| <b>Net financing and advances</b>                     | <b>3,391,737</b> | <b>2,986,860</b> | <b>2,815,031</b> | <b>2,425,531</b> |



**(b) By contract**

|  | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|--|------------------|------------------|------------------|------------------|
|  | <b>2015</b>      | <b>2014</b>      | <b>2015</b>      | <b>2014</b>      |
|  | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    |
| Al-Kafalah bil Mal and Al-Bai  | 4,907            | 4,308            | 4,907            | 4,308            |
| Al-Wakalah bil Ujrah   | 46,217           | 43,092           | 46,217           | 43,092           |
| Bal' Bithaman Ajil ( <i>deferred payment sale</i> )                    | 1,291,130        | 1,413,725        | 1,291,130        | 1,413,725        |
| Ijarah ( <i>lease</i> )  | 400,130          | 224,975          | 400,799          | 224,975          |
| Ijarah Muntahiah Bittamlik/AITAB ( <i>lease ended with ownership</i> ) | 682,190          | 667,279          | 23               | 148              |
| Murabahah ( <i>cost-plus</i> )   | 130,137          | 153,661          | 225,457          | 249,887          |
| Musharakah ( <i>profit and loss sharing</i> )                          | 73,472           | 45,244           | 73,472           | 45,244           |
| Qard ( <i>benevolent loan</i> )  | 1,754            | 4,665            | 1,754            | 4,665            |
| Tawarruq   | 874,596          | 517,681          | 874,596          | 517,681          |
| Others   | 12,901           | 15,394           | 12,901           | 15,394           |
| <b>Total</b>   | <b>3,517,434</b> | <b>3,090,024</b> | <b>2,931,256</b> | <b>2,519,119</b> |

**(c) By security**

|   | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|---|------------------|------------------|------------------|------------------|
|   | <b>2015</b>      | <b>2014</b>      | <b>2015</b>      | <b>2014</b>      |
|   | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    |
| Unsecured                                     | 247,479          | 119,855          | 248,149          | 119,855          |
| Credit enhanced by:                           |                  |                  |                  |                  |
| - Assignment of salary                        | 1,152,637        | 1,020,584        | 1,152,637        | 1,020,584        |
| - Assignment of project income or receivables | 34,218           | 22,087           | 34,219           | 22,087           |
| - Assignment of fixed or floating charge      | 61,095           | 46,241           | 61,095           | 46,241           |
| - Assignment of rental                        | 18,722           | 17,970           | 18,722           | 17,970           |
| Secured by:                                   |                  |                  |                  |                  |
| - Cash  | 275,300          | 225,449          | 275,300          | 225,449          |
| - Mortgage or property                        | 672,380          | 630,711          | 672,380          | 630,711          |
| - Charge on vessel                            | 318,517          | 257,396          | 404,731          | 353,522          |
| - Guarantees                                  | 50,928           | 66,714           | 50,928           | 66,714           |
| - Motor vehicles                              | 597,997          | 574,580          | 1,698            | 1,823            |
| - Others                                      | 88,161           | 108,437          | 11,397           | 14,163           |
| <b>Total</b>                                  | <b>3,517,434</b> | <b>3,090,024</b> | <b>2,931,256</b> | <b>2,519,119</b> |

**(d) By sector**

|  | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|--|------------------|------------------|------------------|------------------|
|  | <b>2015</b>      | <b>2014</b>      | <b>2015</b>      | <b>2014</b>      |
|  | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    |
| Agricultural                                 | 7,979            | 5,942            | 7,979            | 5,942            |
| Financial                                    | 31,810           | 67,869           | 31,810           | 67,869           |
| Manufacturing                                | 50,364           | 49,618           | 50,364           | 49,618           |
| Transportation                               | 533,848          | 503,069          | 32,320           | 26,103           |
| Infrastructure                               | 55,615           | 56,211           | 46,509           | 44,845           |
| Traders                                      | 119,941          | 120,800          | 119,941          | 120,800          |
| Services                                     | 36,582           | 36,749           | 36,582           | 36,749           |
| Residential property (personal)              | 672,031          | 631,794          | 672,031          | 631,794          |
| Commercial (property development)            | 168,479          | 157,413          | 168,479          | 157,413          |
| Tourism                                      | 22,898           | 17,975           | 22,898           | 17,974           |
| Telecommunication and information technology | 14,231           | 8,947            | 14,231           | 8,947            |
| Personal and consumption financing           | 1,057,078        | 925,674          | 980,864          | 843,102          |
| Oil and gas                                  | 746,578          | 507,963          | 747,248          | 507,963          |
| <b>Total</b>                                 | <b>3,517,434</b> | <b>3,090,024</b> | <b>2,931,256</b> | <b>2,519,119</b> |

**(e) By type of customer**

|                              | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | <b>2015</b>      | <b>2014</b>      | <b>2015</b>      | <b>2014</b>      |
|                              | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    |
| Domestic business enterprise | 951,097          | 699,526          | 1,047,087        | 795,752          |
| Small medium industries      | 87,784           | 81,640           | 58,627           | 49,655           |
| Individuals                  | 2,356,062        | 2,166,016        | 1,703,051        | 1,530,870        |
| Other domestic entities      | 2,154            | 2,749            | 2,154            | 2,749            |
| Foreign entities             | 120,337          | 140,093          | 120,337          | 140,093          |
| <b>Total</b>                 | <b>3,517,434</b> | <b>3,090,024</b> | <b>2,931,256</b> | <b>2,519,119</b> |

**(f) Non-performing financing and advances**

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

|  | <b>Group</b>   |                | <b>Bank</b>    |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2015</b>    | <b>2014</b>    | <b>2015</b>    | <b>2014</b>    |
|  | <b>BS'000</b>  | <b>BS'000</b>  | <b>BS'000</b>  | <b>BS'000</b>  |
| At 1 January   | 144,272        | 183,102        | 138,853        | 178,057        |
| Classified as impaired during the year                                   | 49,640         | 53,472         | 45,592         | 51,241         |
| Reclassified as performing   | (1,018)        | (1,664)        | (343)          | (1,217)        |
| Amount received  | (15,966)       | (57,294)       | (15,966)       | (56,873)       |
| Amount written off against allowances                                    | (12,372)       | (33,344)       | (9,624)        | (32,353)       |
| <b>At 31 December</b>  | <b>164,556</b> | <b>144,272</b> | <b>158,512</b> | <b>138,855</b> |
| Gross impaired financing as a percentage of gross financing and advances | 4.7%           | 4.7%           | 5.4%           | 5.5%           |

**(g) Non-performing financing and advances by sector**

|  | <b>Group</b>   |                | <b>Bank</b>    |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2015</b>    | <b>2014</b>    | <b>2015</b>    | <b>2014</b>    |
|  | <b>BS'000</b>  | <b>BS'000</b>  | <b>BS'000</b>  | <b>BS'000</b>  |
| Agricultural                                 | 3,672          | 3,742          | 3,672          | 3,742          |
| Manufacturing                                | 3,946          | 3,402          | 3,946          | 3,402          |
| Transportation                               | 3,917          | 7,610          | 3,917          | 4,020          |
| Infrastructure                               | 5,596          | 8,665          | 5,596          | 8,665          |
| Traders                                      | 10,009         | 4,676          | 10,009         | 4,676          |
| Services                                     | 4,913          | 5,007          | 4,913          | 5,007          |
| Residential property (personal)              | 39,302         | 35,669         | 39,302         | 35,669         |
| Commercial (property development)            | 36,796         | 33,983         | 36,796         | 33,983         |
| Tourism                                      | 17,071         | 17,313         | 17,071         | 17,313         |
| Telecommunication and information technology | 629            | 490            | 629            | 490            |
| Personal and consumption financing           | 24,202         | 23,715         | 18,158         | 21,888         |
| Oil and gas                                  | 14,503         | —              | 14,503         | —              |
| <b>Total</b>                                 | <b>164,556</b> | <b>144,272</b> | <b>158,512</b> | <b>138,855</b> |

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

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

|   | <b>Group</b>  | <b>Bank</b>   |
|---|---------------|---------------|
|   | <b>BS'000</b> | <b>BS'000</b> |
| <b>Collective allowance</b>               |               |               |
| At 1 January 2014                         | 55,579        | 51,282        |
| Allowance made during the year            | 17,351        | 16,645        |
| Amount written off during the year        | (16,452)      | (16,452)      |
| At 31 December 2014                       | 56,478        | 51,475        |
| Allowance made during the year            | 4,691         | 4,908         |
| Amount written off during the year        | (9,142)       | (9,142)       |
| At 31 December 2015                       | 52,027        | 47,241        |
| <b>Individual allowance</b>               |               |               |
| At 1 January 2014                         | 63,239        | 58,821        |
| Allowance made/(reversed) during the year | 682           | (462)         |
| Amount written off during the year        | (17,235)      | (16,246)      |
| At 31 December 2014                       | 46,686        | 42,113        |
| Allowance made during the year            | 30,214        | 27,353        |
| Amount written off during the year        | (3,230)       | (482)         |
| At 31 December 2015                       | 73,670        | 68,984        |

## 23 Finance lease receivables

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

The finance lease receivables are as follows:

|                            | <b>-----Group and Bank -----</b>                            |                          |   |
|----------------------------|---|--------------------------|---|
|                            | <b>Future<br/>minimum<br/>lease<br/>payments<br/>BS'000</b> | <b>Profit<br/>BS'000</b> | <b>Present value<br/>of minimum<br/>lease<br/>payments<br/>BS'000</b> |
| <b>2015</b>                |   |                          |   |
| Within one year            | 660   | 19                       | 641   |
| Between one and five years | 2,740   | 422                      | 2,318   |
| More than five years       | 28,500  | 18,933                   | 9,567   |
| <b>Total</b>               | <b>31,900</b>   | <b>19,374</b>            | <b>12,526</b>   |
| <b>2014</b>                |   |                          |   |
| Within one year            | 660   | 19                       | 641   |
| Between one and five years | 2,680   | 410                      | 2,270   |
| More than five years       | 29,220  | 19,633                   | 9,587   |
| <b>Total</b>               | <b>32,560</b>   | <b>20,062</b>            | <b>12,498</b>   |

## 24 Investments in subsidiaries

|                             | <b>2015<br/>Bank<br/>BS'000</b> | <b>2014<br/>Bank<br/>BS'000</b> |
|-----------------------------|---------------------------------|---------------------------------|
| <b>At cost</b>              |                                 |                                 |
| Unquoted equity investments | 36,682                          | 36,682                          |

Details of the subsidiaries are as follows:

| Name of Company                           | Principal activities             | Country of<br>incorporation/<br>Place of business | Effective ownership<br>interest |           |
|---|----------------------------------|---|---------------------------------|-----------|
|   |                                  |   | 2015<br>%                       | 2014<br>% |
| BIBD At-Tamwil Bhd                        | Lease financing                  | Negara Brunei<br>Darussalam                       | 100                             | 100       |
| BIBD Securities Sdn Bhd                   | Stockbrokers/sharebrokers        | Negara Brunei<br>Darussalam                       | 100                             | 100       |
| IDBB Sukuk Inc                            | Islamic financing<br>arrangement | Negara Brunei<br>Darussalam                       | 100                             | 100       |
| BIBD Management &<br>Services Bhd         | Management services              | Negara Brunei<br>Darussalam                       | 100                             | 100       |
| IBB Capital Asset<br>Management Sdn Bhd   | Fund management                  | Negara Brunei<br>Darussalam                       | 100                             | 100       |
| Belait Barakah Sdn Bhd                    | Vessel leasing                   | Negara Brunei<br>Darussalam                       | 50                              | 50        |
| BIBD Al-Kauthar Funds<br>DCC Incorporated | Investment fund                  | Negara Brunei<br>Darussalam                       | 100                             | 100       |
| IBB Transport Sdn Bhd                     | Vehicle leasing                  | Negara Brunei<br>Darussalam                       | 100                             | 100       |
| Saujana Sdn Bhd                           | Aircraft leasing                 | Negara Brunei<br>Darussalam                       | 52.5                            | 52.5      |
| Belait CSS Sdn Bhd                        | Vessel leasing                   | Negara Brunei<br>Darussalam                       | 50                              | 50        |
| BIBD Global Equity Funds                  | Investment fund                  | Negara Brunei<br>Darussalam                       | 97.9                            | 88.8      |
| BIBD Asia Equity Funds                    | Investment fund                  | Negara Brunei<br>Darussalam                       | 98.1                            | 94.1      |

### Non-controlling interests in subsidiaries

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

| NCI Percentage   | 2015                            |                             |                                    |                 |
|--|---------------------------------|-----------------------------|------------------------------------|-----------------|
|  | Belait Barakah<br>50%<br>BS'000 | Belait CSS<br>50%<br>BS'000 | Saujana Sdn Bhd<br>47.5%<br>BS'000 | Total<br>BS'000 |
| Non-current assets   | 25,686                          | 110,933                     | –                                  | 136,619         |
| Current assets   | 304                             | 3,499                       | 12                                 | 3,815           |
| Non-current liabilities  | –                               | (95,320)                    | –                                  | (95,320)        |
| Current liabilities  | (14,074)                        | (3,096)                     | (69)                               | (17,239)        |
| <b>Net assets</b>  | <b>11,916</b>                   | <b>16,016</b>               | <b>(57)</b>                        | <b>27,875</b>   |
| <b>Net assets attributable to NCI</b>                            | <b>5,958</b>                    | <b>8,008</b>                | <b>(27)</b>                        | <b>13,939</b>   |
| Revenue  | 16,323                          | 17,618                      | –                                  | 33,941          |
| Loss   | (10,129)                        | (4,285)                     | –                                  | (14,414)        |
| <b>Total comprehensive income</b>                                | <b>(10,129)</b>                 | <b>(4,285)</b>              | <b>–</b>                           | <b>(14,414)</b> |
| <b>Attributable to NCI:</b>                                      |                                 |                             |                                    |                 |
| Loss   | (5,065)                         | (2,143)                     | –                                  | (7,208)         |
| <b>Total comprehensive income allocated to NCI</b>               | <b>(5,065)</b>                  | <b>(2,143)</b>              | <b>–</b>                           | <b>(7,208)</b>  |
| Cash flows from operating activities                             | 1,492                           | 2,030                       | –                                  | 3,522           |
| Cash flows from investing activities                             | (2,061)                         | (148)                       | –                                  | (2,209)         |
| Cash flows from financing activities,<br>before dividends to NCI | –                               | (931)                       | –                                  | (931)           |
| <b>Net (decrease)/increase in cash and cash equivalents</b>      | <b>(569)</b>                    | <b>951</b>                  | <b>–</b>                           | <b>382</b>      |

| NCI Percentage   | 2014                            |                             |                                    |                 |
|--|---------------------------------|-----------------------------|------------------------------------|-----------------|
|  | Belait Barakah<br>50%<br>BS'000 | Belait CSS<br>50%<br>BS'000 | Saujana Sdn Bhd<br>47.5%<br>BS'000 | Total<br>BS'000 |
| Non-current assets   | 25,379                          | 117,014                     | –                                  | 142,393         |
| Current assets   | 7,316                           | 704                         | 12                                 | 8,032           |
| Non-current liabilities  | –                               | (96,252)                    | –                                  | (96,252)        |
| Current liabilities  | (10,697)                        | (1,165)                     | (69)                               | (11,931)        |
| <b>Net assets</b>  | <b>21,998</b>                   | <b>20,301</b>               | <b>(57)</b>                        | <b>42,242</b>   |
| <b>Net assets attributable to NCI</b>                            | <b>10,999</b>                   | <b>10,151</b>               | <b>(27)</b>                        | <b>21,123</b>   |
| Revenue  | 11,501                          | 16                          | –                                  | 11,517          |
| Profit   | 2,479                           | (99)                        | –                                  | 2,380           |
| Other comprehensive income                                       | –                               | –                           | –                                  | –               |
| <b>Total comprehensive income</b>                                | <b>2,479</b>                    | <b>(99)</b>                 | <b>–</b>                           | <b>2,380</b>    |
| <b>Attributable to NCI:</b>                                      |                                 |                             |                                    |                 |
| Profit   | 1,239                           | (49)                        | –                                  | 1,190           |
| Other comprehensive income                                       | –                               | –                           | –                                  | –               |
| <b>Total comprehensive income allocated to NCI</b>               | <b>1,239</b>                    | <b>(49)</b>                 | <b>–</b>                           | <b>1,190</b>    |
| Cash flows from operating activities                             | 2,211                           | 1,034                       | –                                  | 3,245           |
| Cash flows from investing activities                             | (1)                             | (117,014)                   | –                                  | (117,015)       |
| Cash flows from financing activities,<br>before dividends to NCI | (2,418)                         | 116,652                     | –                                  | 114,234         |
| <b>Net (decrease)/increase in cash and cash equivalents</b>      | <b>(208)</b>                    | <b>672</b>                  | <b>–</b>                           | <b>464</b>      |

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

## 25 Investment in associate

|                                    | <b>Group</b>  |               | <b>Bank</b>   |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | <b>2015</b>   | <b>2014</b>   | <b>2015</b>   | <b>2014</b>   |
|                                    | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> |
| <b>At cost</b>                     |               |               |               |               |
| Unquoted shares                    | 7,080         | 7,080         | 7,080         | 7,080         |
| Share of post-acquisition reserves | 6,749         | 4,281         | —             | —             |
| <b>Investment in associate</b>     | <b>13,829</b> | <b>11,361</b> | <b>7,080</b>  | <b>7,080</b>  |

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

|                         | <b>2015</b>   | <b>2014</b>   |
|-------------------------|---------------|---------------|
|                         | <b>BS'000</b> | <b>BS'000</b> |
| Current assets          | 216,485       | 176,189       |
| Non-current assets      | 53,432        | 119,603       |
| Current liabilities     | (21,688)      | (29,650)      |
| Non-current liabilities | (203,797)     | (227,927)     |
| <b>Net assets</b>       | <b>44,432</b> | <b>38,215</b> |

|                                   | <b>2015</b>   | <b>2014</b>   |
|-----------------------------------|---------------|---------------|
|                                   | <b>BS'000</b> | <b>BS'000</b> |
| Revenue                           | 33,728        | 30,925        |
| Profit from continuing operations | 2,614         | 7,243         |
| Other comprehensive income        | 115           | 3,604         |
| <b>Total comprehensive income</b> | <b>2,729</b>  | <b>10,847</b> |

Included in balances above are the following amounts:

|  | <b>2015</b>   | <b>2014</b>   |
|--|---------------|---------------|
|  | <b>BS'000</b> | <b>BS'000</b> |
| Cash and cash equivalents  | 191,887       | 165,512       |
| Current financial liabilities excluding trade, other payables and provisions     | 5,751         | 23,905        |
| Non-current financial liabilities excluding trade, other payables and provisions | 203,797       | 217,843       |
| Depreciation and amortisation  | 885           | 2,293         |
| Income tax expense or income   | 60            | 1,689         |



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

|                                   | <b>Group</b>           |                        |
|-----------------------------------|------------------------|------------------------|
|                                   | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> |
| Profit from continuing operations | 2,365                  | 2,246                  |
| Other comprehensive income        | 103                    | 1,117                  |
| <b>Total comprehensive income</b> | <b>2,468</b>           | <b>3,363</b>           |

Details of the associate, which is unquoted, are as follows:

| <b>Name of Company</b>   | <b>Principal activities</b>           | <b>Country of<br/>incorporation/<br/>Place of business</b> | <b>Effective ownership<br/>interest</b> |                        |
|--|---------------------------------------|--|---|------------------------|
|  |                                       |  | <b>2015<br/>%</b>                       | <b>2014<br/>%</b>      |
| Syarikat Takaful Brunei Darussalam Sdn Bhd                                   | Family and general takaful businesses | Negara Brunei Darussalam                                   | 31                                      | 31                     |
|  |                                       |  | <b>2015<br/>BS'000</b>                  | <b>2014<br/>BS'000</b> |
| <b>Group's share in net assets of associate at the beginning of the year</b> |                                       |  | 11,361                                  | 7,998                  |
| Group's share of:  |                                       |  |   |                        |
| - profit from continuing operations  |                                       |  | 2,365                                   | 2,246                  |
| - other comprehensive income/(expense)                                       |                                       |  | 103                                     | 1,117                  |
| <b>Carrying amount of interest in associate at the end of the year</b>       |                                       |  | <b>13,829</b>                           | <b>11,361</b>          |

## 26 Other assets

|                                     | <b>Group</b>           |                        | <b>Bank</b>            |                        |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|
|                                     | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> |
| Receivables                         | 10,257                 | 16,961                 | 23,390                 | 25,494                 |
| Accrued income and bills receivable | 8,095                  | 10,433                 | 8,890                  | 10,770                 |
| Foreign acceptance receivables      | 2,352                  | 1,025                  | 2,352                  | 1,025                  |
| Sundry debtors                      | 188                    | 192                    | 188                    | 192                    |
| Intercompany receivables            | –                      | –                      | 1,602                  | 3,218                  |
| Financing and receivables           | 20,892                 | 28,611                 | 36,422                 | 40,699                 |
| Prepayments                         | 6,102                  | 3,930                  | 5,643                  | 3,930                  |
| <b>Total</b>                        | <b>26,994</b>          | <b>32,541</b>          | <b>42,065</b>          | <b>44,629</b>          |

Receivables are stated at net of impairment of B\$19,460,000 (2014: Nil).

