BIBD



2014
ANNUAL REPORT

Vision & Mission

Vision

Serving Brunei through Islamic solutions as its leading financial institution

Mission

To excel in customer-focused solutions for the benefit of our stakeholders whilst supporting Brunei's growth aspirations

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Chairman's Statement

Dear Valued Shareholders,

Uncertainty has become the new certainty of business, and as an organization we have to learn to adjust under every circumstance. Reduced oil prices, market volatility, and geopolitical tensions have curbed global economic growth and provided significant challenges to financial institutions worldwide. Alhamdulillah, guided by our 2014-2016 Strategic Plan, premised on the theme of "Engaging our People", BIBD was able to navigate through these challenges and continue along our journey to cement our place as Brunei Darussalam's premier financial institution.

We attribute our strong performance in these uncertain times to sound banking principles, customer-centricity, and the combined capabilities of our highly-experienced and talented team, all of which has helped anchor our position as a leader in the region's banking industry.

Performance Driven
At BIBD, 2014 was a year of both the continuance of 2013's tireless business building efforts as well as the strict adherence to the highest standards of ethics, investment in innovation, and implementation of new technologies in order to enhance customer experience. We delivered another year of excellent results, evidenced by increases in revenue and customer base, while capturing growth to better serve our customers in Brunei Darussalam and beyond. The recognitions received from international bodies serve as further proof of BIBD's strength as a regional banking and financial player.

We are inspired by these achievements to continue our journey to serving Bruneians and enabling Brunei Darussalam's national vision, Wawasan 2035.

Looking Ahead to 2015
As we move on from a strong performance and continued investment in transformation and innovation in 2014, we aim to continue to grow on the back of sound management and long-term planning, ensuring our continued position to serve our clients and customers better.

As an Islamic Bank that leads its national banking industry, we are dedicated to increasing our contributions to the nation, and driving the country towards realizing the Brunei Darussalam National Vision 2035.

I see 2015 as the year BIBD capitalizes on its above par financial standing and international capabilities to bring our solid expertise and sound management to the region as we capture increasing market share in the corporate, consumer and institutional banking segments.

For our Customers
We will continue to provide sound financial advice coupled with a seamless banking experience for all. Leveraging global best practices, processes and technologies, we will raise the bar for the financial services industry in Brunei Darussalam. We remain steadfast in our Bruneian at Heart promise, focusing on delivering superior financial services and customer experiences through product innovation, people, platforms, and purpose. We will continue to invest in improving our banking infrastructure and internal processes to ensure maximum efficiency and alignment with international standards.

BIBD is well positioned to continue our successful course by remaining true to our ideal of customer-centricity, growing for and together with our customers in Brunei Darussalam and beyond.

Appreciations
I would like to start my note of thanks with gratitude to my fellow directors on the BIBD Group Board for their contribution, services and guidance this year. To all BIBD Group employees, I thank each of you for your dedication and contribution to BIBD, and for your hard work towards making us the leading financial services group in Brunei Darussalam.

The support of our customers, clients, and shareholders as we move forward is crucial, and on behalf of the Board, thank you to all. Without your feedback and your continued loyalty and support, the success of BIBD Group would not have been possible.

Finally, I would like to express our most sincere appreciation and gratitude to His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam's Government, particularly the Ministry of Finance and our regulators for their continued guidance, support, and confidence in us.

Wabillahi Taufik Walhidayah Wassalamu 'Alaikum Warahmatullah Hi Wabarakatuh

Dato Paduka Awang Haji Bahrin bin Abdullah,
Minister of Development
Chairman, Bank Islam Brunei Darussalam


BIBD
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Managing Director's Foreword



Dear Valued Shareholders,

2014 was once again a year marked by a number of macro-economic challenges as well as opportunities. While the volatility of commodity prices and the lagging economic growth worldwide certainly impacted our investment strategy, the increased expectations from individuals and investors for efficient and innovative financial services reinforced our drive to demonstrate our strengths as the leading bank in Brunei Darussalam. Building upon our transformation journey and investments in operations, marketing and technology, BIBD faced each challenge, embraced every opportunity and grew together with our customers as we learned from best practices and continued to maintain above par financial standing.

We are proud to report that 2014 was a sterling year for profitability, increasing from $94.6 million in 2013 to $111.5 million for the group and from $59.7 million to $83.9 million for the Bank. Apart from growth in profitability, Group total assets also grew by 18.4% from $6.5 billion to $7.7 million, whilst the Bank grew to $7.3 billion from $6.1 billion an increase of 19.8%.

We are also pleased to note that 2014 further extended BIBD's string of accolades from international institutions, as we garnered numerous awards and recognitions for our sound management and strong financial performance, founded on Shariah-principles and ethics.

Strong Performance thanks to continuous investments

After our rebranding efforts in 2013, we have entered our Bruneian at Heart era with great success. Our new corporate image showcases our commitment to Bruneian aspirations as well as our roots in ethics and values, which meet the needs of every customer and institution, regardless of race or religion. The building blocks to ensure that BIBD is a strong Bruneian bank have been put in place since the beginning of our transformation journey in 2011. 2014 saw our efforts and investments coming to fruition across our operations, our products and services, and our people, all geared towards providing an exceptional and enjoyable customer experience for individuals and corporations alike.

Innovative products and services delivered to our customers whenever they want

We introduced a wider portfolio of products and services to customers, founded on innovative and integrated banking platforms that span across all consumer touch points – wherever our customers are, BIBD will be there to serve them. Since 2010, the Bank has continuously invested in our banking infrastructure, spearheading cutting-edge initiatives in the region to provide a holistic array of solutions for our customers.

- Technological upgrades: In 2014, we made constant improvements to our IT infrastructure to ensure that banking with BIBD is an enjoyable and effortless experience for everyone. We also upgraded our mobile and online banking platforms with revolutionary new features and benefits, reaching customers in different market segments and offering globally-recognised financial products and services to more and more members of the community.

- Increased accessibility: Offerings such as online and mobile banking provide an ease and accessibility that is synonymous with BIBD's level of service. Since BIBD Mobile's launch in September 2012, our active mobile banking customer base has grown to 46,139 active users at the end of December 2014, a 215% growth since January 2013.

- Speedy banking: Understanding the busy schedules of today's Bruneians, we have invested heavily in expediting banking processes, with the roll-out of automated account opening services, Express Banking. The early pilot programmes have proven successful leading to reducing account opening times.

- Enhanced experience: 2014 saw the launch of eight refurbished and rebranded branches. The new BIBD branch concept redefines the role of the traditional bank branch and creates a customer experience that is intrinsically unique, providing innovative and creative solutions while enhancing customer's affiliation with BIBD.

World-class operations and Islamic financial standards

Far from being a bank entirely for Muslims, our strict compliance to global banking standards coupled with ethics-based and community-focused principles have allowed us to grow sustainably to serve customers from all walks of life.

As a bank that holds itself accountable to its community, we ensure all products and processes adhere to regulations both local and international. The financial year 2014 saw BIBD, along with other banks in Brunei Darussalam, successfully adopting new controls such as the International Financial Reporting Standards (IFRS) which allows for greater transparency with high quality levels of financial information provided, in line with internationally recognised standards.

This strict adherence to international standards and Shariah-ethics along with strong governance saw BIBD keeping its capital adequacy ratio above par at 23.5%, which has helped to efficiently safeguard the 23.7 increase in depositors from customers.


12:38 pm | Wednesday 19 Jun 2013
1061
Counter 4
1060
Counter 3
1059
Counter 3
4508
Counter 7
Term Deposit Rates
Expected Rates (% per annum)
Tenor Months
BND
USD
GBP
EUR
AUD
1
0.2%
0.14%
0.17%
0.001%
1.7%
3
0.3%
0.22%
0.25%
0.001%
1.8%
6
0.45%
0.32%
0.35%
0.001%
1.9%
9
0.45%
0.45%
0.47%
0.001%
1.9%
12
0.75%
0.53%
0.55%
0.001%
1.95%

Qualified professionals to serve our customers with tailored services and solutions

We are only as good as our people. BIBD's success hinges on the driven and united teams we are proud to call our own. Our people are here to make a difference to the lives of our community and our customers, whether in Brunei Darussalam or beyond.

Understanding that, we have increased our investment in our people who personify BIBD every day and play a key role in delivering our results. 2014 marked the first year of our 2014-2016 Three Year Strategic Plan, "Engaging Our People". Over the year in review, we have undertaken various employee development initiatives in order to overcome challenges, increase the bank's competitiveness, and keep up with technological advancement while continuing to provide best-in-class financial solutions to our customers.

- We introduced programmes that recognised and rewarded long-service employees and star employees for their excellent achievement and performance, motivating our team members to continue putting our customers first, deliver on promises and strive relentlessly to provide better service.
- External programmes were offered to qualified executives on specific aspects of banking and finance, among them Islamic Financial Planners (IFP) and Fitch Learning's Corporate Credit Risk Programs. In addition, we've conducted workshops on managing and enhancing the customer experience, a crucial element to deliver our promise of superior service and product knowledge.
- We are proud to have a team of 25 certified financial planners, and are committed to continuing the education and learning of our people in order to deliver improved, globally-recognised financial solutions to the region.

Looking Ahead

Given the progressive outlook of Islamic Banking and Finance, the management sees great opportunities for BIBD in 2015. As we move from a good showing in 2014, we aim for continued growth and prudence in management, to ensure that we remain at the forefront of banking in Brunei Darussalam and the region. We will continue to deepen and personalise customer relationships, and deliver the best products and services to our customers while supporting the Bruneian community.

Our goal is to become the preferred partner – a financial solutions provider of choice for customers anywhere. In order to do that, we must solidify our core business and strengthen our profitability to ensure we are in a strong position to weather any storm with our customers, and to give them peace of mind when banking with BIBD. Our focus on being a trusted partner for our customers will remain our guiding light.

To that end, we will work to provide a better banking experience across the country, and will look to organic growth and international business expansion opportunities in order to better serve the region as we take BIBD's sound management and strong financial principles to the world.

As a bank, we recognise that our key strengths lie in our people and our processes – particularly the continued innovation that underpin BIBD's operations. We will continue to invest in improving ourselves as a premier financial institution for Brunei, as well as a key player in the Islamic banking sector.

Appreciations

BIBD would not have gotten this far without the dedication of our team, and for that I would like to take this opportunity to extend my sincerest appreciation to our amazing employees, who are on the front lines of BIBD every day serving our customers and our community. To my fellow management colleagues, thank you for your selfless contributions and service to BIBD, and let us continue to work together to bring the Bank to the next level. We also thank our Shariah advisory board for their counsel, as well as our Board of Directors for their guidance.

To our customers, clients and shareholders, we thank you for your continued support, trust and patronage. We would not be who we are without you.

Finally, I would like to express our most sincere gratitude to His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam's Government, most especially the Ministry of Finance and our regulators for their unwavering support and confidence in what we do.

Wabillahi Taufik Walhidayah Wassalamu 'Alaikum Warahmatullah Hi Wabarakatuh

Javed Ahmad,
Managing Director of Bank Islam Brunei Darussalam



Board of Directors

Yang Mulia Dato Paduka Awang Haji Bahrin bin Abdullah
Minister of Development
Chairman

Yang Mulia Dato Bahrin is currently the Minister of Development. Prior to this, he served as the Deputy Minister of Finance after having held eminent positions within the Ministry of Finance and the Brunei Investment Agency (BIA). Yang Mulia Dato also serves as Chairman for RB, the national flag carrier of Brunei Darussalam, the Chairman of DST Group, and a member of the Board of Directors of BSP, Brunei LNG Sdn Bhd (BLNG) and a number of BIA affiliated companies. Yang Mulia Dato Bahrin holds an MBA from University of Stratclyde, Scotland in Strategic Management, majoring in Finance.

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

Yang Mulia Awang Junaidi is currently the Acting Managing Director of BIA. He was previously the Director and Head of Venture Capital and Strategic Investments, managing BIA's investments globally. He also serves on the Fajr Capital Board of Directors as a representative of the Government of Brunei Darussalam. Yang Mulia Awang Junaidi holds a B.Sc Degree in Computer and Management Sciences from Keele University, United Kingdom.

Yang Mulia Dato Paduka Awang Iqbal Ahmad Khan
CEO Fajr Capital plc
Director

Dato Iqbal is the Chief Executive Officer of Fajr Capital. He is also a member of the Board of Directors of BIBD, Jadwa Investment and MENA Infrastructure. Previously, he was founding CEO of HSBC Amanah, the global Islamic financial services division of the HSBC Group. He is a long-time advocate of the Islamic financial services industry, serving as an advisor to government initiatives in the UK, UAE, and Malaysia. He holds a Master's degree in Political Science and International Relations and a B.Sc. (Hons) in Physics and Chemistry, both from Aligarh Muslim University. He is the 2012 recipient of The Royal Award of Islamic Finance by HM the King of Malaysia, and was recognised for his "Outstanding Contribution to Islamic Finance" by Euromoney in 2006.

Yang Mulia Dr Jan Hendrik (Hennie) van Greuning
Director & Chairman of BIBD Audit
Finance Risk Committee

Dr Hennie van Greuning serves as an independent non-Executive Director on the BIBD Board of Directors. He was previously a Senior Advisor in the World Bank Treasury, focusing on Operational Risk Management in the Treasury environment, as well as Islamic Banking issues. He is a member of the Board of FirstRand Limited (a listed bank holding company). Dr van Greuning taught a Master's class in Finance at George Washington University for several years and has co-authored six editions of the World Bank's publication on International Financial Reporting Standards: A Practical Guide. He has also co-authored books on conventional as well as Islamic banking risk. His publications have been translated into more than 15 languages. He is a Chartered Financial Analyst (CFA) charter-holder and qualified as a Chartered Accountant in both South Africa and Canada. He holds Doctorate Degrees in both Accounting Science and Monetary Economics.

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



Abdulaziz Alsubeaei is the Board Director of MASIC as well as the Member of the Executive Committee. By the early 2000's, the company had grown to be amongst the top 50 companies in Saudi Arabia. The range of investments includes: financial services, real estate, agricultural (aquaculture), Oil & Gas, industrial and retail. He is a founding committee member of Bank Albilad and a member of the Board of Directors for Jadwa Investment, Farabi Petrochemical Co. Ltd and Saudi Mechanical Industries Co. (SMI). In Fajr Capital, he is a Board of Director Member, member of the Investment Committee and member of HR, Compensation and Nomination Committee. Abdulaziz is also a Member of the Committee for Securities and Exchange Commission and Investment, Riyadh Chamber of Commerce. He is a member of the Endowment Committee in the Chamber of Commerce and a member of the National Committee of Endowment of the Council of Saudi Arabia.

Yang Mulia Javed Ahmad

Managing Director of BIBD

Director

He is a founding member of Fajr Capital and his banking career spans over 26 years working in London, Bahrain, Kuala Lumpur and Riyadh. He was a Managing Director at HSBC Amanah, London and also led the HSBC Amanah franchise in Saudi Arabia. He has a long track record of success in global wealth management business, transportation finance and corporate finance transactions in Islamic Finance. He was previously the General Manager of RHB Sakura Merchant Bankers Berhad and also at the DMI Group. Yang Mulia Javed holds an MBA from the University of Bradford, United Kingdom and is an Associate Member of the Chartered Institute of Management Accountants (CIMA), United Kingdom.

Yang Mulia Dr Haji Abdul Manaf bin Haji Metussin

Special Duties Officer at the Ministry of Industry and Primary Resources

Director

Yang Mulia Dr Manaf was previously the CEO of the Brunei Economic Development Board after having spent seven years in the Department of Economic Planning and Development (JPKE) at the Prime Minister's Office, holding posts such as the Assistant Director of Planning, and eventually becoming Director of Policy and Coordination. Earlier in his career, he was Deputy Dean of the Faculty of Business, Economic and Policy Studies at Univerisiti Brunei Darussalam. Internationally, Yang Mulia Dr Manaf has been involved as a member of the NETWORK of EAST ASIA THINK TANKS (NEAT), as well as the EAST ASIA VISION Group. He is currently a board member of the Sungai Liang Authority, Centre for Strategic and Policy Studies (CSPS), and an honorary member of Yayasan Sultan Haji Hassanal Bolkiah School's board of governors. Dr Manaf is a Mechanical Engineering graduate from the University of Leeds, UK, an MSc Manufacturing Systems Engineering graduate from the University of Bradford, UK and has a PhD in Management from the University of Kent, UK.

Yang Mulia Mozart bin Haji Brahim

Head of Section (Investments), Investment Division, Ministry of Finance

Alternate Director to Awang Junaidi bin Haji Masri

He was previously a Senior Manager of BIA's Venture Capital and Strategic Investment, and has managed BIA's global investments. Yang Mulia Awang Mozart holds a B.Eng Degree in Civil and Environmental Engineering from the University of Leeds, United Kingdom.



Shariah Advisory Body

Yang Dimuliakan Pehin Orang Kaya Paduka Setia Raja Dato Paduka Seri Setia Awang Haji Suhaili bin Haji Mohiddin
Shariah Appeal Court Judge
Chairman

Yang Dimuliakan Pehin Dato Hj Suhaili is also a member to the Islamic Religious Council, Syariah Financial Supervisory Board at the Ministry of Finance Brunei Darussalam, and a Deputy Chairman of the Shariah Advisory Body of Syarikat Takaful Brunei Darussalam. He is also a member of the Majma 'Al-Fiqh International (International Islamic Fiqh Academy), OIC Jeddah. Yang Dimuliakan Pehin holds a Bachelor's Degree in Tafsir and Hadith from Al-Azhar University, Egypt and a Diploma in Commonwealth and Overseas Education Administration from University of Birmingham, United Kingdom.

Yang Mulia Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof
Permanent Secretary, Ministry of Religious Affairs
Deputy Chairman

Yang Mulia Dato holds board of director positions for Syarikat Takaful Brunei Darussalam, and Wafirah & Ghanim Sdn. Bhd. He graduated from the National University of Malaysia, with a Bachelor's Degrees in Law, as well as in Usuluddin from the Al-Azhar University in Egypt.

Yang Mulia Dr. Haji Mazanan bin Haji Yusof
Head of Research at the State Mufti Department
Member

Yang Mulia Dr Hj Mazanan is a member of the Shariah Advisory Council of Syarikat Takaful Brunei Darussalam. He holds a PhD in Islamic Studies and a Master's Degree in Islamic Studies from the National University of Malaysia and a Bachelor's Degree in Usuluddin from Al-Azhar University, Egypt.



Yang Mulia Dr. Abdul Nasir bin Haji Abdul Rani

Dean, Faculty of Business and Management Sciences, Universiti Sultan Sharif Ali (UNISSA)
Member

Yang Mulia Dr Abdul Nasir holds a PhD in Economic and Muamalat Administration from the Islamic Science University of Malaysia, a Masters in Economy and Islamic Banking from Jordan's Yarmouk University, and a Bachelor's Degree in Islamic Studies from Universiti Brunei Darussalam.

Yang Mulia Awang Haji Hardifadhillah bin Haji Mohd Salleh

Head Religious Enforcement Officer, Ministry of Religious Affairs
Co-Secretary

Yang Mulia Awang Haji Hardifadhillah holds a Master's in Law from Monash University, Australia, a Bachelor's Degree in Shariah from Al-Azhar University, Egypt, and a Diploma in Islamic Law and Shariah Law from Universiti Brunei Darussalam.

Yang Mulia Dayang Hajah Hanifah binti Haji Jenan

Head of Shariah

Yang Mulia Dayang Hajah Hanifah holds a Diploma in Law and Administration of Islamic Judiciary from the International Islamic University of Malaysia and a Bachelor's Degree (Hons) in Shariah from University of Malaya, Malaysia.

Management Team



Yang Mulia Mr Javed Ahmad
Managing Director

Mr. Ahmad is a founding member of Fajr Capital with a career that spans over 26 years working for the banking sector in London, Bahrain, Kuala Lumpur, and Riyadh. He previously held the position of Managing Director at HSBC Amanah in London and also led the HSBC Amanah Franchise in Saudi Arabia. He was the General Manager of RHB Sakura Merchant Bankers Berhad as well as DMI Group. He has an impressive track record in global wealth management business, transportation finance and corporate finance transactions in the Islamic Finance sector. Mr. Ahmad holds an MBA from the University of Bradford, United Kingdom and is an Associate member of the Chartered Institute of Management Accountants (CIMA), United Kingdom.



Yang Mulia Haji Minorhadi Haji Mirhassan
Head of Institutional Banking & Managing Director of BIBD Securities

Haji Minorhadi has more than 20 years of commercial banking experience, with 15 years dedicated to working with HSBC Brunei. He held leadership roles in Retail Banking, Corporate Banking and Institutional Banking businesses. He was the Deputy CEO of Islamic Development Bank of Brunei (IDBB) and Honorary Secretary and Treasurer for the Brunei Association of Banks (BAB). Hj Minorhadi has an MBA from the Singapore Management University.



Yang Mulia Imran Samee
Head of Consumer Banking

Mr. Samee brings a wealth of experience from over 20 years of working in Consumer and Retail Banking. He began his career with Citigroup and has since held various senior positions in banks across Asia Pacific and Middle East. Prior to joining BIBD, he helped establish Al Khalij Commercial Bank in Qatar, serving as Head — Retail Banking Group and then as CEO of its subsidiary BetaQat - a processing services provider for GCC financial institutions. He was also Head of the Retail Banking Group for Dubai Bank and managed its conversion to Shariah compliant operations. In his role as the Country General Manager for Mashreqbank Qatar, he was responsible for leading its transformation into a full-fledged Consumer Banking Operation. Mr. Samee holds a BSc (Hons) in Economics from the London School of Economics and Political Science.



Yang Mulia Hajah Noraini Haji Sulaiman
Chief Financial Officer cum Deputy Managing Director

Hajah Noraini was previously the Acting Managing Director of Syarikat Takaful Brunei Darussalam, on secondment from BIBD. She was also the Head of Finance for the Islamic Bank of Brunei, and has held other accounting and financial roles in various Bruneian companies such as Brunei Shell Petroleum Sdn Bhd. Currently, she is a director for BIBD At-Tamwil Berhad, BIBD Securities, IDBB Management Services, Tabung Amanah Perkerja (TAP) and Chairman for the TAP Audit Committee. She is a fellow member of the Association of Certified Accountants and is an affiliated member of the Brunei Darussalam Accounting Standard Council.



Yang Mulia Koh Swam Sing
Head of Corporate Banking

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



Yang Mulia Dr Gyorgy Ladics
Chief Operating Officer

Dr. Ladics has over 20 years of banking experience. He was previously the Chief Information Officer at Barclays – Emerging Markets region where he provided essential business capabilities that enabled Barclays geographical expansion and entries into new markets like India, Pakistan, Russia, and re-launched businesses in the UAE, Egypt and Uganda. He was a key member for M&A and integration activities for Barclays and completed the integration of Uganda Nile Bank and Russia Expobank into Barclays. Prior to joining Barclays, he was Vice President at Citigroup – Central Europe Region where he held various senior positions such as Head of Operations and Technology – Czech Republic, Head of Technology for Central European Region, and Senior Operating Officer – Hungary. His work in Central Europe has led the standardisation and migration effort into strategic end state technology platforms and operating models for Citigroup. While in Hungary, he also led the technology effort in the integration of ING retail bank into Citibank. Mr. Ladics holds a Master's Degree in Electrical Engineering and Informatics, and a Doctorate Degree from Budapest University of Technology and Economics.



Yang Mulia Hein Jan Smit
Chief Risk Officer

Mr. Hein Jan Smit's banking career spans over 18 years. He began with ABN AMRO Bank in Netherlands back in 1997 as a management trainee. In 2004, he was transferred to Singapore to act as the Head of Audit Asia for the entire Commercial Banking and Risk Operations. He was then appointed as Head of Risk Review Asia for ABN AMRO Bank in 2007 and held regional responsibility for managing Credit Risk Reviews for all 16 countries in BU Asia. In 2010, he relocated to Shanghai after he was appointed as Chief Risk Officer for RBS China. In this role, Mr. Smit held responsibility for Credit, Operational, Market and Liquidity Risk, and Regulatory Risk and Compliance for the RBS franchise in China (800+ FTE), providing leadership to a team of 25+ Risk staff. Currently, Mr. Smit provides leadership to the BIBD Risk management team and further enhances the Bank's Risk management framework for all risk disciplines (Credit, Operational, Market, & Liquidity Risk). He holds a Master of Science in Business Administration, Finance and Economics from Rijks University, Groningen and a Degree as Executive Master of Internal Auditing from the University of Amsterdam.