Property and equipment

| Group                           | Leasehold building<br>BS'000 | Equipment,<br>furniture<br>and fittings<br>BS'000 | Motor<br>vehicles<br>BS'000 | Ship vessel<br>BS'000 | Work-in-<br>progress<br>BS'000 | Computer<br>software<br>BS'000 | Total<br>BS'000 |
|---------------------------------|------------------------------|---|-----------------------------|-----------------------|--------------------------------|--------------------------------|-----------------|
| <b>Cost</b>                     |                              |   |                             |                       |                                |                                |                 |
| At 1 January 2014               | 25,809                       | 32,199  | 744                         | 36,896                | 4,628                          | 35,608                         | 135,884         |
| Additions                       | 2,413                        | 4,578   | 65                          | 1                     | 118,423                        | 1,110                          | 126,590         |
| Disposals                       | (3)                          | (1,307)   | (79)                        | —                     | —                              | —                              | (1,389)         |
| Transfers                       | 3,511                        | 2,907   | —                           | —                     | (7,443)                        | 1,025                          | —               |
| At 31 December 2014             | 31,730                       | 38,377  | 730                         | 36,897                | 115,608                        | 37,743                         | 261,085         |
| Additions                       | 1,506                        | 1,570   | —                           | —                     | 23,113                         | 3,016                          | 29,205          |
| Disposals                       | (5,571)                      | —   | —                           | —                     | —                              | —                              | (5,571)         |
| Transfers                       | 3,142                        | 6,092   | —                           | 117,014               | (129,852)                      | 3,604                          | —               |
| At 31 December 2015             | 30,807                       | 46,039  | 730                         | 153,911               | 8,869                          | 44,363                         | 284,719         |
| <b>Accumulated depreciation</b> |                              |   |                             |                       |                                |                                |                 |
| At 1 January 2014               | 20,043                       | 21,789  | 466                         | 6,915                 | —                              | 19,650                         | 68,863          |
| Depreciation for the year       | 3,325                        | 4,014   | 72                          | 1,745                 | —                              | 5,916                          | 15,072          |
| Disposals                       | —                            | (1,301)   | (71)                        | —                     | —                              | —                              | (1,372)         |
| At 31 December 2014             | 23,368                       | 24,502  | 467                         | 8,660                 | —                              | 25,566                         | 82,563          |
| Depreciation for the year       | 3,643                        | 5,192   | 69                          | 7,909                 | —                              | 6,425                          | 23,238          |
| Disposals                       | (5,571)                      | —   | —                           | —                     | —                              | —                              | (5,571)         |
| At 31 December 2015             | 21,440                       | 29,694  | 536                         | 16,569                | —                              | 31,991                         | 100,230         |
| <b>Carrying amounts</b>         |                              |   |                             |                       |                                |                                |                 |
| At 31 December 2014             | 8,362                        | 13,875  | 263                         | 28,237                | 115,608                        | 12,177                         | 178,522         |
| At 31 December 2015             | 9,367                        | 16,345  | 194                         | 137,342               | 8,869                          | 12,372                         | 184,489         |

| <b>Bank</b>                     | <b>Leasehold building<br/>BS'000</b> | <b>Equipment,<br/>furniture<br/>and fittings<br/>BS'000</b> | <b>Motor<br/>vehicles<br/>BS'000</b> | <b>Work-in-<br/>progress<br/>BS'000</b> | <b>Computer<br/>software<br/>BS'000</b> | <b>Total<br/>BS'000</b> |
|---------------------------------|--------------------------------------|---|--------------------------------------|---|---|-------------------------|
| <b>Cost</b>                     |                                      |   |                                      |   |   |                         |
| At 1 January 2014               | 24,473                               | 25,043  | 749                                  | 4,628                                   | 35,608                                  | 90,501                  |
| Additions                       | 2,013                                | 445   | 65                                   | 7,398                                   | 1,110                                   | 11,031                  |
| Disposals                       | (3)                                  | (4)   | (79)                                 | —                                       | —                                       | (86)                    |
| Transfers                       | 3,511                                | 2,907   | —                                    | (7,443)                                 | 1,025                                   | —                       |
| At 31 December 2014             | 29,994                               | 28,391  | 735                                  | 4,583                                   | 37,743                                  | 101,446                 |
| Additions                       | 1,425                                | 988   | —                                    | 23,113                                  | 3,016                                   | 28,542                  |
| Disposals                       | (5,571)                              | —   | —                                    | —                                       | —                                       | (5,571)                 |
| Transfers                       | 3,142                                | 6,092   | —                                    | (12,838)                                | 3,604                                   | —                       |
| At 31 December 2015             | 28,990                               | 35,471  | 735                                  | 14,858                                  | 44,363                                  | 124,417                 |
| <b>Accumulated depreciation</b> |                                      |   |                                      |   |   |                         |
| At 1 January 2014               | 19,376                               | 18,906  | 470                                  | —                                       | 19,652                                  | 58,404                  |
| Depreciation for the year       | 3,154                                | 2,638   | 72                                   | —                                       | 5,916                                   | 11,780                  |
| Disposals                       | —                                    | —   | (71)                                 | —                                       | —                                       | (71)                    |
| At 31 December 2014             | 22,530                               | 21,544  | 471                                  | —                                       | 25,568                                  | 70,113                  |
| Depreciation for the year       | 3,514                                | 3,226   | 69                                   | —                                       | 6,425                                   | 13,234                  |
| Disposals                       | (5,571)                              | —   | —                                    | —                                       | —                                       | (5,571)                 |
| At 31 December 2015             | 20,473                               | 24,770  | 540                                  | —                                       | 31,993                                  | 77,776                  |
| <b>Carrying amounts</b>         |                                      |   |                                      |   |   |                         |
| At 31 December 2014             | 7,464                                | 6,847   | 264                                  | 4,583                                   | 12,175                                  | 31,333                  |
| At 31 December 2015             | 8,517                                | 10,701  | 195                                  | 14,858                                  | 12,370                                  | 46,641                  |

## 28 Investment property

|                                 | <b>Group and<br/>Bank<br/>BS'000</b> |
|---------------------------------|--------------------------------------|
| <b>Cost</b>                     |                                      |
| At 1 January 2014               | 31,836                               |
| Additions                       | 679                                  |
| At 31 December 2014             | 32,515                               |
| Additions                       | 197                                  |
| At 31 December 2015             | 32,712                               |
| <b>Accumulated amortisation</b> |                                      |
| At 1 January 2014               | 1,421                                |
| Charge for the year             | 1,286                                |
| At 31 December 2014             | 2,707                                |
| Charge for the year             | 1,359                                |
| At 31 December 2015             | 4,066                                |
| <b>Carrying amounts</b>         |                                      |
| At 31 December 2014             | 29,808                               |
| At 31 December 2015             | 28,646                               |

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

### *Fair value hierarchy, valuation technique and unobservable inputs*

The fair value of the investment property is B\$36,803,000 (2014: B\$36,803,000). The fair value of the investment property was based on the valuation report provided by a firm of external, independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The valuation technique applied is the discounted cash flow approach (Level 3). Fair value of the investment property is derived from the potential cash flows from the building based on the remaining lease term. The key unobservable input includes estimated occupancy rate of 70% (2014: 70%).

## 29 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

| Group  | At<br>1 January<br>2014<br>BS'000 | Recognised<br>in profit<br>or loss<br>BS'000 | Recognised<br>in other<br>comprehensive<br>income<br>BS'000 | At 31<br>December<br>2014<br>BS'000 | Recognised<br>in profit<br>or loss<br>BS'000 | Recognised<br>in other<br>comprehensive<br>income<br>BS'000 | At 31<br>December<br>2015<br>BS'000 |
|--|-----------------------------------|--|---|-------------------------------------|--|---|-------------------------------------|
| <b>Deferred tax assets</b>                         |                                   |  |   |                                     |  |   |                                     |
| Financing and advances                             | –                                 | 7,739  | –   | 7,739                               | 5,019  | –   | 12,758                              |
| Available-for-sale<br>investments                  | –                                 | –  | –   | –                                   | –  | 3,561   | 3,561                               |
| Other liabilities                                  | 1,172                             | (1,172)                                      | –   | –                                   | –  | –   | –                                   |
| <b>Total</b>                                       | <b>1,172</b>                      | <b>6,567</b>                                 | <b>–</b>  | <b>7,739</b>                        | <b>5,019</b>                                 | <b>3,561</b>  | <b>16,319</b>                       |
| <b>Deferred tax liabilities</b>                    |                                   |  |   |                                     |  |   |                                     |
| Property and equipment                             | (6,419)                           | 1,698  | –   | (4,721)                             | (808)  | –   | (5,529)                             |
| Financing and advances                             | (5,891)                           | 5,891  | –   | –                                   | –  | –   | –                                   |
| Available-for-sale<br>investments                  | 141                               | –  | (884)   | (743)                               | –  | 743   | –                                   |
| Others   | 183                               | (183)  | –   | –                                   | –  | –   | –                                   |
| <b>Total</b>                                       | <b>(11,986)</b>                   | <b>7,406</b>                                 | <b>(884)</b>  | <b>(5,464)</b>                      | <b>(808)</b>                                 | <b>743</b>  | <b>(5,529)</b>                      |
| <b>Total deferred tax<br/>(liabilities)/assets</b> | <b>(10,814)</b>                   | <b>13,973</b>                                | <b>(884)</b>  | <b>2,275</b>                        | <b>4,211</b>                                 | <b>4,304</b>  | <b>10,790</b>                       |

| Bank   | At<br>1 January<br>2014<br>BS'000 | Recognised<br>in profit<br>or loss<br>BS'000 | Recognised<br>in other<br>comprehensive<br>income<br>BS'000 | At 31<br>December<br>2014<br>BS'000 | Recognised<br>in profit<br>or loss<br>BS'000 | Recognised<br>in other<br>comprehensive<br>income<br>BS'000 | At 31<br>December<br>2015<br>BS'000 |
|--|-----------------------------------|--|---|-------------------------------------|--|---|-------------------------------------|
| <b>Deferred tax assets</b>                         |                                   |  |   |                                     |  |   |                                     |
| Financing and advances                             | 1,187                             | 6,430  | –   | 7,617                               | 5,297  | –   | 12,914                              |
| Available-for-sale<br>investments                  | –                                 | –  | –   | –                                   | –  | 3,561   | 3,561                               |
| Other liabilities                                  | 1,172                             | (1,172)                                      | –   | –                                   | –  | –   | –                                   |
| <b>Total</b>                                       | <b>2,359</b>                      | <b>5,258</b>                                 | <b>–</b>  | <b>7,617</b>                        | <b>5,297</b>                                 | <b>3,561</b>  | <b>16,475</b>                       |
| <b>Deferred tax liabilities</b>                    |                                   |  |   |                                     |  |   |                                     |
| Property and equipment                             | (3,318)                           | 1,982  | –   | (1,336)                             | (1,301)                                      | –   | (2,637)                             |
| Available-for-sale<br>investments                  | 345                               | –  | (821)   | (476)                               | –  | 476   | –                                   |
| Others   | (166)                             | 166  | –   | –                                   | –  | –   | –                                   |
| <b>Total</b>                                       | <b>(3,139)</b>                    | <b>2,148</b>                                 | <b>(821)</b>  | <b>(1,812)</b>                      | <b>(1,301)</b>                               | <b>476</b>  | <b>(2,637)</b>                      |
| <b>Total deferred tax<br/>(liabilities)/assets</b> | <b>(780)</b>                      | <b>7,406</b>                                 | <b>(821)</b>  | <b>5,805</b>                        | <b>3,996</b>                                 | <b>4,037</b>  | <b>13,838</b>                       |

## 30 Deposits from customers

### (a) By type of deposit

|                                    | Group            |                  | Bank             |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2015<br>BS'000   | 2014<br>BS'000   | 2015<br>BS'000   | 2014<br>BS'000   |
| <b>Non-Mudharabah</b>              |                  |                  |                  |                  |
| Demand deposits                    | 1,286,010        | 1,100,434        | 1,307,087        | 1,119,789        |
| Saving deposits                    | 816,720          | 734,058          | 755,139          | 665,517          |
| General investment deposits        | 3,058,293        | 3,478,041        | 2,974,438        | 3,350,989        |
| <b>Total</b>                       | <b>5,161,023</b> | <b>5,312,533</b> | <b>5,036,664</b> | <b>5,136,295</b> |
| <b>Mudharabah (profit sharing)</b> |                  |                  |                  |                  |
| Demand deposits                    | 93,958           | 153,014          | 93,958           | 153,014          |
| Savings deposits                   | 112,171          | 115,409          | 112,171          | 115,409          |
| <b>Total</b>                       | <b>206,129</b>   | <b>268,423</b>   | <b>206,129</b>   | <b>268,423</b>   |
| <b>Total</b>                       | <b>5,367,152</b> | <b>5,580,956</b> | <b>5,242,793</b> | <b>5,404,718</b> |

(b) **By type of customer**

|                                 | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | <b>2015</b>      | <b>2014</b>      | <b>2015</b>      | <b>2014</b>      |
|                                 | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    |
| Government and statutory bodies | 733,492          | 1,193,547        | 733,492          | 1,193,547        |
| Business enterprises            | 2,428,606        | 2,385,101        | 2,434,048        | 2,353,160        |
| Individuals                     | 2,205,054        | 2,002,308        | 2,075,253        | 1,858,011        |
| <b>Total</b>                    | <b>5,367,152</b> | <b>5,580,956</b> | <b>5,242,793</b> | <b>5,404,718</b> |

**31 Deposits from banks and other financial institutions**

|  | <b>Group</b>   |                | <b>Bank</b>    |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2015</b>    | <b>2014</b>    | <b>2015</b>    | <b>2014</b>    |
|  | <b>BS'000</b>  | <b>BS'000</b>  | <b>BS'000</b>  | <b>BS'000</b>  |
| <b>Non-Mudharabah</b>  |                |                |                |                |
| Licensed conventional banks in Brunei Darussalam                       | 72             | 135            | 72             | 135            |
| Licensed Islamic banks and financial institutions in Brunei Darussalam | 268,152        | 322,658        | 168,152        | 222,658        |
| Licensed finance companies in Brunei Darussalam                        | –              | –              | 164,369        | 176,147        |
| Licensed Islamic insurance companies in Brunei Darussalam              | 262,379        | 167,558        | 105,509        | 84,914         |
| Other banks and financial institutions abroad                          | 7,041          | 10,524         | 7,041          | 10,523         |
| <b>Total</b>   | <b>537,644</b> | <b>500,875</b> | <b>445,143</b> | <b>494,377</b> |
| <b>Mudharabah (profit sharing)</b>                                     |                |                |                |                |
| Licensed conventional banks in Brunei Darussalam                       | –              | 1              | –              | 1              |
| Licensed Islamic banks and financial institutions in Brunei Darussalam | 3,230          | 964            | 3,230          | 964            |
| Licensed insurance companies in Brunei Darussalam                      | 21             | 14             | 21             | 14             |
| Licensed Islamic insurance companies in Brunei Darussalam              | 4,319          | 1,160          | 4,319          | 1,160          |
| <b>Total</b>   | <b>7,570</b>   | <b>2,139</b>   | <b>7,570</b>   | <b>2,139</b>   |
| <b>Total</b>   | <b>545,214</b> | <b>503,014</b> | <b>452,713</b> | <b>496,516</b> |

### 32 Other liabilities

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| Accrued expenditure                      | 17,216         | 9,191          | 14,561         | 7,894          |
| Provisions for defined contribution plan | 472            | 528            | 364            | 363            |
| Liability for long service award         | 2,755          | 2,573          | 2,755          | 2,573          |
| Short-term employee benefit              | 9,507          | 8,130          | 7,457          | 8,130          |
| Cashier's order payable                  | 9,545          | 7,825          | 9,545          | 7,825          |
| Dividends payable                        | 14,450         | 12,990         | 10,380         | 9,599          |
| Foreign acceptance payable               | 2,352          | 1,025          | 2,352          | 1,025          |
| Merchant payable                         | 3,882          | 9,013          | 3,882          | 9,013          |
| Share dividend payable                   | 2,257          | 3,262          | 2,257          | 1,262          |
| Sundry creditors                         | 4,319          | 6,260          | 3,650          | 3,168          |
| Others                                   | 25,991         | 22,124         | 14,696         | 16,713         |
| Intercompany payables                    | —              | —              | 523            | 435            |
| <b>Total</b>                             | <b>92,746</b>  | <b>82,921</b>  | <b>72,422</b>  | <b>68,000</b>  |

### 33 Zakat and provision for taxation

|                        | Group          |                | Bank           |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| Zakat                  | 3,805          | 3,325          | 3,805          | 3,325          |
| Provision for taxation | 68,479         | 64,552         | 52,669         | 49,993         |
| <b>Total</b>           | <b>72,284</b>  | <b>67,877</b>  | <b>56,474</b>  | <b>53,318</b>  |

### 34 Share capital

|                                 | Number of shares     |                      | Amount               |                      |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                 | 2015                 | 2014                 | 2015<br>B\$          | 2014<br>B\$          |
| <b>Group and Bank</b>           |                      |                      |                      |                      |
| <b>Authorised:</b>              |                      |                      |                      |                      |
| Golden share of B\$1.00 each    | 1                    | 1                    | 1                    | 1                    |
| Ordinary shares of B\$1.00 each | 999,999,999          | 999,999,999          | 999,999,999          | 999,999,999          |
| <b>Total</b>                    | <b>1,000,000,000</b> | <b>1,000,000,000</b> | <b>1,000,000,000</b> | <b>1,000,000,000</b> |
| <b>Issued and fully paid:</b>   |                      |                      |                      |                      |
| Golden share of B\$1.00 each    | 1                    | 1                    | 1                    | 1                    |
| Ordinary shares of B\$1.00 each | 724,749,512          | 724,749,512          | 724,749,512          | 724,749,512          |
| <b>Total</b>                    | <b>724,749,513</b>   | <b>724,749,513</b>   | <b>724,749,513</b>   | <b>724,749,513</b>   |



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

The Golden share may be held only by His Majesty the Sultan and Yang Di Pertuan of Brunei Darussalam or his nominee. The Golden share member shall be entitled to receive notices of all General Meetings, reports and balance sheets, to attend all General Meetings and to speak and vote at such meetings.