Yang Mulia Hajah Nurul Akmar Haji Md Jaafar
Deputy Head of Consumer Banking

Hajah Nurul has been with BIBD for more than 18 years with expertise in the areas of Finance and Investment Banking. She was involved in the transformation of BIBD through various projects such as IT systems upgrade, business process improvements, and product innovations. She has also played a key role in the Bank's rebranding project which greatly enhanced customer experience. She pioneered the development of BIBD's CSR programmes that underscore the Bank's 'Bruneian at Heart' values, with flagship initiatives including BIBD Sirah Amal, and the BIBD ALAF. Hajah Nurul currently manages the Sales & Distribution Channels of BIBD's Consumer Banking. Hajah Nurul holds a BA in Accounting & Finance from United Kingdom and was an IBB Scholar prior to joining BIBD in 1995.



Yang Mulia Hajah Hanifah Haji Jenan
Head of Shariah

Hajah Hanifah has almost 10 years of banking experience covering legal advisory, recovery and branch matters within Consumer Banking. She worked in the Documentation Control Unit, in Shariah Department and handled Takaful line of work when she was seconded to Takaful BIBD. Prior to joining the banking sector, she spent three years practicing Shariah law, handling Muslim matrimonial and criminal matters in Shariah courts in Kuala Lumpur and Brunei. Hajah Hanifah holds a BA (Hons) in Shariah from University Malaya and a Diploma in Law and Administration in Islamic Judiciary from IIUM. She is a certified Islamic Financial Planner from Al Hijrah Consultancy and is currently on a Fiqh Muamalat Professional Programme at CIBFM Brunei.

Yang Mulia Dayangku Fatimah Pengiran Haji Jadid
Head of Human Resources

Dayangku Fatimah has been in the banking industry since 1991. She started her career as a Senior Executive with the Brunei Government, where she served for 11 years. She became a member of the Interview Board of the Public Service Commission, responsible for manpower recruitment (both locally and overseas) for the Brunei Government Civil Service. Prior to joining BIBD, she was the Head of Human Resources and Employee Development at HSBC Brunei. Dayangku Fatimah holds an MSc in Information Processing from the University of York, UK and a BSc in Computer Science from the University of Brighton, UK. She is also a licensed practitioner in the use of the Saville & Holdsworth Assessment tools.



Yang Mulia Hajah Normah Haji Ismail
Deputy Chief Operating Officer

Hajah Normah carries with her over 34 years of banking experience in Consumer Risk and Operational Risk management. She has successfully completed and implemented assigned business improvement processes and service delivery standards, while also actively delivering on BIBD's CSR and internal engagement programmes. Hajah Normah is also a green belt holder of Six Sigma and holds an MBA from the Singapore Management University.



Yang Mulia Irwan Lamit
Managing Director of BIBD At-Tamwil Berhad

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





Brunei's Leading Financial Institution

The Bank started operations in 1981 as the Island Development Bank. It was converted to a full-fledged Islamic bank in January 1993 and changed its name to Islamic Bank of Brunei. Through a merger with Islamic Development Bank of Brunei, the Bank Islam Brunei Darussalam was formed in 2005. BIBD is Brunei Darussalam's largest bank and flagship Islamic financial institution. An internationally recognised financial institution governed by global best practices and an experienced management team, BIBD is committed to meeting the needs of customers from all walks of life. Challenged and stimulated by an ever-changing environment, BIBD brings technology and innovation to the fore for improved processes and accessibility.

Headquartered in Bandar Seri Begawan, the Bank has fifteen branches at strategic locations in Brunei's four districts and the

largest network of ATMs in the country. As Brunei Darussalam's flagship Islamic bank and largest financial services provider, with over 700 employees and B$ 6 billion worth of assets under management, BIBD proudly serves more than 100,000 consumers. This includes Consumer, Corporate as well as Institutional clients, thanks to its presence across the country, availability of the largest Contact Center in Brunei Darussalam, and innovative solutions such as internet and mobile banking.

BIBD is the only bank in Brunei Darussalam that serves all sectors and segments within the retail banking market. With a strong focus on innovation and excellence, BIBD has been consistently recognized for its superior customer service and ability to deliver value to all its stakeholders. It is through continuous hard work, effort and commitment from our people that we are able to provide seamless and innovative services to our customers, and ensure that their banking experience with us is unique and best-in-class.

Since the commencement of its transformative journey, BIBD has undertaken a reformation of its brand with upgrades in its overall service delivery and branch design, which depict the Islamic visual canvas of Brunei Darussalam. This distinct identity sets BIBD apart from other financial institutions in Brunei Darussalam, while establishing a service benchmark that truly is "Bruneian at Heart". The amalgamation of all these efforts places BIBD in a stronger position to deliver its expectations and move forward in the local and international arena.



Shareholders

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

Bruneian at Heart

BIBD's ethos perfectly captures the essence of inclusiveness of Islamic Banking: BIBD is the bank for all Bruneians regardless of race or religion; offering smart, safe and practical banking services and solutions that support the ambitions of the Bruneian community. We deeply understand Bruneian culture and aspirations, thus enabling us to offer solutions that best fit the needs of our customers.

In 2014, we continued to demonstrate our Bruneian at Heart values and showcase our commitment to realising Bruneians' and Brunei Darussalam's aspirations. We made improvements in our IT infrastructure to ensure that banking with BIBD is an effortless and enjoyable experience for everyone. By spearheading digital delivery through our BIBD Mobile and Online applications, we were able to reach customers in different market segments and offer our products and services to wider parts of the community.

The year also saw the launch of refurbished and rebranded PERDANA Privilege Banking that feature upgraded facilities and better ambience for an improved customer experience, ensuring that the best services are delivered to all of BIBD's existing and potential customers.

The introduction of the PERDANA Privilege Banking service further enhanced the banking experience of BIBD's affluent and high net-worth customers, providing them with exclusive banking facilities and services, as well as dynamic banking solutions. The one-of-a-kind experience offered at the exclusive PERDANA Privilege Banking lounge sets the Bank apart from other competitors in the nation.

Engaging our People and Community

Our achievements over many years of service are testament to our talented and stellar workforce who embody our principles every day. We take the time and serious effort to invest in our employees by enrolling them in specialised training courses to provide our talent pool with the expertise required to serve customers beyond their expectations.

People are at the forefront of our operations and our cultural climate has transitioned positively following our rebranding journey. It is BIBD's motivated and dedicated workforce that has propelled the bank to the next level, proving our commitment to investing in our people to provide top-of-the-line products and services, as well as providing sound financial management advise, has been worthwhile.

BIBD's Corporate Social Responsibility rounds off the bank's philosophy of empowering the community through three core pillars: education; entrepreneurship and community. Our CSR is designed to complement the true values and benefits of the Bank's product and service offerings, aligned with growing expectations of an organization's social purpose.

BIBD's CSR efforts, which began in 2008, are employee-led, with staff from all our divisions contributing to the success of these initiatives. The activities aim to bring staff members from various departments together to support the Bank's own initiatives and instill a sense of responsibility in contributing and supporting the community.

In 2014, our CSR initiatives included contributions to and participation in youth development programmes, donations for



disaster aid, and education scholarship for underprivileged children. These initiatives have allowed us to give back to the community in more ways than one and, most importantly, aligning the Bank's initiative in line with His Majesty's 2035 vision of obtaining a 100% level of education for everyone. These efforts allow us to make meaningful contributions that will ultimately benefit our country in the long run.

Governance

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

Active Subsidiaries & Associate

- BIBD At-Tamwil Bhd

A wholly-owned subsidiary, mainly handling the provision of Islamic hire-purchase facilities

- BIBD Securities Sdn Bhd

A wholly-owned subsidiary, providing gold investments and brokerage services for both local and foreign Islamic shares listed on the Kuala Lumpur and Singapore stock markets

- Syarikat Takaful Brunei Darussalam (Associate)

It provides general and family takaful services through its subsidiaries: Takaful Brunei Am and Takaful Brunei Keluarga

- BIBD Al-Kauthar Funds DCC Incorporated

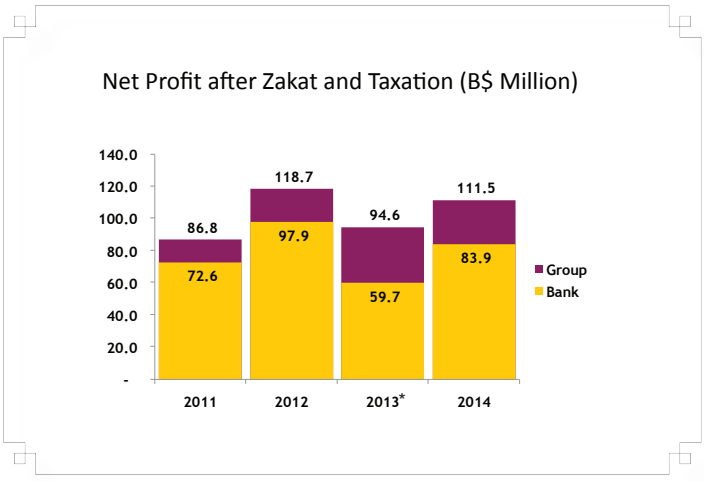
For the provision of fund management services;

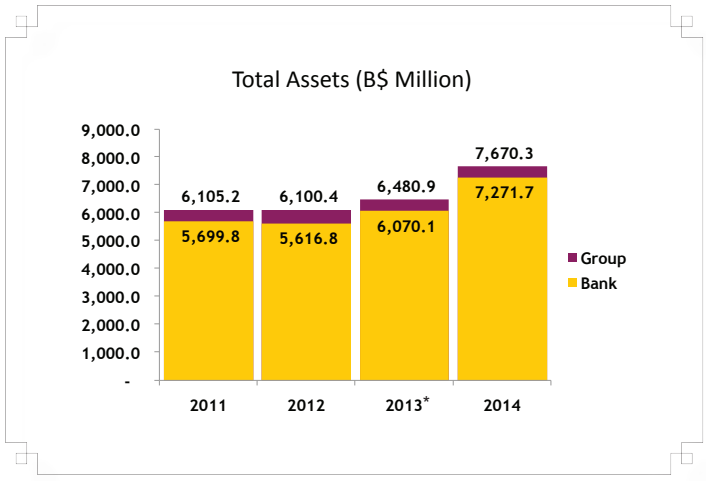
- Belait Barakah Sdn Bhd

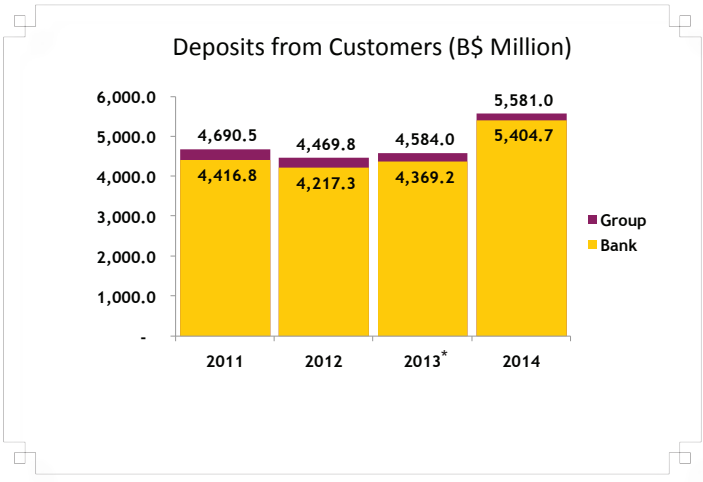
For the provision of vessel leasing facilities

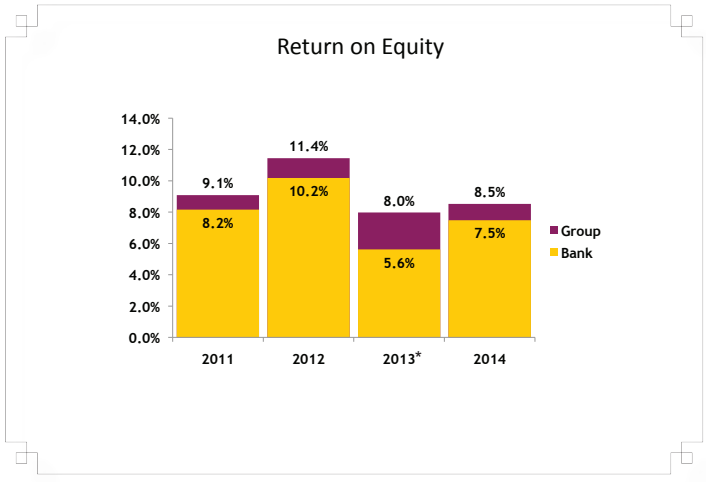


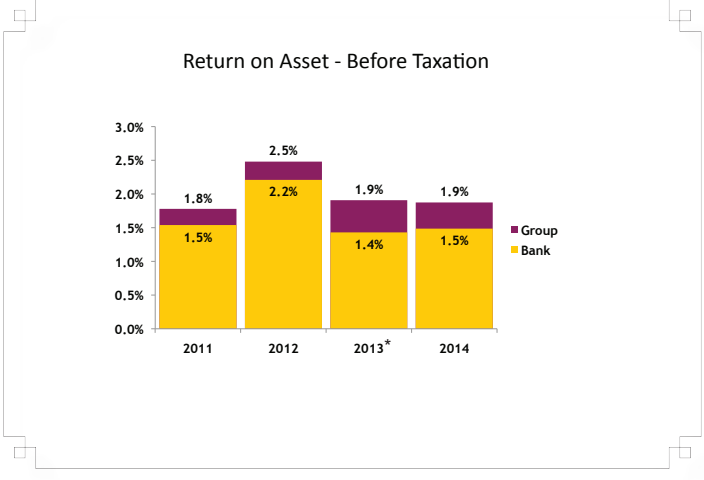
Statistics
Sterling Financial Perfomance

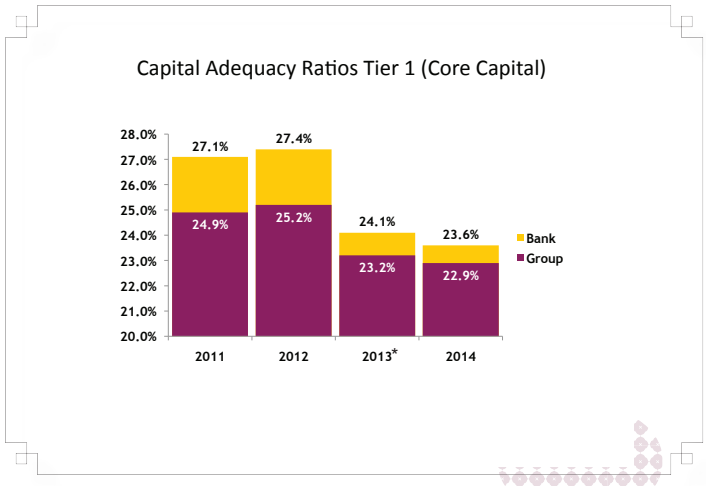




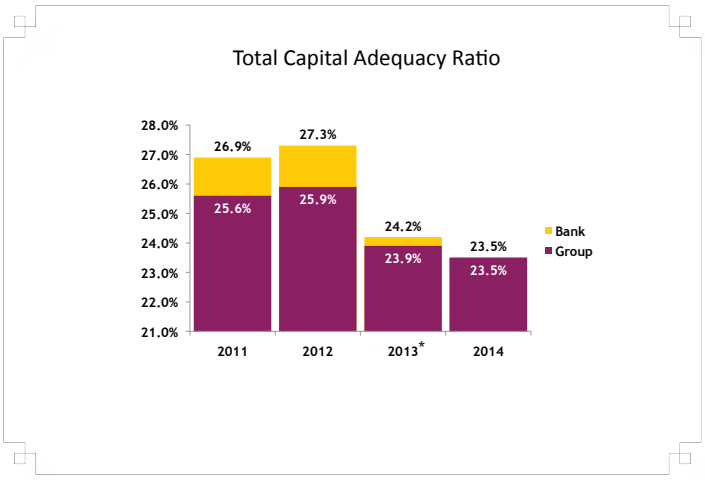


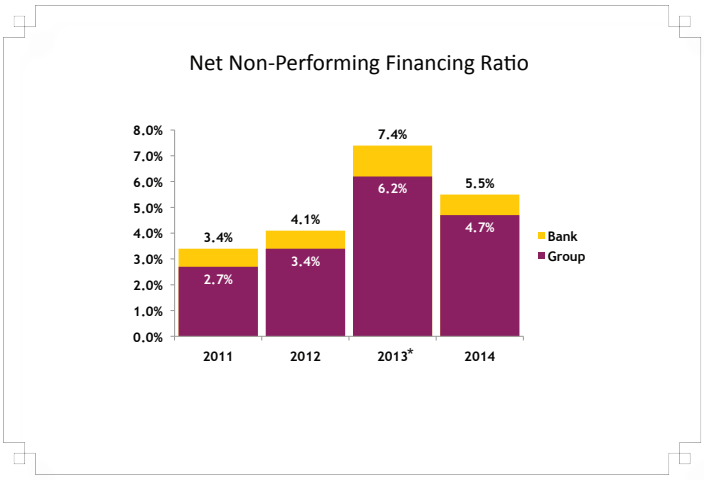






* Restated due to first year adoption of IFRS.
Transition date as at 1 January 2013.

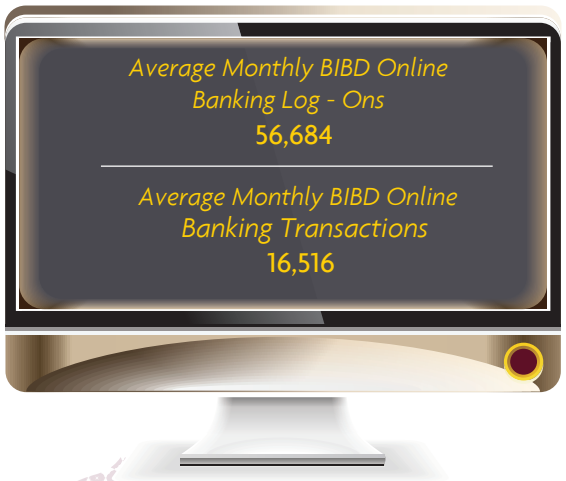


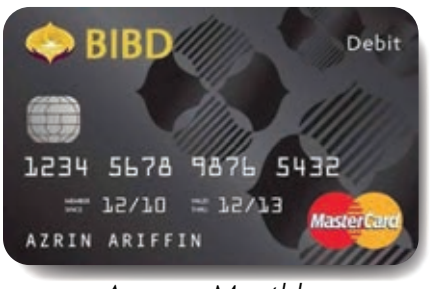


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Transition date as at 1 January 2013.

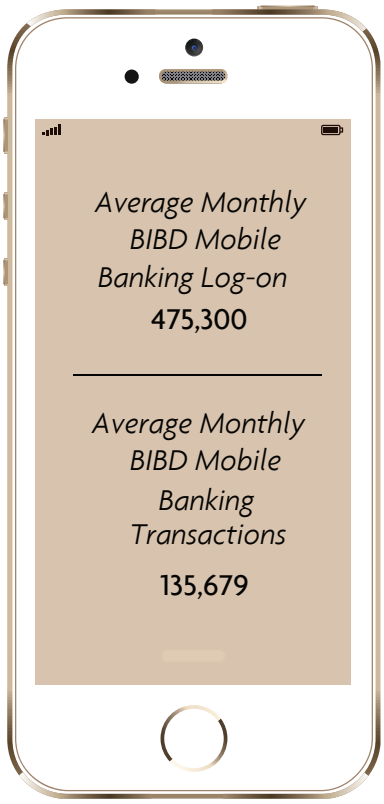


Average Monthly Contact Centre Calls Received
25,379





Average Monthly Debit Card Transactions
101,993



2014 *Highlights at a Glance*

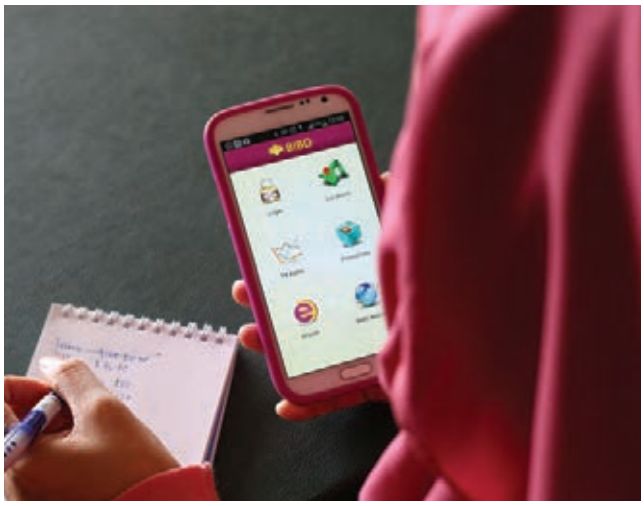
Sterling Financial Performance

- 40.6% (Bank) and 17.9% (Group) increase in net profit after Zakat and Taxation
- 19.8% (Bank) and 18.4% (Group) increase in Total Assets
- 33.2% (Bank) and 6.9% (Group) increase in Return on Equity
- 25.7% (Bank) and 24.2% (Group) decrease in Net Non-Performing Financing Ratio

Customer Our Priority - Bruneian at Heart

- 139% increase in average monthly mobile banking log in
- 52.30% of increase in internet banking customers (BIBD Mobile and BIBD Online)
- 9 in 10 customer are satisfied with BIBD services





Talent Development

- 25 BIBD employees graduated as certified Islamic Financial Planner

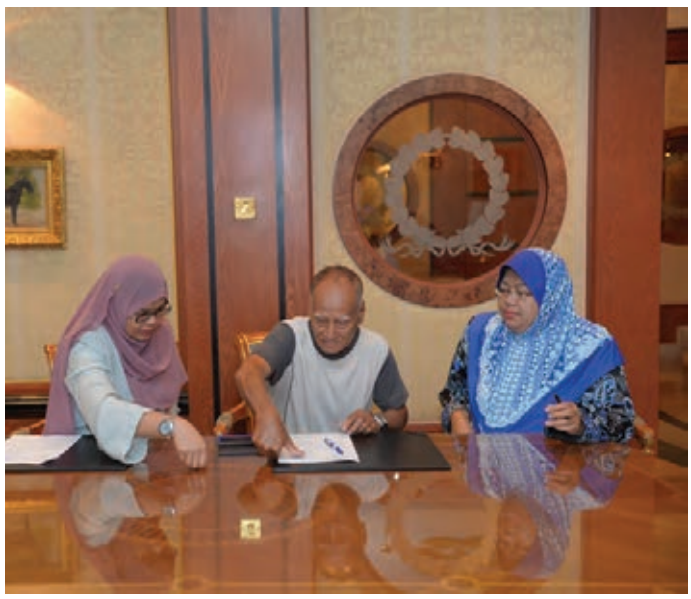




Bruneians for Bruneians - Engaging our Community

- Presented the 2nd ALAF scholarship to 33 students
- Raised more than B$203,368 of donations









Consumer Banking Division

For BIBD, 2014 was symbolised by constant innovation to provide superior products and services to our customers. This led to significant improvements in the financial performance of the business in terms of sales, revenues as well as increase in both market share and BIBD's customer base. With market share close to 50%, the Bank is in a much stronger position to dominate the banking industry in the domestic market.

Salient achievements were as follows:

- Double-digit increase in operating revenue over the previous year;
- A significant growth in the number of retail customers, market share of overall consumer financing crossed 50%;
- Sustained growth in consumer financing and deposit portfolios;
- A highly motivated workforce, many of whom are certified by international organisations in the financial services industry, including specialists in Islamic Banking.

With the launch of the PERDANA Privilege Banking service, the Bank provided a premier value proposition to its group of discerning affluent customers that demand the highest standards of service and privilege.

On the distribution side, the process of refurbishing existing branches and ATMs to the Bruneian at Heart concept continued.

Furthermore, we continued to strengthen BIBD's mobile and online banking platforms with revolutionary new features and benefits such as eCommerce, mCommerce, virtual prepaid MasterCard, and mobile notification alert.



The Bank also enhanced functional and transactional capabilities of our mobile banking features, providing greater security and supporting higher utilisation of BIBD's cashless services. The investment was a great success, as evidenced by an increase from 15% to 21% in active mobile banking customers.

Institutional Banking Division

2014 proved to be a challenging year as the continued low global interest rate environment married with the high demand in Islamic financing products and investment instruments resulted in all-time low profit rates.

Despite the challenging market environment, we remained focused developing our customer base and service delivery.

At the same time, we amplified our efforts to become the preferred bank for Brunei's Government-Linked Companies and enhanced our relationships with international counterparties.

Efforts to diversify our revenue stream in this segment were centered on further developing sustainable fee-based businesses by providing client drive better financial solutions, cash management, advisory, and agency services.

The emphasis on providing holistic customer experience has resulted in an increase in account openings and resultant institutional market share.

Our financial assets under Treasury's management saw an increase of 15.9% from the previous year, which also led to a significant growth in transactions of foreign currencies, doubling our year-on-year trade volume in 2014. In terms of Treasury and Market activities, we have also increased the number of counterparties by 25% from 2013.