The Golden share member shall carry the right to approve any resolution to be passed by the Bank relating to the following matters stated below and no resolution of any of such matter shall be passed except with prior written consent of the Golden share member.

- i. Any amendment or deletion of any provision of the Memorandum of Articles of Association or the substitution of another Memorandum or Articles of Association therefore;
- ii. Any issue of any shares ranking equally with, or in priority to, the Golden Share or ranking in priority to the ordinary share;
- iii. Any variation of the rights of any shares in the capital of the Bank which shall have the effect of transferring the controlling interest in the Bank;
- iv. The reduction of the capital of the Bank;
- v. The appointment, reappointment, termination or removal of any Director of the Bank (including any alternate Director);
- vi. Any disposal which alone or when aggregated with any other disposal or disposals forming part of, or connected with, the same or a connected transaction, constitutes a disposal of the whole or in the opinion of the Golden Member, a material part of the assets of the Bank; and
- vii. The winding up or dissolution of the Bank.

## 35 Treasury shares

Treasury shares relate to shares of the Bank held by the Group.

|                 | <b>Group</b>  |               |
|-----------------|---------------|---------------|
|                 | <b>2015</b>   | <b>2014</b>   |
|                 | <b>BS'000</b> | <b>BS'000</b> |
| Treasury shares | (3)           | (3)           |

## 36 Statutory and other reserves

### Statutory reserves

| Group  | Total<br>BS'000 |
|--|-----------------|
| At 1 January 2014                            | 294,147         |
| Transfer in respect of current year's profit | 43,642          |
| Additional transfer from retained earnings   | 48,086          |
| At 31 December 2014                          | 385,875         |
| Transfer in respect of current year's profit | 34,656          |
| At 31 December 2015                          | 420,531         |

| Bank   | Total<br>BS'000 |
|--|-----------------|
| At 1 January 2014                            | 262,822         |
| Transfer in respect of current year's profit | 41,962          |
| Additional transfer from retained earnings   | 48,086          |
| At 31 December 2014                          | 352,870         |
| Transfer in respect of current year's profit | 32,656          |
| At 31 December 2015                          | 385,526         |

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

### Other reserves

| Group                                   | Fair value<br>reserve<br>BS'000 | Retained<br>earnings<br>BS'000 | Total<br>BS'000 |
|---|---------------------------------|--------------------------------|-----------------|
| At 1 January 2014                       | (563)                           | 170,528                        | 169,965         |
| Total comprehensive income for the year | 3,838                           | 109,271                        | 113,109         |
| Transfer to statutory reserves          | –                               | (91,728)                       | (91,728)        |
| Dividends paid on ordinary shares       | –                               | (28,990)                       | (28,990)        |
| At 31 December 2014                     | 3,275                           | 159,081                        | 162,356         |
| Total comprehensive income for the year | (17,636)                        | 113,588                        | 95,952          |
| Transfer to statutory reserves          | –                               | (34,656)                       | (34,656)        |
| Dividends paid on ordinary shares       | –                               | (41,311)                       | (41,311)        |
| At 31 December 2015                     | (14,361)                        | 196,702                        | 182,341         |

|   | <b>Fair value<br/>reserve<br/>BS'000</b> | <b>Retained<br/>earnings<br/>BS'000</b> | <b>Total<br/>BS'000</b> |
|---|--|---|-------------------------|
| <b>Bank</b>                             |  |   |                         |
| At 1 January 2014                       | (1,379)                                  | 77,076                                  | 75,697                  |
| Total comprehensive income for the year | 3,475                                    | 83,924                                  | 87,399                  |
| Transfer to statutory reserve           | –  | (90,048)                                | (90,048)                |
| Dividends paid on ordinary shares       | –  | (28,990)                                | (28,990)                |
| At 31 December 2014                     | 2,096                                    | 41,962                                  | 44,058                  |
| Total comprehensive income for the year | (17,769)                                 | 100,623                                 | 82,854                  |
| Transfer to statutory reserve           | –  | (32,656)                                | (32,656)                |
| Dividends paid on ordinary shares       | –  | (41,311)                                | (41,311)                |
| At 31 December 2015                     | (15,673)                                 | 68,618                                  | 52,945                  |

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

## 37 Related party transactions

### Identity of related parties

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

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

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

Key management have banking relationships with Group entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

- (a) The significant outstanding balances of the Group and the Bank with related parties are as follows:

|                                 | <b>Group</b>  |               |
|---------------------------------|---------------|---------------|
|                                 | <b>2015</b>   | <b>2014</b>   |
|                                 | <b>BS'000</b> | <b>BS'000</b> |
| <b>Associate</b>                |               |               |
| <i>Amount due to</i>            |               |               |
| Deposits                        | 90,512        | 67,591        |
| Others                          | 419           | 318           |
| <b>Key management personnel</b> |               |               |
| <i>Amount due from</i>          |               |               |
| Financing (ex. Credit cards)    | 1,443         | 1,166         |
| Credit cards                    | 22            | 45            |
| <i>Amount due to</i>            |               |               |
| Deposits                        | 1,112         | 2,715         |
| <b>Other related parties</b>    |               |               |
| <i>Amount due to</i>            |               |               |
| Deposits                        | 121,295       | 796,411       |
|                                 |               |               |
|                                 | <b>Bank</b>   |               |
|                                 | <b>2015</b>   | <b>2014</b>   |
|                                 | <b>BS'000</b> | <b>BS'000</b> |
| <b>Subsidiaries</b>             |               |               |
| <i>Amount due from</i>          |               |               |
| Financing                       | 95,320        | 96,226        |
| Investments                     | 7,439         | 8,922         |
| Placements                      | 261,600       | 300,300       |
| Others                          | 21,759        | 20,909        |
| <i>Amount due to</i>            |               |               |
| Deposits                        | 186,167       | 196,169       |
| Others                          | 887           | 691           |
| <b>Associate</b>                |               |               |
| <i>Amount due to</i>            |               |               |
| Deposits                        | 90,512        | 67,591        |
| Others                          | 419           | 318           |
| <b>Key management personnel</b> |               |               |
| <i>Amount due from</i>          |               |               |
| Financing (ex. Credit cards)    | 1,192         | 978           |
| Credit cards                    | 52            | 45            |

|                                 | <b>Bank</b>            |                        |
|---------------------------------|------------------------|------------------------|
|                                 | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> |
| <b>Key management personnel</b> |                        |                        |
| <i>Amount due to</i>            |                        |                        |
| Deposits                        | 2,899                  | 2,347                  |
| <b>Other related parties</b>    |                        |                        |
| <i>Amount due from</i>          |                        |                        |
| Financing (ex. Credit cards)    | 213,406                | 192,956                |
| <i>Amount due to</i>            |                        |                        |
| Deposits                        | 1,513,430              | 1,277,355              |

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

|                                   | <b>Group</b>           |                        | <b>Bank</b>            |                        |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|
|                                   | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> |
| <b>Subsidiaries</b>               |                        |                        |                        |                        |
| <i>Income</i>                     |                        |                        |                        |                        |
| Income on financing               | —                      | —                      | 5,413                  | 6,086                  |
| Other income                      | —                      | —                      | 16,731                 | 4,979                  |
| <i>Expenditure</i>                |                        |                        |                        |                        |
| Income attributable to depositors | —                      | —                      | 418                    | 338                    |
| <b>Associate</b>                  |                        |                        |                        |                        |
| <i>Expenditure</i>                |                        |                        |                        |                        |
| Income attributable to depositors | 426                    | 289                    | 426                    | 289                    |
| <b>Key management personnel</b>   |                        |                        |                        |                        |
| <i>Income</i>                     |                        |                        |                        |                        |
| Income on financing               | 50                     | 41                     | 32                     | 30                     |
| <i>Expenditure</i>                |                        |                        |                        |                        |
| Income attributable to depositors | 23                     | 28                     | 7                      | 12                     |
| <b>Other related parties</b>      |                        |                        |                        |                        |
| <i>Income</i>                     |                        |                        |                        |                        |
| Income on financing               | 5,409                  | —                      | 5,409                  | 3,932                  |
| Other income                      | —                      | 1                      | —                      | —                      |
| <i>Expenditure</i>                |                        |                        |                        |                        |
| Income attributable to depositors | 6,000                  | 1,877                  | 6,000                  | 2,882                  |

### **Key management personnel**

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

|  | <b>Group</b>  |               | <b>Bank</b>   |               |
|--|---------------|---------------|---------------|---------------|
|  | <b>2015</b>   | <b>2014</b>   | <b>2015</b>   | <b>2014</b>   |
|  | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> |
| Directors' fees and other remuneration             | 228           | 228           | 228           | 228           |
| Managing Director's salary and other remuneration* | 768           | 712           | 492           | 446           |
| Other key management personnel:                    |               |               |               |               |
| - Salary and employee benefits                     | 6,970         | 5,803         | 5,773         | 4,743         |
| Withholding tax paid                               | 810           | 757           | 810           | 757           |

\* The Managing Director's salary at the Group level includes the salary of the Managing Director of BIBD At-Tamwil Berhad.

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

|                       | <b>Group</b> |             |
|-----------------------|--------------|-------------|
|                       | <b>2015</b>  | <b>2014</b> |
| Number of shares held | 53           | 53          |

### **Interest held by associate**

The number of shares of the Bank held by the associate as at 31 December 2015 is 11,706,000 (2014: 11,706,000).

### **Interest held by the government and government controlled entities**

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

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

### **Individually significant transactions**

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

## **38 Financial risk management**

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

### **Overview of risk management**

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

- Credit risk
- Market risks
- Liquidity risk
- Operational risks

### **Risk management functional and governance structure**

The Bank has aligned its risk organisational responsibilities with the objective of ensuring a common view of risks across the Bank. As a matter of good business practice and prudence, the Bank's core risk management functions, which report to the Audit, Finance and Risk Committee ("AFRC") through its Asset Liability Committee ("ALCO"), are independent and clearly segregated from the business divisions.

### **Credit risk**

#### **Overview of credit risk policies of the Bank**

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

#### **Management of credit risk**

The Board of Directors of the Bank and its subsidiaries has delegated the responsibility for the oversight of credit risk to the Business Rules Committee ("BRC"). The primary terms of reference for the BRC are:

- Formulating on an ongoing basis, the optimum business rules to be implemented in the Company's Decision Support System ("DSS") in consultation with business functions covering financing originations requirements, financing to value ("FTV") and in compliance with regulatory and statutory requirements.
- Establishing the authorisation structure in line with the PVP Deviation Guideline document and monitoring of decisions overrides.
- Reviewing and assessing the accuracy of the subsidiary's internally developed Applications and Behavioural Scorecard models and approving any alignment necessary to maintain the predictive power of the models.



The management of Credit Risk of the Bank is performed within the Risk Management Division. The combined objectives are, amongst others:

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

Corporate credit risks are assessed by business units and evaluated and approved in accordance to the Bank's Credit Risk Governance. Each exposure is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors including a borrower's financial position, types of facilities and proposed securities or collateral.

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

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

Counterparty credit risk exposures are managed via counterparty limits either on a single name basis or counterparty group basis that also adheres to regulatory Guidance on Single Borrowing Limit. These exposures are actively monitored to protect the Bank's statement of financial position in the event of counterparty default. The Bank monitors and manages its exposures to counterparties on a day-to-day basis.

Bank wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently within the Bank.

To manage large exposures, the Bank has in place, amongst others, the following limits and related lending guidelines to avoid concentration of credit risk in its loans and financing portfolio:

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

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

### **Internal credit rating reviews**

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

Although the individual credit risk grades are not explicitly mapped to external credit agency ratings, the risk grades may correlate to external ratings in terms of the probability of default ranges as factors used to rate obligors are similar. i.e. an obligor rated poorly by an external rating agency is likely to have a weaker internal risk rating.

### **Overview of credit risk policies of the subsidiary**

Credit risk arises as a result of customers' or counterparties' failure to fulfill their financial and/or contractual obligations when they fall due. These obligations arise from the subsidiary's direct hire-purchase financing operations and placements with the subsidiary. As the subsidiary's primary business is hire purchase, the credit risk is primarily from its financing activities.

The subsidiary has established a dedicated Recovery Department comprising of (a) front-end negotiation team; (b) collaterals and disposal team; and (c) litigation team to effectively manage identified high-risk exposures and defaulted exposures respectively.

#### **(a) Internal credit rating model**

Internal credit rating models are an integral part of the subsidiary's credit risk management, decision making process, adequacy of provision and capital assessment. Retail exposure is assigned a credit rating utilising the customised Application and Behavioural scorecard model based on assessment of relevant predictive characteristics is updated on a monthly basis.

#### **(b) Maximum exposure to credit risk**

For the subsidiary's recognised assets, the exposure to credit risk equals their carrying amount. As of the reporting date, the subsidiary does not have any unrecognised financial instruments or reportable contingent liabilities.

### Maximum exposure to credit risk

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

|   | <b>Group</b>  |               | <b>Bank</b>   |               |
|---|---------------|---------------|---------------|---------------|
|   | <b>2015</b>   | <b>2014</b>   | <b>2015</b>   | <b>2014</b>   |
|   | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> |
| <b><i>Credit risk exposure of recognised assets:</i></b>                  |               |               |               |               |
| Cash and cash equivalents   | 888,313       | 1,185,467     | 892,387       | 1,286,103     |
| Balances with Autoriti Monetari Brunei Darussalam                         | 382,383       | 353,796       | 350,741       | 325,015       |
| Placements with and financing and advances to banks                       | 1,897,463     | 2,062,491     | 2,159,063     | 2,262,791     |
| Government sukuk  | 20,751        | 55,977        | 20,751        | 55,977        |
| Investments   | 614,344       | 757,649       | 602,997       | 747,394       |
| Derivative financial assets   | 27,971        | 1,019         | 27,971        | 1,019         |
| Financing and advances  | 3,391,737     | 2,986,860     | 2,815,031     | 2,425,531     |
| Finance lease receivables   | 12,526        | 12,498        | 12,526        | 12,498        |
| Other assets  | 26,994        | 32,541        | 42,065        | 44,629        |
| Sub-total   | 7,262,482     | 7,448,298     | 6,923,532     | 7,160,957     |
| <b><i>Credit risk exposure of unrecognised financial instruments:</i></b> |               |               |               |               |
| Credit commitments  | 269,066       | 268,164       | 269,066       | 267,469       |
| Contingent liabilities  | 552,470       | 287,160       | 552,470       | 287,160       |
| Sub-total   | 821,536       | 555,324       | 821,536       | 554,629       |
| Total credit exposures  | 8,084,018     | 8,003,622     | 7,745,068     | 7,715,586     |

(i) Concentration of credit risk for Group and Bank

| Group  | Cash and short-term funds and deposits and placements with financial institutions BS'000 | Balances with Autoriti Monetari Brunei Darussalam BS'000 | Government sukuk BS'000 | Investments BS'000 | Derivative financial assets BS'000 | Financing and advances BS'000 | Financing lease receivable BS'000 | Other assets BS'000 | On-balance sheet total BS'000 | Commitments and contingencies BS'000 |
|--|--|--|-------------------------|--------------------|------------------------------------|-------------------------------|-----------------------------------|---------------------|-------------------------------|--------------------------------------|
| <b>2015</b>                                  |  |  |                         |                    |                                    |                               |                                   |                     |                               |                                      |
| Agricultural                                 | —  | —  | —                       | —                  | —                                  | 6,170                         | —                                 | —                   | 6,170                         | 4,039                                |
| Financial                                    | 2,785,776  | —  | —                       | 345,340            | 27,962                             | 31,809                        | —                                 | —                   | 3,190,887                     | 191,877                              |
| Manufacturing                                | —  | —  | —                       | —                  | —                                  | 49,248                        | —                                 | —                   | 49,248                        | 9,608                                |
| Transportation                               | —  | —  | —                       | 2,167              | —                                  | 524,604                       | —                                 | —                   | 526,771                       | 30,891                               |
| Infrastructure                               | —  | —  | —                       | 4,333              | —                                  | 49,325                        | —                                 | —                   | 53,658                        | 245,744                              |
| Traders                                      | —  | —  | —                       | —                  | —                                  | 100,757                       | —                                 | —                   | 100,757                       | 20,293                               |
| Services                                     | —  | —  | —                       | 10,370             | —                                  | 34,709                        | —                                 | —                   | 45,079                        | 10,165                               |
| Residential property (personal)              | —  | —  | —                       | —                  | —                                  | 648,184                       | —                                 | —                   | 648,184                       | 26,353                               |
| Commercial (property development)            | —  | —  | —                       | 16,734             | —                                  | 151,972                       | —                                 | —                   | 168,706                       | 58,681                               |
| Tourism                                      | —  | —  | —                       | —                  | —                                  | 19,856                        | —                                 | —                   | 19,856                        | 3,440                                |
| Telecommunication and information technology | —  | —  | —                       | 7,151              | —                                  | 13,448                        | —                                 | —                   | 20,599                        | 5,748                                |
| Personal and consumption financing           | —  | —  | —                       | 6,341              | —                                  | 1,033,671                     | —                                 | —                   | 1,040,012                     | 44,261                               |
| Oil and gas                                  | —  | —  | —                       | —                  | —                                  | 727,984                       | —                                 | —                   | 727,984                       | 169,933                              |
| Others                                       | —  | 382,382  | 20,751                  | 221,908            | 9                                  | —                             | 12,526                            | 26,994              | 664,570                       | 503                                  |
| <b>Total</b>                                 | <b>2,785,776</b>   | <b>382,382</b>   | <b>20,751</b>           | <b>614,344</b>     | <b>27,971</b>                      | <b>3,391,737</b>              | <b>12,526</b>                     | <b>26,994</b>       | <b>7,262,481</b>              | <b>821,536</b>                       |

**Bank Islam Brunei Darussalam Berhad**  
**and its Subsidiaries**  
*Financial statements*  
*Year ended 31 December 2015*

|  | Cash and short-term funds and deposits and placements with financial institutions | Balances with Monetari Brunei Darussalam | Government sukuk | Investments    | Derivative financial assets | Financing and advances | Financing lease receivable | Other assets  | On-balance sheet total | Commitments and contingencies |
|--|---|--|------------------|----------------|-----------------------------|------------------------|----------------------------|---------------|------------------------|-------------------------------|
| Group  | BS'000  | BS'000                                   | BS'000           | BS'000         | BS'000                      | BS'000                 | BS'000                     | BS'000        | BS'000                 | BS'000                        |
| <b>2014</b>                                  |   |  |                  |                |                             |                        |                            |               |                        |                               |
| Agricultural                                 | —   | —  | —                | —              | —                           | 5,942                  | —                          | —             | 5,942                  | 1,898                         |
| Financial                                    | 3,247,958   | —  | —                | 492,021        | 1,019                       | 67,869                 | —                          | —             | 3,808,867              | 126,622                       |
| Manufacturing                                | —   | —  | —                | —              | —                           | 49,618                 | —                          | —             | 49,618                 | 38,531                        |
| Transportation                               | —   | —  | —                | 2,125          | —                           | 503,069                | —                          | —             | 505,194                | 366                           |
| Infrastructure                               | —   | —  | —                | 4,558          | —                           | 56,211                 | —                          | —             | 60,769                 | 47,913                        |
| Traders                                      | —   | —  | —                | —              | —                           | 120,800                | —                          | —             | 120,800                | 31,758                        |
| Services                                     | —   | —  | —                | 10,728         | —                           | 36,749                 | —                          | —             | 47,477                 | 60,742                        |
| Residential property (personal)              | —   | —  | —                | —              | —                           | 631,794                | —                          | —             | 631,794                | 39,081                        |
| Commercial (property development)            | —   | —  | —                | 15,874         | —                           | 157,413                | —                          | —             | 173,287                | 64,924                        |
| Tourism                                      | —   | —  | —                | —              | —                           | 17,975                 | —                          | —             | 17,975                 | 12,746                        |
| Telecommunication and information technology | —   | —  | —                | 6,854          | —                           | 8,947                  | —                          | —             | 15,801                 | 6,049                         |
| Personal and consumption financing           | —   | —  | —                | 5,519          | —                           | 925,674                | —                          | —             | 931,193                | 5,039                         |
| Oil and gas                                  | —   | —  | —                | —              | —                           | 507,963                | —                          | —             | 507,963                | 64,755                        |
| Others                                       | —   | 353,796                                  | 55,977           | 219,970        | —                           | —                      | 12,498                     | 32,541        | 674,782                | 54,900                        |
| <b>Total</b>                                 | <b>3,247,958</b>  | <b>353,796</b>                           | <b>55,977</b>    | <b>757,649</b> | <b>1,019</b>                | <b>3,090,024</b>       | <b>12,498</b>              | <b>32,541</b> | <b>7,551,462</b>       | <b>555,324</b>                |

**Bank Islam Brunei Darussalam Berhad**  
**and its Subsidiaries**  
*Financial statements*  
*Year ended 31 December 2015*

|  | Cash and short-term funds and deposits and placements with financial institutions | Balances with Monetari Brunei Darussalam | Government sukuk | Investments    | Derivative financial assets | Financing and advances | Financing lease receivable | Other assets  | On-balance sheet total | Commitments and contingencies |
|--|---|--|------------------|----------------|-----------------------------|------------------------|----------------------------|---------------|------------------------|-------------------------------|
| Bank   | BS'000  | BS'000                                   | BS'000           | BS'000         | BS'000                      | BS'000                 | BS'000                     | BS'000        | BS'000                 | BS'000                        |
| <b>2015</b>                                  |   |  |                  |                |                             |                        |                            |               |                        |                               |
| Agricultural                                 | —   | —  | —                | —              | —                           | 6,170                  | —                          | —             | 6,170                  | 4,039                         |
| Financial                                    | 3,051,450   | —  | —                | 352,305        | 27,962                      | 31,810                 | —                          | —             | 3,463,527              | 191,877                       |
| Manufacturing                                | —   | —  | —                | —              | —                           | 49,248                 | —                          | —             | 49,248                 | 9,608                         |
| Transportation                               | —   | —  | —                | 2,167          | —                           | 31,408                 | —                          | —             | 33,575                 | 30,891                        |
| Infrastructure                               | —   | —  | —                | —              | —                           | 40,546                 | —                          | —             | 40,546                 | 245,744                       |
| Traders                                      | —   | —  | —                | —              | —                           | 100,758                | —                          | —             | 100,758                | 20,293                        |
| Services                                     | —   | —  | —                | 9,771          | —                           | 34,709                 | —                          | —             | 44,480                 | 10,165                        |
| Residential property (personal)              | —   | —  | —                | —              | —                           | 648,184                | —                          | —             | 648,184                | 26,353                        |
| Commercial (property development)            | —   | —  | —                | 16,734         | —                           | 151,973                | —                          | —             | 168,707                | 58,681                        |
| Tourism                                      | —   | —  | —                | —              | —                           | 19,856                 | —                          | —             | 19,856                 | 3,440                         |
| Telecommunication and information technology | —   | —  | —                | —              | —                           | 13,448                 | —                          | —             | 13,448                 | 5,748                         |
| Personal and consumption financing           | —   | —  | —                | —              | —                           | 958,270                | —                          | —             | 958,270                | 44,261                        |
| Oil & gas                                    | —   | —  | —                | —              | —                           | 728,651                | —                          | —             | 728,651                | 169,933                       |
| Others                                       | —   | 350,741                                  | 20,751           | 222,020        | 9                           | —                      | 12,526                     | 42,065        | 648,112                | 503                           |
| <b>Total</b>                                 | <b>3,051,450</b>  | <b>350,741</b>                           | <b>20,751</b>    | <b>602,997</b> | <b>27,971</b>               | <b>2,815,031</b>       | <b>12,526</b>              | <b>42,065</b> | <b>6,923,532</b>       | <b>821,536</b>                |

**Bank Islam Brunei Darussalam Berhad**  
**and its Subsidiaries**  
*Financial statements*  
*Year ended 31 December 2015*

|  | Cash and short-term funds and deposits and placements with financial institutions | Balances with Monetari Brunei Darussalam | Government sukuk | Investments    | Derivative financial assets | Financing advances | Financing lease receivable | Other assets  | On-balance sheet total | Commitments and contingencies |
|--|---|--|------------------|----------------|-----------------------------|--------------------|----------------------------|---------------|------------------------|-------------------------------|
| Bank   | BS'000  | BS'000                                   | BS'000           | BS'000         | BS'000                      | BS'000             | BS'000                     | BS'000        | BS'000                 | BS'000                        |
| <b>2014</b>                                  |   |  |                  |                |                             |                    |                            |               |                        |                               |
| Agricultural                                 | —   | —  | —                | —              | —                           | 5,942              | —                          | —             | 5,942                  | 1,898                         |
| Financial                                    | 3,548,894   | —  | —                | 500,226        | 1,019                       | 67,869             | —                          | —             | 4,118,008              | 126,622                       |
| Manufacturing                                | —   | —  | —                | —              | —                           | 49,618             | —                          | —             | 49,618                 | 38,531                        |
| Transportation                               | —   | —  | —                | 2,125          | —                           | 26,103             | —                          | —             | 28,228                 | 366                           |
| Infrastructure                               | —   | —  | —                | —              | —                           | 44,845             | —                          | —             | 44,845                 | 47,913                        |
| Traders                                      | —   | —  | —                | —              | —                           | 120,800            | —                          | —             | 120,800                | 31,758                        |
| Services                                     | —   | —  | —                | 9,376          | —                           | 36,749             | —                          | —             | 46,125                 | 60,742                        |
| Residential property (personal)              | —   | —  | —                | —              | —                           | 631,794            | —                          | —             | 631,794                | 39,081                        |
| Commercial (property development)            | —   | —  | —                | 15,874         | —                           | 157,413            | —                          | —             | 173,287                | 64,924                        |
| Tourism                                      | —   | —  | —                | —              | —                           | 17,974             | —                          | —             | 17,974                 | 12,746                        |
| Telecommunication and information technology | —   | —  | —                | —              | —                           | 8,947              | —                          | —             | 8,947                  | 6,049                         |
| Personal and consumption financing           | —   | —  | —                | —              | —                           | 843,102            | —                          | —             | 843,102                | 5,039                         |
| Oil & Gas                                    | —   | —  | —                | —              | —                           | 507,963            | —                          | —             | 507,963                | 64,755                        |
| Others                                       | —   | 325,015                                  | 55,977           | 219,793        | —                           | —                  | 12,498                     | 44,629        | 657,912                | 54,205                        |
| <b>Total</b>                                 | <b>3,548,894</b>  | <b>325,015</b>                           | <b>55,977</b>    | <b>747,394</b> | <b>1,019</b>                | <b>2,519,119</b>   | <b>12,498</b>              | <b>44,629</b> | <b>7,254,545</b>       | <b>554,629</b>                |



**(ii) Collateral**

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

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

The fair values of collaterals held by the Group and Bank for which they are entitled to sell or pledge in the event of default is as follows:

| Group                     | 2015  |                                     | 2014  |                                     |
|---------------------------|---|-------------------------------------|---|-------------------------------------|
|                           | Carrying amount of financing and advances<br>BS'000 | Fair value of collateral*<br>BS'000 | Carrying amount of financing and advances<br>BS'000 | Fair value of collateral*<br>BS'000 |
| <b>Type of collateral</b> |   |                                     |   |                                     |
| Cash                      | 275,300   | 275,300                             | 225,449   | 225,449                             |
| Properties                | 672,380   | 601,280                             | 630,711   | 556,450                             |
| Plant and machinery       | 318,517   | 309,365                             | 257,396   | 257,396                             |
| Guarantees                | 50,928  | 50,928                              | 66,714  | 66,714                              |
| Motor vehicles and others | 686,158   | 512,696                             | 683,017   | 500,389                             |
| <b>Total</b>              | <b>2,003,283</b>                                    | <b>1,749,569</b>                    | <b>1,863,287</b>                                    | <b>1,606,398</b>                    |

| Bank                      | 2015  |                                     | 2014  |                                     |
|---------------------------|---|-------------------------------------|---|-------------------------------------|
|                           | Carrying amount of financing and advances<br>BS'000 | Fair value of collateral*<br>BS'000 | Carrying amount of financing and advances<br>BS'000 | Fair value of collateral*<br>BS'000 |
| <b>Type of collateral</b> |   |                                     |   |                                     |
| Cash                      | 275,300   | 275,300                             | 225,449   | 225,449                             |
| Properties                | 672,380   | 601,280                             | 630,711   | 556,450                             |
| Plant and machinery       | 404,731   | 395,579                             | 353,522   | 353,522                             |
| Guarantees                | 50,928  | 50,928                              | 66,714  | 66,714                              |
| Others                    | 13,095  | 13,095                              | 15,986  | 15,908                              |
| <b>Total</b>              | <b>1,416,434</b>                                    | <b>1,336,182</b>                    | <b>1,292,382</b>                                    | <b>1,218,043</b>                    |

\* The financial effects of collateral on maximum credit exposures excludes the effect of over-collateralisation.

**(iii) Credit quality of gross financing and advances**

Gross financing and advances are classified as follows:

- Neither past due nor impaired financing and advances

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

- Past due but not impaired financing and advances

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

- Impaired financing and advances

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

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

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

|  | <b>Group</b>           |                        | <b>Bank</b>            |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> | <b>2015<br/>BS'000</b> | <b>2014<br/>BS'000</b> |
| Neither past due nor impaired                    | 3,164,917              | 2,694,172              | 2,585,461              | 2,129,393              |
| Past due but not impaired                        | 149,397                | 194,274                | 148,719                | 193,566                |
| Impaired   | 203,120                | 201,578                | 197,076                | 196,160                |
|  | <b>3,517,434</b>       | <b>3,090,024</b>       | <b>2,931,256</b>       | <b>2,519,119</b>       |
| Allowance for impaired<br>financing and advances |                        |                        |                        |                        |
| - collective allowance                           | (52,027)               | (56,478)               | (47,241)               | (51,475)               |
| - individual allowance                           | (73,670)               | (46,686)               | (68,984)               | (42,113)               |
| <b>Total</b>                                     | <b>3,391,737</b>       | <b>2,986,860</b>       | <b>2,815,031</b>       | <b>2,425,531</b>       |

**Neither past due nor impaired financing**

|                       | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|-----------------------|------------------|------------------|------------------|------------------|
|                       | <b>2015</b>      | <b>2014</b>      | <b>2015</b>      | <b>2014</b>      |
|                       | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    |
| Consumer              | 2,217,495        | 2,005,102        | 1,571,190        | 1,375,550        |
| Corporate/Institution | 947,422          | 689,070          | 1,014,271        | 753,843          |
| <b>Total</b>          | <b>3,164,917</b> | <b>2,694,172</b> | <b>2,585,461</b> | <b>2,129,393</b> |

**Internal rating definition:**

The internal risk category is as described below:

|                          |   |
|--------------------------|---|
| <b>Excellent to good</b> | Obligors rated in this category have an excellent to good capacity to meet financial commitments with very low credit risk.   |
| <b>Fair</b>              | Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.  |
| <b>Impaired</b>          | Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. |

**Past due but not impaired financing**

|                             | <b>Group</b>   |                             |                |                             |
|-----------------------------|----------------|-----------------------------|----------------|-----------------------------|
|                             | <b>2015</b>    |                             | <b>2014</b>    |                             |
|                             | <b>BS'000</b>  | <b>% of gross financing</b> | <b>BS'000</b>  | <b>% of gross financing</b> |
| <b>By ageing:</b>           |                |                             |                |                             |
| 1 month-in-arrears          | 132,370        | 3.8                         | 115,301        | 3.7                         |
| 2 months-in-arrears         | 12,167         | 0.3                         | 24,030         | 0.8                         |
| 3 or more months-in-arrears | 4,860          | 0.1                         | 54,943         | 1.8                         |
| <b>Total</b>                | <b>149,397</b> | <b>4.2</b>                  | <b>194,274</b> | <b>6.3</b>                  |

|                             | <b>Bank</b>    |                             |                |                             |
|-----------------------------|----------------|-----------------------------|----------------|-----------------------------|
|                             | <b>2015</b>    |                             | <b>2014</b>    |                             |
|                             | <b>BS'000</b>  | <b>% of gross financing</b> | <b>BS'000</b>  | <b>% of gross financing</b> |
| <b>By ageing:</b>           |                |                             |                |                             |
| 1 month-in-arrears          | 131,693        | 4.5                         | 114,958        | 4.6                         |
| 2 months-in-arrears         | 12,166         | 0.4                         | 23,665         | 0.9                         |
| 3 or more months-in-arrears | 4,860          | 0.2                         | 54,943         | 2.2                         |
| <b>Total</b>                | <b>148,719</b> | <b>5.1</b>                  | <b>193,566</b> | <b>7.7</b>                  |

### Impaired financing

|                             | Group          |                | Bank           |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| Individually assessed       | 156,975        | 109,794        | 153,974        | 109,795        |
| Of which:                   |                | —              |                | —              |
| 0 month-in-arrears          | 25,613         | 24,584         | 22,973         | 24,584         |
| 1 month-in-arrears          | 486            | —              | 433            | —              |
| 2 months-in-arrears         | 7,682          | —              | 7,374          | —              |
| 3 or more months-in-arrears | 123,194        | 85,210         | 123,194        | 85,211         |
| Collectively assessed       | 46,145         | 91,784         | 43,102         | 86,365         |
| <b>Total</b>                | <b>203,120</b> | <b>201,578</b> | <b>197,076</b> | <b>196,160</b> |

### Impaired financing of which rescheduled and restructured financing

|                       | Group          |                | Bank           |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2015<br>BS'000 | 2014<br>BS'000 | 2015<br>BS'000 | 2014<br>BS'000 |
| Consumer              | 8,867          | 11,493         | 6,385          | 8,005          |
| Corporate/Institution | 938            | 837            | 723            | 595            |
| <b>Total</b>          | <b>9,805</b>   | <b>12,330</b>  | <b>7,108</b>   | <b>8,600</b>   |

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

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

|                           | Consumer<br>BS'000 | Corporate/<br>Institution<br>BS'000 | Total<br>BS'000  |
|---------------------------|--------------------|-------------------------------------|------------------|
| <b>Group</b>              |                    |                                     |                  |
| <b>2015</b>               |                    |                                     |                  |
| Excellent to good         | 1,511,851          | 796,468                             | 2,308,319        |
| Fair                      | 705,644            | 150,954                             | 856,598          |
| Past due but not impaired | 24,101             | 125,296                             | 149,397          |
| Impaired                  | 69,830             | 133,290                             | 203,120          |
| <b>Total</b>              | <b>2,311,426</b>   | <b>1,206,008</b>                    | <b>3,517,434</b> |
| <b>2014</b>               |                    |                                     |                  |
| Excellent to good         | 1,147,238          | 522,617                             | 1,669,855        |
| Fair                      | 857,764            | 166,553                             | 1,024,317        |
| Past due but not impaired | 25,902             | 168,372                             | 194,274          |
| Impaired                  | 107,578            | 94,000                              | 201,578          |
| <b>Total</b>              | <b>2,138,482</b>   | <b>951,542</b>                      | <b>3,090,024</b> |

|                           | <b>Consumer<br/>BS'000</b> | <b>Corporate/<br/>Institution<br/>BS'000</b> | <b>Total<br/>BS'000</b> |
|---------------------------|----------------------------|--|-------------------------|
| <b>Bank</b>               |                            |  |                         |
| <b>2015</b>               |                            |  |                         |
| Excellent to good         | 1,302,194                  | 892,458                                      | 2,194,652               |
| Fair                      | 268,996                    | 121,813                                      | 390,809                 |
| Past due but not impaired | 23,423                     | 125,296                                      | 148,719                 |
| Impaired                  | 63,830                     | 133,246                                      | 197,076                 |
| <b>Total</b>              | <b>1,658,443</b>           | <b>1,272,813</b>                             | <b>2,931,256</b>        |
| <b>2014</b>               |                            |  |                         |
| Excellent to good         | 1,133,678                  | 617,948                                      | 1,751,626               |
| Fair                      | 241,872                    | 135,895                                      | 377,767                 |
| Past due but not impaired | 25,191                     | 168,375                                      | 193,566                 |
| Impaired                  | 102,159                    | 94,001                                       | 196,160                 |
| <b>Total</b>              | <b>1,502,900</b>           | <b>1,016,219</b>                             | <b>2,519,119</b>        |