The increase in our deposits from additional account openings has also resulted in an increase in transactional revenues from the previous year. BIBD's electronic banking channels saw an increase in popularity while BIBD's "Top Up" services became one of the most successful product launches of the year in review.

Transaction volumes surged by more than two-fold during the year, which translated into a favorable revenue jump to more than double compared to 2013. Corporate Internet Banking Services saw customer base increase three-fold compared to 2012, while revenue saw a similar increase since 2013.

Together with our leading domestic market position, BIBD remained a key player in the international Islamic debt market, securing roles in several landmark transactions. Key issuances during the year include:

- Securing Joint Lead Manager for Swiber Capital's first ever Sukuk, to the tune of SG$150 million
- Lead Manager role in the USD 500 million syndicated financing facility for Ezdan Holding Group, Qatar
- Co-Lead Manager role in the International Finance Facility of Immunisation (IFFIm) USD 500 million Sukuk transaction in favour of the Global Vaccine Alliance (GAVI)
- Arranger role in the USD 150 million structured Islamic Finance facilities for Pakistan International Airlines Corporation

The Ezdan transaction was awarded the Qatar Deal of the Year by Islamic Finance News in 2014, whilst the Swiber Capital transaction was awarded with "Best Local Bond Currency Deal of The Year in Southeast Asia" from Alpha Southeast Asia and "Best Deal in Singapore" from The Asset Triple A Islamic Finance Awards 2014.

Corporate Banking Division
As a major Bank in Brunei Darussalam, BIBD's primary role has been to provide banking and financing facilities to companies registered in the country. It has actively promoted entrepreneurship and capacity building by local businesses in a manner that fulfils the country's aspirations to strengthen its economic base.

As such BIBD is proud to be a part of many success stories whereby it has enabled large capital expenditure & acquisition of technology by local enterprises especially in the Oil & Gas industry.

BIBD is also actively supporting its corporate clients handle international trade by providing facilities such as import Letter of Credit, standby Letter of Credit , Forex Exchange forward cover and others.

With respect to the SMEs , working closely together with the Government, in particular the Ministry of Industry and Primary Resources since early 1999, the Bank has been offering start-ups and expanding local companies with SME financings under the Enterprise facilitation scheme, Micro financing scheme and Export refinancing scheme.

Besides these schemes, The Bank is also actively promoting its own SME financing and in providing support to emerging local companies. One of the Bank's many roles is to help the financial capacity of every applicant to succeed in their businesses or projects that have been awarded to them by the Government or Private Companies.

The Bank is actively providing counsel and mentoring on financial management and general operations for business to our SME clients including start-up companies. We have been conducting seminars for its corporate clients as a method of equipping them with business banking information that is current and accurate. Formal and informal activities have also been organised to create avenue for networking amongst our clients and business communities and to foster Banker-Client relationship.

Realising the importance of nurturing entrepreneurship from grass roots, the Bank's Corporate Banking Division has also been cooperating with the Government and Private Learning Institutions such as Universiti Brunei Darussalam, Institut Teknologi Brunei, Politeknik Brunei, Business School and LiveWire to conduct talks and trainings, as well as participate as an external assessor to their final year students.

Function of the Support Departments
BIBD's functional divisions work hand-in-hand with the business units to ensure seamless operations, keeping the Bank in great shape to provide reliable, best-in-class financial services and solutions for our customers in Brunei and beyond. Assisting with the wide-range of banking activities, our support teams are also deeply involved in aligning with the Bank's internal standards and procedures, ensuring that BIBD remains at the forefront.

Human Resource: Humanising BIBD
At BIBD, we believe that we are only as good as our people. In order to further invest in our human capabilities, increase our competitiveness, and keep abreast with the changes in technology, BIBD consistently provides the appropriate training for employees to improve their job-related knowledge and fully maximise their potential.

In 2014, the Bank invested in a variety of training programmes such as the Customer Experience Management Programme to enhance employee competency and effectiveness. This enables BIBD employees to fully understand and embrace BIBD's customer service experience DNA, RISE (Reliable, Innovative, Simple, Ever-caring), which was introduced in the previous year.

Information and Communications Technology: Delivering excellence through innovation
We strive on providing unique customer experience through state-of-the-art digital technologies. In 2014, we have seen accelerated customer adoption of our digital banking services and significant growth in transaction volumes via our mobile, online banking and ATM self-servicing channels.

One of the latest amenities to our BIBD Mobile banking platform includes the BIBD Virtual Prepaid MasterCard (VMC), Brunei's first digital debit card with real-time fund transfer capabilities. We also introduced our eBayar online payment service. This eCommerce enhancement allows users to verify online purchases by scanning a QR code on their screen using the BIBD Mobile app.

BIBD's consumer banking division also gets a technological upgrade via our Express banking service, which is our very own digital branch-banking platform that provides 100% automation.

The platform provides improved customer experiences for new applicants with "paperless" onboarding, and ensures smooth and fast service for existing customers.

Shariah: Operating according to Islamic ethics and principles

Being an integral part of the business through continuous business support function in ensuring the Bank products and operation are Shariah compliance,

our Shariah team is focused on improving the Shariah approval processes and strengthening its Shariah compliance and audit function to control and minimise the Shariah non-compliance risks.

2014 saw the continuous successful implementation of several key-consumer products based on the Tawarruq concept in delivering Shariah-based financial solutions to customers.

At the same time, we have enhanced our subsidiary BIBD At-Tamwil's consumer products, from the Al Ijarah Thumma Al Bai' (AITAB) Shariah concept to Al Ijarah Al Muntahiyah Bitamleek (AIAMBT).

Our Shariah team also supports the business units in closing deals particularly on cross border investment such as equity-linked structured products, syndicated financing and sukuk and enhancing our Virtual Prepaid MasterCard product, along with many others to ensure its Shariah compliancy.

Risk Management: Mitigating risks to achieve optimum results

The Risk Management teams are involved at the early stages of risk taking processes by providing independent inputs that enable the business units to assess the 'risk reward' value of their proposition and ensure that the Bank achieves optimum returns whilst operating within a sound business environment.

Marketing: Understanding our customers

Listening and responding to our customers is at the core of our business, and no one exemplifies this better than our Marketing team.

The department performed well in a highly competitive environment, successfully launching several initiatives such as Perdana Privilege Banking which offers a unique banking experience for our affluent customers; introduction of BIBD Treats, a year-long merchant privilege programme for BIBD cardholders; and the successful conversion of old ATM cards to new BIBD Debit Cards.

Corporate Communications : Touching base with internal and external stakeholders

The Corporate Communications unit handles all internal and external communications, ensuring the delivery of relevant and timely information on the Bank's many initiatives including updates from the business divisions, assessing partnership opportunities dan bank-wide sponsorships, as well as provide supports to bank's CSR programmes.

In addition, the division helps to mitigate reputational risk by ensuring accuracy of information; engaging with and supporting internal and external stakeholders in various initiatives, and acting as a pillar of support for the other departments in promoting the Bank's values and proposition.



Milestones

Corporate Roles

Strengthening Customers Relationships

Product and Service Innovation and Developments

Reward Programs

BIBD Annual Activities

Employee Engagement

Corporate Social Responsibility

Achievements and Awards

BIBD Holds AGM for 2014



BIBD held its Annual General Meeting (AGM) which was attended by some 300 BIBD shareholders. The meeting was held to approve the Financial Statements for the year ending 31st December 2013, to declare dividends for the Financial Year 2013, and announcing the appointment and settings of the auditors fees for The Financial Year Ended 31st December 2014.

BIBD Zakat Donations



BIBD Zakat contribution for the year 2013 amounting to B $ 2,355,519.40, while the Zakat contribution from BIBD customers for the period 2013 to 2014 amounted to B $ 241,816.24.

The Zakat collection was presented by Pehin Orang Kaya Paduka Setia Raja Dato Paduka Seri Setia Haji Suhaili bin Haji Mohiddin, Chairman of the Shariah Advisory Board BIBD, to the Minister of Religious Affairs, Yang Berhormat Pengiran Dato Seri Setia Dr Haji Mohammad bin Pg Hj Abdul Rahman, on behalf of the Brunei Islamic Religious Council (MUIB).

More Professionally Certified Employees



BIBD celebrated almost fifty employees who have graduated from their Islamic Banking and Finance Institute Malaysia's (IBFIM) Islamic Financial Planners (IFP) certification, and Fitch Learning's Corporate Credit Risk Programs. These training courses are in line with the efforts and investments that have been put in place to provide our talent pool with the required expertise to deliver our Bruneian at Heart promise of providing the best Islamic financial solutions to our customers. We at BIBD are proponents of developing our talent, constantly pushing the envelope to better ourselves in order to meet and surpass the expectations of our customers.

The Bank will continue to look into having more personnel professionally certified in their respective fields to provide our customers with the best services in the industry.

Celebrating "Gema Syawal"

As part of its annual activity, BIBD hosted "Majlis Gema Syawal" celebration, a Hari Raya get together held for our esteemed clients and stakeholders at the Royal Berkshire Hall, Royal Brunei Polo & Riding Club, Jerudong. The event provided respective BIBD clients and partners, ranging from the government sector, corporates, SMEs and individuals, the perfect chance to meet and socialize with BIBD personnel from all its banking divisions and departments. And at the same time, an opportunity for BIBD personnel to foster stronger bonds with their partners and colleagues from across all divisions and department.





BIBD Leading The China-ASEAN Inter-Bank Association (CAIBA) Dialogue



After being appointed as the chairman and the presiding bank of CAIBA, BIBD organised the 2014 Executive Board Meeting and Seminar as part of ongoing efforts to enhance cooperation within ASEAN and with China.

Ahead of the implementation of the ASEAN Economic Community, there is a growing need for China and ASEAN to work closer together to address the upcoming challenges that could arise from the evolution of a single Southeast Asian market – such as the availability of solid commercial and financial infrastructure.

Following the 4th CAIBA Executive Board Meeting, a seminar on SME Development and Microfinancing was conducted to prepare member banks to respond actively to the opportunities and challenges brought about by economic globalisation.

Apart from the seminar, other training activities are currently being planned to prepare them to contribute to national and regional development, through increasing microfinance penetration, especially for the poor community.



BIBD Securities Investors' Seminar

BIBD Securities held an Investors Seminar at The Empire Hotel & Country Club in their efforts to play a more active role in providing investment-based products as a means of wealth creation for the wider public. This goes along with its aim to educate and provide local investors with market updates on different asset classes, either regionally or globally.

This is to ensure that investors can use the information provided to effectively manage their investments portfolio. The seminar also provided investors with an outlook on the global equity market and gold investments. As part of its strategy, BIBD Securities have entered into a strategic partnership with OCBC Securities Private Limited (OSPL) Singapore which will allow BIBD customers to trade globally via their extensive network of connectivity. Also, with the launch of BIBD Gold Prestige Services, BIBD Securities has offered physical gold as an investment tool to interested parties. As a value-added service, BIBD Securities will also ensure safe custody of the gold with Takaful protection.





BIBD's 4th and 5th Home Showcase Roadshows



In understanding the importance of home ownership, the Bank continues hold its biannual home showcase. The BIBD Home Showcase provided the perfect avenue for BIBD to provide better understanding on its Home and Home Improvement Financing products to support interested parties in realising their dream homes. The BIBD Home Showcases also brought together BIBD's main partners within the home construction and design industry, to create a unique one-stop avenue for customers. During the showcase customers can "mix & match" any desired combinations from the different partners present, to best suit their financial capabilities, with the help of BIBD's Home Financing Specialists.

Corporate Services Seminar



BIBD affirms its support and role in providing banking and financing facilities to registered existing and emerging companies in the country. The bank also continues in actively providing advices and mentoring to our SME's client on financial management and general operation of their businesses.

One of the initiative that was implemented by the Corporate Product Development & Marketing Unit of BIBD's Corporate Division was in organizing seminar that was aim to increase the customers' understanding regarding the range of BIBD's Corporate products and services.

Through such initiative, it not only provided an avenue to foster better relationships but also became a platform for us to promote and obtain invaluable feedback on BIBD's corporate products and services, as well as providing information on basic principles of Islamic trade finance and treasury products.

Strong Support for Sustainable Energy

Mar 24th – BIBD showed its full support at the Energy Week organised by the Energy Department at the Prime Minister's Office (EDPMO). BIBD's presence was to highlight its capabilities and to create awareness on BIBD's role as a strong supporter of local institutions towards the development of the nation's economy and energy industry.





Perdana Privilege Banking Launch

Bruneian at Heart in the Lap of Luxury

Privacy, confidentiality, comfort, dedicated Relationship Managers – these privileges, and more, await all BIBD PERDANA Privilege Banking account holders in a new luxurious lounge at the Kiulap branch. Since June 2014, PPB account holders have been enjoying exclusive services that make banking at BIBD a stress-free experience. Account holders are entitled to several elite privileges, including advice on wealth management and sustainable growth products, concierge services and a complimentary - and coveted - Priority Pass membership that provides access to 600 airport lounges worldwide.



The relaunching of BIBD's new Perdana Privilege Banking (PPB) brand was held at the newly designed PPB lounge in Kiulap. The new Perdana banking segment will further enhance the banking experience of BIBD's affluent customers by providing them with exclusive new products, banking facilities and services such as access to public and private meeting rooms, conference room, e-Magazines, a dedicated parking service, concierge services among other amenities – all supplemented with Perdana's warm hospitality.

Apart from having a dedicated Relationship Manager to cater for their needs, Perdana customers will benefit from the exciting new product range that includes Perdana Platinum Debit and Credit Cards, access to the exclusive Perdana Contact Centre hotline and website, access to airport lounges worldwide through complimentary Priority Pass membership, among a host of other exciting features. The Perdana Privilege Banking platform, will also provide affluent banking customers in Brunei with the best solutions to their banking needs, as well as in perserving and enhancing their wealth.



Virtual Prepaid MasterCard service Launch

Hassle-Free while On The Go

Smart mobile devices are now par for the course. In keeping with changing user online behaviour and consumption habits, BIBD launched a Virtual Prepaid MasterCard in May 2014 that enables cardholders to transact a number of financial services through these indispensable devices. This debit card allows cardholders to shop online, pay bills, and top-up prepaid telephone, internet and electricity credits. When transferring funds with the card, registered users are able to select recipients from their own personal contact lists that appear on their smart devices, making it highly convenient for consumers on the go.



The BIBD Virtual Prepaid MasterCard service is an online debit card that can be used for online transactions, including shopping, paying bills, topping-up prepaid telephone, internet and electricity credits, along with the transferring of funds. As an added convenience, registered users need only to select the recipients from their own contacts list within their smart devices when transferring funds. This would reduce the hassle to memorize or refer to recipients' Bank account numbers.

eBayar service Launch



Payment at Your Fingertips: BIBD Online or BIBD Mobile

Online payments are fast becoming the norm for many consumers. BIBD continues to innovate online services to enable its customers to benefit from new trends in the digital commerce space. Since October 2014, BIBD's latest online payment service, eBayar, enables customers to purchase goods or services from participating merchants' ecommerce and shopping websites. BIBD customers need only to enter their BIBD Online or BIBD Mobile login credentials to facilitate online payments. Security is reinforced through authentication by either BIBD Online or an eTunai QWERTY code.

eBayar is part of BIBD's online payment services whereby BIBD customers can choose to purchase goods or services via participating merchant websites. BIBD customers need only to enter their BIBD Online or BIBD Mobile log in credentials to proceed with making online payments.

This reduces the need to constantly have to memorise your bank account or refer to your debit and credit card to secure an online purchase. Furthermore, the eBayar service makes your online payments much more secure, as you are prompted to authenticate and approve your purchase by either BIBD Online or eTunai qwerty code.

Issuance of 100,000th BIBD Debit Card



BIBD today earmarked the 100,000th issuance of its BIBD Debit Card, the only Shariah compliant issued debit card in Brunei. Upon its launch, the BIBD Debit Card reached 5,000 issuances within its first three months.

The BIBD Debit Card has several enhanced security features on top of its PIN number which includes an embedded EMV chip providing maximum levels of encryption to prevent misuse. Furthermore, there is a sophisticated fraud early warning system that can detect any irregularity in transaction patterns and alert the cardholder immediately.

On top of that, all BIBD cards are provided with BIBD SMS Alert that allows for instant notifications of any purchases using any of BIBD Cards. This becomes useful should there be any unauthorized use of any BIBD Cards. BIBD also uses the 3D Secure Service provided by Mastercard™ for online transactions, allowing the user to authenticate their own identity via a pin code, different for each transaction made and sent instantly to their registered personal mobile number.

Rewards Program

Barakah 5 Campaign

A Jaguar XF along with other exciting prizes were up for grabs as the grand draw held at the end of March. Apart from the grand draw, BIBD customers also stood a chance to win monthly lucky draw prizes consisting of a Samsung Galaxy S4 mobile phone. Customers who signed up for any of BIBD's financing and deposit products, or public assigned their salary to BIBD during the promotion period, were automatically enrolled into the campaign, reducing the hassle of filling out any registration forms.



Swipe for Rewards and Swipe to Fly

These two promotional campaigns were organized as a gesture of our appreciation to our loyal customers. Customer registration was hassle-free as BIBD customers were enrolled into the campaigns directly as soon as they used their BIBD Cards or BIBD eTunai service. Prizes comprised of air tickets and high-end mobile phones.

Top-Up Campaign

Top-Up Campaign promotional campaigns were designed with the aim to promote BIBD's top-up function via the BIBD Mobile and BIBD Online service, for their DES electric along with DST's Easi and GO!Broadband prepaid accounts.



Employee Engagements

BIBD Fortifies Relationship Among Personnel

The BIBD Consumer Banking Division's annual team-building session, held at The Empire Hotel and Country Club, was organised to bring closer personnel from all the different departments.

The various activities prepared sought to strengthen and promote teamwork and cooperation, ultimately leading to better understanding of the different requirements from the different departments. At the same time, the activities were also geared to develop their individual capabilities, and getting to know their colleagues outside of their offices, away from their daily routines.





A Healthy Challenge

Some sixty BIBD personnel participated in the two-week BIBD Challenge to promote a healthy lifestyle among its personnel through the consumption of healthy and nutritious food, as well as carrying out regular physical exercise.

Teams were given strict dietary programs in addition to a planned exercise regime which aimed to help them achieve a targeted weight loss of between 2-4 kgs by the end of the challenge. The event was jointly organized by the BIBD Sports and Recreation Club (SRC), Jasra Harrison and Fitness Zone.





Rowing Together

BIBD grabbed first and second place in the Corporate Invitation team event at the Regatta Brunei Darussalam 2014, which was also participated by major local organisations.

BIBD Personnel Reaching New Heights

A group of almost twenty BIBD personnel, led by Haji Minorhadi Mirhassan in his capacity as the Chairman of BIBD's SRC along with Chief Operating Officer Dr Gyorgy Ladics, set off to conquer Borneo's tallest mountain, Mount Kinabalu.

BIBD's annual efforts to provide its personnel with engaging and challenging team-building activities, directly fostering better teamwork and coordination. To also ensure the safety of everyone involved along with the success of the journey, BIBD appointed an experienced climber as trip facilitator to assist with preparations along with a rigorous training regime.



BIBD Bowls to Victory

The BIBD bowling team were crowned champions of the annual Brunei Association of Banks Inter-bank Bowling Tournament. The team bowled through a crowd of forty-two bowlers from seven teams, from all the local banks. The event was held to create to promote and foster better relationships between all the member banks of the association.



BIBD Holds "Majlis Bertahlil" at Royal Mausoleum

BIBD personnel held its annual 'Majlis Bertahlil' at the Royal Mausoleum in Jalan Tutong. The BIBD congregation recited the Surah Yassin, along with tahlil and prayers, as they paid their respects to the late parents of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam, Al-Marhum Sultan Hj Omar 'Ali Saifuddien Sa'adul Khairi Waddien and Al-Marhumah Duli Raja Isteri Pengiran Anak Damit Pengiran Bendahara Pengiran Abdul Rahman as well as other royal family members.



Ramadhan Khatam AL-Quran & Sungkai



BIBD organised their annual 'Majlis Khatam Al-Quran dan Majlis Bersungkai' for their personnel at the Royal Berkshire Hall, JPCC Jerudong. The ceremony began with the recitation of the Surah Al-Fatihah which was then followed by the Khatam Al-Quran event. This was followed with Iftar with a light meal, followed by mass Maghrib prayers.

Aidil Adha Korban Celebration

In light of the festive Aidil Adha celebrations, BIBD held its annual Korban ceremony at the Sultan Sharif Ali Mosque in Sengkurong. A total of four buffaloes and nine cows were sacrificed, and the Korban meat was distributed to around 100 recipients, comprising of family members of BIBD's ALAF program, the Welfare Home Complex (Kompleks Rumah Kebajikan) along with other underprivileged members of the community. BIBD also took this opportunity to donate 150 Yaasin and prayer books to the Mosque.



Empowering the community through education

BIBD's 'Bruneian at Heart' core principle and values of compassion and empathy means it has always been focused on the needs of the community. Through its CSR initiatives, the Bank is able to connect with and give back to the community. With the growing social expectation of delivering corporate sustainability within the community, BIBD's CSR initiatives further complement the values and benefits of the Bank's products and services for our valued customers.

The objective of BIBD's CSR is to empower individuals to be socially responsible and to lead fulfilling lives, and thus, benefitting the community and nation, through its three core pillars of education, entrepreneurship, and community.

BIBD's flagship CSR programme - BIBD ALAF (Advocating Life-Long Learning for an Aspiring Future) is one of many significant initiatives for the Bank. The programme is a partnership between BIBD and the Ministry of Education to provide assistance to both underprivileged and orphaned students, helping them to progress in their education from the very beginning until they graduate. ALAF's sponsorship provides students with access to educational materials, learning advancement, and welfare support, as well as dedicated mentoring and coaching sessions for the students.

For this program, a dedicated ALAF account was activated for the public to show support by contributing as little as B$1.01 through various BIBD platforms. Through this meaningful initiative, BIBD hopes to align with His Majesty's 2035 vision of obtaining a 100% level of education for everyone. The program aims to help reduce the level of poverty and to eventually lead Brunei towards a more prosperous and peaceful future, populated with educated, highly skilful and successful individuals who are on par with internationally set standards.





Another CSR initiative by BIBD is Another CSR initiative by BIBD is the financial planning workshop. Throughout the financial planning workshop. Throughout the years, BIBD's Wealth Management Unit (WMU) has delivered numerous financial planning workshops to schools, universities, government, and private agencies. The Bank believes that financial education should begin as early as elementary school, when students are yet to be exposed to the reality of financial hardship and burdens. By providing Financial Literacy awareness and education, BIBD strives to inspire and empower Bruneians to spend in a smart and responsible manner. Putting more emphasis on Financial Literacy will also enrich the lives of individuals who will be able to contribute to the economic growth of the nation. Additionally, through proper financial management, Bruneians will be better equipped to meet their life goals, such as purchasing a home, saving for their children's education, planning for retirement and more.





ALAF Scholarships





A total of sixty-five students were awarded BIBD ALAF (Advocating Life-long Learning for an Aspiring Future) scholarship program, that was presented by Pehin Orang Kaya Seri For Dato Seri Setia Haji Awang Abu Bakar bin Hj Apong, Minister of Education. Scholarship program was launched in 2013 by Her Royal Highness Paduka Seri Pengiran Anak Isteri Pengiran Anak Sarah, aimed at providing assistance to students from under privilege families, through the sponsorship of basic needs, educational items and welfare, as well as mentoring and coaching.All this is to ensure that the students remain committed and focused towards the progress and development of their education, throughout their education until graduation, without worrying about their family's financial difficulties.The selection criteria included the nomination and support of respective schools throught the country, with the requirement that the students should maintain their performance and attendance level.

Collaborating with JAPEM
to give back to the under privilege children of the community





"Majlis Penyampaian Sumbangan Anak-Anak Yatim Peringkat Kebangsaan" is an annual collaboration between JAPEM (Community Development Department, Ministry of Culture, Youth and Sports) and BIBD, which is held during the month of Ramadan. At this event, BIBD contributes donations to more than 5,000 orphans from around the country, and presented cash rewards in the form of BIBD Savings Account to orphaned students from all four district, in recognition of their outstanding achievement in their end of year examinations.

Wealth Management Unit (WMU) Financial Planning Talks





BIBD WMU began their series of financial planning talks, aimed to disseminate information and create awareness on financial literacy and planning to the public. The talks has been an important tool in helping to improve the public's understanding of proper financial planning and debt management. This includes planning for retirement, achieving life's milestone such as raising a family, getting a dream home, planning for your children's education and importantly, to build personal financial wealth over time. Through this initiative, we hope to provide them with the necessary guidance in their financial management practices such as on the importance of budget management, along with additional savings and investment techniques, that can add-up to their pool of funds. The series of talks were delivered to schools and higher institutions, and was also extended to personnel from the government departments and private sectors, throughout the year.