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

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

| <b>Group</b>                                  | <b>Investments –<br/>Financial assets<br/>held-for-trading<br/>B\$'000</b> | <b>Derivative<br/>financial<br/>assets<br/>B\$'000</b> | <b>Investments –<br/>Financial assets<br/>available-for-<br/>sale<br/>B\$'000</b> | <b>Investments –<br/>Financial assets<br/>held-to-maturity<br/>B\$'000</b> | <b>Total<br/>B\$'000</b> |
|---|--|--|---|--|--------------------------|
| <b>2015</b>                                   |  |  |   |  |                          |
| Government bonds and treasury bills           | –  | –  | –   | –  | –                        |
| Islamic debt securities                       |  |  |   |  |                          |
| Rated AAA                                     | –  | –  | –   | 14,139   | 14,139                   |
| Rated AA1 to AA3                              | –  | –  | 49,620  | –  | 49,620                   |
| Rated A1 to A3                                | –  | –  | 228,013   | –  | 228,013                  |
| Rated A or below                              | –  | –  | 200,519   | –  | 200,519                  |
| Unrated – Quasi-government                    | –  | –  | 2,167   | –  | 2,167                    |
| Unrated – Others                              | (562)  | –  | 18,554  | –  | 17,992                   |
| Other investments                             | –  | –  | 80,876  | –  | 80,876                   |
| Derivative financial assets                   |  |  |   |  |                          |
| Bank and financial institution counterparties | –  | 27,962   | –   | –  | 27,962                   |
| Others  | –  | 9  | –   | –  | 9                        |
| <b>Total</b>                                  | <b>(562)</b>   | <b>27,971</b>  | <b>579,749</b>  | <b>14,139</b>  | <b>621,297</b>           |

| Group   | Investments –<br>Financial assets<br>held-for-trading<br>B\$'000 | Derivative<br>financial<br>assets<br>B\$'000 | Investments –<br>Financial assets<br>available-for-<br>sale<br>B\$'000 | Investments –<br>Financial assets<br>held-to-maturity<br>B\$'000 | Total<br>B\$'000 |
|---|--|--|--|--|------------------|
| <b>2014</b>                                   |  |  |  |  |                  |
| Government bonds and treasury bills           | –  | –  | –  | –  | –                |
| Islamic debt securities                       |  |  |  |  |                  |
| Rated AAA                                     | –  | –  | –  | 22,216   | 22,216           |
| Rated AA1 to AA3                              | –  | –  | 46,340   | –  | 46,340           |
| Rated A1 to A3                                | –  | –  | 382,443  | –  | 382,443          |
| Rated A or below                              | –  | –  | 211,267  | –  | 211,267          |
| Unrated – Quasi-government                    | –  | –  | 2,125  | –  | 2,125            |
| Unrated – Others                              | 427  | –  | 71,160   | –  | 71,587           |
| Derivative financial assets                   |  |  |  |  |                  |
| Bank and financial institution counterparties | –  | 1,019  | –  | –  | 1,019            |
| <b>Total</b>                                  | <b>427</b>   | <b>1,019</b>                                 | <b>713,335</b>   | <b>22,216</b>  | <b>736,997</b>   |



| <b>Bank</b>                                   | <b>Investments –<br/>Financial assets<br/>held-for-trading<br/>B\$'000</b> | <b>Derivative<br/>financial<br/>assets<br/>B\$'000</b> | <b>Investments –<br/>Financial assets<br/>available-for-<br/>sale<br/>B\$'000</b> | <b>Investments –<br/>Financial assets<br/>held-to-maturity<br/>B\$'000</b> | <b>Total<br/>B\$'000</b> |
|---|--|--|---|--|--------------------------|
| <b>2015</b>                                   |  |  |   |  |                          |
| Government bonds and treasury bills           | –  | –  | –   | –  | –                        |
| Islamic debt securities                       |  |  |   |  |                          |
| Rated AAA                                     | –  | –  | –   | 14,139   | 14,139                   |
| Rated AA1 to AA3                              | –  | –  | 49,620  | –  | 49,620                   |
| Rated A1 to A3                                | –  | –  | 228,013   | –  | 228,013                  |
| Rated A or below                              | –  | –  | 200,519   | –  | 200,519                  |
| Unrated – Quasi-government                    | –  | –  | 2,167   | –  | 2,167                    |
| Unrated – Others                              | (562)  | –  | 18,554  | –  | 17,992                   |
| Other investments                             | –  | –  | 88,285  | –  | 88,285                   |
| Derivative financial assets                   |  |  |   |  |                          |
| Bank and financial institution counterparties | –  | 27,962   | –   | –  | 27,962                   |
| Others  | –  | 9  | –   | –  | 9                        |
| <b>Total</b>                                  | <b>(562)</b>   | <b>27,971</b>  | <b>587,158</b>  | <b>14,139</b>  | <b>628,706</b>           |

|   | Investments –<br>Financial assets<br>held-for-trading<br>B\$'000 | Derivative<br>financial<br>assets<br>B\$'000 | Investments –<br>Financial assets<br>available-for-<br>sale<br>B\$'000 | Investments –<br>Financial assets<br>held-to-maturity<br>B\$'000 | Total<br>B\$'000 |
|---|--|--|--|--|------------------|
| <b>Bank</b>                                   |  |  |  |  |                  |
| <b>2014</b>                                   |  |  |  |  |                  |
| Government bonds and treasury bills           | –  | –  | –  | –  | –                |
| Islamic debt securities                       |  |  |  |  |                  |
| Rated AAA                                     | –  | –  | –  | 22,216   | 22,216           |
| Rated AA1 to AA3                              | –  | –  | 46,340   | –  | 46,340           |
| Rated A1 to A3                                | –  | –  | 382,443  | –  | 382,443          |
| Rated A or below                              | –  | –  | 211,267  | –  | 211,267          |
| Unrated – Quasi-government                    | –  | –  | 2,125  | –  | 2,125            |
| Unrated – Others                              | 427  | –  | 71,160   | –  | 71,587           |
| Other investments                             | –  | –  | 8,923  | –  | 8,923            |
| Derivative financial assets                   |  |  |  |  |                  |
| Bank and financial institution counterparties | –  | 1,019  | –  | –  | 1,019            |
| <b>Total</b>                                  | <b>427</b>   | <b>1,019</b>                                 | <b>722,258</b>   | <b>22,216</b>  | <b>745,920</b>   |

**(v) Offsetting financial assets and financial liabilities**

The disclosures set out in the table below include financial assets and liabilities that:

- are offset in the statements of financial position of the Group and Bank; or
- are subject to an enforceable master netting arrangement, irrespective of whether are offset in the statements of financial position.

Financial instruments such as financings and advances, deposits, other assets and other liabilities do not offset in the statements of financial position of the Group and Bank.

The derivative transactions of the Group and Bank that are not transacted on an exchange are entered into under Master Agreement for Islamic Transactions. In general, under such agreement the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above agreement does not meet the criteria for offsetting in the statements of financial position. This is because they create a right of set-off recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group and Bank or the counterparties. In addition, the Group and Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

**Financial assets and financial liabilities subject to offsetting, enforceable master agreement for Islamic transactions**

|                                  | Related amounts not offset in<br>the statements of financial<br>position |   |  |                                     |                                    |
|----------------------------------|--|---|--|-------------------------------------|------------------------------------|
|                                  | Gross amounts of<br>recognised<br>financial<br>instruments<br>B\$'000    | Gross amounts of<br>recognised financial<br>instruments offset<br>in the statements of<br>financial position<br>B\$'000 | Net amounts of<br>financial<br>instruments<br>presented in the<br>statements of<br>financial position<br>B\$'000 | Financing<br>instruments<br>B\$'000 | Financing<br>collateral<br>B\$'000 |
| <b>Group and Bank</b>            |  |   |  |                                     | <b>Net amount<br/>B\$'000</b>      |
| <b>2015</b>                      |  |   |  |                                     |                                    |
| Derivative financial assets      | 27,971   | –   | 27,971   | (26,848)                            | –                                  |
| Derivative financial liabilities | 68,788   | –   | 68,788   | (26,848)                            | –                                  |
|                                  |  |   |  |                                     | 1,123                              |
|                                  |  |   |  |                                     | 41,940                             |
| <b>2014</b>                      |  |   |  |                                     |                                    |
| Derivative financial assets      | 1,019  | –   | 1,019  | (853)                               | –                                  |
| Derivative financial liabilities | 127,435  | –   | 127,435  | (853)                               | –                                  |
|                                  |  |   |  |                                     | 166                                |
|                                  |  |   |  |                                     | 126,582                            |

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position that are disclosed in the above tables are measured in the statements of financial position on fair value.

**(b) Market risk**

**Overview of the Bank's market risk**

Market Risk is defined as the uncertainty of market value and earnings from changes in profit rate, exchange rates, market prices and volatilities. The Bank assumes market risk from trading and investment activities and from consumer and corporate financings.

The Bank portrays a traditional banking asset and liability profile. Trading activities is negligible while investment portfolio is no more than 15% of the Bank's total assets. Stress testing and sensitivity analysis is performed on a monthly basis to assess the impact on the market value and income from changes to the yield curve.

The Bank is exposed to the following risks:

**Profit Rate Risk:** Changes in the market wide profit rate i.e. yield curve will have an impact on the income of the Bank. This depends on how quickly the Bank can absorb the change in profit rate and price this in the composition of assets and liabilities. Stress test and sensitivity analysis is performed at 1%, 3% and 8% parallel shift in market profit rates and the resulting change in 1 year net income position of the Bank.

**Market Value/Duration Risk:** The fair value of assets and liabilities changes as the discount factor i.e. the yield curve moves up or down. The composition and duration of the assets and liabilities will determine the net change in net asset value. The base discount factor is the market SGD yield curve, to which a premium is added to reflect the market perception of the Bank's credit standing. Stress test and sensitivity analysis is performed at 1% to ascertain the resulting change in net asset value.

**Foreign Exchange Risk:** The Bank has substantial position in foreign exchange denominated assets, particularly the United States Dollar ("USD"). This risk exposure is managed through foreign exchange forward currency hedges, whereby all foreign exchange assets are required to be covered by either liabilities in the same currency and/or foreign exchange forward hedge with a reputable international counterparty. The Bank's Executive Committee has given approval for only BND 10 million equivalent in total aggregate foreign currency open position.

The objective of the Bank's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Bank's approved risk appetite.

**Market risk governance and management**

Market risk of the Bank is managed by the Market Risk unit of the Risk Management Division. market risk report is presented monthly to the Bank's ALCO and quarterly to the AFRC committee. ALCO provides the general guidelines to the parameters and limits applied in deriving the report's outcome. ALCO maintains the policy and procedures with regards to the market risk framework that are consistent and in-line with the short and long-term strategic goals and directions of the Board of Directors.

### **Overview of the subsidiary's market risk**

All the subsidiary's businesses are subject to the risk that market prices and rates will move, resulting in profit or losses to the subsidiary. Furthermore, significant or sudden movements in rates could affect the subsidiary's liquidity / funding position. The subsidiary is exposed to the following risks:

- Rate of Return or Profit Rate Risk: risk that changes in prevailing profit rate will adversely affect the earnings stream of the subsidiary, thus resulting in reduced net financing income;
- Price Risk: risk that changes in prevailing profit rate will adversely affect the values of assets, liabilities, and capital. Price risk is the valuation effect due to changes in rates and other market factors both internal and external to the subsidiary;

The objective of the subsidiary's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the subsidiary's approved risk appetite.

### **Market risk governance and management**

The Management Committee reviews these risks at least annually, and more often as conditions may warrant. This helps to provide for growth that is sound, profitable and balanced without sacrificing the quality of service and to manage and maintain policies and procedures that are consistent with the short and long-term strategic goals of the Board of Directors ("BOD").

(i) Profit rate risk

The tables below summarise the Group's and Bank's exposure to profit rate risk. The tables indicate the periods in which the financial instruments reprice or mature, whichever is earlier.

| Group<br>2015  | Up to<br>1 month<br>BS'000 | > 1 – 3 months<br>BS'000 | > 3 – 12 months<br>BS'000 | 1 – 5 years<br>BS'000 | Over 5 years<br>BS'000 | Non profit<br>sensitive<br>BS'000 | Trading<br>book<br>BS'000 | Total<br>BS'000  |
|--|----------------------------|--------------------------|---------------------------|-----------------------|------------------------|-----------------------------------|---------------------------|------------------|
| <b>Assets</b>  |                            |                          |                           |                       |                        |                                   |                           |                  |
| Cash and cash equivalents                                | 469,482                    | 232,387                  | —                         | —                     | —                      | 186,444                           | —                         | 888,313          |
| Balances with Autoriti Monetari<br>Brunei Darussalam     | —                          | —                        | —                         | —                     | —                      | 382,383                           | —                         | 382,383          |
| Placements with and financing<br>and advances to bank    | —                          | —                        | 1,897,463                 | —                     | —                      | —                                 | —                         | 1,897,463        |
| Government Sukuk   | 4,997                      | 15,754                   | —                         | —                     | —                      | —                                 | —                         | 20,751           |
| Financial assets at fair value<br>through profit or loss | —                          | —                        | —                         | —                     | —                      | —                                 | 20,456                    | 20,456           |
| Financial assets available-for-<br>sale                  | 3,508                      | —                        | 62,775                    | 406,351               | 106,997                | 118                               | —                         | 579,749          |
| Financial assets held-to-maturity                        | —                          | —                        | 14,139                    | —                     | —                      | —                                 | —                         | 14,139           |
| Derivative financial assets                              | —                          | —                        | —                         | —                     | —                      | —                                 | 27,971                    | 27,971           |
| Financing and advances*                                  |                            |                          |                           |                       |                        |                                   |                           |                  |
| - non-impaired   | 98,712                     | 70,713                   | 183,768                   | 1,089,183             | 1,870,681              | 1,258                             | —                         | 3,314,315        |
| - impaired   | —                          | —                        | —                         | —                     | —                      | 77,422                            | —                         | 77,422           |
| Finance lease receivables                                | —                          | —                        | —                         | —                     | —                      | 12,526                            | —                         | 12,526           |
| Other assets   | —                          | —                        | —                         | —                     | —                      | 26,994                            | —                         | 26,994           |
| <b>Total</b>   | <b>576,699</b>             | <b>318,854</b>           | <b>2,158,145</b>          | <b>1,495,534</b>      | <b>1,977,678</b>       | <b>687,145</b>                    | <b>48,427</b>             | <b>7,262,482</b> |



|   | Up to<br>1 month<br>B\$'000 | > 1 – 3 months<br>B\$'000 | > 3 – 12 months<br>B\$'000 | 1 – 5 years<br>B\$'000 | Over 5 years<br>B\$'000 | Non profit<br>sensitive<br>B\$'000 | Trading<br>book<br>B\$'000 | Total<br>B\$'000 |
|---|-----------------------------|---------------------------|----------------------------|------------------------|-------------------------|------------------------------------|----------------------------|------------------|
| <b>Group<br/>2015</b>   |                             |                           |                            |                        |                         |                                    |                            |                  |
| <b>Liabilities</b>  |                             |                           |                            |                        |                         |                                    |                            |                  |
| Deposits from customers   | 2,788,358                   | 796,159                   | 1,607,377                  | 175,030                | 228                     | —                                  | —                          | 5,367,152        |
| Deposits from banks and other<br>financial institutions         | 180,399                     | 61,525                    | 157,785                    | 145,505                | —                       | —                                  | —                          | 545,214          |
| Derivative financial liabilities                                | —                           | —                         | —                          | —                      | —                       | —                                  | 68,796                     | 68,796           |
| Other liabilities   | —                           | —                         | —                          | —                      | —                       | 92,746                             | —                          | 92,746           |
| <b>Total</b>  | <b>2,968,757</b>            | <b>857,684</b>            | <b>1,765,162</b>           | <b>320,535</b>         | <b>228</b>              | <b>92,746</b>                      | <b>68,796</b>              | <b>6,073,908</b> |
| Recognised assets profit<br>sensitivity gap                     | (2,392,058)                 | (538,830)                 | 392,983                    | 1,174,999              | 1,977,450               | 594,399                            | (20,369)                   | 1,188,574        |
| Unrecognised financial<br>instruments profit sensitivity<br>gap | —                           | —                         | —                          | —                      | —                       | 821,536                            | —                          | 821,536          |
| <b>Total profit sensitivity gap</b>                             | <b>(2,392,058)</b>          | <b>(538,830)</b>          | <b>392,983</b>             | <b>1,174,999</b>       | <b>1,977,450</b>        | <b>1,415,935</b>                   | <b>(20,369)</b>            | <b>2,010,110</b> |

\* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

**Bank Islam Brunei Darussalam Berhad**  
**and its Subsidiaries**  
*Financial statements*  
*Year ended 31 December 2015*

| <b>Group<br/>2014</b>                                    | <b>Up to<br/>1 month<br/>B\$'000</b> | <b>&gt; 1 – 3 months<br/>B\$'000</b> | <b>&gt; 3 – 12 months<br/>B\$'000</b> | <b>1 – 5 years<br/>B\$'000</b> | <b>Over 5 years<br/>B\$'000</b> | <b>Non profit<br/>sensitive<br/>B\$'000</b> | <b>Trading<br/>book<br/>B\$'000</b> | <b>Total<br/>B\$'000</b> |
|--|--------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|---------------------------------|---|-------------------------------------|--------------------------|
| <b>Assets</b>  |                                      |                                      |                                       |                                |                                 |   |                                     |                          |
| Cash and cash equivalents                                | 852,128                              | 137,099                              | –                                     | –                              | –                               | 196,240                                     | –                                   | 1,185,467                |
| Balances with Autoriti Monetari<br>Brunei Darussalam     | –                                    | –                                    | –                                     | –                              | –                               | 353,796                                     | –                                   | 353,796                  |
| Placements with and financing<br>and advances to bank    | 188,068                              | 666,467                              | 1,207,956                             | –                              | –                               | –   | –                                   | 2,062,491                |
| Government Sukuk   | 55,977                               | –                                    | –                                     | –                              | –                               | –   | –                                   | 55,977                   |
| Financial assets at fair value<br>through profit or loss | –                                    | –                                    | –                                     | –                              | –                               | –   | 22,098                              | 22,098                   |
| Financial assets available-for-<br>sale                  | 96,609                               | 40,213                               | 92,381                                | 429,099                        | 55,033                          | –   | –                                   | 713,335                  |
| Financial assets held-to-maturity                        | –                                    | –                                    | 12,953                                | 9,263                          | –                               | –   | –                                   | 22,216                   |
| Derivative financial assets                              | –                                    | –                                    | –                                     | –                              | –                               | –   | 1,019                               | 1,019                    |
| Financing and advances*                                  |                                      |                                      |                                       |                                |                                 |   |                                     |                          |
| - non-impaired   | 143,420                              | 77,094                               | 689,126                               | 348,873                        | 1,625,268                       | 4,665                                       | –                                   | 2,888,446                |
| - impaired   | –                                    | –                                    | –                                     | –                              | –                               | 98,414                                      | –                                   | 98,414                   |
| Finance lease receivables                                | –                                    | –                                    | –                                     | –                              | –                               | 12,498                                      | –                                   | 12,498                   |
| Other assets   | –                                    | –                                    | –                                     | –                              | –                               | 32,541                                      | –                                   | 32,541                   |
| <b>Total</b>   | <b>1,336,202</b>                     | <b>920,873</b>                       | <b>2,002,416</b>                      | <b>787,235</b>                 | <b>1,680,301</b>                | <b>698,154</b>                              | <b>23,117</b>                       | <b>7,448,298</b>         |

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| Group<br>2014   | Up to<br>1 month<br>B\$'000 | > 1 – 3 months<br>B\$'000 | > 3 – 12 months<br>B\$'000 | 1 – 5 years<br>B\$'000 | Over 5 years<br>B\$'000 | Non profit<br>sensitive<br>B\$'000 | Trading<br>book<br>B\$'000 | Total<br>B\$'000 |
|---|-----------------------------|---------------------------|----------------------------|------------------------|-------------------------|------------------------------------|----------------------------|------------------|
| <b>Liabilities</b>  |                             |                           |                            |                        |                         |                                    |                            |                  |
| Deposits from customers   | 2,848,946                   | 1,126,470                 | 1,468,530                  | 136,968                | 42                      | –                                  | –                          | 5,580,956        |
| Deposits from banks and other<br>financial institutions         | 343,336                     | 134,339                   | 25,339                     | –                      | –                       | –                                  | –                          | 503,014          |
| Derivative financial liabilities                                | –                           | –                         | –                          | –                      | –                       | –                                  | 127,435                    | 127,435          |
| Other liabilities   | –                           | –                         | –                          | –                      | –                       | 82,921                             | –                          | 82,921           |
| <b>Total</b>  | <b>3,192,282</b>            | <b>1,260,809</b>          | <b>1,493,869</b>           | <b>136,968</b>         | <b>42</b>               | <b>82,921</b>                      | <b>127,435</b>             | <b>6,294,326</b> |
| Recognised assets profit<br>sensitivity gap                     | (1,856,080)                 | (339,936)                 | 508,547                    | 650,267                | 1,680,259               | 615,233                            | (104,318)                  | 1,153,972        |
| Unrecognised financial<br>instruments profit sensitivity<br>gap | –                           | –                         | –                          | –                      | –                       | 555,324                            | –                          | 555,324          |
| <b>Total profit sensitivity gap</b>                             | <b>(1,856,080)</b>          | <b>(339,936)</b>          | <b>508,547</b>             | <b>650,267</b>         | <b>1,680,259</b>        | <b>1,170,557</b>                   | <b>(104,318)</b>           | <b>1,709,296</b> |

\* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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|  | Up to<br>1 month<br>B\$'000 | > 1 – 3 months<br>B\$'000 | > 3 – 12 months<br>B\$'000 | 1 – 5 years<br>B\$'000 | Over 5 years<br>B\$'000 | Non profit<br>sensitive<br>B\$'000 | Trading<br>book<br>B\$'000 | Total<br>B\$'000 |
|--|-----------------------------|---------------------------|----------------------------|------------------------|-------------------------|------------------------------------|----------------------------|------------------|
| <b>Bank<br/>2015</b>                                     |                             |                           |                            |                        |                         |                                    |                            |                  |
| <b>Assets</b>  |                             |                           |                            |                        |                         |                                    |                            |                  |
| Cash and cash equivalents                                | 469,482                     | 232,387                   | –                          | –                      | –                       | 190,518                            | –                          | 892,387          |
| Balances with Autoriti Monetari<br>Brunei Darussalam     | –                           | –                         | –                          | –                      | –                       | 350,741                            | –                          | 350,741          |
| Placements with and financing<br>and advances to bank    | –                           | –                         | 2,159,063                  | –                      | –                       | –                                  | –                          | 2,159,063        |
| Government sukuk   | 4,997                       | 15,754                    | –                          | –                      | –                       | –                                  | –                          | 20,751           |
| Financial assets at fair value<br>through profit or loss | –                           | –                         | –                          | –                      | –                       | –                                  | 1,700                      | 1,700            |
| Financial assets available-for-<br>sale                  | 10,917                      | –                         | 62,775                     | 406,351                | 106,997                 | 118                                | –                          | 587,158          |
| Financial assets held-to-<br>maturity                    | –                           | –                         | 14,139                     | –                      | –                       | –                                  | –                          | 14,139           |
| Derivative financial assets                              | –                           | –                         | –                          | –                      | –                       | –                                  | 27,971                     | 27,971           |
| Financing and advances*                                  |                             |                           |                            |                        |                         |                                    |                            |                  |
| - non-impaired   | 98,508                      | 70,146                    | 174,325                    | 744,026                | 1,645,916               | 1,258                              | –                          | 2,734,179        |
| - impaired   | –                           | –                         | –                          | –                      | –                       | 80,852                             | –                          | 80,852           |
| Finance lease receivables                                | –                           | –                         | –                          | –                      | –                       | 12,526                             | –                          | 12,526           |
| Other assets   | –                           | –                         | –                          | –                      | –                       | 42,065                             | –                          | 42,065           |
| <b>Total</b>   | <b>583,904</b>              | <b>318,287</b>            | <b>2,410,302</b>           | <b>1,150,377</b>       | <b>1,752,913</b>        | <b>678,078</b>                     | <b>29,671</b>              | <b>6,923,532</b> |

|   | Up to<br>1 month<br>B\$'000 | > 1 – 3 months<br>B\$'000 | > 3 – 12 months<br>B\$'000 | 1 – 5 years<br>B\$'000 | Over 5 years<br>B\$'000 | Non profit<br>sensitive<br>B\$'000 | Trading<br>book<br>B\$'000 | Total<br>B\$'000 |
|---|-----------------------------|---------------------------|----------------------------|------------------------|-------------------------|------------------------------------|----------------------------|------------------|
| <b>Bank<br/>2015</b>  |                             |                           |                            |                        |                         |                                    |                            |                  |
| <b>Liabilities</b>  |                             |                           |                            |                        |                         |                                    |                            |                  |
| Deposits from customers   | 2,740,025                   | 784,145                   | 1,566,439                  | 152,184                | –                       | –                                  | –                          | 5,242,793        |
| Deposits and placements of<br>banks and other financial<br>institutions | 170,739                     | 70,726                    | 122,643                    | 88,605                 | –                       | –                                  | –                          | 452,713          |
| Derivative financial liabilities  | –                           | –                         | –                          | –                      | –                       | –                                  | 68,796                     | 68,796           |
| Other liabilities   | –                           | –                         | –                          | –                      | –                       | 72,422                             | –                          | 72,422           |
| <b>Total</b>  | <b>2,910,764</b>            | <b>854,871</b>            | <b>1,689,082</b>           | <b>240,789</b>         | <b>–</b>                | <b>72,422</b>                      | <b>68,796</b>              | <b>5,836,724</b> |
| Recognised assets profit<br>sensitivity gap                             | (2,326,860)                 | (536,584)                 | 721,220                    | 909,588                | 1,752,913               | 605,656                            | (39,125)                   | 1,086,808        |
| Unrecognised financial<br>instruments profit sensitivity<br>gap         | –                           | –                         | –                          | –                      | –                       | 821,536                            | –                          | 821,536          |
| <b>Total profit sensitivity gap</b>                                     | <b>(2,326,860)</b>          | <b>(536,584)</b>          | <b>721,220</b>             | <b>909,588</b>         | <b>1,752,913</b>        | <b>1,427,192</b>                   | <b>(39,125)</b>            | <b>1,908,344</b> |

\* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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|  | Up to<br>1 month<br>B\$'000 | > 1 – 3 months<br>B\$'000 | > 3 – 12 months<br>B\$'000 | 1 – 5 years<br>B\$'000 | Over 5 years<br>B\$'000 | Non profit<br>sensitive<br>B\$'000 | Trading<br>book<br>B\$'000 | Total<br>B\$'000 |
|--|-----------------------------|---------------------------|----------------------------|------------------------|-------------------------|------------------------------------|----------------------------|------------------|
| <b>Bank<br/>2014</b>                                     |                             |                           |                            |                        |                         |                                    |                            |                  |
| <b>Assets</b>  |                             |                           |                            |                        |                         |                                    |                            |                  |
| Cash and cash equivalents                                | 952,128                     | 137,099                   | –                          | –                      | –                       | 196,876                            | –                          | 1,286,103        |
| Balances with Autoriti Monetari<br>Brunei Darussalam     | –                           | –                         | –                          | –                      | –                       | 325,015                            | –                          | 325,015          |
| Placements with and financing<br>and advances to bank    | 188,068                     | 699,467                   | 1,375,256                  | –                      | –                       | –                                  | –                          | 2,262,791        |
| Government sukuk   | 55,977                      | –                         | –                          | –                      | –                       | –                                  | –                          | 55,977           |
| Financial assets at fair value<br>through profit or loss | –                           | –                         | –                          | –                      | –                       | –                                  | 2,920                      | 2,920            |
| Financial assets available-for-<br>sale                  | 86,354                      | 59,390                    | 92,381                     | 429,099                | 55,034                  | –                                  | –                          | 722,258          |
| Financial assets held-to-<br>maturity                    | –                           | –                         | 12,953                     | 9,263                  | –                       | –                                  | –                          | 22,216           |
| Derivative financial assets                              | –                           | –                         | –                          | –                      | –                       | –                                  | 1,019                      | 1,019            |
| Financing and advances*                                  |                             |                           |                            |                        |                         |                                    |                            |                  |
| - non-impaired   | 143,015                     | 76,627                    | 680,553                    | 5,179                  | 1,412,920               | 4,665                              | –                          | 2,322,959        |
| - impaired   | –                           | –                         | –                          | –                      | –                       | 102,572                            | –                          | 102,572          |
| Finance lease receivables                                | –                           | –                         | –                          | –                      | –                       | 12,498                             | –                          | 12,498           |
| Other assets   | –                           | –                         | –                          | –                      | –                       | 7,629                              | –                          | 44,629           |
| <b>Total</b>   | <b>1,425,542</b>            | <b>972,583</b>            | <b>2,161,143</b>           | <b>443,541</b>         | <b>1,467,954</b>        | <b>686,255</b>                     | <b>3,939</b>               | <b>7,160,957</b> |

|   | Up to<br>1 month<br>B\$'000 | > 1 – 3 months<br>B\$'000 | > 3 – 12 months<br>B\$'000 | 1 – 5 years<br>B\$'000 | Over 5 years<br>B\$'000 | Non profit<br>sensitive<br>B\$'000 | Trading<br>book<br>B\$'000 | Total<br>B\$'000 |
|---|-----------------------------|---------------------------|----------------------------|------------------------|-------------------------|------------------------------------|----------------------------|------------------|
| <b>Bank<br/>2014</b>  |                             |                           |                            |                        |                         |                                    |                            |                  |
| <b>Liabilities</b>  |                             |                           |                            |                        |                         |                                    |                            |                  |
| Deposits from customers   | 2,778,063                   | 1,093,426                 | 1,421,504                  | 111,725                | –                       | –                                  | –                          | 5,404,718        |
| Deposits and placements of<br>banks and other financial<br>institutions | 232,631                     | 92,838                    | 141,047                    | 30,000                 | –                       | –                                  | –                          | 496,516          |
| Derivative financial liabilities  | –                           | –                         | –                          | –                      | –                       | –                                  | 127,435                    | 127,435          |
| Other liabilities   | –                           | –                         | –                          | –                      | –                       | 68,000                             | –                          | 68,000           |
| <b>Total</b>  | <b>3,010,694</b>            | <b>1,186,264</b>          | <b>1,562,551</b>           | <b>141,725</b>         | <b>–</b>                | <b>68,000</b>                      | <b>127,435</b>             | <b>6,096,669</b> |
| Recognised assets profit<br>sensitivity gap                             | (1,585,152)                 | (213,681)                 | 598,592                    | 301,816                | 1,467,954               | 618,255                            | (123,496)                  | 1,064,288        |
| Unrecognised financial<br>instruments profit sensitivity<br>gap         | –                           | –                         | –                          | –                      | –                       | 554,629                            | –                          | 554,629          |
| <b>Total profit sensitivity gap</b>                                     | <b>(1,585,152)</b>          | <b>(213,681)</b>          | <b>598,592</b>             | <b>301,816</b>         | <b>1,467,954</b>        | <b>1,172,884</b>                   | <b>(123,496)</b>           | <b>1,618,917</b> |

\* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

**Profit sensitivity analysis for variable rate instruments:**

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

| Group and Bank            | Profit or loss                |                               | Equity                        |                               |
|---------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                           | 100 bp<br>increase<br>B\$'000 | 100 bp<br>decrease<br>B\$'000 | 100 bp<br>increase<br>B\$'000 | 100 bp<br>decrease<br>B\$'000 |
| <b>2015</b>               |                               |                               |                               |                               |
| Variable rate instruments | 43,912                        | (43,912)                      | 43,912                        | (43,912)                      |
| <b>2014</b>               |                               |                               |                               |                               |
| Variable rate instruments | 8,210                         | (8,210)                       | 8,210                         | (8,210)                       |

**(ii) Foreign exchange risk of the Bank**

**Trading positions**

The Bank controls the foreign exchange risk within the trading portfolio by limiting the open exposure to individual currencies, and on an aggregate basis.

**Overall (trading and non-trading positions)**

To mitigate the risk of loss due to foreign currency rate changes the Bank will match its positions as closely as possible.

Trading is always conducted to ensure that internal set limits are adhered to.

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

**Foreign exchange risk of the subsidiaries**

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



### Exposure to foreign exchange risk

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

|   | -----Group and Bank----- |                 |                  |                 |
|---|--------------------------|-----------------|------------------|-----------------|
|   | USD                      | EUR             | GBP              | Others          |
|   | BS'000                   | BS'000          | BS'000           | BS'000          |
| <b>2015</b>   |                          |                 |                  |                 |
| <b>Assets</b>   |                          |                 |                  |                 |
| Cash and short term funds                               | 681,898                  | 6,410           | 53,259           | 5,334           |
| Placements with and financing<br>and advances to bank   | 1,496,265                | 7,731           | 115,424          | —               |
| Investments   | 570,075                  | 405             | 365              | —               |
| Financing and advances                                  | 352,708                  | —               | —                | —               |
| Others  | 8,807                    | —               | 2,868            | 11              |
| <b>Total</b>  | <b>3,109,753</b>         | <b>14,546</b>   | <b>171,916</b>   | <b>5,345</b>    |
| <b>Liabilities</b>                                      |                          |                 |                  |                 |
| Deposits from customers                                 | (737,002)                | (13,553)        | (273,456)        | (4,712)         |
| Deposits from banks and other<br>financial institutions | (3,699)                  | —               | (1)              | —               |
| Reserves  | 5,766                    | —               | —                | —               |
| Others  | (4,162)                  | (2)             | (1,068)          | (34)            |
| <b>Total</b>  | <b>(739,097)</b>         | <b>(13,555)</b> | <b>(274,525)</b> | <b>(4,746)</b>  |
| Effect of use of derivatives                            | (2,370,804)              | (696)           | 103,075          | —               |
| <b>Net exposure</b>                                     | <b>(148)</b>             | <b>295</b>      | <b>466</b>       | <b>599</b>      |
| <b>2014</b>   |                          |                 |                  |                 |
| <b>Assets</b>   |                          |                 |                  |                 |
| Cash and short term funds                               | 888,448                  | 78,123          | 18,492           | 4,873           |
| Placements with and financing<br>and advances to bank   | 1,821,702                | 45,100          | 74,535           | —               |
| Investments   | 589,207                  | 422             | 285              | 142             |
| Financing and advances                                  | 364,945                  | —               | —                | —               |
| Others  | 39,025                   | 108             | —                | —               |
| <b>Total</b>  | <b>3,703,327</b>         | <b>123,753</b>  | <b>93,312</b>    | <b>5,015</b>    |
| <b>Liabilities</b>                                      |                          |                 |                  |                 |
| Deposits from customers                                 | (660,114)                | (57,599)        | (271,856)        | (17,569)        |
| Others  | —                        | —               | (228)            | (29)            |
| <b>Total</b>  | <b>(660,114)</b>         | <b>(57,599)</b> | <b>(272,084)</b> | <b>(17,598)</b> |
| Effect of use of derivatives                            | (3,039,367)              | (65,958)        | 178,837          | 12,074          |
| <b>Net exposure</b>                                     | <b>3,846</b>             | <b>196</b>      | <b>65</b>        | <b>(509)</b>    |

### Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and Bank as at the reporting date is summarised as follows (only exposures in currencies that accounts for more than 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

|                       | 2015                            |                                 | 2014                            |                                 |
|-----------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                       | - 1%<br>depreciation<br>B\$'000 | + 1%<br>appreciation<br>B\$'000 | - 1%<br>depreciation<br>B\$'000 | + 1%<br>Appreciation<br>B\$'000 |
| <b>Group and Bank</b> |                                 |                                 |                                 |                                 |
| USD                   | 1                               | (1)                             | (38)                            | 38                              |
| EUR                   | (3)                             | 3                               | (2)                             | 2                               |
| GBP                   | (5)                             | 5                               | (1)                             | 1                               |
| Others                | (6)                             | 6                               | 5                               | (5)                             |
| <b>Total</b>          | <b>(13)</b>                     | <b>13</b>                       | <b>(36)</b>                     | <b>36</b>                       |

### (iii) Equity price risk

The Group is exposed to equity price risk on its equity investments which are carried at fair value through profit or loss and through other comprehensive income. The majority of the Group's and Bank's equity investments are quoted on the Kuala Lumpur, London and New York stock exchanges.

#### *Sensitivity analysis – equity price risk*

For a 10% increase in the value of equity securities, the impact on profit or loss of the Group and the Bank would have been an increase of B\$2,102,000 and B\$226,000 respectively after tax (2014: B\$2,161,000 and B\$249,000 respectively). A 10% decrease in the value of the equity securities would have had an equal and opposite effect on the profit or loss of the Group and the Bank.

For a 10% increase in the value of equity securities, the impact on fair value reserve of the Group and Bank would have been an increase of B\$400,000 and B\$1,141,000 respectively after tax (2014: B\$507,000 and B\$1,400,000 respectively). A 10% decrease in the value of the equity securities would have had an equal and opposite effect on the fair value reserve of the Group and Bank.

The analysis is performed on the same basis for 2014 and assumes that all other variables remain the same.

**(c) Liquidity risk of the Bank**

**Overview**

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

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

In addition, the Bank and one of its subsidiaries have to comply with Section 45(1) of the Islamic Banking Order, 2008 and section 13A of the Finance Companies Act, Cap 89 respectively to maintain minimum cash balances with the AMBD. The Bank and the subsidiary were in compliance with these requirements as of 31 December 2015.

**Management of liquidity and funding risk**

The Bank manages its liquidity through its ALCO which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

**Liquidity risk of the subsidiary**

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

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

In addition, the subsidiary has to comply with section 13A of the Finance Companies Act, Cap 89 to maintain minimum cash balances with the AMBD. The subsidiary is in compliance with this requirement as at the reporting date.

**Management of liquidity risk**

Liquidity risk is managed in accordance to the subsidiary's liquidity framework through contingency funding line with its parent of US\$200 million. This framework ensures that liquidity risk is monitored and managed in a manner that ensures sufficient sources of funds are available over a range of market conditions.