Donation of Water Jets to NDMC



In our strides to further support and compliment the relief efforts in place by His Majesty's government, BIBD along with various agencies came forward to mitigate issues emanating from water hazards during the flash floods that hit the country. BIBD presented 20 water jet cleaners to the Brunei Muara District Office, receiving on behalf of National Disaster Management Centre (NDMC), to assist and bolster recovery and cleaning activities from the current and future occurrences of flood incidents. This initiative is align with BIBD's Sirah Amal concept of gathering internal resources from community conscious staff, along with BIBD partners in providing relief to under privileges families and individuals.

Sirah Amal Program

Since its initiation in 2010 the annual Sirah Amal program (SA), through the combined efforts and resources of generous of the Bank employees, BIBD organised an internal fundraising activities that is aimed to collect items in includes food, clothing and other basic necessities. Through collaboration of local NGOs, selected underprivileged families are identified and presented with the items, in the hope to ease their burden, especially in performing their fasting during the holy month of Ramadan.



Throughout the program, four trips were made by BIBD volunteers to the homes of underprivileged families located in all the Brunei districts. The program is very much aligned with BIBD's tagline "Bruneian at Heart", that emphasizes on the values of caring for the society which is inherent amongst the Bank's employees.



Celebrating Aidilfitri With Members Of The Kampong Sukang Community





In the festive spirit of Aidilfitri, BIBD team led by Deputy Managing Director, Hjh Noraini Bti Hj Sulaiman, made a trip to the Kampong Sukang, Kuala Belait to celebrate the Hari Raya festivity, to promote muzakarah and foster relationships with the community. The BIBD travelling party also brought with them contributions in the form of food hampers and school stationeries for the families and children of the community.

Supporting Brunei's First Polar Circle Runner





BIBD's CSR extended their support for Asari Rashid to become the first Bruneian to participate in the Polar Circle Marathon. This support was intended to raise awareness that people handicapped by diseases are equally resilient, determine and it is not an obstacle in pursuing ones goal, especially in achieving higher education. Asari is an epileptic PhD student from Newcastle University, UK and a lecturer at Institut Teknologi Brunei. Participating in the Polar Bear Challenge, tested his ability to run both the marathon, and a half-run within the two days of the competition.

Achivements & Awards

Strong Industry Recognition (Image of awards)

- "Best Local Bond Currency Deal Of The Year" by the Alpha Awards
- "Best Retail Bank in Brunei" for 2014 by The Asian Banker for the second consecutive year
- BIBD At-Tamwil's "Achievement in Data & Analytics Risk Technology" by The Asian Banker
- "Bank of the Year in Brunei Darussalam 2014" by The Banker by for the second consecutive year
- "Best Islamic Bank in Brunei" for 2014 by the Global Finance
- "Best Deal in Singapore" for Swiber Capital S$150 million five-year sukuk by The Asset Triple A
- Placed 42nd in The Banker's Top 1000 World Banks rankings in terms of the Soundness in Capital Assets Ratio, a significant improvement from the 51st and 74th position in 2012 and 2013, respectively.
- Named the Strongest Bank in Brunei in the Asian Banker 500 (AB 500) Strongest Bank by Balance Sheet Ranking 2014











Accolades Summary

BANK OF THE YEAR 2014 - BRUNEI

BEST BANK IN BRUNEI

BEST BANK IN BRUNEI

BEST EMERGING MARKET BANK

THE ASIAN BANKER
STRONGEST BANK BALANCE SHEETS IN BRUNEI, 2014

STRONGEST BANK IN BRUNEI BY BALANCE SHEET

STRONGEST BANK IN BRUNEI

THE ASIAN BANKER
EXCELLENCE IN RETAIL FINANCIAL SERVICES
INTERNATIONAL AWARDS 2014

BEST RETAIL BANK IN BRUNEI

BEST RETAIL BANK IN BRUNEI

Islamic Finance news Awards
Deals of the Year 2014

EZDAN HOLDINGS US$500 MILLION

QATAR DEAL OF THE YEAR

Alpha Southeast Asia

BEST LOCAL BOND CURRENCY DEAL OF THE YEAR IN SOUTHEAST ASIA

BEST LOCAL BOND DEAL

ASSET ASIAN AWARDS 2014
TRIPLE A

SWIBER CAPITAL S$150 MILLION

BEST DEAL , SINGAPORE

14TH STRONGEST BANK (AMONG 500 BANKS FROM ASIA PACIFIC) BY BALANCE SHEET
- THE ASIAN BANKER

42ND (AMONGST 1000 BANKS IN THE WORLD) SOUNDNESS OF CAPITAL ASSETS RATIO
- THE BANKER

RANKINGS 2014

THE ASIAN BANKER
The Risk Data & Analytics Implementation Award
Risk Technology Implementation 2014

ACHIEVEMENT IN DATA & ANALYTICS RISK TECHNOLOGY - BIBD AT-TAMWIL

BUSINESS ACHIEVMENT AWARD

Bank Islam Brunei Darussalam Berhad
And Its Subsidiaries

Financial Statements
Year ended 31 December 2014

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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 2014.

Principal activities

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

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

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

Results

	Group B$'000	Bank B$'000
Profit for the year	111,515	83,924
Attributable to:		
Equity holders of the Bank	109,271	83,924
Non-controlling interest	2,244	–
	111,515	83,924

Dividends

The amount of dividends paid by the Bank since 31 December 2013 are as follows:

	B$'000
In respect of the financial year ended 31 December 2013:	
Final dividend of 4 cents per ordinary share paid on 25 July 2014	28,990

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	
Javed Ahmad bin Kamil Hasan	(Managing Director)
Abdulaziz Mohammed L. Alsubeaei	
Dr Abdul Manaf bin Haji Metussin	
Mozart bin Haji Brahim	(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:

	Number of ordinary shares of B$1 each	
Name of directors	**At beginning of the year**	**At end 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	5,001
Junaidi bin Hj Masri	1	1

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 October 2015.

Dato Paduka Haji Bahrin bin Abdullah
Chairman

Javed Ahmad bin Kamil Hasan
Managing Director

Junaidi bin Hj Masri
Director

Brunei Darussalam
09 October 2015

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages FS9 to FS148 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 of the Bank as of 31 December 2014 and of its financial performance and cash flows for the financial years ended 31 December 2014.

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



Dato Paduka Haji Bahrin bin Abdullah
Chairman



Javed Ahmad bin Kamil Hasan
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam

09 October 2015

Shariah Advisory Body Report

بِسْمِ اللهِ الرَّحْمنِ الرَّحِيمِ

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

To the Shareholders of Bank Islam Brunei Darussalam Berhad,

السلام عليكم ورحمة الله وبركاته

To fulfill 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 2014 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 contracts, transactions and dealings entered into by the Bank during the financial period ending 31 December 2014 that we have reviewed are in compliance with Shariah rules and principles;

b. All earnings that have been realised from sources or by means prohibited by Shariah rules and principles have been separated and considered for disposal to charitable causes; and

c. The Bank's calculation and distribution of zakat is in compliance with Shariah rules and principles.

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

On behalf of the Shariah Advisory Body's members,

Pehin Orang Kaya Paduka Setia Raja Dato Paduka Seri Setia Haji Awang Suhaili bin Haji Mohiddin
Chairman

Brunei Darussalam
09 October 2015

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Independent auditor's 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 2014, the income statements, statements of other 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 FS9 to FS148.

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 misstatement, 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.

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 2014, and the results, 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

Leong Kok Keong
Brunei Darussalam Public Accountant

Singapore
9 October 2015

Income Statements
Year ended 31 December 2014

	Note	Group 2014 B$'000	Group 2013 B$'000	Bank 2014 B$'000	Bank 2013 B$'000
Profit from financing, leasing and investments	3	238,106	232,212	194,615	188,715
Profit paid/payable to depositors	4	(21,787)	(20,433)	(18,399)	(16,154)
Net profit margin		216,319	211,779	176,216	172,561
Fee and commission income	6	23,073	22,775	23,073	22,775
Fee and commission expense	6	(3,094)	(2,079)	(3,094)	(2,079)
Net fee and commission income		19,979	20,696	19,979	20,696
Loss from derivatives and investments	5	(93,466)	(21,198)	(95,285)	(21,306)
Other operating income	7	119,778	49,398	108,475	37,162
Total income		262,610	260,675	209,385	209,113
Less:					
Personnel expenses	8	(55,496)	(50,650)	(47,780)	(44,923)
Other expenses	9	(47,181)	(42,685)	(36,959)	(34,284)
Total operating expenses		(102,677)	(93,335)	(84,739)	(79,207)
Operating profit before allowances		159,933	167,340	124,646	129,906
Less:					
Allowance for impairment on financing and advances, net	10	(18,033)	(40,355)	(16,183)	(38,280)
Allowance for impairment on investments, net	11	(350)	(4,786)	(350)	(4,786)
Operating profit		141,550	122,199	108,113	86,840
Share of profit of associate	25	2,246	1,509	–	–
Profit before zakat and tax		143,796	123,708	108,113	86,840
Less:					
Zakat	12	(3,065)	(502)	(3,065)	(2,926)
Income tax expense	13	(29,216)	(28,634)	(21,124)	(24,206)
Total zakat and income tax expense		(32,281)	(29,136)	(24,189)	(27,132)
Profit for the year		111,515	94,572	83,924	59,708
Profit for the year attributable to:					
Equity holders of the Bank		109,271	93,107	83,924	59,708
Non-controlling interests		2,244	1,465	–	–
Profit for the year		111,515	94,572	83,924	59,708
Earnings per share					
Basic earnings per share (dollars)	15	0.15	0.13	0.12	0.08
Diluted earnings per share (dollars)	15	0.15	0.13	0.12	0.08

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

Statements of Other Comprehensive Income
Year ended 31 December 2014

	Group		Bank	
	2014 B$'000	**2013 B$'000**	**2014 B$'000**	**2013 B$'000**
Profit for the year	111,515	94,572	83,924	59,708
Other comprehensive income:				
Items that are or may be reclassified to profit or loss				
Fair value reserve (available-for-sale financial assets):				
- Net change in fair value	3,869	(15,640)	4,560	(15,713)
- Net amount transferred to profit or loss	(264)	(556)	(264)	(556)
Share of other comprehensive income of associates	1,117	(20)	–	–
Tax on other comprehensive income	(884)	3,243	(821)	3,254
Other comprehensive income for the year, net of tax	3,838	(12,973)	3,475	(13,015)
Total comprehensive income for the year	115,353	81,599	87,399	46,693
Attributable to:				
Equity holders of the Bank	113,109	80,134	87,399	46,693
Non-controlling interests	2,244	1,465	–	–
Total comprehensive income for the year	115,353	81,599	87,399	46,693

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

Statements of Financial Position
As at 31 December 2014

	Note	Group			Bank		
		31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Assets							
Cash and cash equivalents	16	2,040,001	1,301,800	2,024,863	2,173,637	1,407,325	2,030,590
Balances with Autoriti Monetari Brunei Darussalam	17	353,796	307,289	273,536	325,015	283,175	250,374
Placements with and financing and advances to banks	18	1,207,957	1,154,351	749,428	1,375,257	1,220,351	757,488
Government sukuk	19	55,977	27,986	22,995	55,977	27,986	22,995
Investments	20	757,649	697,389	572,719	747,394	702,466	561,852
Derivative financial assets	21	1,019	2,824	3,784	1,019	2,824	3,784
Financing and advances	22	2,986,860	2,856,988	2,450,320	2,425,531	2,307,456	1,972,480
Finance lease receivables	23	12,498	–	–	12,498	–	–
Investments in subsidiaries	24	–	–	–	36,682	26,483	26,483
Investment in associate	25	11,361	7,998	6,509	7,080	7,080	7,080
Other assets	26	32,541	26,821	28,798	44,629	22,393	22,210
Property and equipment	27	178,522	67,021	67,144	31,333	32,097	30,832
Investment property	28	29,808	30,415	30,941	29,808	30,415	30,941
Deferred tax assets	29	2,275	–	–	5,805	–	–
Total assets		7,670,264	6,480,882	6,231,037	7,271,665	6,070,051	5,717,109
Liabilities and equity							
Deposits from customers	30	5,580,956	4,584,016	4,470,493	5,404,718	4,369,163	4,217,335
Deposits from banks and other financial institutions	31	503,014	419,694	425,762	496,516	395,863	309,770
Derivative financial liabilities	21	127,435	33,405	12,689	127,435	33,405	12,689
Placements from other financial institutions	18	–	104,401	10,000	–	104,401	10,000
Other liabilities	32	82,921	65,866	85,552	68,000	56,718	73,513
Zakat	33	3,325	3,115	5,270	3,325	3,115	2,846
Provision for taxation	33	64,552	48,896	51,788	49,993	43,337	44,887
Deferred tax liabilities	29	–	10,814	14,595	–	780	5,576
Total liabilities		6,362,203	5,270,207	5,076,149	6,149,987	5,006,782	4,676,616

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

Statements of Financial Position (Cont'd)
As at 31 December 2014

	Note	Group			Bank		
		31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Equity							
Share capital	34	724,750	724,750	724,750	724,750	724,750	724,750
Treasury shares	35	(3)	(2,872)	(3)	–	–	–
Statutory reserves fund	36	385,875	294,147	241,898	352,870	262,822	211,895
Other reserves	36	162,356	169,965	165,997	44,058	75,697	103,848
Total equity attributable to equity holders of the Bank		1,272,978	1,185,990	1,132,642	1,121,678	1,063,269	1,040,493
Non-controlling interests		35,083	24,685	22,246	–	–	–
Total equity		1,308,061	1,210,675	1,154,888	1,121,678	1,063,269	1,040,493
Total liabilities and equity		7,670,264	6,480,882	6,231,037	7,271,665	6,070,051	5,717,109

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 state of affairs as at 31 December 2014 and its profit for the year ended 31 December 2014.

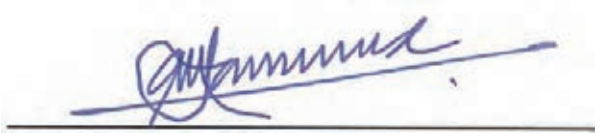


Javed Ahmad bin Kamil Hasan
Managing Director

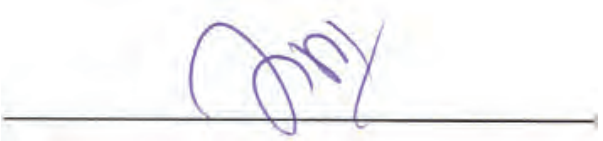
The financial statements were approved by the Board of Directors and signed for and on its behalf of the Board.



Dato Paduka Haji Bahrin bin Abdullah
Chairman



Javed Ahmad bin Kamil Hasan
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam
09 October 2015

Consolidated Statement of Changes in Equity
Year ended 31 December 2014

		Attributable to equity holders of the Bank							
				Other reserves					
Group	**Note**	**Share capital B$'000**	**Treasury shares B$'000**	**Statutory reserve B$'000**	**Fair value reserve B$'000**	**Retained profits B$'000**	**Total shareholders' funds B$'000**	**Non-controlling interests B$'000**	**Total equity B$'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		–	2,869	–	–	–	2,869	–	2,869
Transfers to statutory reserve		–	–	43,642	–	(43,642)	–	–	–
Additional transfer to statutory reserve		–	–	48,086	–	(48,086)	–	–	–
Contributions from non-controlling interest		–	–	–	–	–	–	10,154	10,154
Transactions with owners of the Bank									
Contributions and distributions									
Dividends paid on ordinary shares	14	–	–	–	–	(28,990)	(28,990)	(2,000)	(30,990)
Total contributions and distributions		–	–	–	–	(28,990)	(28,990)	(2,000)	(30,990)
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.

Consolidated Statement of Changes in Equity (Cont'd)
Year ended 31 December 2014

		----------Attributable to equity holders of the Bank----------							
					---------Other reserves---------				
Group	**Note**	**Share capital B$'000**	**Treasury shares B$'000**	**Statutory reserve B$'000**	**Fair value reserve B$'000**	**Retained profits B$'000**	**Total shareholders' funds B$'000**	**Non-controlling Interests B$'000**	**Total equity B$'000**
At 1 January 2013		724,750	(3)	241,898	12,410	153,587	1,132,642	22,246	1,154,888
Profit for the year		–	–	–	–	93,107	93,107	1,465	94,572
Other comprehensive income		–	–	–	(12,973)	–	(12,973)	–	(12,973)
Total comprehensive income for the year		–	–	–	(12,973)	93,107	80,134	1,465	81,599
Bank's shares acquired by subsidiaries		–	(2,869)	–	–	–	(2,869)	–	(2,869)
Transfers to statutory reserve		–	–	52,249	–	(52,249)	–	–	–
Contributions from non-controlling interest		–	–	–	–	–	–	2,495	2,495
Transactions with owners of the Bank									
Contributions and distributions									
Dividends paid on ordinary shares	14	–	–	–	–	(23,917)	(23,917)	(1,521)	(25,438)
Total contributions and distributions		–	–	–	–	(23,917)	(23,917)	(1,521)	(25,438)
At 31 December 2013		724,750	(2,872)	294,147	(563)	170,528	1,185,990	24,685	1,210,675

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

Statement of Changes in Equity
Year ended 31 December 2014

Bank	Note	Share capital B$'000	Other reserves: Statutory reserve B$'000	Other reserves: Fair value reserve B$'000	Retained profits B$'000	Total B$'000
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)	–
Transactions with owners of the Bank						
Contributions and distributions						
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.

Statement of Changes in Equity (Cont'd)
Year ended 31 December 2014

Bank	Note	Share capital B$'000	Statutory reserve B$'000	Other reserves: Fair value reserve B$'000	Other reserves: Retained profits B$'000	Total B$'000
At 1 January 2013		724,750	211,895	11,636	92,212	1,040,493
Profit for the year		–	–	–	59,708	59,708
Other comprehensive income		–	–	(13,015)	–	(13,015)
Total comprehensive income for the year		–	–	(13,015)	59,708	46,693
Transfer to statutory reserve		–	50,927	–	(50,927)	–
Transactions with owners of the Bank						
Contributions and distributions						
Dividends paid on ordinary shares	14	–	–	–	(23,917)	(23,917)
Total contributions and distributions		–	–	–	(23,917)	(23,917)
At 31 December 2013		724,750	262,822	(1,379)	77,076	1,063,269

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

Statement of Cash Flows
Year ended 31 December 2014

	Group		Bank	
	2014 B$'000	**2013 B$'000**	**2014 B$'000**	**2013 B$'000**
Cash flows from operating activities				
Profit before zakat and tax	143,796	123,708	108,113	86,840
Adjustments for:				
Dividend income	(1,270)	(1,324)	(748)	(1,172)
Allowances for impairment on financing and advances	18,033	40,355	16,183	38,280
Change in fair value of derivatives and investments	4,036	21,289	3,806	21,397
Depreciation of property, plant and equipment and investment property	16,358	12,589	13,066	9,770
Impairment of investments, net	350	4,786	350	4,786
Gain on disposal of fixed assets	(44)	(5)	(46)	(5)
Share of profits from associates	(2,246)	(1,509)	–	–
Gain on derecognition of financing	(2,394)	(2,617)	(2,394)	(2,617)
Operating profit before change in operating assets and liabilities	176,619	197,272	138,330	157,279
Change in operating assets and liabilities:				
Deposits of non-bank customers	983,264	113,523	1,021,879	151,828
Deposits and balances of banks	83,320	(6,068)	100,653	86,093
Other liabilities	16,212	(19,708)	10,783	(16,817)
Balances with Autoriti Monetari Brunei Darussalam	(46,507)	(33,753)	(41,840)	(32,801)
Deposits and placements with banks and other financial institutions	(27,139)	(411,996)	(128,439)	(468,447)
Government sukuk and treasury bills	(27,991)	(4,991)	(27,991)	(4,991)
Investments	(33,358)	(145,243)	(33,861)	(161,368)
Placements from other financial institutions	(104,401)	94,401	(104,401)	94,401
Financing and advances	(142,640)	(444,406)	(128,992)	(370,639)
Other assets	(6,010)	1,977	(5,771)	(183)
Cash from/(used in) operating activities	871,369	(658,992)	800,350	(565,645)
Zakat paid	(2,356)	(2,657)	(2,356)	(2,657)
Taxes paid	(27,189)	(32,064)	(21,874)	(27,298)
Dividends received	1,270	1,324	748	1,172
Net cash generated from/ (used in) operating activities	**843,094**	**(692,389)**	**776,868**	**(594,428)**

Statement of Cash Flows (Cont'd)
Year ended 31 December 2014

	Group		Bank	
	2014 B$'000	**2013 B$'000**	**2014 B$'000**	**2013 B$'000**
Cash flow from investing activities				
Purchase of property and equipment	(126,590)	(11,671)	(11,031)	(10,240)
Proceeds from disposal of property and equipment	61	5	61	5
Purchase of investment property	(679)	(269)	(679)	(269)
Purchase of investment in joint venture	–	–	(10,199)	–
Net cash used in investing activities	**(127,208)**	**(11,935)**	**(21,848)**	**(10,504)**
Cash flow from financing activities				
Dividends paid	(30,990)	(25,438)	(28,990)	(23,917)
Capital Contribution from non controlling interest	10,154	2,495	–	–
Proceeds from sale/(purchase) of treasury shares	2,869	(2,869)	–	–
Net cash used in financing activities	**(17,967)**	**(25,812)**	**(28,990)**	**(23,917)**
Net change in cash and cash equivalents	697,919	(730,136)	726,030	(628,849)
Cash and cash equivalents at 1 January	1,301,800	2,024,863	1,407,325	2,030,590
Effect of exchange rate fluctuations on cash and cash equivalents held	40,282	7,073	40,282	5,584
Cash and cash equivalents at 31 December	**2,040,001**	**1,301,800**	**2,173,637**	**1,407,325**

Statement pursuant to Section 125 of the Brunei Darussalam Companies Act

The consolidated profit for the financial year ended 31 December 2014 as shown in the consolidated financial statements of the Bank includes the share of profit/(loss) from the following subsidiaries, for the financial year ended 31 December 2014:

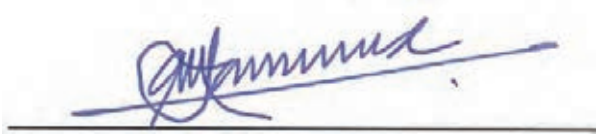
(a) BIBD At-Tamwil Bhd
(b) BIBD Securities Sdn Bhd
(c) IDBB Sukuk Inc
(d) IDBB Management & Services Bhd
(e) IBB Capital Asset Management Sdn Bhd
(f) Belait Barakah Sdn Bhd
(g) BIBD Al-Kauthar Funds DCC Incorporated
(h) IBB Transport Sdn Bhd
(i) Saujana Sdn Bhd
(j) BIBD Global Equity Funds
(k) BIBD Asia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

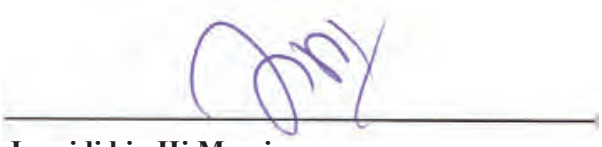
On behalf of the Board of Directors



Dato Paduka Haji Bahrin bin Abdullah
Chairman



Javed Ahmad bin Kamil Hasan
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam
09 October 2015

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 2014 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 has started and is still 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 has started and is still 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 2017, with earlier application permitted.

The Group has started and is still in the process of evaluating the potential effect of this standard.

(iv) Amendments and improvements

IASB also introduces the following improvements and amendments:

- Amendments to IAS 19 Employee Benefits Plans: Employee Contributions
- Improvements to IFRS (January 2014)
- Improvements to IFRS (February 2014)
- Amendments to IFRS 11 Joint Arrangements – Amendment to Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 18 – Clarification of Acceptable Methods of Depreciation and Amortisation

The Group is still 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 have 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
- Note 13 – Income tax expense
- Note 39 – Determination of fair value of financial instruments with significant unobservable inputs

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, 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 recognized 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 end of 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 end of 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 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 it in the near term or it is part of a portfolio that are 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 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 is 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 the income statement 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 its foreign currency and profit rate exposures.

Foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position 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 categorised 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.

Fair value arising from 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 statement of financial position 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 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 Company, 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 and the Bank will obtain ownership by the end of the lease term. Freehold 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 land and 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 Software

(a) Recognition and measurement

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

(b) Subsequent costs

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(c) Amortisation

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.8 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.

2.9 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.

2.10 Impairment

Financial assets

The Group and the Bank assesses 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 backruptcy;

(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 assesses 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 determines 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 the 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 on 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 are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequently recoveries of amounts previously written off are credited to the 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 the profit or loss.