## Maturity analysis

The table below summarises the Group's and Bank's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from customers are not all expected to be withdrawn immediately.

| Group<br>2015  | Less than<br>3 months<br>B\$'000 | > 3 – 6<br>months<br>B\$'000 | > 6 – 12<br>months<br>B\$'000 | > 1 – 3<br>years<br>B\$'000 | > 3 – 5<br>years<br>B\$'000 | Over<br>5 years<br>B\$'000 | No specific<br>maturity<br>B\$'000 | Total<br>B\$'000 |
|--|----------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|----------------------------|------------------------------------|------------------|
| <b>Assets</b>  |                                  |                              |                               |                             |                             |                            |                                    |                  |
| Cash, balances and placements with<br>banks            | 888,354                          | –                            | –                             | –                           | –                           | –                          | –                                  | 888,354          |
| Balances with Autoriti Monetari<br>Brunei Darussalam   | 232,313                          | 68,218                       | 35,434                        | 14,776                      | –                           | 31,642                     | –                                  | 382,383          |
| Placements with and financing and<br>advances to banks | 823,514                          | 354,426                      | 724,800                       | –                           | –                           | –                          | –                                  | 1,902,740        |
| Government sukuk                                       | 5,000                            | 15,800                       | –                             | –                           | –                           | –                          | –                                  | 20,800           |
| Investments  | 15,785                           | 35,215                       | 96,989                        | 251,248                     | 195,314                     | 84,149                     | 12,536                             | 691,236          |
| Derivatives financial assets                           | 3,057                            | 585                          | 5,623                         | 10,577                      | 3,958                       | –                          | –                                  | 23,800           |
| Financing and advances                                 | 529,840                          | 329,135                      | 269,442                       | 853,736                     | 626,418                     | 1,057,775                  | –                                  | 3,666,346        |
| Finance lease receivables                              | 165                              | 165                          | 330                           | 1,320                       | 1,420                       | 28,500                     | –                                  | 31,900           |
| Other assets   | 2,748                            | 8,660                        | 5,981                         | 5,883                       | 3,722                       | –                          | –                                  | 26,994           |
| <b>Total</b>   | <b>2,500,776</b>                 | <b>812,204</b>               | <b>1,138,599</b>              | <b>1,137,540</b>            | <b>830,832</b>              | <b>1,202,066</b>           | <b>12,536</b>                      | <b>7,634,553</b> |

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| <b>Group<br/>2015</b>  | <b>Less than<br/>3 months<br/>B\$'000</b> | <b>&gt; 3 – 6<br/>months<br/>B\$'000</b> | <b>&gt; 6 – 12<br/>months<br/>B\$'000</b> | <b>&gt; 1 – 3<br/>years<br/>B\$'000</b> | <b>&gt; 3 – 5<br/>years<br/>B\$'000</b> | <b>Over<br/>5 years<br/>B\$'000</b> | <b>No specific<br/>maturity<br/>B\$'000</b> | <b>Total<br/>B\$'000</b> |
|--|---|--|---|---|---|-------------------------------------|---|--------------------------|
| <b>Liabilities</b>   |   |  |   |   |   |                                     |   |                          |
| Deposits from customers  | 3,612,430                                 | 1,130,808                                | 470,735                                   | 175,554                                 | –                                       | 242                                 | –   | 5,389,769                |
| Deposits and placements of banks<br>and other financial institutions | 177,821                                   | 304,916                                  | 6,187                                     | 63,296                                  | –                                       | –                                   | –   | 552,220                  |
| Derivative financial liabilities                                     | 13,134                                    | 12,814                                   | 8,259                                     | 20,854                                  | 7,556                                   | –                                   | –   | 62,617                   |
| Other liabilities  | 31,945                                    | 24,211                                   | 30,275                                    | 5,110                                   | 1,205                                   | –                                   | –   | 92,746                   |
| <b>Total</b>   | <b>3,835,330</b>                          | <b>1,472,749</b>                         | <b>515,456</b>                            | <b>264,814</b>                          | <b>8,761</b>                            | <b>242</b>                          | <b>–</b>                                    | <b>6,097,352</b>         |
| Recognised assets net liquidity gap                                  | (1,334,554)                               | (660,545)                                | 623,143                                   | 872,726                                 | 822,071                                 | 1,201,824                           | 12,536                                      | 1,537,201                |
| Commitments and contingencies  | 101,010                                   | 119,678                                  | 154,083                                   | 101,025                                 | 299,030                                 | 37,015                              | 9,695                                       | 821,536                  |
| <b>Net liquidity gap</b>   | <b>(1,233,544)</b>                        | <b>(540,867)</b>                         | <b>777,226</b>                            | <b>973,751</b>                          | <b>1,121,101</b>                        | <b>1,238,839</b>                    | <b>22,231</b>                               | <b>2,358,737</b>         |

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| <b>Group<br/>2014</b>                               | <b>Less than<br/>3 months<br/>B\$'000</b> | <b>&gt; 3 – 6<br/>months<br/>B\$'000</b> | <b>&gt; 6 – 12<br/>months<br/>B\$'000</b> | <b>&gt; 1 – 3<br/>years<br/>B\$'000</b> | <b>&gt; 3 – 5<br/>years<br/>B\$'000</b> | <b>Over<br/>5 years<br/>B\$'000</b> | <b>No specific<br/>maturity<br/>B\$'000</b> | <b>Total<br/>B\$'000</b> |
|---|---|--|---|---|---|-------------------------------------|---|--------------------------|
| <b>Assets</b>                                       |   |  |   |   |   |                                     |   |                          |
| Cash, balances and placements with banks            | 1,185,525                                 | –  | –   | –                                       | –                                       | –                                   | –   | 1,185,525                |
| Balances with Autoriti Monetari Brunei Darussalam   | 227,959                                   | 59,278                                   | 25,987                                    | 7,897                                   | –                                       | 24,114                              | –   | 345,235                  |
| Placements with and financing and advances to banks | 878,397                                   | 546,353                                  | 658,911                                   | –                                       | –                                       | –                                   | –   | 2,083,661                |
| Government sukuk                                    | 36,000                                    | 20,000                                   | –   | –                                       | –                                       | –                                   | –   | 56,000                   |
| Investments   | 148,129                                   | 5,912                                    | 126,852                                   | 214,027                                 | 308,962                                 | 103,119                             | 17,371                                      | 924,372                  |
| Derivative financial assets                         | 758                                       | 486                                      | 118                                       | –                                       | –                                       | –                                   | –   | 1,362                    |
| Financing and advances                              | 373,731                                   | 211,606                                  | 367,417                                   | 1,080,822                               | 732,961                                 | 916,830                             | –   | 3,683,367                |
| Finance lease receivables                           | 165                                       | 165                                      | 330                                       | 1,320                                   | 1,360                                   | 29,220                              | –   | 32,560                   |
| Other assets  | 19,484                                    | 4,583                                    | 2,476                                     | 3,260                                   | 5,752                                   | 3,105                               | –   | 38,660                   |
| <b>Total</b>  | <b>2,870,148</b>                          | <b>848,383</b>                           | <b>1,182,091</b>                          | <b>1,307,326</b>                        | <b>1,049,035</b>                        | <b>1,076,388</b>                    | <b>17,371</b>                               | <b>8,350,742</b>         |

**Bank Islam Brunei Darussalam Berhad**  
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|  | Less than<br>3 months<br>B\$'000 | > 3 – 6<br>months<br>B\$'000 | > 6 – 12<br>months<br>B\$'000 | > 1 – 3<br>years<br>B\$'000 | > 3 – 5<br>years<br>B\$'000 | Over<br>5 years<br>B\$'000 | No specific<br>maturity<br>B\$'000 | Total<br>B\$'000 |
|--|----------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|----------------------------|------------------------------------|------------------|
| <b>Group<br/>2014</b>  |                                  |                              |                               |                             |                             |                            |                                    |                  |
| <b>Liabilities</b>   |                                  |                              |                               |                             |                             |                            |                                    |                  |
| Deposits from customers  | 3,973,318                        | 992,655                      | 510,120                       | 146,178                     | 7,506                       | 472                        | –                                  | 5,630,249        |
| Deposits and placements of banks<br>and other financial institutions | 248,625                          | 78,136                       | 54,894                        | 35,511                      | 195                         | –                          | –                                  | 417,361          |
| Derivative financial liabilities                                     | 46,817                           | 29,621                       | 24,577                        | 13,492                      | 8,576                       | –                          | –                                  | 123,083          |
| Placements from other financial<br>institutions                      | –                                | –                            | –                             | –                           | –                           | –                          | –                                  | –                |
| Other liabilities  | 20,783                           | 43,592                       | 8,878                         | 6,851                       | 538                         | 9,414                      | –                                  | 90,056           |
| <b>Total</b>   | <b>4,289,543</b>                 | <b>1,144,004</b>             | <b>598,469</b>                | <b>202,032</b>              | <b>16,815</b>               | <b>9,886</b>               | <b>–</b>                           | <b>6,260,749</b> |
| Recognised assets net liquidity gap                                  | (1,419,395)                      | (295,621)                    | 583,622                       | 1,105,294                   | 1,032,220                   | 1,066,502                  | 17,371                             | 2,089,993        |
| Commitments and contingencies  | 291,074                          | 26,819                       | 93,848                        | 35,560                      | 11,418                      | 85,214                     | 11,391                             | 555,324          |
| <b>Net liquidity gap</b>   | <b>(1,128,321)</b>               | <b>(268,802)</b>             | <b>677,470</b>                | <b>1,140,854</b>            | <b>1,043,638</b>            | <b>1,151,716</b>           | <b>28,762</b>                      | <b>2,645,317</b> |

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**and its Subsidiaries**  
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|  | Less than 3<br>months<br>B\$'000 | > 3 – 6<br>months<br>B\$'000 | > 6 – 12<br>months<br>B\$'000 | > 1 – 3<br>years<br>B\$'000 | > 3 – 5<br>years<br>B\$'000 | Over<br>5 years<br>B\$'000 | No specific<br>maturity<br>B\$'000 | Total<br>B\$'000 |
|--|----------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|----------------------------|------------------------------------|------------------|
| <b>Bank<br/>2015</b>                                   |                                  |                              |                               |                             |                             |                            |                                    |                  |
| <b>Assets</b>  |                                  |                              |                               |                             |                             |                            |                                    |                  |
| Cash and cash equivalents                              | 892,428                          | –                            | –                             | –                           | –                           | –                          | –                                  | 892,428          |
| Balances with Autoriti Monetari<br>Brunei Darussalam   | 232,313                          | 68,218                       | 35,434                        | 14,776                      | –                           | –                          | –                                  | 350,741          |
| Placements with and financing and<br>advances to banks | 823,514                          | 616,026                      | 724,800                       | –                           | –                           | –                          | –                                  | 2,164,340        |
| Government sukuk                                       | 5,000                            | 15,800                       | –                             | –                           | –                           | –                          | –                                  | 20,800           |
| Investments  | 4,437                            | 35,215                       | 96,989                        | 251,248                     | 195,314                     | 84,149                     | 12,536                             | 679,888          |
| Derivative financial assets                            | 3,057                            | 585                          | 5,623                         | 10,577                      | 3,958                       | –                          | –                                  | 23,800           |
| Financing and advances                                 | 476,462                          | 177,174                      | 269,442                       | 853,736                     | 626,418                     | 1,083,875                  | –                                  | 3,487,107        |
| Finance lease receivables                              | 165                              | 165                          | 330                           | 1,320                       | 1,420                       | 28,500                     | –                                  | 31,900           |
| Other assets   | 15,050                           | 11,429                       | 5,981                         | 5,883                       | 3,722                       | –                          | –                                  | 42,065           |
| <b>Total</b>   | <b>2,452,426</b>                 | <b>924,612</b>               | <b>1,138,599</b>              | <b>1,137,540</b>            | <b>830,832</b>              | <b>1,196,524</b>           | <b>12,536</b>                      | <b>7,693,069</b> |



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|   | Less than 3<br>months<br>B\$'000 | > 3 – 6<br>months<br>B\$'000 | > 6 – 12<br>months<br>B\$'000 | > 1 – 3<br>years<br>B\$'000 | > 3 – 5<br>years<br>B\$'000 | Over<br>5 years<br>B\$'000 | No specific<br>maturity<br>B\$'000 | Total<br>B\$'000 |
|---|----------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|----------------------------|------------------------------------|------------------|
| <b>Bank<br/>2015</b>                                    |                                  |                              |                               |                             |                             |                            |                                    |                  |
| <b>Liabilities</b>                                      |                                  |                              |                               |                             |                             |                            |                                    |                  |
| Deposits from customers                                 | 3,544,241                        | 1,093,746                    | 472,694                       | 152,184                     | –                           | –                          | –                                  | 5,262,865        |
| Deposits from banks and other<br>financial institutions | 241,463                          | 17,909                       | 104,734                       | 88,605                      | –                           | –                          | –                                  | 452,711          |
| Derivative financial liabilities                        | 13,134                           | 12,814                       | 8,259                         | 20,854                      | 7,556                       | –                          | –                                  | 62,617           |
| Other liabilities                                       | 11,621                           | 24,211                       | 30,275                        | 5,110                       | 1,205                       | –                          | –                                  | 72,422           |
| <b>Total</b>  | <b>3,810,459</b>                 | <b>1,148,680</b>             | <b>615,962</b>                | <b>266,753</b>              | <b>8,761</b>                | <b>–</b>                   | <b>–</b>                           | <b>5,850,615</b> |
| Recognised assets net liquidity gap                     | (1,358,033)                      | (224,068)                    | 522,637                       | 870,787                     | 822,071                     | 1,196,524                  | 12,536                             | 1,842,454        |
| Commitments and contingencies                           | 101,010                          | 119,678                      | 154,083                       | 101,025                     | 299,030                     | 37,015                     | 9,695                              | 821,536          |
| <b>Net liquidity gap</b>                                | <b>(1,257,023)</b>               | <b>(104,390)</b>             | <b>676,720</b>                | <b>971,812</b>              | <b>1,121,101</b>            | <b>1,233,539</b>           | <b>22,231</b>                      | <b>2,663,990</b> |

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|  | Less than 3<br>months<br>B\$'000 | > 3 – 6<br>months<br>B\$'000 | > 6 – 12<br>months<br>B\$'000 | > 1 – 3<br>years<br>B\$'000 | > 3 – 5<br>years<br>B\$'000 | Over<br>5 years<br>B\$'000 | No specific<br>maturity<br>B\$'000 | Total<br>B\$'000 |
|--|----------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|----------------------------|------------------------------------|------------------|
| <b>Bank<br/>2014</b>                                   |                                  |                              |                               |                             |                             |                            |                                    |                  |
| <b>Assets</b>  |                                  |                              |                               |                             |                             |                            |                                    |                  |
| Cash and cash equivalents                              | 1,286,162                        | –                            | –                             | –                           | –                           | –                          | –                                  | 1,286,162        |
| Balances with Autoriti Monetari<br>Brunei Darussalam   | 227,959                          | 59,278                       | 25,987                        | 7,897                       | –                           | –                          | –                                  | 321,121          |
| Placements with and financing and<br>advances to banks | 884,133                          | 720,304                      | 658,911                       | –                           | –                           | –                          | –                                  | 2,263,348        |
| Government sukuk                                       | 36,000                           | 20,000                       | –                             | –                           | –                           | –                          | –                                  | 56,000           |
| Investments  | 137,874                          | 5,912                        | 126,852                       | 214,027                     | 308,962                     | 103,119                    | 17,371                             | 914,117          |
| Derivative financial assets                            | 758                              | 486                          | 118                           | –                           | –                           | –                          | –                                  | 1,362            |
| Financing and advances                                 | 345,420                          | 155,812                      | 286,348                       | 799,595                     | 551,230                     | 952,508                    | –                                  | 3,090,913        |
| Finance lease receivables                              | 165                              | 165                          | 330                           | 1,320                       | 1,360                       | 29,220                     | –                                  | 32,560           |
| Other assets   | 30,643                           | 4,280                        | 2,405                         | 2,209                       | 2,588                       | 2,533                      | –                                  | 44,658           |
| <b>Total</b>   | <b>2,949,114</b>                 | <b>966,237</b>               | <b>1,100,951</b>              | <b>1,025,048</b>            | <b>864,140</b>              | <b>1,087,380</b>           | <b>17,371</b>                      | <b>8,010,241</b> |

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|   | Less than 3<br>months<br>BS'000 | > 3 – 6<br>months<br>BS'000 | > 6 – 12<br>months<br>BS'000 | > 1 – 3<br>years<br>BS'000 | > 3 – 5<br>years<br>BS'000 | Over<br>5 years<br>BS'000 | No specific<br>maturity<br>BS'000 | Total<br>BS'000  |
|---|---------------------------------|-----------------------------|------------------------------|----------------------------|----------------------------|---------------------------|-----------------------------------|------------------|
| <b>Bank<br/>2014</b>                                    |                                 |                             |                              |                            |                            |                           |                                   |                  |
| <b>Liabilities</b>                                      |                                 |                             |                              |                            |                            |                           |                                   |                  |
| Deposits from customers                                 | 3,874,420                       | 975,076                     | 452,132                      | 114,984                    | –                          | –                         | –                                 | 5,416,612        |
| Deposits from banks and other<br>financial institutions | 325,854                         | 117,148                     | 26,690                       | 30,535                     | –                          | –                         | –                                 | 500,227          |
| Derivative financial liabilities                        | 46,817                          | 29,621                      | 24,577                       | 13,492                     | 8,576                      | –                         | –                                 | 123,083          |
| Placements from other financial<br>institutions         | –                               | –                           | –                            | –                          | –                          | –                         | –                                 | –                |
| Other liabilities                                       | 10,406                          | 43,126                      | 7,006                        | 4,869                      | 318                        | 2,277                     | –                                 | 68,002           |
| <b>Total</b>  | <b>4,257,497</b>                | <b>1,164,971</b>            | <b>510,405</b>               | <b>163,880</b>             | <b>8,894</b>               | <b>2,277</b>              | <b>–</b>                          | <b>6,107,924</b> |
| Recognised assets net liquidity gap                     | (1,308,383)                     | (198,734)                   | 590,546                      | 861,168                    | 855,246                    | 1,085,103                 | 17,371                            | 1,902,317        |
| Commitments and contingencies                           | 290,379                         | 26,819                      | 93,848                       | 35,560                     | 11,418                     | 85,214                    | 11,391                            | 554,629          |
| <b>Net liquidity gap</b>                                | <b>(1,018,004)</b>              | <b>(171,915)</b>            | <b>684,394</b>               | <b>896,728</b>             | <b>866,664</b>             | <b>1,170,317</b>          | <b>28,762</b>                     | <b>2,456,946</b> |

**(d) Operational Risk of the Bank**

Operational risk is the potential for loss resulting from events involving people, internal processes, systems or external events. A set of minimum control standards for operational risk management has been developed with the objective of ensuring that operational risks within the Group are identified and managed in a structured and consistent manner.

**Operational Risk Management Framework**

Operational risks can arise from all business lines and from all activities carried out by the Bank. Operational risks are systematically identified at the divisional level. Risk Coordinators are appointed from each division and are responsible for risk identification and risk management in all the identified risk areas. This includes maintaining an effective control environment arising from those activities as their first line of defense responsibilities.

Operational risk exposures can take various forms, and the Bank seeks to manage them in accordance with standards that drive systematic risk identification, assessment, control and monitoring. These standards are reviewed regularly to ensure their ongoing effectiveness. To support the systematic identification of material operational risk exposures associated with a given process, the Bank classifies them into the following risk types:

- People
- Process
- System
- External

Operational risk exposures are rated 'high', 'medium' or 'low' in accordance with defined risk assessment criteria. Risks that are outside set materiality thresholds receive a different level of management attention and are reported to Senior management (Ad-Hoc Basis) and Operational Risk Management committee (Monthly Basis) up to Board level AFRC (Quarterly Basis). Significant risk events or financial losses that have occurred are analysed to identify the root cause of any failure for remediation and future mitigation. Actual operational losses are recorded.

In the second line of defense, Operational Risk Management ("ORM") is responsible for setting and maintaining the standards for operational risk management and control. ORM also creates awareness of possible risk issues in business units and provides risk awareness training and workshops.

The ORM Committee oversees the management of operational risks across the Bank, supported by all business unit heads. The ORM Committee operates on the basis of terms of reference derived from the Operational Risk Management mandate/framework which is approved by the Management Committee.

### **Operational Risk of the subsidiary**

Operational risk is the potential for loss resulting from events involving people, internal processes, systems or external events. A set of minimum control standards for operational risk management has been developed with the objective of ensuring that operational risks within the subsidiary are identified and managed in a structured and consistent manner.

### **Operational Risk and Internal Controls Framework of the subsidiary**

The board of directors of the subsidiary has delegated responsibility for operational risk to the Operational Risk and Internal Controls (“ORIC”) Committee, which is responsible for ongoing monitoring of operational risk and the development and implementation of controls to address operational risk identified either through RCSA or internal audit reviews. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- Internal controls framework documents for identified key business environment;
- requirements for the ongoing assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational risk through the Operational Risk Incident Report together with remedial action plans;
- development of business continuity plans;
- training and professional development;
- promote ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

Compliance with standards is supported by a programme of ongoing reviews undertaken by both internal and external auditor. The results of these reviews are discussed with the subsidiary’s ORIC Committee, with summaries submitted to the Audit Committee and senior management of the subsidiary.

## **39 Fair value of financial assets and liabilities**

Financial instruments comprise financial assets, financial liabilities and instruments not recognised on the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The information presented herein represents the estimates of fair values as at the reporting date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded from this note as they do not fall within the scope of IFRS 7: *Financial Instruments Disclosures* which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Group's and the Bank's financial instruments such as cash and short-term funds, balances with AMBD, deposits and placements with banks and other financial institutions, deposits from customers and banks, government sukuk, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at the reporting date approximate their fair values.