In the case of available-for-sale equity securities, a significant or prolonged decline in their 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 the 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 the comprehensive income statement. 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 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 the 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 the profit or loss in the year in which the reversals are recognised.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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 has considered all contractual terms of the financial instruments but does 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 assets or a group of financial assets has 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 arrangement, participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. 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.

2.17 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.

2.18 Zakat

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

2.19 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' contribution 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 the income statement in the period to which the contributions relate.

2.20 Earnings per ordinary shares

The Group presents basic 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.

2.21 First-time adoption of International Financial Reporting Standards

The Group and the Bank have adopted the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at 1 January 2014. These financial statements of the Group and the Bank for the year ended 31 December 2014 are the first set of financial statements prepared in accordance with IFRS including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.

Accordingly, the Group and the Bank have prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2014, together with the comparative period information as at and for the period ended 31 December 2013, as described in the summary of significant accounting policies from note 2.1 to 2.20.

In preparing these financial statements, the Group's and the Bank's opening statements of financial position were prepared as at 1 January 2013, being the Group's and the Bank's date of transition to IFRS. Principal adjustments made by the Group and the Bank in restating its statements of financial position as at 1 January 2013 and its previously published financial statements for the year ended 31 December 2013, both of which was prepared in accordance with the generally accepted accounting principles in Brunei Darussalam ("Brunei GAAP") are presented in Note 45.

Optional exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group and the Bank have applied the following exemptions:

Business combinations

The Group and the Bank have elected not to restate business combinations arising from acquisitions of subsidiaries, which are considered businesses under IFRS, or of interest in associates and joint ventures that occurred before 1 January 2013.

In applying this exemption:

- The classification of business combinations that occurred before 1 January 2013 is maintained;

- No re-measurement exercise was undertaken in relation to the original fair values as previously determined at the date of acquisition; and

- The carrying amounts of assets and liabilties that are recognised in accordance with Brunei GAAP is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise any new amount or exclude any previously recognised amounts as a result of IFRS recognition requirements.

Fair value or revaluation as deemed cost - property and equipment and investment property

The Group has elected to measure individual items of property and equipment and investment property using previous GAAP that are broadly comparable to depreciated cost in accordance with IFRS as at the date of transition to IFRS.

Investment in subsidiaries, jointly controlled entities and associates

In the separate financial statements, IFRS 1 allows a first-time adopter that subsequently measures its investments in subsidiaries, jointly controlled entities and associates at cost, to measure such investments at cost (as determined in accordance with IAS 27 *Consolidated and Separate Financial Statements*) or deemed cost (at fair value or carrying amount stated in accordance with Brunei GAAP) in its separate opening IFRS statement of financial position.

The Bank has elected to measure all of its investments in subsidiaries and associates at deemed cost based on their carrying amounts stated in accordance with Brunei GAAP in its separate opening IFRS statement of financial position.

Designation of previously recognised financial instruments

IFRS 1 allows a first-time adopter to designate financial instruments as at fair value through profit or loss or as available-for-sale at the date of transition to IFRS. The Group and the Bank have opted for this exemption and designated certain financial instruments which were previously classified as financial investments held-to-maturity to financial investments available-for-sale at 1 January 2013.

The designation of these financial instruments as financial investments available-for-sale at 1 January 2013 has resulted in the Group and the Bank recognising the related cumulative fair value changes in the fair value reserves within the opening IFRS statements of financial position. Additionally, IFRS requires the Group and the Bank to transfer these fair value changes to profit or loss in the event of subsequent disposal or impairment events.

Leases

IFRS 1 allows a first-time adopter to determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date.

If a first-time adopter made a determination of whether an arrangement contained a lease in accordance with Brunei GAAP and that outcome of determination is the same as that required by IFRIC 4 *Determining Whether an Arrangement contains a Lease* and IAS 17 *Leases*, the first-time adopter may use such determination when it adopts IFRS even if the date the determination was performed is different from that required by IFRIC 4.

The Group and the Bank applied the abovementioned exemption and maintained the conclusions achieved arising from assessments previously made under Brunei GAAP for existing lease arrangements.

Other optional exemptions available under IFRS 1, which are not discussed here, are not material to the Group and the Bank.

Mandatory exceptions

Estimates

The estimates at 1 January 2013 and at 31 December 2013 are consistent with those made for the same dates in accordance with Brunei GAAP. The estimates used by the Group and the Bank to present these amounts in accordance with IFRS reflect conditions at 1 January 2013, the date of transition to IFRS, and as at 31 December 2013.

Derecognition of financial assets and financial liabilities

A first-time adopter shall apply the derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after 1 January 2013, the date of transition to IFRS. However, an entity may apply the derecognition requirements in IAS 39 from a retrospective date of the entity's choosing, only if the specific requirements under IAS 39 are met.

The Group and the Bank have applied the derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after 1 January 2013.

Non-controlling interests

Non-controlling interest shall not be retrospectively restated unless the entity elects to apply IFRS 3 *Business Combination* retrospectively to past business combinations.

The Group and the Bank have complied with the requirements of the above exception prospectively from 1 January 2013, the date of transition to IFRS.

3 Profit from financing, leasing and investments

	Group		Bank	
	2014 B$'000	2013 B$'000	2014 B$'000	2013 B$'000
Financing and leasing	188,886	186,775	145,237	143,309
Securities				
- Profit from sukuk	22,684	19,004	22,684	19,004
- Dividend income	1,270	1,324	748	1,172
Money-at-call and deposit placements with banks and other financial institutions	25,266	25,109	25,946	25,230
Total	238,106	232,212	194,615	188,715

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	
	2014 B$'000	2013 B$'000	2014 B$'000	2013 B$'000
Deposits from customers:				
- Mudharabah fund	171	268	171	268
- Non-Mudharabah fund	19,477	17,241	16,717	14,367
	19,648	17,509	16,888	14,635
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	2,139	2,924	1,511	1,519
Total	21,787	20,433	18,399	16,154

5 Loss from derivatives and investments

	Group		Bank	
	2014 B$'000	2013 B$'000	2014 B$'000	2013 B$'000
Net fair value gain/(loss) on financial instruments held-for-trading				
- Derivatives	(95,803)	(21,698)	(95,803)	(21,698)
- Others	2,521	807	702	699
Fair value losses on investments designated at fair value through profit and loss	(431)	(398)	(431)	(398)
Gain from sale of available for sale debt securities	247	91	247	91
Total	(93,466)	(21,198)	(95,285)	(21,306)

6 Net fee and commission income

	Group		Bank	
	2014 B$'000	2013 B$'000	2014 B$'000	2013 B$'000
Fees and commission:				
- Trade finance	1,104	1,061	1,104	1,061
- Ar-Rahnu (pawn/pledge)	1,959	2,033	1,959	2,033
- Credit and Debit Cards	12,980	11,517	12,980	11,517
- Al-Kafalah (guarantee)	1,357	1,298	1,357	1,298
- Commission	1,876	3,256	1,876	3,256
- Others	3,797	2,315	3,797	2,315
Arrangement fees	–	1,295	–	1,295
Total fee and commission income	23,073	22,775	23,073	22,775
Fee and commission expense:				
- Credit Card	(3,094)	(2,079)	(3,094)	(2,079)
Total fee and commission expense	(3,094)	(2,079)	(3,094)	(2,079)
Net fee and commission income	19,979	20,696	19,979	20,696

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	
	2014 B$'000	2013 B$'000	2014 B$'000	2013 B$'000
Dividend income from subsidiary	–	–	2,000	727
Gain on disposal of property and equipment	44	5	46	5
Net foreign exchange gain on:				
- Available for sale debt securities	17	465	17	465
- Others	91,454	22,061	91,454	23,195
Rental income	508	53	496	53
Rental income from investment property	1,668	1,116	1,668	1,116
Income from charter of vessel	10,566	11,544	–	–
Recovery of financing written off	11,158	12,148	10,166	11,409
Others	4,363	2,006	2,628	192
Total	119,778	49,398	108,475	37,162

Others include fee income relating to asset management amounting to B$207,734 (2013: B$201,198). In addition, rental income amounts include finance lease income of B$454,147 (2013: nil) on finance lease receivables for the current financial year.

8 Personnel expenses

	Group		Bank	
	2014 B$'000	2013 B$'000	2014 B$'000	2013 B$'000
Salaries and wages	34,757	31,838	29,079	28,475
Allowances and bonuses	16,654	13,316	14,839	11,985
Others	4,085	5,496	3,862	4,463
	55,496	50,650	47,780	44,923

9 Other expenses

	Group		Bank	
	2014 B$'000	2013 B$'000	2014 B$'000	2013 B$'000
Promotion				
Advertisement and publicity	1,947	2,748	1,352	2,133
Operational				
Office rental	4,578	4,768	4,346	4,573
Depreciation of property and equipment and investment property	16,358	12,589	13,066	9,770
Electronic data processing expenses	5,095	4,732	3,896	4,287
Hire of equipment	56	139	56	139
Office expenses	5,615	5,630	5,295	5,630
	31,702	27,858	26,659	24,399
General expenses				
Management fees	412	656	–	–
Auditors' remuneration:				
- Statutory audit fees – current year	485	384	398	323
- Non-audit services	568	349	568	348
Professional fees	1,349	1,329	1,167	1,283
Other operating expense – Investment property	522	437	522	437
Others	10,196	8,924	6,293	5,361
	13,532	12,079	8,948	7,752
Total	47,181	42,685	36,959	34,284

10 Allowance for impairment on financing and advances (net)

	Note	Group 2014 B$'000	Group 2013 B$'000	Bank 2014 B$'000	Bank 2013 B$'000
Allowance for impaired financing, advances and others:					
- collective allowance	22	17,351	17,045	16,645	17,320
- individual allowance	22	682	23,310	(462)	20,960
Total		18,033	40,355	16,183	38,280

Profit accrued during the year on impaired financing amounts to B$10,192,000 (2013: B$13,401,000).

11 Allowance for impairment on investments

	Group 2014 B$'000	Group 2013 B$'000	Bank 2014 B$'000	Bank 2013 B$'000
Impairment of allowance for impairment losses:				
- Investment in unquoted fund	350	4,786	350	4,786

12 Zakat

	Group 2014 B$'000	Group 2013 B$'000	Bank 2014 B$'000	Bank 2013 B$'000
Zakat				
Current zakat provision	3,065	2,926	3,065	2,926
Overprovision in prior years	–	(2,424)	–	–
Total	3,065	502	3,065	2,926

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**	
	2014 B$'000	**2013 B$'000**	**2014 B$'000**	**2013 B$'000**
Current tax expense				
Current year	43,189	28,970	28,530	23,122
Underprovision in prior years	–	202	–	2,626
	43,189	29,172	28,530	25,748
Deferred tax expense				
Origination and reversal of temporary differences	(13,846)	(538)	(7,394)	(1,542)
Reduction in tax rate	(127)	–	(12)	–
	(13,973)	(538)	(7,406)	(1,542)
Total tax expense recognised in profit or loss	29,216	28,634	21,124	24,206
Tax recognised in other comprehensive income				
Available-for-sale financial instrument	884	(3,243)	821	(3,254)

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

	Group		**Bank**	
	2014 B$'000	**2013 B$'000**	**2014 B$'000**	**2013 B$'000**
Profit before zakat and taxation	143,796	123,708	108,113	86,840
Income tax using the domestic corporate tax rate of 18.5% (2013: 20%)	26,602	24,742	20,001	17,368
Tax effect of non-deductible expenses	164	1,805	164	1,805
Tax effect of non-taxable revenue	(382)	–	(382)	–
Tax incentives	(471)	–	(471)	–
Tax effect of zakat	(565)	(585)	(565)	(585)
Underprovision in prior years	–	202	–	2,626
Others	3,868	2,470	2,377	2,992
Total	29,216	28,634	21,124	24,206

Following the adoption of IFRS, the Collector of Income Tax has not indicated the changes to tax bases for tax computations for the tax effects of transition to IFRS. The Group has made assumptions that management assessed to be reasonable and prudent in its assessment of tax payable and deferred taxes. The use of different assumptions could lead to a material impact on the financial statement. The final tax liabilities and deferred taxes of the Group are subject to the determination and agreement with the Collector of Income Tax.

14 Dividend per ordinary share

	Group and Bank	
	2014	2013
	B$'000	B$'000
On ordinary shares		
Net dividend paid on ordinary shares	28,990	23,917

	Group and Bank			
	2014		2013	
	Gross dividend per share B$	Dividend net of tax B$'000	Gross dividend per share B$	Dividend net of tax B$'000
Authorised:				
Final dividend paid	0.040	28,990	0.033	23,917

At the Annual General Meeting on 27 June 2014, a final dividend in respect of financial year ended 31 December 2013 of B$0.04 on 724,749,513 number of ordinary shares, amounting to B$28,989,981 was approved by shareholders and was paid on 25 July 2014.

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 on issue during the financial year, taking into consideration Treasury shares.

	Group		Bank	
	2014	2013	2014	2013
Profit for the year attributable to equity holders (B$'000)	109,271	93,107	83,924	59,708
Weighted average number of ordinary shares ('000)	724,747	721,878	724,750	724,750
Basic EPS (B$)	0.15	0.13	0.12	0.08

Diluted Earnings per Share

The calculation of diluted earnings per share as at balance sheet date was based on the profit attributable to equity holders of the Bank divided by the weighted average number of ordinary shares on issue as at balance sheet 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		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Cash in hand	55,548	58,173	47,056	55,379	56,960	46,110
Balances with banks and other financial institutions	140,693	29,520	13,860	141,498	31,258	18,593
Money at call and short notice and interbank placements with original maturity not exceeding three months	1,843,760	1,214,107	1,963,947	1,976,760	1,319,107	1,965,887
Cash and cash equivalents in the statements of financial position	2,040,001	1,301,800	2,024,863	2,173,637	1,407,325	2,030,590

Restricted cash amounting to B$20,932,000 is included in the current year's cash and cash equivalents balances for both Group and Bank above.

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 maturity greater than three months but not exceeding one year.

19 Government sukuk

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

20 Investments

	Note	Group			Bank		
		31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Investments at fair value through profit or loss	20.1	22,098	98,213	113,782	2,920	95,029	94,581
Available-for-sale investments	20.2	713,335	549,331	410,902	722,258	557,592	419,236
Held-to-maturity investments	20.3	22,216	49,845	48,035	22,216	49,845	48,035
		757,649	697,389	572,719	747,394	702,466	561,852

20.1 Investment at fair value through profit or loss

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Quoted equities	21,671	22,391	21,075	2,493	2,481	1,874
Unquoted securities at fair value	–	–	16,515	–	16,753	16,515
Structured deposit	427	75,822	76,192	427	75,795	76,192
	22,098	98,213	113,782	2,920	95,029	94,581

20.2 Available-for-sale investments

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Quoted debt securities	675,816	543,742	398,541	675,816	543,743	398,541
Unquoted security	–	–	–	8,923	8,260	8,334
Unquoted fund	5,072	5,589	12,361	5,072	5,589	12,361
Structured deposit	32,447	–	–	32,447	–	–
	713,335	549,331	410,902	722,258	557,592	419,236

20.3 Held-to-maturity investments

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Quoted debt securities (sukuk)	22,216	49,845	48,035	22,216	49,845	48,035

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 financial position 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		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Foreign exchange forward contracts:						
Derivative assets	1,019	2,824	3,784	1,019	2,824	3,784
Derivative liabilities	(127,435)	(33,405)	(12,689)	(127,435)	(33,405)	(12,689)
	(126,416)	(30,581)	(8,905)	(126,416)	(30,581)	(8,905)

22 Financing and advances

(a) By type of products

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
At amortised cost						
Cash line/Naqd (overdrafts)	71,531	87,094	65,980	71,533	87,093	65,980
Mortgage	381,748	391,864	425,458	381,747	391,864	425,458
Syndicated financing	54,452	71,018	93,613	54,452	71,018	93,611
Hire purchase	667,280	561,544	496,750	148	977	3,575
Lease receivables	224,221	147,613	98,325	224,221	147,613	98,325
Other term financing	1,412,688	1,412,309	1,143,921	1,508,914	1,414,630	1,151,493
Bills receivable	153,254	167,129	133,616	153,254	167,129	133,616
Staff financing	35,239	38,675	42,682	35,239	38,675	42,682
Credit/charge cards	47,400	47,625	44,903	47,400	47,625	44,903
Revolving credits	21,357	31,069	23,086	21,357	31,069	23,086
Others	20,854	19,866	23,719	20,854	19,866	23,718
Gross financing and advances	3,090,024	2,975,806	2,592,053	2,519,119	2,417,559	2,106,447
Less: Allowances for losses on financing and advances						
Individual assessment allowance	(46,686)	(63,239)	(95,110)	(42,113)	(58,821)	(91,916)
Collective assessment allowance	(56,478)	(55,579)	(46,623)	(51,475)	(51,282)	(42,051)
Net financing and advances	2,986,860	2,856,988	2,450,320	2,425,531	2,307,456	1,972,480

(b) By contract

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Al-Kafalah bil Mal dan Al-Bai	4,308	5,856	4,945	4,308	5,857	4,945
Al-Wakalah bil Ujrah	43,092	40,642	38,639	43,092	40,706	38,639
Bal' Bithaman Ajil *(deferred payment sale)*	1,413,725	1,625,514	1,574,526	1,413,725	1,625,514	1,574,526
Ijarah (*lease*)	224,975	148,027	98,325	224,975	148,027	98,325
Ijarah Muntahiah Bittamlik/AITAB *(lease ended with ownership)*	667,279	561,543	496,638	148	977	3,463
Murabahah (*cost-plus*)	153,661	304,718	339,300	249,887	307,039	346,872
Musharakah *(profit and loss sharing)*	45,244	24,443	15,933	45,244	24,444	15,933
Qard (*benevolent loan*)	4,665	1,836	1,849	4,665	1,836	1,849
Tawarruq	517,681	245,546	–	517,681	245,546	–
Others	15,394	17,681	21,898	15,394	17,613	21,895
	3,090,024	2,975,806	2,592,053	2,519,119	2,417,559	2,106,447

(c) By security

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Unsecured	485,802	440,112	408,276	485,802	440,112	408,276
Credit enhanced by:						
- Assignment of salary	855,144	759,487	563,706	855,144	759,487	563,706
- Assignment of project income	90,961	167,021	92,591	90,961	167,021	92,591
- Assignment of floating charge	92,331	104,168	74,832	92,331	104,168	74,832
- Assignment of rental	17,938	21,299	22,921	17,938	21,299	22,921
Secured by:						
- Cash	72,532	43,957	66,002	72,532	43,957	66,002
- Mortgage of property	567,045	559,985	543,033	567,045	559,985	543,033
- Charge on vessel	222,708	157,536	107,352	318,834	159,857	114,924
- Guarantees	3,821	139,659	203,428	3,821	139,659	203,428
- Motor vehicles	573,383	478,435	412,617	626	1,022	1,527
- Others	108,359	104,147	97,295	14,085	20,992	15,207
	3,090,024	2,975,806	2,592,053	2,519,119	2,417,559	2,106,447

(d) By sector

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Agricultural	5,942	8,610	8,877	5,942	8,610	8,877
Financial	67,869	82,236	144,702	67,869	82,236	144,702
Manufacturing	49,618	52,046	59,748	49,618	52,046	59,748
Transportation	503,069	488,650	409,022	26,103	13,557	5,504
Infrastructure	56,211	95,767	92,753	44,845	89,002	92,487
Traders	120,800	115,296	84,349	120,800	115,296	84,349
Services	36,749	29,576	23,118	36,749	29,576	23,118
Residential property (Personal)	631,794	462,394	399,919	631,794	462,394	399,919
Commercial (Property Development)	157,413	117,971	121,859	157,413	117,971	121,859
Tourism	17,975	34,905	67,324	17,974	34,905	67,324
Telecommunication and Information Technology	8,947	12,100	11,536	8,947	12,100	11,536
Personal and Consumption Financing	925,674	1,001,473	899,385	843,102	925,084	817,563
Oil and gas	507,963	474,782	269,461	507,963	474,782	269,461
	3,090,024	2,975,806	2,592,053	2,519,119	2,417,559	2,106,447

(e) By type of customer

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Domestic business enterprise	699,526	734,848	488,679	795,752	737,169	503,789
Small medium industries	81,640	65,014	45,817	49,655	47,216	38,927
Individuals	2,166,016	2,012,629	1,830,445	1,530,870	1,469,859	1,336,618
Other domestic entities	2,749	3,200	1,921	2,749	3,200	1,921
Foreign entities	140,093	160,115	225,191	140,093	160,115	225,192
	3,090,024	2,975,806	2,592,053	2,519,119	2,417,559	2,106,447

(f) Non-performing financing and advances

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

	Group		Bank	
	31.12.2014 B$'000	31.12.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000
At 1 January	183,102	223,833	178,056	220,281
Classified as impaired during the year	53,472	51,160	51,240	48,458
Reclassified as performing	(1,664)	(624)	(1,217)	(611)
Amount received	(57,294)	(25,673)	(56,873)	(25,604)
Amount written off against allowances	(33,344)	(65,594)	(32,353)	(64,468)
At 31 December	144,272	183,102	138,853	178,056
Gross impaired financing as a percentage of gross financing, advances and others	4.7%	6.2%	5.5%	7.4%

(g) Non-performing financing and advances by sector

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Agricultural	3,742	3,500	3,294	3,742	3,500	3,294
Manufacturing	3,402	3,621	10,564	3,402	3,621	10,564
Transportation	7,610	3,670	2,546	4,020	284	355
Infrastructure	8,665	19,958	5,520	8,665	19,958	5,520
Traders	4,676	4,370	4,818	4,676	4,370	4,818
Services	5,007	5,026	8,936	5,007	5,026	8,936
Residential property (Personal)	35,669	40,016	48,520	35,669	40,016	48,520
Commercial (Property Development)	33,983	37,736	39,614	33,983	37,736	39,614
Tourism	17,313	31,072	65,715	17,313	31,072	65,715
Telecommunication and Information Technology	490	685	3,207	490	685	3,207
Personal and Consumption Financing	23,715	33,448	31,099	21,888	31,789	29,738
	144,272	183,102	223,833	138,855	178,057	220,281

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

	Group B$'000	Bank B$'000
Collective allowance		
At 1 January 2013	46,623	42,051
Allowance made during the year	17,045	17,320
Amount written off during the year	(8,089)	(8,089)
At 31 December 2013	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
Individual allowance		
At 1 January 2013	95,110	91,916
Allowance made during the year	23,310	20,960
Amount written off during the year	(55,181)	(54,055)
At 31 December 2013	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

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 a party, leasing the land together with a hotel building for 40 years.

The finance lease receivables are as follows:

	----------Group and Bank ----------		
	Future minimum lease payments B$'000	Interest B$'000	Present value of minimum lease payments B$'000
Within one year	660	19	641
Between one and five years	3,400	599	2,801
More than five years	28,500	19,444	9,056
	32,560	20,062	12,498

There are no finance lease receivables in 2012 and 2013.

24 Investments in subsidiaries

	Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
At cost			
Unquoted equity investments	36,682	26,483	26,483

Details of the subsidiaries are as follows:

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest 31.12.2014 %	31.12.2013 %	1.1.2013 %
BIBD At-Tamwil Bhd	Lease financing	Negara Brunei Darussalam	100	100	100
BIBD Securities Sdn Bhd	Stockbrokers/ sharebrokers	Negara Brunei Darussalam	100	100	100
IDBB Sukuk Inc	Islamic financing arrangement	Negara Brunei Darussalam	100	100	100
IDBB Management & Services Bhd	Management services	Negara Brunei Darussalam	100	100	100
IBB Capital Asset Management Sdn Bhd	Fund management	Negara Brunei Darussalam	100	100	100
Belait Barakah Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	50	50	50
BIBD Al-Kauthar Funds DCC Incorporated	Fund management	Negara Brunei Darussalam	100	100	100
IBB Transport Sdn Bhd	Vehicle leasing	Negara Brunei Darussalam	100	100	100
Saujana Sdn Bhd	Aircraft leasing	Negara Brunei Darussalam	52.5	52.5	52.5
Belait CSS Sdn Bhd	Vessel leasing	Negara Brunei Darussalam	50	–	–
BIBD Global Equity Funds	Fund Management	Negara Brunei Darussalam	88.8	88.5	–
BIBD Asia Equity Funds	Fund Management	Negara Brunei Darussalam	94.1	94.0	–

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.

	31.12.2014			
NCI Percentage	**Belait Barakah 50% B$'000**	**Belait CSS 50% B$'000**	**Saujana Sdn Bhd 47.5% B$'000**	**Total B$'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)
Net assets	21,998	20,301	(57)	42,242
Net assets attributable to NCI	10,999	10,151	(27)	21,123
Revenue	11,501	16	–	11,517
Profit	2,479	(99)	–	2,380
Other comprehensive income	–	–	–	–
Total comprehensive income	2,479	(99)	–	2,380
Attributable to NCI:				
Profit	1,239	(49)	–	1,190
Other comprehensive income	–	–	–	–
Total comprehensive income allocated to NCI	1,239	(49)	–	1,190
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, before dividends to NCI	(2,418)	116,652	–	114,234
Net (decrease)/increase in cash and cash equivalents	(208)	672	–	464

	31.12.2013		
NCI Percentage	**Belait Barakah 50% B$'000**	**Saujana Sdn Bhd 47.5% B$'000**	**Total B$'000**
Non-current assets	27,168	–	27,168
Current assets	2,431	12	2,443
Non-current liabilities	(2,314)	–	(2,314)
Current liabilities	(3,766)	(69)	(3,835)
Net assets	23,519	(57)	23,462
Net assets attributable to NCI	11,760	(27)	11,733
Revenue	11,448	–	11,448
Profit	4,363	–	4,363
Other comprehensive income	–	–	–
Total comprehensive income	4,363	–	4,363
Attributable to NCI:			
Profit	2,182	–	2,182
Other comprehensive income	–	–	–
Total comprehensive income allocated to NCI	2,182	–	2,182

	31.12.2013		
NCI Percentage	Belait Barakah 50%	Saujana Sdn Bhd 47.5%	Total
	B$'000	B$'000	B$'000
Cash flows from operating activities	6,575	–	6,575
Cash flows from investing activities	(711)	–	(711)
Cash flows from financing activities, before dividends to NCI	(5,804)	–	(5,804)
Net increase in cash and cash equivalents	60	–	60

The Group had 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

	Group			Bank		
	31.12.2014	31.12.2013	1.1.2013	31.12.2014	31.12.2013	1.1.2013
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
At cost						
Unquoted shares	7,080	7,080	7,080	7,080	7,080	7,080
Share of post-acquisition reserves	4,281	918	(571)	–	–	–
Investment in associate	11,361	7,998	6,509	7,080	7,080	7,080

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

	31.12.2014	31.12.2013	1.1.2013
	B$'000	B$'000	B$'000
Current assets	176,189	164,672	137,094
Non-current assets	119,603	113,612	104,244
Current liabilities	(29,650)	(33,135)	(34,201)
Non-current liabilities	(227,927)	(218,923)	(185,634)
Net assets	**38,215**	**26,226**	**21,503**

	2014	2013
	B$'000	B$'000
Revenue	30,925	36,900
Profit from continuing operations	7,243	4,869
Other comprehensive income	3,604	(63)
Total comprehensive income	**10,847**	**4,806**

Included in balances above are the following amounts:

	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Cash and cash equivalents	165,512	158,937	131,957
Current financial liabilities excluding trade, other payables and provisions	23,905	27,005	29,288
Non-current financial liabilities excluding trade, other payables and provisions	217,843	217,270	185,634
Depreciation and amortisation	2,293	2,548	2,844
Income tax expense or income	1,689	1,041	1,755

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

	Group	
	2014 B$'000	2013 B$'000
Profit from continuing operations	2,246	1,509
Other comprehensive income	1,117	(20)
Total comprehensive income	**3,363**	**1,489**

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

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest 31.12.2014 %	31.12.2013 %	1.1.2013 %
Syarikat Takaful Brunei Darussalam Sdn Bhd	Family and general takaful businesses	Negara Brunei Darussalam	31	31	31

	31.12.2014 B$'000	31.12.2013 B$'000
Group's share in net assets of associate at the beginning of the year	7,998	6,509
Group's share of:		
- profit from continuing operations	2,246	1,509
- other comprehensive income/(expense)	1,117	(20)
Carrying amount of interest in associate at the end of the year	11,361	7,998

26 Other assets

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Receivables	16,961	9,299	14,916	25,494	4,752	8,226
Accrued income and bills receivable	10,433	10,183	7,807	10,770	10,269	7,841
Foreign acceptance receivables	1,025	2,762	1,487	1,025	2,762	1,487
Sundry debtors	192	359	290	192	240	168
Intercompany receivables	–	–	–	3,218	152	190
Financing and receivables	28,611	22,603	24,500	40,699	18,175	17,912
Prepayments	3,930	4,218	4,298	3,930	4,218	4,298
	32,541	26,821	28,798	44,629	22,393	22,210

27 Property and equipment

Group	Leasehold land and building B$'000	Equipment, furniture and fittings B$'000	Motor vehicles B$'000	Ship vessel B$'000	Work-in-progress B$'000	Computer Software B$'000	Total B$'000
Cost							
At 1 January 2013	22,997	29,159	744	36,185	6,813	28,388	124,286
Additions	365	3,113	–	711	7,227	255	11,671
Disposals	–	(73)	–	–	–	–	(73)
Transfers	2,447	–	–	–	(9,412)	6,965	–
At 31 December 2013	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

Group	Leasehold land and building B$'000	Equipment, furniture and fittings B$'000	Motor vehicles B$'000	Ship vessel B$'000	Work-in-progress B$'000	Computer Software B$'000	Total B$'000
Accumulated depreciation							
At 1 January 2013	19,159	18,586	391	5,169	–	13,837	57,142
Depreciation for the year	884	3,276	75	1,746	–	5,813	11,794
Disposals	–	(73)	–	–	–	–	(73)
At 31 December 2013	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
Carrying amounts							
At 1 January 2013	3,838	10,573	353	31,016	6,813	14,551	67,144
At 31 December 2013	5,766	10,410	278	29,981	4,628	15,958	67,021
At 31 December 2014	8,362	13,875	263	28,237	115,608	12,177	178,522

	Leasehold land and building B$'000	Equipment, furniture and fittings B$'000	Motor vehicles B$'000	Work-in-progress B$'000	Computer Software B$'000	Total B$'000
Bank						
Cost						
At 1 January 2013	21,681	22,651	749	6,813	28,388	80,282
Additions	345	2,413	–	7,227	255	10,240
Disposals	–	(21)	–	–	–	(21)
Transfers	2,447	–	–	(9,412)	6,965	–
At 31 December 2013	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

	Leasehold land and building B$'000	Equipment, furniture and fittings B$'000	Motor vehicles B$'000	Work-in-progress B$'000	Computer Software B$'000	Total B$'000
Bank						
Accumulated depreciation						
At 1 January 2013	18,647	16,571	395	–	13,837	49,450
Depreciation for the year	729	2,356	75	–	5,815	8,975
Disposals	–	(21)	–	–	–	(21)
At 31 December 2013	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
Carrying amounts						
At 1 January 2013	3,034	6,080	354	6,813	14,551	30,832
At 31 December 2013	5,097	6,137	279	4,628	15,956	32,097
At 31 December 2014	7,464	6,847	264	4,583	12,175	31,333

28 Investment property

	Group and Bank B$'000
Cost	
At 1 January 2013	31,567
Additions	269
At 31 December 2013	31,836
Additions	679
At 31 December 2014	32,515
Accumulated amortisation	
At 1 January 2013	626
Charge for the year	795
At 31 December 2013	1,421
Charge for the year	1,286
At 31 December 2014	2,707
Carrying amounts	
At 1 January 2013	30,941
At 31 December 2013	30,415
At 31 December 2014	29,808

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 of 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 at 31 December 2014 is B$36,803,000 (2013: B$37,109,000). 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 inputs include estimated occupancy rate and rental yields.

29 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

Group	At 1 January 2013 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2013 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2014 B$'000
Deferred tax assets							
Financing and advances	–	–	–	–	7,739	–	7,739
Other liabilities	1,172	–	–	1,172	(1,172)	–	–
	1,172	–	–	1,172	6,567	–	7,739
Deferred tax liabilities							
Property and equipment	(4,808)	(1,611)	–	(6,419)	1,698	–	(4,721)
Financing and advances	(7,963)	2,072	–	(5,891)	5,891		
Available-for-sale investments	(3,102)	–	3,243	141	–	(884)	(743)
Others	106	77		183	(183)	–	–
	(15,767)	538	3,243	(11,986)	7,406	(884)	(5,464)
Total deferred tax (liabilities)/assets	(14,595)	538	3,243	(10,814)	13,973	(884)	2,275

Bank	At 1 January 2013 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2013 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2014 B$'000
Deferred tax assets							
Financing and advances	–	1,187	–	1,187	6,430	–	7,617
Other liabilities	1,172	–	–	1,172	(1,172)	–	–
	1,172	1,187	–	2,359	5,258	–	7,617
Deferred tax liabilities							
Property and equipment	(2,042)	(1,276)	–	(3,318)	1,982	–	(1,336)
Financing and advances	(1,263)	1,263	–	–	–	–	–
Available-for-sale investments	(2,909)	–	3,254	345	–	(821)	(476)
Others	(534)	368	–	(166)	166	–	–
	(6,748)	355	3,254	(3,139)	2,148	(821)	(1,812)
Total deferred tax (liabilities)/assets	(5,576)	1,542	3,254	(780)	7,406	(821)	5,805

30 Deposits from customers

(a) By type of deposit

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Non-Mudharabah						
Demand deposits	1,100,434	717,156	630,553	1,119,789	731,991	631,107
Saving deposits	734,058	676,490	637,802	665,517	610,126	576,806
General investment deposits	3,478,041	2,932,895	2,891,461	3,350,989	2,769,571	2,698,745
	5,312,533	4,326,541	4,159,816	5,136,295	4,111,688	3,906,658
Mudharabah (*profit sharing*)						
Demand deposits	153,014	137,421	169,043	153,014	137,421	169,043
Savings deposits	115,409	120,054	141,634	115,409	120,054	141,634
	268,423	257,475	310,677	268,423	257,475	310,677
	5,580,956	4,584,016	4,470,493	5,404,718	4,369,163	4,217,335

(b) By type of customer

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Government and statutory bodies	1,193,547	1,184,535	1,379,496	1,193,547	1,184,535	1,379,496
Business enterprises	2,385,101	1,983,625	1,748,569	2,353,160	1,924,811	1,655,628
Individuals	2,002,308	1,415,856	1,342,428	1,858,011	1,259,817	1,182,211
	5,580,956	4,584,016	4,470,493	5,404,718	4,369,163	4,217,335

31 Deposits from banks and other financial institutions

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Non-Mudharabah						
Licensed conventional banks in Brunei Darussalam	135	4	28,002	135	4	28,002
Licensed Islamic banks and financial institutions in Brunei Darussalam	322,658	268,529	293,764	222,658	168,531	183,764
Licensed finance companies in Brunei Darussalam	–	–	–	176,147	195,292	97,484
Licensed Islamic insurance companies in Brunei Darussalam	167,558	148,538	103,977	84,914	29,413	–
Other banks and financial institutions abroad	10,524	381	–	10,523	381	501
	500,875	417,452	425,743	494,377	393,621	309,751
Mudharabah (profit sharing)						
Licensed conventional banks in Brunei Darussalam	1	25	18	1	25	18
Licensed Islamic banks and financial institutions in Brunei Darussalam	964	1	1	964	1	1
Licensed insurance companies in Brunei Darussalam	14	–	–	14	–	–
Licensed Islamic insurance companies in Brunei Darussalam	1,160	2,216	–	1,160	2,216	–
	2,139	2,242	19	2,139	2,242	19
	503,014	419,694	425,762	496,516	395,863	309,770

32 Other liabilities

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Accrued expenditure	9,191	11,765	11,754	7,894	10,869	9,609
Provisions for defined contribution plan	528	495	470	363	337	319
Liability for long service award	2,573	2,687	2,620	2,573	2,687	2,620
Short-term employee benefit	8,130	5,798	7,901	8,130	5,798	7,901
Cashier's order payable	7,825	6,418	7,185	7,825	6,418	7,185
Dividends payable	12,990	7,783	6,938	9,599	4,873	3,600
Payable to Takaful Brunei	–	–	14,296	–	–	14,296
Foreign acceptance payable	1,025	2,762	1,487	1,025	2,762	1,487
Merchant payable	9,013	3,129	2,760	9,013	3,129	2,760
Provision for claims	–	6,326	5,864	–	6,196	5,864
Share dividend payable	3,262	1,082	1,223	1,262	1,082	1,223
Sundry creditors	6,260	4,098	9,770	3,168	4,098	7,980
Others	22,124	13,523	13,284	16,713	8,041	7,679
Intercompany payables	–	–	–	435	428	990
	82,921	65,866	85,552	68,000	56,718	73,513

During the financial year ended 31 December 2012, the Bank entered into a takaful contract with Takaful Brunei Keluarga at B$14,296,084 to receive takaful coverage on the takaful contingency pool for financing customers. This amount had been settled in 2013.

33 Zakat and taxation liabilities

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Zakat	3,325	3,115	5,270	3,325	3,115	2,846
Taxation liabilities	64,552	48,896	51,788	49,993	43,337	44,887
	67,877	52,011	57,058	53,318	46,452	47,733

34 Share capital

	Number of shares			Amount		
	31.12.2014	31.12.2013	1.1.2013	31.12.2014 B$	31.12.2013 B$	1.1.2013 B$
Group and Bank						
Authorised:						
Golden share of B$1.00 each	1	1	1	1	1	1
Ordinary shares of B$1.00 each	999,999,999	999,999,999	999,999,999	999,999,999	999,999,999	999,999,999
	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid:						
Golden share of B$1.00 each	1	1	1	1	1	1
Ordinary shares of B$1.00 each	724,749,512	724,749,512	724,749,512	724,749,512	724,749,512	724,749,512
	724,749,513	724,749,513	724,749,513	724,749,513	724,749,513	724,749,513

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 consolidated entities.

	Group		
	31.12.2014	**31.12.2013**	**1.1.2013**
	B$'000	**B$'000**	**B$'000**
Treasury shares	3	2,872	3

36 Statutory and other reserves

Statutory Reserves

Group	**Total B$'000**
At 1 January 2013	241,898
Transfer in respect of current year's profit	52,249
At 31 December 2013	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

Statutory Reserves

Bank	**Total B$'000**
At 1 January 2013	211,895
Transfer in respect of current year's profit	50,927
At 31 December 2013	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

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. No adjustment has been made to statutory reserve in relation to the restatement of retained earnings arising from the first-time adoption of the International Financial Reporting Standards.

Other reserves

	Fair value reserves B$'000	Retained earnings B$'000	Total B$'000
Group			
At 1 January 2013	12,410	153,587	165,997
Total comprehensive income for the year	(12,973)	93,107	80,134
Transfer to statutory reserve	–	(52,249)	(52,249)
Dividends paid on ordinary shares	–	(23,917)	(23,917)
At 31 December 2013	(563)	170,528	169,965
Total comprehensive income for the year	3,838	109,271	113,109
Transfer to statutory reserve	–	(91,728)	(91,728)
Dividends paid on ordinary shares	–	(28,990)	(28,990)
At 31 December 2014	3,275	159,081	162,356

	Fair value reserves B$'000	Retained earnings B$'000	Total B$'000
Bank			
At 1 January 2013	11,636	92,212	103,848
Total comprehensive income for the year	(13,015)	59,708	46,693
Transfer to statutory reserve	–	(50,927)	(50,927)
Dividends paid on ordinary shares	–	(23,917)	(23,917)
At 31 December 2013	(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

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:

	Group Net balance outstanding as at		
	31.12.2014 **B$'000**	**31.12.2013** **B$'000**	**1.1.2013** **B$'000**
Associate			
Amount due to			
Deposits	67,591	22,322	6,924
Others	318	30	2
Key management personnel			
Amount due from			
Financing (ex. Credit cards)	1,166	1,093	1,933
Credit cards	45	63	18
Amount due to			
Deposits	2,715	2,527	1,037
Other related parties			
Amount due to			
Deposits	796,411	557,955	1,264,839

	Bank Net balance outstanding as at 31.12.2014 B$'000	 31.12.2013 B$'000	 1.1.2013 B$'000
Subsidiaries			
Amount due from			
Financing	96,226	2,321	7,572
Investments	8,922	25,014	8,334
Placements	300,300	171,000	50,960
Others	20,909	24	21
Amount due to			
Deposits	196,169	210,127	98,782
Others	691	758	1,293
Associate			
Amount due to			
Deposits	67,591	22,322	6,924
Others	318	30	2
Key management personnel			
Amount due from			
Financing (ex. Credit cards)	978	917	1,897
Credit cards	45	63	48

	Bank Net balance outstanding as at 31.12.2014 B$'000	 31.12.2013 B$'000	 1.1.2013 B$'000
Amount due to			
Deposits	2,347	2,091	802
Other related parties			
Amount due from			
Financing (ex. Credit cards)	192,956	764	219
Amount due to			
Deposits	1,277,355	579,748	283,340

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

	Group		Bank	
	2014 B$'000	2013 B$'000	2014 B$'000	2013 B$'000
Subsidiaries				
Income				
Income on financing	–	–	6,086	529
Other income	–	–	4,979	1,009
Expenditure				
Income attributable to depositors	–	–	338	445
Associate				
Expenditure				
Income attributable to depositors	289	30	289	30
Key management personnel				
Income				
Income on financing	41	62	30	51
Expenditure				
Income attributable to depositors	28	33	12	6
Other related parties				
Income				
Income on financing	–	–	3,932	1
Other income	1	1	–	–
Expenditure				
Income attributable to depositors	1,877	3,590	2,882	2,922

Key management personnel

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

	Group		Bank	
	2014 B$'000	**2013 B$'000**	**2014 B$'000**	**2013 B$'000**
Directors' fees and other remuneration	228	228	228	228
Managing Director's salary and other remuneration*	712	691	446	444
Other key management personnel:				
Salary and employee benefits	5,803	5,859	4,743	5,212
Withholding tax paid	757	904	757	904

* 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:

	Group	
	2014 B$'000	**2013 B$'000**
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 2014 is 11,706,000 (2013:8,837,000).

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 Other Comprehensive Income, Changes in Equity and Cash Flow 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
- Liquidity risk
- Market risks
- 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 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 obligation 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 in banking, the Bank's exposure to credit risk is primarily from its financing activities to retail, corporate borrower's 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 ongoing basis, the optimum business rules sets 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 recognize, 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 borrower's financial position, types of facilities and proposed securities or collateral.

Reviews are conducted on a regular basis with updated information on 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 managed 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 obligation when they fall due. These obligations arise from the subsidiary's direct hire-purchase financing operations and placement with the subsidiary. As the subsidiary's primary business is in hire purchase, the credit risk is primarily from its financing activities.

The subsidiary has established a dedicated Recovery Department (WRM) 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 custom Application and Behavioural scorecard model based on assessment of relevant predictive characteristics and is updated on a monthly basis.

(b) Maximum exposure to credit risk

For the subsidiary's on-balance sheet assets, the exposure to credit risk equals their carrying amount. As of the reporting date, the subsidiary does not have any off-balance sheet financial instruments and reportable contingent liability.

Maximum exposure to credit risk

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

	Group		Bank	
	31.12.2014 B$'000	**31.12.2013 B$'000**	**31.12.2014 B$'000**	**31.12.2013 B$'000**
Credit risk exposure of on-balance sheet assets:				
Cash and cash equivalents	2,040,001	1,301,800	2,173,637	1,407,325
Balances with Autoriti Monetari Brunei Darussalam	353,796	307,289	325,015	283,175
Placements with and financing and advances to banks	1,207,957	1,154,351	1,375,257	1,220,351
Government sukuk	55,977	27,986	55,977	27,986
Investments	757,649	697,389	747,394	702,466
Derivative financial assets	1,019	2,824	1,019	2,824
Financing, advances and others	2,986,860	2,856,988	2,425,531	2,307,456
Finance lease receivables	12,498	–	12,498	–
Other assets	32,541	26,821	44,629	22,393
Sub-total	7,448,298	6,375,448	7,160,957	5,973,976
Credit risk exposure of off-balance sheet items:				
Credit commitments	268,164	1,009,162	267,469	1,009,009
Contingent liabilities	287,160	259,478	287,160	259,478
Sub-total	555,324	1,268,640	554,629	1,268,487
Total credit exposures	8,003,622	7,644,088	7,715,586	7,242,463

(i) Concentration of credit risk for Group and Bank

Group	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuk B$'000	Investments B$'000	Derivative financial assets B$'000	Financing, advances and others B$'000	Financing lease receivable B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies@ B$'000
As at 31 December 2014										
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
	3,247,958	353,796	55,977	757,649	1,019	3,090,024	12,498	32,541	7,551,462	555,324

@ Commitments and contingencies excluding derivative assets

Group	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuk B$'000	Investments B$'000	Derivative financial assets B$'000	Financing, advances and others B$'000	Financing lease receivable B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies@ B$'000
As at 31 December 2013										
Agricultural	–	–	–		–	8,610	–	–	8,610	2,528
Financial	2,456,151	–	–	461,880	2,824	82,236	–	–	3,003,091	779,332
Manufacturing	–	–	–	–	–	52,046	–	–	52,046	2,544
Transportation	–	–	–	2,892	–	488,650	–	–	491,542	447
Infrastructure	–	–	–	5,139	–	95,767	–	–	100,906	52,646
Traders	–	–	–	–	–	115,296	–	–	115,296	16,694
Services	–	–	–	24,841	–	29,576	–	–	54,417	30,236
Residential property (Personal)	–	–	–	–	–	462,394	–	–	462,394	30,404
Commercial (Property Development)	–	–	–	22,672	–	117,971	–	–	140,643	73,453
Tourism	–	–	–	–	–	34,905	–	–	34,905	16,525
Telecommunication and Information Technology	–	–	–	6,816	–	12,100	–	–	18,916	4,713
Personal and Consumption Financing	–	–	–	1,487	–	1,001,473	–	–	1,002,960	2,667
Oil and gas	–	–	–	–	–	474,782	–	–	474,782	232,966
Others	–	307,289	27,986	171,662	–	–	–	26,821	533,758	23,485
	2,456,151	307,289	27,986	697,389	2,824	2,975,806	–	26,821	6,494,266	1,268,640

@ Commitments and contingencies excluding derivative assets

Bank	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuk B$'000	Investments B$'000	Derivative financial assets B$'000	Financing, advances and others B$'000	Financing lease receivable B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies@ B$'000
As at 31 December 2014										
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
	3,548,894	325,015	55,977	747,394	1,019	2,519,119	12,498	44,629	7,254,545	554,629

@ Commitments and contingencies excluding derivative assets

Bank	Cash and cash equivalents, placements with and financing and advances to banks B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuk B$'000	Investments B$'000	Derivative financial assets B$'000	Financing, advances and others B$'000	Financing lease receivable B$'000	Other assets B$'000	On-balance sheet total B$'000	Commitments and contingencies[@] B$'000
As at 31 December 2013										
Agricultural	–	–	–	–	–	8,610	–	–	8,610	2,528
Financial	2,627,676	–	–	486,869	2,824	82,236	–	–	3,199,605	779,332
Manufacturing	–	–	–	–	–	52,046	–	–	52,046	2,544
Transportation	–	–	–	2,152	–	13,557	–	–	15,709	447
Infrastructure	–	–	–	–	–	89,002	–	–	89,002	52,646
Traders	–	–	–	–	–	115,296	–	–	115,296	16,694
Services	–	–	–	19,969	–	29,576	–	–	49,545	30,236
Residential property (Personal)	–	–	–	–	–	462,394	–	–	462,394	30,404
Commercial (Property Development)	–	–	–	21,814	–	117,971	–	–	139,785	73,453
Tourism	–	–	–	–	–	34,905	–	–	34,905	16,525
Telecommunication and Information Technology	–	–	–	–	–	12,100	–	–	12,100	4,713
Personal and Consumption Financing	–	–	–	–	–	925,084	–	–	925,084	2,667
Oil & Gas	–	–	–	–	–	474,782	–	–	474,782	232,966
Others	–	283,175	27,986	171,662	–	–	–	22,393	505,216	23,332
	2,627,676	283,175	27,986	702,466	2,824	2,417,559	–	22,393	6,084,079	1,268,487

@ Commitments and contingencies excluding derivative assets

(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 loans and financing – charged over the properties financed; and
- For other financing – charged 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 it is entitled to sell or pledge in the event of default is as follows:

	31.12.2014		31.12.2013	
Group	**Carrying amount of financing and advances B$'000**	**Fair value of collateral* B$'000**	**Carrying amount of financing and advances B$'000**	**Fair value of collateral* B$'000**
Type of collateral				
Cash	72,532	72,532	43,957	43,957
Properties	567,045	484,092	559,985	487,079
Plant and machinery	318,834	318,834	159,857	159,857
Guarantees	3,821	3,821	139,659	139,659
Others	671,887	499,192	574,271	399,342
	1,634,119	1,378,471	1,477,729	1,229,894

	31.12.2014		31.12.2013	
Bank	**Carrying amount of financing and advances B$'000**	**Fair value of collateral* B$'000**	**Carrying amount of financing and advances B$'000**	**Fair value of collateral* B$'000**
Type of collateral				
Cash	72,532	72,532	43,957	43,957
Properties	567,045	484,092	559,985	487,079
Plant and machinery	318,834	318,834	159,857	159,857
Guarantees	3,821	3,821	139,659	139,659
Others	14,711	14,711	22,014	19,181
	976,943	893,990	925,472	849,733

* 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

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

- Past due but not impaired financing

  Those financing which its 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

  Financing is classified as impaired when the principal or profit or both 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 is classified as impaired when the principal or profit or both 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.