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

#### **Investments**

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

#### **Financing and advances**

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

#### **Derivatives**

The fair values of derivatives are obtained based on quoted and observable market prices of similar instruments at the reporting date.

#### **Fair value hierarchy**

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

|  | Carrying amounts                       |                                |                                  |                                |                                     |  | Fair values      |                    |                    |                    |                  |
|--|--|--------------------------------|----------------------------------|--------------------------------|-------------------------------------|--|------------------|--------------------|--------------------|--------------------|------------------|
|  | Designated<br>at fair value<br>B\$'000 | Held for<br>trading<br>B\$'000 | Available for<br>sale<br>B\$'000 | Held to<br>maturity<br>B\$'000 | Loans and<br>receivables<br>B\$'000 | Other<br>financial<br>liabilities<br>B\$'000 | Total<br>B\$'000 | Level 1<br>B\$'000 | Level 2<br>B\$'000 | Level 3<br>B\$'000 | Total<br>B\$'000 |
| Group<br>2015                                      |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Financial assets<br>measured at fair<br>value      |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Investments  | 20,456                                 | –                              | 579,749                          | –                              | –                                   | –  | 600,205          | 20,456             | 575,749            | 4,000              | 600,205          |
| Derivative financial<br>assets                     | –                                      | 27,971                         | –                                | –                              | –                                   | –  | 27,971           | –                  | 27,971             | –                  | 27,971           |
|  | 20,456                                 | 27,971                         | 579,749                          | –                              | –                                   | –  | 628,176          | 20,456             | 603,720            | 4,000              | 628,176          |
| Financial assets not<br>measured at fair<br>value  |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Investments  | –                                      | –                              | –                                | 14,139                         | –                                   | –  | 14,139           | –                  | 14,208             | –                  | 14,208           |
| Financing and<br>advances                          | –                                      | –                              | –                                | –                              | 3,391,737                           | –  | 3,391,737        | –                  | –                  | 3,363,417          | 3,363,417        |
|  | –                                      | –                              | –                                | 14,139                         | 3,391,737                           | –  | 3,405,876        | –                  | 14,208             | 3,363,417          | 3,377,625        |
| Financial liabilities<br>measured at fair<br>value |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Derivative financial<br>liabilities                | –                                      | (68,796)                       | –                                | –                              | –                                   | –  | (68,796)         | –                  | (68,796)           | –                  | (68,796)         |

|   | Carrying amounts                       |                                |                                  |                                |                                     |  | Fair values      |                    |                    |                    |                  |
|---|--|--------------------------------|----------------------------------|--------------------------------|-------------------------------------|--|------------------|--------------------|--------------------|--------------------|------------------|
|   | Designated<br>at fair value<br>B\$'000 | Held for<br>trading<br>B\$'000 | Available for<br>sale<br>B\$'000 | Held to<br>maturity<br>B\$'000 | Loans and<br>receivables<br>B\$'000 | Other<br>financial<br>liabilities<br>B\$'000 | Total<br>B\$'000 | Level 1<br>B\$'000 | Level 2<br>B\$'000 | Level 3<br>B\$'000 | Total<br>B\$'000 |
| Group<br>2014   |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Financial assets<br>measured at<br>fair value         |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Investments   | 22,098                                 | -                              | 713,335                          | -                              | -                                   | -  | 735,433          | 21,671             | 708,690            | 5,072              | 735,433          |
| Derivative<br>financial assets                        | -                                      | 1,019                          | -                                | -                              | -                                   | -  | 1,019            | -                  | 1,019              | -                  | 1,019            |
|   | 22,098                                 | 1,019                          | 713,335                          | -                              | -                                   | -  | 736,452          | 21,671             | 709,709            | 5,072              | 736,452          |
| Financial assets<br>not measured<br>at fair value     |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Investments   | -                                      | -                              | -                                | 22,216                         | -                                   | -  | 22,216           | -                  | 22,566             | -                  | 22,566           |
| Financing and<br>advances                             | -                                      | -                              | -                                | -                              | 2,986,860                           | -  | 2,986,860        | -                  | -                  | 3,074,109          | 3,074,109        |
|   | -                                      | -                              | -                                | 22,216                         | 2,986,860                           | -  | 3,009,076        | -                  | 22,566             | 3,074,109          | 3,096,675        |
| Financial<br>liabilities<br>measured at<br>fair value |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Derivative<br>financial<br>liabilities                | -                                      | (127,435)                      | -                                | -                              | -                                   | -  | (127,435)        | -                  | (127,435)          | -                  | (127,435)        |



**Bank Islam Brunei Darussalam Berhad**  
**and its Subsidiaries**  
*Financial statements*  
*Year ended 31 December 2015*

|  | Carrying amounts                       |                                |                                  |                                |                                     |  | Fair values      |                    |                    |                    |                  |
|--|--|--------------------------------|----------------------------------|--------------------------------|-------------------------------------|--|------------------|--------------------|--------------------|--------------------|------------------|
|  | Designated<br>at fair value<br>B\$'000 | Held for<br>trading<br>B\$'000 | Available for<br>sale<br>B\$'000 | Held to<br>maturity<br>B\$'000 | Loans and<br>receivables<br>B\$'000 | Other<br>financial<br>liabilities<br>B\$'000 | Total<br>B\$'000 | Level 1<br>B\$'000 | Level 2<br>B\$'000 | Level 3<br>B\$'000 | Total<br>B\$'000 |
| Bank   |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| 2015   |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Financial assets<br>measured at fair<br>value      |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Investments  | 1,700                                  | –                              | 587,158                          | –                              | –                                   | –  | 588,858          | 2,262              | 582,596            | 4,000              | 588,858          |
| Derivative financial<br>assets                     | –                                      | 27,971                         | –                                | –                              | –                                   | –  | 27,971           | –                  | 27,971             | –                  | 27,971           |
|  | 1,700                                  | 27,971                         | 587,158                          | –                              | –                                   | –  | 616,829          | 2,262              | 610,567            | 4,000              | 616,829          |
| Financial assets not<br>measured at fair<br>value  |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Investments  | –                                      | –                              | –                                | 14,139                         | –                                   | –  | 14,139           | –                  | 14,208             | –                  | 14,208           |
| Financing and<br>advances                          | –                                      | –                              | –                                | –                              | 2,815,031                           | –  | 2,815,031        | –                  | –                  | 2,801,872          | 2,801,872        |
|  | –                                      | –                              | –                                | 14,139                         | 2,815,031                           | –  | 2,829,170        | –                  | 14,208             | 2,801,872          | 2,816,080        |
| Financial liabilities<br>measured at fair<br>value |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Derivative financial<br>liabilities                | –                                      | (68,796)                       | –                                | –                              | –                                   | –  | (68,796)         | –                  | (68,796)           | –                  | (68,796)         |

**Bank Islam Brunei Darussalam Berhad**  
**and its Subsidiaries**  
*Financial statements*  
*Year ended 31 December 2015*

|  | Carrying amounts                       |                                |                                  |                                |                                     |  | Fair values      |                    |                    |                    |                  |
|--|--|--------------------------------|----------------------------------|--------------------------------|-------------------------------------|--|------------------|--------------------|--------------------|--------------------|------------------|
|  | Designated<br>at fair value<br>B\$'000 | Held for<br>trading<br>B\$'000 | Available for<br>sale<br>B\$'000 | Held to<br>maturity<br>B\$'000 | Loans and<br>receivables<br>B\$'000 | Other<br>financial<br>liabilities<br>B\$'000 | Total<br>B\$'000 | Level 1<br>B\$'000 | Level 2<br>B\$'000 | Level 3<br>B\$'000 | Total<br>B\$'000 |
| Bank   |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| 2014   |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Financial assets<br>measured at fair<br>value      |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Investments  | 2,920                                  | —                              | 722,258                          | —                              | —                                   | —  | 725,178          | 2,493              | 717,613            | 5,072              | 725,178          |
| Derivative financial<br>assets                     | —                                      | 1,019                          | —                                | —                              | —                                   | —  | 1,019            | —                  | 1,019              | —                  | 1,019            |
|  | 2,920                                  | 1,019                          | 722,258                          | —                              | —                                   | —  | 726,197          | 2,493              | 718,632            | 5,072              | 726,197          |
| Financial assets not<br>measured at fair<br>value  |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Investments  | —                                      | —                              | —                                | 22,216                         | —                                   | —  | 22,216           | —                  | 22,566             | —                  | 22,566           |
| Financing and<br>advances                          | —                                      | —                              | —                                | —                              | 2,425,531                           | —  | 2,425,531        | —                  | —                  | 2,516,168          | 2,516,168        |
|  | —                                      | —                              | —                                | 22,216                         | 2,425,531                           | —  | 2,447,747        | —                  | 22,566             | 2,516,168          | 2,538,734        |
| Financial liabilities<br>measured at fair<br>value |  |                                |                                  |                                |                                     |  |                  |                    |                    |                    |                  |
| Derivative financial<br>liabilities                | —                                      | (127,435)                      | —                                | —                              | —                                   | —  | (127,435)        | —                  | (127,435)          | —                  | (127,435)        |

***Valuation techniques and significant unobservable inputs***

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

| <b>Type of financial instruments</b> | <b>Classifications</b> | <b>Valuation techniques</b> | <b>Significant unobservable inputs</b> |
|--------------------------------------|------------------------|-----------------------------|--|
| Financing and advances               | Loans and receivables  | Discounted cash flows       | Yield curve and credit spreads         |
| Securities<br>- Unquoted funds       | Available for Sale     | Net asset value             | Net asset value                        |

There are limited inter-relationships between unobservable inputs as the financial instruments are usually categorised into Level 3 because of a single unobservable input.

In estimating significance, the Group performed sensitivity analysis based on methodologies applied for fair value adjustments. These adjustments reflect the values which the Group estimates to be appropriate to reflect uncertainties in the inputs used (e.g. based on stress testing methodologies on the unobservable input). The methodologies used can be statistical or based on other relevant approved techniques. A 10 percent increase/decrease in net asset value of the unquoted security will result in a corresponding increase/decrease in the fair value of the unquoted security.

Management considers that any reasonably possible changes to the unobservable inputs will not result in a significant financial impact.

***Changes in Level 3 for financial instruments that are measured at fair value***

The following table presents the changes in Level 3 instruments for the Group and the Bank:

|  | <b>2015<br/>B\$'000</b> | <b>2014<br/>B\$'000</b> |
|--|-------------------------|-------------------------|
| <b>Securities available-for-sale</b>                               |                         |                         |
| At 1 January   | 5,072                   | 5,590                   |
| Unrealised gains/(losses) recognised in other comprehensive income | (1,072)                 | (518)                   |
| At 31 December   | 4,000                   | 5,072                   |

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

## 40 Lease commitments

### Leases as lessee

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

|                            | <b>Group</b>  |               | <b>Bank</b>   |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | <b>2015</b>   | <b>2014</b>   | <b>2015</b>   | <b>2014</b>   |
|                            | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> |
| Within one year            | 1,303         | 1,014         | 1,030         | 784           |
| Between one and five years | 1,918         | 1,613         | 1,343         | 370           |
| More than five years       | 36            | 88            | 36            | 46            |
| <b>Total</b>               | <b>3,257</b>  | <b>2,715</b>  | <b>2,409</b>  | <b>1,200</b>  |

## 41 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

|  | <b>Group</b>  |               | <b>Bank</b>   |               |
|--|---------------|---------------|---------------|---------------|
|  | <b>2015</b>   | <b>2014</b>   | <b>2015</b>   | <b>2014</b>   |
|  | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> |
| <b>Assets</b>  |               |               |               |               |
| Investments  | 513,348       | 493,395       | 436,630       | 493,396       |
| Financing and advances                               | 2,953,718     | 1,974,141     | 2,383,798     | 1,418,099     |
| Finance lease receivables                            | 11,885        | 11,857        | 11,885        | 11,857        |
| Investments in subsidiaries                          | –             | –             | 36,682        | 36,682        |
| Investment in associate                              | 13,829        | 11,361        | 7,080         | 7,080         |
| Property and equipment                               | 184,489       | 178,522       | 46,641        | 31,333        |
| Investment property                                  | 28,646        | 29,808        | 28,646        | 29,808        |
| Deferred tax assets                                  | 10,790        | 2,275         | 13,838        | 5,805         |
| <b>Liabilities</b>                                   |               |               |               |               |
| Deposits from customers                              | 175,258       | 137,010       | 152,184       | 111,725       |
| Deposits from banks and other financial institutions | 145,505       | –             | 88,605        | 30,000        |
| Deferred tax liabilities                             | –             | –             | –             | –             |

## 42 Commitments

|  | <b>Group</b>   |                | <b>Bank</b>    |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2015</b>    | <b>2014</b>    | <b>2015</b>    | <b>2014</b>    |
|  | <b>BS'000</b>  | <b>BS'000</b>  | <b>BS'000</b>  | <b>BS'000</b>  |
| <b>Commitments:</b>  |                |                |                |                |
| Undrawn credit lines   | 259,095        | 165,749        | 259,095        | 165,749        |
| Forward placements   | –              | 89,720         | –              | 89,720         |
| Forward deposits   | –              | 300            | –              | 300            |
| <b>Total</b>   | <b>259,095</b> | <b>255,769</b> | <b>259,095</b> | <b>255,769</b> |
| <b>Capital expenditure:</b>  |                |                |                |                |
| - Approved and contracted for but not provided for in the financial statements | 9,362          | 11,333         | 9,362          | 11,333         |
| - Approved but not contracted for and provided for in the financial statements | 609            | 1,062          | 609            | 367            |
| <b>Total</b>   | <b>9,971</b>   | <b>12,395</b>  | <b>9,971</b>   | <b>11,700</b>  |
| <b>Total commitments</b>   | <b>269,066</b> | <b>268,164</b> | <b>269,066</b> | <b>267,469</b> |

## 43 Capital adequacy

### Capital Management

The Group's objective when managing capital is to maintain a strong capital position to support business growth, and to maintain investor, depositor, customer and market confidence. In line with this, the Group manages its capital actively and ensure the capital adequacy ratios which takes into account the risk profile of the Group are comfortably above the regulatory minimum.

### Reconciliation from IFRS to regulatory capital

The Bank has applied all effective pronouncements and interpretations of IFRS in arriving at the capital position of the Group and the Bank. Some of the IFRS requirements are different from the prudential capital requirements as set by AMBD.

### *Differences between IFRS and AMBD's prudential capital requirements*

#### *Intangible assets*

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

### *Capitalised costs*

Any capitalised costs are expensed in the income statement under the Islamic Banking Order whereas any directly attributable costs are recognised together with the respective asset under IFRS.

### *Impairment on financing*

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

### *Profit in suspense*

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

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

|  | <b>Group</b>  |               | <b>Bank</b>   |               |
|--|---------------|---------------|---------------|---------------|
|  | <b>2015</b>   | <b>2014</b>   | <b>2015</b>   | <b>2014</b>   |
|  | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> | <b>BS'000</b> |
| <b>Regulatory capital</b>  |               |               |               |               |
| Total equity attributable to equity holders of the Group and Bank            | 1,327,619     | 1,272,978     | 1,163,221     | 1,121,678     |
| <b>Less adjustments for:</b>   |               |               |               |               |
| Capitalised costs  | (18,898)      | (18,745)      | (7,555)       | (7,985)       |
| Collateral   | (14,900)      | (14,900)      | (14,900)      | (14,900)      |
| Profit in suspense   | (15,557)      | (16,046)      | (15,557)      | (16,046)      |
| Impairment on financing  | (5,410)       | (8,814)       | (5,681)       | (10,297)      |
| Adjusted Core capital (Tier 1) based on AMBD prudential capital requirements | 1,272,854     | 1,214,473     | 1,119,528     | 1,072,450     |

## Capital Adequacy Ratios

The Group and Bank are required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by AMBD. The Group and Bank were in compliance with all prescribed capital ratios throughout the year.

|   | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|---|------------------|------------------|------------------|------------------|
|   | <b>2015</b>      | <b>2014</b>      | <b>2015</b>      | <b>2014</b>      |
|   | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    | <b>BS'000</b>    |
| <b>Regulatory capital</b>                             |                  |                  |                  |                  |
| Core capital (Tier 1 capital) before dividend         | 1,272,854        | 1,214,473        | 1,119,528        | 1,072,450        |
| Less: Dividends to be proposed for the financial year | (52,907)         | (41,311)         | (52,907)         | (41,311)         |
| Core capital (Tier 1 capital) after dividend          | 1,219,947        | 1,173,162        | 1,066,621        | 1,031,139        |
| Supplementary capital (Tier II capital)               | 39,072           | 45,423           | 33,332           | 38,748           |
| Less: Investments in Associate and Subsidiaries       | (13,829)         | (11,361)         | (43,762)         | (43,762)         |
| <b>Total capital base</b>                             | <b>1,245,190</b> | <b>1,207,224</b> | <b>1,056,191</b> | <b>1,026,125</b> |
| <b>Total risk-weighted amount</b>                     |                  |                  |                  |                  |
| Risk-weighted amount for credit risk                  | 4,845,009        | 4,749,870        | 4,199,569        | 4,098,571        |
| Risk-weighted amount for operational risk             | 382,726          | 387,804          | 305,454          | 274,424          |
| <b>Total risk-weighted amount</b>                     | <b>5,227,735</b> | <b>5,137,674</b> | <b>4,505,023</b> | <b>4,372,995</b> |

## Capital ratios

|                               |              |              |              |              |
|-------------------------------|--------------|--------------|--------------|--------------|
| Core capital (Tier 1) ratio % | 23.3%        | 22.8%        | 23.7%        | 23.6%        |
| <b>Total capital ratio %</b>  | <b>23.8%</b> | <b>23.5%</b> | <b>23.4%</b> | <b>23.5%</b> |

The core capital is derived after deducting the dividends to be proposed for the financial year ended 31 December 2015 subsequent to the year end amounting to B\$52,906,714 (2014: B\$41,310,722).

The capital adequacy ratio is derived after IFRS adjustments, except for those adjustments in relation to capitalisation of fees, collateral, profit in suspense and allowance for impairment.

In accordance to Section 11(2) of the Islamic Banking Order, 2008, the Group and Bank shall not, at any time, have a capital adequacy ratio of less than 10 per cent or such percentage as may be determined by the Authority.

#### 44 Contingent liabilities

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

|                          | <b>Group</b>   |                | <b>Bank</b>    |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | <b>2015</b>    | <b>2014</b>    | <b>2015</b>    | <b>2014</b>    |
|                          | <b>B\$'000</b> | <b>B\$'000</b> | <b>B\$'000</b> | <b>B\$'000</b> |
| Letters of credit        | 34,335         | 47,555         | 34,335         | 47,555         |
| Guarantees, bonds        | 482,991        | 194,516        | 482,991        | 194,516        |
| Shipping guarantees      | 7,130          | 10,436         | 7,130          | 10,436         |
| Acceptances              | 4,536          | 4,424          | 4,536          | 4,424          |
| Trade risk participation | 23,192         | 30,103         | 23,192         | 30,103         |
| Import bills             | 286            | 126            | 286            | 126            |
| <b>Total</b>             | <b>552,470</b> | <b>287,160</b> | <b>552,470</b> | <b>287,160</b> |

#### 45 Subsequent events

On 16 March 2016, a final dividend in respect of financial year end 31 December 2015 of 7.3 cents on 724,749,513 number of ordinary shares, amounting to B\$52,906,714 was proposed. No provision has been made in the financial statements.