	Group		Bank	
	31.12.2014 B$'000	**31.12.2013 B$'000**	**31.12.2014 B$'000**	**31.12.2013 B$'000**
Neither past due nor impaired	2,694,172	2,605,502	2,129,393	2,050,741
Past due but not impaired	194,274	148,928	193,566	150,489
Impaired	201,578	221,376	196,160	216,329
	3,090,024	2,975,806	2,519,119	2,417,559
Allowance for impaired financing, advances and others				
- collective allowance	(56,478)	(55,579)	(51,475)	(51,282)
- individual allowance	(46,686)	(63,239)	(42,113)	(58,821)
	2,986,860	2,856,988	2,425,531	2,307,456

Neither past due nor impaired financing

	Group		Bank	
	31.12.2014 B$'000	31.12.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000
Consumer	2,005,102	1,809,595	1,375,550	1,272,543
Corporate/ Institution	689,070	795,907	753,843	778,198
	2,694,172	2,605,502	2,129,393	2,050,741

Internal rating definition:

The internal risk category is as described below:

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

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

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

Past due but not impaired financing

	Group			
	31.12.2014		31.12.2013	
	B$'000	% To gross financing	B$'000	% To gross Financing
By ageing:				
Month-in-arrears 1	115,301	3.7	91,697	3.1
Month-in-arrears 2	24,030	0.8	48,564	1.6
Month-in-arrears 3 and above	54,943	1.8	8,667	0.3
	194,274	6.3	148,928	5.0

	Bank			
	31.12.2014		31.12.2013	
	B$'000	% To gross financing	B$'000	% To gross Financing
By ageing:				
Month-in-arrears 1	114,958	4.6	92,163	3.8
Month-in-arrears 2	23,665	0.9	48,772	2.0
Month-in-arrears 3	54,943	2.2	9,554	0.4
	193,566	7.7	150,489	6.2

Impaired financing

	Group		Bank	
	31.12.2014 B$'000	**31.12.2013 B$'000**	**31.12.2014 B$'000**	**31.12.2013 B$'000**
Individually assessed	109,794	123,010	109,795	123,010
Of which:	–	–	–	–
Month-in-arrears 0	24,584	14,052	24,584	14,052
Month-in-arrears 1	–	–	–	–
Month-in-arrears 2	–	5,542	–	5,542
Month-in-arrears 3 and above	85,210	103,416	85,211	103,416
Collectively assessed	91,784	98,366	86,365	93,319
	201,578	221,376	196,160	216,329

Impaired financing of which rescheduled and restructured financing

	Group		Bank	
	31.12.2014 B$'000	**31.12.2013 B$'000**	**31.12.2014 B$'000**	**31.12.2013 B$'000**
Consumer	11,493	14,736	8,005	10,839
Corporate/ Institution	837	2,502	595	2,224
	12,330	17,238	8,600	13,063

Rescheduled and restructured financing are financing that have been rescheduled or restructured due to deterioration in 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, advances and others by line of business assessed by reference to internal rating system

	Consumer B$'000	**Corporate/ Institution B$'000**	**Total B$'000**
Group			
As at 31 December 2014			
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
Total	2,138,482	951,542	3,090,024
As at 31 December 2013			
Excellent to good	1,060,668	722,539	1,783,207
Fair	748,926	73,369	822,295
Past due but not impaired	23,248	125,680	148,928
Impaired	122,014	99,362	221,376
Total	1,954,856	1,020,950	2,975,806

Bank	Consumer B$'000	Corporate /Institution B$'000	Total B$'000
As at 31 December 2014			
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
Total	1,502,900	1,016,219	2,519,119
As at 31 December 2013			
Excellent to good	1,049,222	721,288	1,770,510
Fair	223,320	56,911	280,231
Past due but not impaired	22,149	128,340	150,489
Impaired	116,968	99,361	216,329
Total	1,411,659	1,005,900	2,417,559

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

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

	Investments – Financial assets held-for-trading B$'000	Derivative financial assets B$'000	Investments – Financial assets available-for-sale B$'000	Investments – Financial assets held-to-maturity B$'000	Total B$'000
Group					
As at 31 December 2014					
Government bonds and treasury bills	–	–	–	–	–
Islamic debts securities					
Rated AAA	–	–	–	22,216	22,216
Rated AA1 to AA3	–	–	46,340	–	46,340
Rated A1 to A3	–	–	382,443	–	382,443
Lower than A	–	–	211,267	–	211,267
Unrated – Government guaranteed bonds	–	–	–	–	–
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
	427	1,019	713,335	22,216	736,997

	Investments – Financial assets held-for-trading B$'000	Derivative financial assets B$'000	Investments – Financial assets available-for-sale B$'000	Investments – Financial assets held-to-maturity B$'000	Total B$'000
Group					
As at 31 December 2013					
Government bonds and treasury bills	–	–	–	–	–
Islamic debts securities					
Rated AAA	–	–	–	49,845	49,845
Rated AA1 to AA3	–	–	12,882	–	12,882
Rated A1 to A3	–	–	297,440	–	297,440
Lower than A	–	–	194,654	–	194,654
Unrated – Government guaranteed bonds	–	–	–	–	–
Unrated – Quasi-government	–	–	2,153	–	2,153
Unrated – Others	75,822	–	42,202	–	118,024
Derivative financial assets					
Bank and financial institution counterparties	–	2,824	–	–	2,824
	75,822	2,824	549,331	49,845	677,822

	Investments – Financial assets held-for-trading B$'000	Derivative financial assets B$'000	Investments – Financial assets available-for-sale B$'000	Investments – Financial assets held-to-maturity B$'000	Total B$'000
Bank					
As at 31 December 2014					
Government bonds and treasury bills	–	–	–	–	–
Islamic debts securities					
Rated AAA	–	–	–	22,216	22,216
Rated AA1 to AA3	–	–	46,340	–	46,340
Rated A1 to A3	–	–	382,443	–	382,443
Lower than A	–	–	211,267	–	211,267
Unrated – Government guaranteed bonds	–	–	–	–	–
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
	427	1,019	722,258	22,216	745,920

	Investments – Financial assets held-for-trading B$'000	Investments – Derivative financial assets B$'000	Investments – Financial assets available-for-sale B$'000	Investments – Financial assets held-to-maturity B$'000	Total B$'000
Bank					
As at 31 December 2013					
Government bonds and treasury bills	–	–	–	–	–
Islamic debts securities					
Rated AAA	–	–	–	49,845	49,845
Rated AA1 to AA3	–	–	12,882	–	12,882
Rated A1 to A3	–	–	297,440	–	297,440
Lower than A	–	–	194,654	–	194,654
Unrated – Government guaranteed bonds	–	–	–	–	–
Unrated – Quasi-government	–	–	2,153	–	2,153
Unrated – Others	92,548	–	42,202	–	134,750
Other investments	–	–	8,261	–	8,261
Derivative financial assets					
Bank and financial institution counterparties	–	2,824	–	–	2,824
	92,548	2,824	557,592	49,845	702,809

(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 main market:

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 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 market value of the Bank. 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 market value of the Bank.

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 hedge, 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. Asset Liability Committee ("ALCO") provides the general guidelines to the parameters and limits applied in deriving the report 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 main market / liquidity risk factors:

- Rate of Return or Profit Rate Risk: risk that changes in prevailing rate will adversely affect the earnings stream of the subsidiary, thus resulting in reduced net financing income;

- Price Risk: risk that changes in prevailing rate will adversely affect the values of assets, liabilities, and capital. Price risk is the balance sheet 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 a policy and procedures that are consistent with the short and long-term strategic goals of the Board of Directors ("BOD").

(i) Profit rate risk

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

	Up to 1 month B$'000	> 1 – 3 months B$'000	> 3 – 12 months B$'000	1 – 5 years B$'000	Over 5 years B$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Group								
As at 31 December 2014								
Assets								
Cash and cash equivalents	1,150,195	583,954	–	–	–	305,852	–	2,040,001
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	353,796	–	353,796
Placements with and financing and advances to bank	–	–	1,207,957	–	–	–		1,207,957
Government Sukuk	55,977	–	–	–	–	–		55,977
Financial assets held-for-trading	–	–	–	–	–	–	22,098	22,098
Financial assets available-for-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, advances and others								
- non-impaired	143,420	77,094	689,126	348,873	1,625,268	4,665	–	2,888,446
- impaired net of allowances*	–	–	–	–	–	98,414	–	98,414
Finance lease receivables	–	–	–	–	–	12,498	–	12,498
Other assets	–	–	–	–	–	32,541	–	32,541
Total assets	1,446,201	701,261	2,002,417	787,235	1,680,301	807,766	23,117	7,448,298

	Up to 1 month B$'000	> 1 – 3 months B$'000	> 3 – 12 months B$'000	1 – 5 years B$'000	Over 5 years B$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Group								
As at 31 December 2014								
Liabilities								
Deposits from customers	2,848,946	1,126,470	1,468,530	136,968	42	–	–	5,580,956
Deposits from banks and other financial institutions	343,336	134,339	25,339	–	–	–	–	503,014
Derivative financial liabilities	–	–	–	–	–	–	127,435	127,435
Placements from other financial institutions	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	82,920	–	82,920
Total liabilities	3,192,282	1,260,809	1,493,869	136,968	42	82,920	127,435	6,294,325
On-balance sheet profit sensitivity gap	(1,746,081)	(559,548)	508,548	650,267	1,680,259	724,846	(104,318)	1,153,973
Off-balance sheet profit sensitivity gap	–	–	–	–	–	–	–	–
Total profit sensitivity gap	(1,746,081)	(559,548)	508,548	650,267	1,680,259	724,846	(104,318)	1,153,973

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

	Up to 1 month B$'000	> 1 – 3 months B$'000	> 3 – 12 months B$'000	1 – 5 years B$'000	Over 5 years B$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Group								
As at 31 December 2013								
Assets								
Cash and cash equivalents	498,829	602,232	1,153	–	–	199,586	–	1,301,800
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	307,289	–	307,289
Placements with and financing and advances to bank	–	–	1,154,351	–	–	–	–	1,154,351
Government Sukuk	27,986	–	–	–	–	–	–	27,986
Financial assets held-for-trading	–	–	–	–	–	–	98,213	98,213
Financial assets available-for-sale	13,034	31,710	62,522	429,027	13,038	–	–	549,331
Financial assets held-to-maturity	4,113	–	21,298	24,434	–	–	–	49,845
Derivative financial assets	–	–	–	–	–	–	2,824	2,824
Financing, advances and others								
- non-impaired	155,529	26,903	100,322	1,144,250	1,325,589	1,837	–	2,754,430
- impaired net of allowances*	–	–	–	–	–	102,558	–	102,558
Other assets	2,896	–	–	–	100	23,825	–	26,821
Total assets	702,387	660,845	1,339,646	1,597,711	1,338,727	635,095	101,037	6,375,448

	Up to 1 month B$'000	> 1 – 3 months B$'000	> 3 – 12 months B$'000	1 – 5 years B$'000	Over 5 years B$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Group								
As at 31 December 2013								
Liabilities								
Deposits from customers	2,328,398	906,931	1,201,339	146,919	429	–	–	4,584,016
Deposits and placements of banks and other financial institutions	134,007	136,372	37,102	112,213	–	–	–	419,694
Derivative financial liabilities	–	–	–	–	–	–	33,405	33,405
Placements from other financial institutions	104,401	–	–	–	–	–	–	104,401
Other liabilities	3,706	–	–	–	–	62,160	–	65,866
Total liabilities	2,570,512	1,043,303	1,238,441	259,132	429	62,160	33,405	5,207,382
On-balance sheet profit sensitivity gap	(1,868,125)	(382,458)	101,205	1,338,579	1,338,298	572,935	67,632	1,168,066
Off-balance sheet profit sensitivity gap	–	–	–	–	–	–	–	–
Total profit sensitivity gap	(1,868,125)	(382,458)	101,205	1,338,579	1,338,298	572,935	67,632	1,168,066

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

	Up to 1 month B$'000	> 1 – 3 months B$'000	> 3 – 12 months B$'000	1 – 5 years B$'000	Over 5 years B$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Bank								
As at 31 December 2014								
Assets								
Cash and cash equivalents	1,140,195	836,566	–	–	–	196,876	–	2,173,637
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	325,015	–	325,015
Placements with and financing and advances to bank	–	–	1,375,257	–	–	–	–	1,375,257
Government sukuk	55,977	–	–	–	–	–	–	55,977
Financial assets held-for-trading	–	–	–	–	–	–	2,920	2,920
Financial assets available-for-sale	86,354	59,390	92,381	429,099	55,034	–	–	722,258
Financial assets held-to-maturity	–	–	12,953	9,263	–	–	–	22,216
Derivative financial assets	–	–	–	–	–	–	1,019	1,019
Financing, advances and others								
- non-impaired	143,015	76,627	680,553	5,179	1,412,920	4,665	–	2,322,959
- impaired net of allowances*	–	–	–	–	–	102,572	–	102,572
Finance lease receivables	–	–	–	–	–	12,498	–	12,498
Other assets	–	–	–	–	–	44,629	–	44,629
Total assets	1,425,541	972,583	2,161,144	443,541	1,467,954	686,255	3,939	7,160,957

	Up to 1 month B$'000	> 1 – 3 months B$'000	> 3 – 12 months B$'000	1 – 5 years B$'000	Over 5 years B$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Bank								
As at 31 December 2014								
Liabilities								
Deposits from customers	2,778,063	1,093,426	1,421,504	111,725	–	–	–	5,404,718
Deposits and placements of banks and other financial institutions	232,631	92,838	141,047	30,000	–	–	–	496,516
Derivative financial liabilities	–	–	–	–	–	–	127,435	127,435
Other liabilities	–	–	–	–	–	68,000	–	68,000
Total liabilities	3,010,694	1,186,264	1,562,551	141,725	–	68,000	127,435	6,096,669
On-balance sheet profit sensitivity gap	(1,585,153)	(213,681)	598,593	301,816	1,467,954	618,255	(123,496)	1,064,288
Off-balance sheet profit sensitivity gap	–	–	–	–	–	–	–	–
Total profit sensitivity gap	(1,585,153)	(213,681)	598,593	301,816	1,467,954	618,255	(123,496)	1,064,288

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

	Up to 1 month B$'000	> 1 – 3 months B$'000	> 3 – 12 months B$'000	1 – 5 years B$'000	Over 5 years B$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Bank								
As at 31 December 2013								
Assets								
Cash and cash equivalents	770,088	548,860	–	–	–	88,377	–	1,407,325
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	283,175	–	283,175
Placements with and financing and advances to bank	–	–	1,220,351	–	–	–	–	1,220,351
Government sukuk	27,986	–	–	–	–	–	–	27,986
Financial assets held-for-trading	–	–	–	–	–	–	95,029	95,029
Financial assets available-for-sale	13,034	31,710	62,521	429,027	21,300	–	–	557,592
Financial assets held-to-maturity	–	–	28,545	21,300	–	–	–	49,845
Derivative financial assets	–	–	–	–	–	–	2,824	2,824
Financing, advances and others								
- non-impaired	155,563	26,490	96,926	859,843	1,060,571	1,837	–	2,201,230
- impaired net of allowances*	–	–	–	–	–	106,226	–	106,226
Other assets	–	–	–	–	–	22,393	–	22,393
Total assets	966,671	607,060	1,408,343	1,310,170	1,081,871	502,008	97,853	5,973,976

	Up to 1 month B$'000	> 1 – 3 months B$'000	> 3 – 12 months B$'000	1 – 5 years B$'000	Over 5 years B$'000	Non profit sensitive B$'000	Trading book B$'000	Total B$'000
Bank								
As at 31 December 2013								
Liabilities								
Deposits from customers	2,241,616	878,554	1,131,837	117,156	–	–	–	4,369,163
Deposits and placements of banks and other financial institutions	196,817	63,372	19,104	116,570	–	–	–	395,863
Derivative financial liabilities	–	–	–	–	–	–	33,405	33,405
Financing	104,401	–	–	–	–	–	–	104,401
Other liabilities	–	–	–	–	–	56,718	–	56,718
Total liabilities	2,542,834	941,926	1,150,941	233,726	–	56,718	33,405	4,959,550
On-balance sheet profit sensitivity gap	(1,576,163)	(334,866)	257,402	1,076,444	1,081,871	445,290	64,448	1,014,426
Off-balance sheet profit sensitivity gap	–	–	–	–	–	–	–	–
Total profit sensitivity gap	(1,576,163)	(334,866)	257,402	1,076,444	1,081,871	445,290	64,448	1,014,426

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

Cash flow sensitivity analysis for variable rate instruments:

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

Group and Bank	**Profit or loss**		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2014	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Variable rate instruments	8,210	(8,210)	8,210	(8,210)
31 December 2013				
Variable rate instrumetns	14,385	(14,385)	(14,385)	14,385

(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 rate changes the Bank will match its positions as closely as possible.

Where any currency holding is out of guidelines, trading will be conducted as soon as possible to bring the relative balance within the currency limit. Forward contracts may also be used where necessary to hedge credit commitments or to buy or sell cash to meet required limits.

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

Foreign exchange risk of the subsidiary

The subsidiary's nature of business does not maintain any trading positions and does not hold any other currencies other than that of its functional currency. As such, the subsidiary does not have any 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			
31 December 2014	**USD B$'000**	**EUR B$'000**	**GBP B$'000**	**Others B$'000**
Assets				
Cash and short term funds	1,696,724	78,123	70,311	4,873
Placements with and financing and advances to bank	1,013,426	45,100	22,716	–
Investments	589,207	422	285	142
Financing and advances	364,945	–	–	–
Others	39,025	108	–	–
	3,703,327	123,753	93,312	5,015

31 December 2014	Group and Bank			
	USD B$'000	EUR B$'000	GBP B$'000	Others B$'000
Liabilities				
Deposits from customers	(660,114)	(57,599)	(271,856)	(17,569)
Others	–	–	(228)	(29)
	(660,114)	(57,599)	(272,084)	(17,598)
Effect of use of derivatives	(3,039,367)	(65,958)	178,837	12,074
Net exposure	3,846	196	65	(509)

31 December 2013	Group and Bank				
	USD B$'000	EUR B$'000	GBP B$'000	SAR B$'000	Others B$'000
Assets					
Cash and short term funds	2,124,261	4,574	28,359	66,756	1,368
Investments	488,563	817	–	–	1,063
Financing and advances	332,586	–	–	–	–
Others	8,574	–	–	20	–
	2,953,984	5,391	28,359	66,776	2,431
Liabilities					
Deposits from customers	(152,510)	(12)	(101,202)	(1,015)	(1,139)
Others	–	(2)	(87)	–	(31)
	(152,510)	(14)	(101,289)	(1,015)	(1,170)
Effect of use of derivatives	(2,803,577)	(4,881)	73,056	(65,065)	(119)
Net exposure	(2,103)	496	126	696	1,142

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and Bank as at 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'):

	2014		2013	
	- 1% depreciation B$'000	**+ 1% appreciation B$'000**	**- 1% depreciation B$'000**	**+ 1% Appreciation B$'000**
Group and Bank				
USD	(38)	38	21	(21)
EUR	(2)	2	(5)	5
GBP	(1)	1	(1)	1
Others	5	(5)	(18)	18
	(36)	36	(3)	3

* *Denotes less than B$1,000*

(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. 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$2,161,000 and B$249,000 respectively after tax (2013: B$2,239,000 and B$248,000 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 the Bank would have been an increase of B$892,000 after tax (2013: B$826,000). 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 the Bank.

The analysis is performed on the same basis for 2013 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 2014.

Management of liquidity and funding risk

The Bank manages its liquidity through its Asset Liability Management Committee 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 of 31 December 2014.

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.

	Less than 3 months B$'000	> 3 – 6 months B$'000	> 6 – 12 months B$'000	> 1 – 3 years B$'000	> 3 – 5 years B$'000	Over 5 years B$'000	No specific maturity B$'000	Total B$'000
Group								
As at 31 December 2014								
Assets								
Cash, balances and placements with banks	2,007,689	56,233	–	–	–	–	–	2,063,922
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	–	546,353	658,911	–	–	–	–	1,205,264
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
Derivatives 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
Total assets	2,813,915	904,616	1,182,091	1,307,326	1,049,035	1,076,388	17,371	8,350,742

	Less than 3 months B$'000	> 3 – 6 months B$'000	> 6 – 12 months B$'000	> 1 – 3 years B$'000	> 3 – 5 years B$'000	Over 5 years B$'000	No specific maturity B$'000	Total B$'000
Group								
As at 31 December 2014								
Liabilities								
Deposits from customers	3,973,318	992,655	510,120	146,178	7,506	472	–	5,630,249
Deposits and placements of banks 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 institutions	–	–	–	–	–	–	–	–
Other liabilities	20,783	43,592	8,878	6,851	538	9,414	–	90,056
Total liabilities	4,289,543	1,144,004	598,469	202,032	16,815	9,886	–	6,260,749
On Balance Sheet Net liquidity gap	(1,475,628)	(239,388)	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
Net liquidity gap	(1,184,554)	(212,569)	677,470	1,140,854	1,043,638	1,151,716	28,762	2,645,317

	Less than 3 months B$'000	> 3 – 6 months B$'000	> 6 – 12 months B$'000	> 1 – 3 years B$'000	> 3 – 5 years B$'000	Over 5 years B$'000	No specific maturity B$'000	Total B$'000
Group								
As at 31 December 2013								
Assets								
Cash and cash equivalents	1,237,901	–	–	–	–	–	–	1,237,901
Balances with Autoriti Monetari Brunei Darussalam	200,723	43,133	25,136	14,183	–	241,141	–	524,316
Placements with and financing and advances to banks	–	515,659	624,025	–	–	–	–	1,139,684
Government sukuk	18,000	–	10,000	–	–	–	–	28,000
Investments	39,843	7,922	197,127	221,941	291,612	62,315	33,839	854,599
Derivatives financial assets	(14,094)	121	452	–	–	–	–	(13,521)
Financing, advances and others	446,786	225,166	412,989	1,038,454	618,401	863,886	–	3,605,682
Other assets	71,701	24,670	1,262	4,287	3,101	6,756	–	111,777
Total assets	2,000,860	816,671	1,270,991	1,278,865	913,114	1,174,098	33,839	7,488,438

	Less than 3 months B$'000	> 3 – 6 months B$'000	> 6 – 12 months B$'000	> 1 – 3 years B$'000	> 3 – 5 years B$'000	Over 5 years B$'000	No specific maturity B$'000	Total B$'000
Group								
As at 31 December 2013								
Liabilities								
Deposits from customers	3,249,392	728,407	476,842	142,953	6,723	429	–	4,604,746
Deposits from banks and other financial institutions	270,702	40,472	(3,274)	115,279	400	–	–	423,579
Derivative financial liabilities	11,396	10,811	7,213	4,352	–	–	–	33,772
Placements from other financial institutions	–	–	–	–	–	–	–	
Other liabilities	9,140	48,050	3,479	4,914	236	6	–	65,825
Total liabilities	3,540,630	827,740	484,260	267,498	7,359	435	–	5,127,922
On Balance Sheet Net liquidity gap	(1,539,770)	(11,069)	786,731	1,011,367	905,755	1,173,663	33,839	2,360,516
Commitments and contingencies	947,833	127,499	63,168	1,207	2,119	115,439	11,375	1,268,640
Net liquidity gap	(591,937)	116,430	849,899	1,012,574	907,874	1,289,102	45,214	3,629,156

	Less than 3 months B$'000	> 3 – 6 months B$'000	> 6 – 12 months B$'000	> 1 – 3 years B$'000	> 3 – 5 years B$'000	Over 5 years B$'000	No specific maturity B$'000	Total B$'000
Bank								
As at 31 December 2014								
Assets								
Cash and cash equivalents	2,170,295	–	–	–	–	–	–	2,170,295
Balances with Autoriti Monetari Brunei Darussalam	227,959	59,278	25,987	7,897	–	–	–	321,121
Placements with and financing and advances to banks	–	720,304	658,911	–	–	–	–	1,379,215
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
Total assets	2,949,114	966,237	1,100,951	1,025,048	864,140	1,087,380	17,371	8,010,241

	Less than 3 months B$'000	> 3 – 6 months B$'000	> 6 – 12 months B$'000	> 1 – 3 years B$'000	> 3 – 5 years B$'000	Over 5 years B$'000	No specific maturity B$'000	Total B$'000
Bank								
As at 31 December 2014								
Liabilities								
Deposits from customers	3,874,420	975,076	452,132	114,984	–	–	–	5,416,612
Deposits from banks and other 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 institutions	–	–	–	–	–	–	–	–
Other liabilities	10,406	43,126	7,006	4,869	318	2,277	–	68,002
Total liabilities	4,257,497	1,164,971	510,405	163,880	8,894	2,277	–	6,107,924
On Balance Sheet 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
Net liquidity gap	(1,018,004)	(171,915)	684,394	896,728	866,664	1,170,317	28,762	2,456,946

	Less than 3 months B$'000	> 3 – 6 months B$'000	> 6 – 12 months B$'000	> 1 – 3 years B$'000	> 3 – 5 years B$'000	Over 5 years B$'000	No specific maturity B$'000	Total B$'000
Bank								
As at 31 December 2013								
Assets								
Cash and cash equivalents	1,407,791	–	–	–	–	–	–	1,407,791
Balances with Autoriti Monetari Brunei Darussalam	200,723	43,133	25,136	14,183	–	–	–	283,175
Placements with and financing and advances to banks	–	532,310	690,025	–	–	–	–	1,222,335
Government sukuk	18,000	–	10,000	–	–	–	–	28,000
Investments	35,730	7,922	197,127	221,941	291,612	71,504	33,839	859,675
Derivatives financial assets	(14,094)	121	452	–	–	–	–	(13,521)
Financing, advances and others	418,475	169,372	331,920	757,227	436,670	803,718	–	2,917,382
Other assets	3,907	8,077	1,307	3,648	2,533	2,921	–	22,393
Total assets	2,070,532	760,935	1,255,967	996,999	730,815	878,143	33,839	6,727,230

	Less than 3 months B$'000	> 3 – 6 months B$'000	> 6 – 12 months B$'000	> 1 – 3 years B$'000	> 3 – 5 years B$'000	Over 5 years B$'000	No specific maturity B$'000	Total B$'000
Bank								
As at 31 December 2013								
Liabilities								
Deposits from customers	3,135,222	712,555	423,192	119,913	–	–	–	4,390,882
Deposits from banks and other financial institutions	260,517	17,156	2,044	120,036	–	–	–	399,753
Derivative financial liabilities	11,396	10,811	7,213	4,352	–	–	–	33,772
Financing	104,401	–	–	–	–	–	–	104,401
Other liabilities	2,358	47,655	2,951	3,726	–	–	–	56,690
Total liabilities	3,513,894	788,177	435,400	248,027	–	–	–	4,985,498
On Balance Sheet Net liquidity gap	(1,443,362)	(27,242)	820,567	748,972	730,815	878,143	33,839	1,741,732
Commitments and contingencies	947,680	127,499	63,168	1,207	2,119	115,439	11,375	1,268,487
Net liquidity gap	(495,682)	100,257	883,735	750,179	732,934	993,582	45,214	3,010,219

(d) Operational Risk ("OR") 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 BIBD. Operational risks are systematically identified at the divisional level. Risk Coordinators are appointed from each of the 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 defense responsibilities.

Operational risk exposures can take many varied 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 i.e Audit, Finance and Risk Committee – 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 BIBD, 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

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 (ORIR) 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 off-balance sheet instruments. 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 financial position 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 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 of 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 financial position 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 backing of the investee.

Financing, advances and others

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 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 asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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

	Carrying amounts							Fair values			
	Designated at fair value B$'000	Held for trading B$'000	Available for sale B$'000	Held to maturity B$'000	Loans and receivables B$'000	Other financial liabilities B$'000	Total B$'000	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
Group **31 December 2014**											
Financial assets measured at fair value											
Investments*	–	22,098	713,335	–	–	–	735,433	21,671	708,690	5,072	735,433
Derivative financial assets	1,019	–	–	–	–	–	1,019	–	1,019	–	1,019
	1,019	22,098	713,335	–	–	–	736,452	21,671	709,709	5,072	736,452
Financial assets not measured at fair value											
Investments	–	–	–	22,216	–	–	22,216	–	22,566	–	22,566
Financing and advances	–	–	–	–	2,986,860	–	2,986,860	–	–	3,083,298	3,083,298
	–	–	–	22,216	2,986,860	–	3,009,076	–	22,566	3,083,298	3,105,864
Financial liabilities measured at fair value											
Derivative financial liabilities	(127,435)	–	–	–	–	–	(127,435)	–	(127,435)	–	(127,435)

* *excludes those unquoted securities stated at cost*

	Carrying amounts							Fair values			
	Designated at fair value B$'000	Held for trading B$'000	Available for sale B$'000	Held to maturity B$'000	Loans and receivables B$'000	Other financial liabilities B$'000	Total B$'000	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
Group **31 December 2013**											
Financial assets measured at fair value											
Investments*	–	98,213	549,331	–	–	–	647,544	22,391	619,564	5,589	647,544
Derivative financial assets	2,824	–	–	–	–	–	2,824	–	2,824	–	2,824
	2,824	98,213	549,331	–	–	–	650,368	22,391	622,388	5,589	650,368
Financial assets not measured at fair value											
Investments	–	–	–	49,845	–	–	49,845	–	50,995	–	50,995
Financing and advances	–	–	–	–	2,856,988	–	2,856,988	–	–	2,975,208	2,975,208
	–	–	–	49,845	2,856,988	–	2,906,833	–	50,995	2,975,208	3,026,203
Financial liabilities measured at fair value											
Derivative financial liabilities	(33,405)	–	–	–	–	–	(33,405)	–	(33,405)	–	(33,405)

* *excludes those unquoted securities stated at cost*

	Carrying amounts							Fair values			
	Designated at fair value B$'000	Held for trading B$'000	Available for sale B$'000	Held to maturity B$'000	Loans and receivables B$'000	Other financial liabilities B$'000	Total B$'000	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
Bank **31 December 2014**											
Financial assets measured at fair value											
Investments*	–	2,920	722,258	–	–	–	725,178	2,493	717,613	5,072	725,178
Derivative financial assets	1,019	–	–	–	–	–	1,019	–	1,019	–	1,019
	1,019	2,920	722,258	–	–	–	726,197	2,493	718,632	5,072	726,197
Financial assets not measured at fair value											
Investments	–	–	–	22,216	–	–	22,216	–	22,566	–	22,566
Financing and 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 measured at fair value											
Derivative financial liabilities	(127,435)	–	–	–	–	–	(127,435)	–	(127,435)	–	(127,435)

* *excludes those unquoted securities stated at cost*

	Carrying amounts							Fair values			
	Designated at fair value B$'000	Held for trading B$'000	Available for sale B$'000	Held to maturity B$'000	Loans and receivables B$'000	Other financial liabilities B$'000	Total B$'000	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
Bank **31 December 2013**											
Financial assets measured at fair value											
Investments*	–	95,029	557,592	–	–	–	652,621	2,481	644,551	5,589	652,621
Derivative financial assets	2,824	–	–	–	–	–	2,824	–	2,824	–	2,824
	2,824	95,029	557,592	–	–	–	655,445	2,481	647,375	5,589	655,445
Financial assets not measured at fair value											
Investments	–	–	–	49,845	–	–	49,845	–	50,995	–	50,995
Financing and advances	–	–	–	–	2,307,456	–	2,307,456	–	–	2,421,273	2,421,273
	–	–	–	49,845	2,307,456	–	2,357,301	–	50,995	2,421,273	2,472,268
Financial liabilities measured at fair value											
Derivative financial liabilities	(33,405)	–	–	–	–	–	(33,405)	–	(33,405)	–	(33,405)

* *excludes those unquoted securities stated at cost*

Valuation techniques and significant unobservable inputs

The table below sets out information about significant unobservable inputs used at 31 December 2014 and 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instruments	Fair values B$'000	Classifications	Valuation techniques	Significant unobservable inputs
Financing and advances	3,093,661 (2013: 2,984,249)	Loans and receivables	Discounted cash flows	Yield curve and credit spreads
Securities - Unquoted fund	5,072 (2013: 5,590)	AFS	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 instruments that are measured at fair value

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2013 and 2014 for the Group and the Bank:

	31.12.2014 B$'000	31.12.2013 B$'000
Securities available-for-sale		
At 1 January	5,590	12,361
Unrealised gains/(losses) recognised in other comprehensive income	(518)	(6,772)
At 31 December	5,072	5,589

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 commitments are as follows:

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Within one year	1,014	39	25	784	39	25
Between one and five years	1,613	1,681	3,154	370	1,681	3,154
More than five years	88	–	–	46	–	–
	2,715	1,720	3,179	1,200	1,720	3,179

Leases as lessor

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

	Group and Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Within one year	100	367	875
Between one and five years	3,833	4,979	2,676
More than five years	2,687	3,051	–
	6,620	8,397	3,551

41 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Assets						
Investments	493,395	466,499	563,815	493,396	471,627	552,948
Financing, advances and others	1,974,141	2,469,839	1,411,722	1,418,099	1,920,414	930,810
Finance lease receivables	11,857	–	–	11,857	–	–
Investment in subsidiaries	–	–	–	36,682	26,483	26,483
Investment in associate	11,361	7,998	6,509	7,080	7,080	7,080
Property and equipment	178,522	67,021	67,144	31,333	32,097	30,832
Investment property	29,808	30,415	30,941	29,808	30,415	30,941
Deferred tax assets	2,275	–	–	5,805	–	–
Liabilities						
Deposits from customers	137,010	147,348	83,005	111,725	117,156	40,861
Deposits from banks and other financial institutions	–	112,213	29,741	30,000	116,570	–
Deferred tax liabilities	–	10,814	14,595	–	780	5,576

42 Commitments

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Commitments:						
Undrawn credit lines	165,749	329,588	264,316	165,749	329,588	264,316
Forward placements	89,720	268,679	–	89,720	268,679	–
Forward deposits	300	410,044	20,035	300	410,044	20,035
	255,769	1,008,311	284,351	255,769	1,008,311	284,351
Capital expenditure:						
- Approved and contracted for but not provided for in the financial statements	11,333	852	1,158	11,333	698	406
- Approved but not contracted for and provided for in the financial statements	1,062	–	6,812	367	–	3,484
	12,395	852	7,970	11,700	698	3,890
Total commitments	268,164	1,009,163	292,321	267,469	1,009,009	288,241

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

With the implementation of IFRS, the Bank has applied all pronouncement 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 recognized 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 to regulatory capital is performed below:

	Group		Bank	
	31.12.2014 B$'000	**31.12.2013 B$'000**	**31.12.2014 B$'000**	**31.12.2013 B$'000**
Regulatory capital				
Total equity attributable to equity holders of the Bank	1,272,978	1,185,990	1,121,678	1,063,269
Less adjustments for:				
Capitalised costs	(18,745)	(17,292)	(7,985)	(7,467)
Collateral	(14,900)	(15,007)	(14,900)	(15,007)
Profit in suspense	(16,046)	(20,534)	(16,046)	(20,534)
Impairment on financing	(8,814)	(19,155)	(10,297)	(20,176)
Adjusted Core capital (Tier 1) based on AMBD prudential capital requirements	1,214,473	1,114,002	1,072,450	1,000,085

Capital Adequacy Ratios

The Bank is required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by AMBD. The Bank was in compliance with all prescribed capital ratios throughout the period.

	Group		Bank	
	31.12.2014 B$'000	**31.12.2013 B$'000**	**31.12.2014 B$'000**	**31.12.2013 B$'000**
Regulatory capital				
Core capital (Tier 1 capital) before dividend	1,214,473	1,114,002	1,072,450	1,000,085
Less: Dividends to be proposed for the financial year	(41,311)	(28,990)	(41,311)	(28,990)
Core capital (Tier 1 capital) after dividend	1,173,162	1,085,012	1,031,139	971,095
Supplementary capital (Tier II capital)	45,423	40,865	38,748	35,809
Less: Investment in Associates and Subsidiaries	(11,361)	(7,998)	(43,762)	(33,563)
Total capital base	1,207,224	1,117,879	1,026,125	973,341
Total risk-weighted amount				
Risk-weighted amount for credit risk	4,749,870	4,288,229	4,098,571	3,773,913
Risk-weighted amount for operational risk	387,804	384,749	274,424	254,730
Total risk-weighted amount	5,137,674	4,672,978	4,372,995	4,028,643

	Group		Bank	
	31.12.2014 B$'000	31.12.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000
Capital ratios				
Core capital (Tier 1) ratio %	22.8%	23.2%	23.6%	24.1%
Total capital ratio %	23.5%	23.9%	23.5%	24.2%

The core capital is derived after deducting the dividends to be proposed for the financial year ended 31 December 2014 subsequent to the year end amounting to B$41,310,722 (2013: B$28,990,000).

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 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 liability

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

	Group			Bank		
	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000	31.12.2014 B$'000	31.12.2013 B$'000	1.1.2013 B$'000
Letters of credit	47,555	33,688	48,508	47,555	33,688	48,508
Guarantees, bonds	194,516	112,810	113,365	194,516	112,810	113,365
Shipping guarantees	10,436	10,358	23,750	10,436	10,358	23,750
Acceptances	4,424	4,773	4,584	4,424	4,773	4,584
Trade risk participation	30,103	97,419	–	30,103	97,419	–
Import bills	126	430	1,263	126	430	1,263
	287,160	259,478	191,470	287,160	259,478	191,470

45 Explanation of transition to IFRS

Adoption of IFRS Framework

As stated in Note 2.1, these are the first financial statements of the Group and of the Bank prepared in accordance with IFRS.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Bank for the financial year ended 31 December 2014, the comparative information presented in these financial statements for the financial year ended 31 December 2013 and in the preparation of the opening IFRS statement of financial position at 1 January 2013 (the Group's date of transition to IFRS).

In preparing the opening consolidated statement of financial position at 1 January 2013, the Group has adjusted amounts reported previously in financial statements prepared in accordance with the previous financial reporting framework. IFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior years.

The reconciliations contain two columns for each period as well as the Brunei GAAP and IFRS results. The "reclassification" column includes reclassification and reanalysis of amounts from their Brunei GAAP statement of financial position lines to the appropriate IFRS statement of financial position lines. The "effect of transition to IFRS" column sets out the effects of the recognition and measurement changes required by the transition to IFRS. The "effect of transition to IFRS" columns are further analysed into the type of adjustment.

Reconciliation of Statements of Financial Position

Group	Note	31.12.2013 Brunei GAAP B$'000	31.12.2013 Reclassifications B$'000	31.12.2013 Effect of transition to IFRS B$'000	31.12.2013 IFRS B$'000	1.1.2013 Brunei GAAP B$'000	1.1.2013 Reclassifications B$'000	1.1.2013 Effect of transition to IFRS B$'000	1.1.2013 IFRS B$'000
Assets									
Cash and cash equivalents	(a)	1,300,806		994	1,301,800	2,024,136	–	727	2,024,863
Balances with Autoriti Monetari Brunei Darussalam		307,289	–	–	307,289	273,536	–	–	273,536
Placements with and financing and advances to banks		1,154,351		–	1,154,351	749,428	–	–	749,428
Government sukuk		27,986	–	–	27,986	22,995	–	–	22,995
Investments	(b)	691,176	–	6,213	697,389	556,458	–	16,261	572,719
Derivative financial assets	(c)	–	2,677	147	2,824	–	3,577	207	3,784
Financing and advances	(d)	2,763,688	13,105	80,195	2,856,988	2,338,611	12,815	98,894	2,450,320
Investment in associate		7,903	–	95	7,998	7,903	–	(1,394)	6,509
Other assets	(e)	58,010	(31,189)	–	26,821	61,133	(32,046)	(289)	28,798
Property and equipment	(f)	66,061	–	960	67,021	66,157	–	987	67,144
Investment property	(g)	–	15,407	15,008	30,415	–	15,654	15,287	30,941
Deferred tax assets		–	–	–	–	–	–	–	–
Total assets		6,377,270	–	103,612	6,480,882	6,100,357	–	130,680	6,231,037

Group	Note	31.12.2013 Brunei GAAP B$'000	31.12.2013 Reclassifications B$'000	31.12.2013 Effect of transition to IFRS B$'000	31.12.2013 IFRS B$'000	1.1.2013 Brunei GAAP B$'000	1.1.2013 Reclassifications B$'000	1.1.2013 Effect of transition to IFRS B$'000	1.1.2013 IFRS B$'000
Liabilities and equity									
Deposits from customers	(h)	4,583,022	–	994	4,584,016	4,469,766	–	727	4,470,493
Deposits from banks and other financial institutions		419,694	–	–	419,694	425,762	–	–	425,762
Derivative financial liabilities	(c)	–	31,636	1,769	33,405	–	13,767	(1,078)	12,689
Placements from other financial institutions		104,401	–	–	104,401	10,000	–	–	10,000
Other liabilities	(i)	94,768	(31,636)	2,734	65,866	95,522	(13,767)	3,797	85,552
Deferred tax liabilities		1,842	–	8,972	10,814	2,182	–	12,413	14,595
Zakat	(j)	2,859	–	256	3,115	5,081	–	189	5,270
Provision for taxation	(j)	35,199	–	13,697	48,896	39,451	–	12,337	51,788
Total liabilities		5,241,785	–	28,422	5,270,207	5,047,764	–	28,385	5,076,149
Equity									
Share capital		724,750	–	–	724,750	724,750	–	–	724,750
Treasury shares		(2,872)	–	–	(2,872)	–	–	(3)	(3)
Statutory reserves fund		294,147	–	–	294,147	241,898	–	–	241,898
Other reserves		95,256	–	74,709	169,965	64,193	–	101,804	165,997
Total shareholders' funds	(k)	1,111,281	–	74,709	1,185,990	1,030,841	–	101,801	1,132,642
Non-controlling interests	(l)	24,204	–	481	24,685	21,752	–	494	22,246
Total equity		1,135,485	–	75,190	1,210,675	1,052,593	–	102,295	1,154,888
Total liabilities and equity		6,377,270	–	103,612	6,480,882	6,100,357	–	130,680	6,231,037

Bank	Note	31.12.2013 Brunei GAAP B$'000	31.12.2013 Reclassifications B$'000	31.12.2013 Effect of transition to IFRS B$'000	31.12.2013 IFRS B$'000	1.1.2013 Brunei GAAP B$'000	1.1.2013 Reclassifications B$'000	1.1.2013 Effect of transition to IFRS B$'000	1.1.2013 IFRS B$'000
Assets									
Cash and cash equivalents	(a)	1,407,325	–	–	1,407,325	2,030,590	–	–	2,030,590
Balances with Autoriti Monetari Brunei Darussalam		283,175	–	–	283,175	250,374	–	–	250,374
Placements with and financing and advances to banks		1,220,351	–	–	1,220,351	757,488	–	–	757,488
Government sukuk		27,986	–	–	27,986	22,995	–	–	22,995
Investments	(b)	696,253	–	6,213	702,466	545,591	–	16,261	561,852
Derivative financial assets	(c)	–	2,677	147	2,824	–	3,577	207	3,784
Financing and advances	(d)	2,262,151	–	45,305	2,307,456	1,903,641	–	68,839	1,972,480
Investments in subsidiaries		26,483	–	–	26,483	26,483	–	–	26,483
Investment in associate		7,080	–	–	7,080	7,080	–	–	7,080
Other assets	(e)	40,477	(18,084)	–	22,393	41,730	(19,231)	(289)	22,210
Property and equipment		32,097	–	–	32,097	30,832	–	–	30,832
Investment property	(g)	–	15,407	15,008	30,415	–	15,654	15,287	30,941
Deferred tax assets		521	–	(521)	–	–	–	–	–
Total assets		6,003,899	–	66,152	6,070,051	5,616,804	–	100,305	5,717,109

		----------31.12.2013----------				----------1.1.2013----------			
Bank	**Note**	**Brunei GAAP B$'000**	**Reclassifications B$'000**	**Effect of transition to IFRS B$'000**	**IFRS B$'000**	**Brunei GAAP B$'000**	**Reclassifications B$'000**	**Effect of transition to IFRS B$'000**	**IFRS B$'000**
Liabilities and equity									
Deposits from customers		4,369,163	–	–	4,369,163	4,217,335	–	–	4,217,335
Deposits from banks and other financial institutions		395,863	–	–	395,863	309,770	–	–	309,770
Derivative financial liabilities	(c)	–	31,636	1,769	33,405	–	13,767	(1,078)	12,689
Placements from other financial institutions		104,401	–	–	104,401	10,000	–	–	10,000
Other liabilities	(i)	85,622	(31,636)	2,732	56,718	83,484	(13,767)	3,796	73,513
Deferred tax liabilities		–	–	780	780	182	–	5,394	5,576
Zakat	(j)	2,859	–	256	3,115	2,657	–	189	2,846
Provision for taxation	(j)	28,737	–	14,600	43,337	31,707	–	13,180	44,887
Total liabilities		4,986,645	–	20,137	5,006,782	4,655,135	–	21,481	4,676,616
Equity									
Share capital		724,750	–	–	724,750	724,750	–	–	724,750
Statutory reserves fund		262,822	–	–	262,822	211,895	–	–	211,895
Other reserves		29,682	–	46,015	75,697	25,024	–	78,824	103,848
Total equity	(k)	1,017,254	–	46,015	1,063,269	961,669	–	78,824	1,040,493
Total liabilities and equity		6,003,899	–	66,152	6,070,051	5,616,804	–	100,305	5,717,109

Summary of balance sheet reclassifications and key adjustments as a result of transition from Brunei GAAP to IFRS

(a) Cash and short-term funds

Customer balances placed with the Group's broker-dealer business were recognised on-balance sheet with the transition to IFRS. This has the impact of increasing cash and short-term funds by B$994,000 (1 January 2013: increased by B$727,000) for the Group.

(b) Investments

Under IAS 39 *Financial Instruments: Recognition and Measurement*, all investment securities (debt securities and equity shares) are classified and disclosed within one of the following four categories: 'financing and receivables'; 'held-to-maturity'; 'available-for-sale'; or 'at fair value through profit or loss'. The accounting treatment for each of the categories above under IFRS is described in the significant accounting policies (Note 2).

IFRS 1 *First-time adoption of IFRS* requires the first time adopter to designate its financial instruments into appropriate classification at date of transition. As such, the Bank designated its investments into the respective IAS 39 categories. This resulted in the value of investments to increase by B$5,782,000 (1 January 2013: increased by B$15,432,000) for the Group and the Bank.

The Bank's hybrid instruments that include a non-derivative component (host) were classified to the fair value through profit or loss financial asset category resulting in an increase in the value of the investments by B$431,000 (1 January 2013: increased by B$829,000) for the Group and the Bank.

(c) Derivative financial assets and derivative financial liabilities

The Bank enters into foreign exchange swaps and forward contracts to manage its foreign currency exposures. Based on the previous accounting requirements under Brunei GAAP, gains on derivatives are deferred in other liabilities while losses are recorded in the income statement. IAS 39, however, requires all gains or losses on derivative instruments to be recognised within the income statement.

In addition, where the Bank applies hedge accounting under the previous Brunei GAAP, forward points are amortised on a straight-line basis over the contract length. In transitioning to IFRS, management had elected not to apply hedge accounting and all derivatives are to be measured at fair value through profit or loss. This resulted in an increase in derivative financial assets by B$147,000 (1 January 2013: increased by B$207,000) and an increase in the derivative financial liabilities by B$1,769,000 (1 January 2013: decreased by B$1,078,000) for the Group and Bank.

Derivative assets and derivative liabilities were previously presented as part of other assets and other liabilities respectively. In the current year, the Group and Bank's derivative assets of B$2,677,000 (1 January 2013: B$3,577,000) and derivative liabilities of B$31,636,000 (1 January 2013: B$13,767,000) were reclassified out from other assets and other liabilities as separate stand-alone line items.

(d) Financing and advances

Financing and advances measured under the effective yield method
Under Brunei GAAP, the Group recognises a profit on its financing and advances based on contracted profit rate. However, IAS 39 requires all financing and advances, which are not measured at fair value, to be recorded at amortised cost using the effective yield method. This results in a different allocation of profit recognised in the income statement over time that maintains a constant yield rate. The transition to IFRS resulted in an increase in profit earned for the current year for the Group.

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

Release of Profit in Suspense
Under AMBD requirements, the Bank suspends recognition of profit if the financing is overdue for more than 90 days. Under IFRS, profit continues to be accrued even when the financing is overdue for more than 90 days. As such, the Bank released these profits suspended and assessed these amounts for impairment.

Allowance for credit losses
Under Brunei GAAP, the Bank recognises provision for credit allowance based on AMBD requirements (AMBD Notice 1/2010). Specifically, credit provisioning is based on specified percentages of the amounts outstanding and ageing. These requirements deviate from the individual and collective allowance requirements under IAS 39 which is based on the incurred loss model.

Financing and advances reclassifications and IFRS adjustments for the Group and Bank are as follows:

	Group	
Description	**1.1.2013 B$'000**	**31.12.2013 B$'000**
Financing and advances measured under the effective yield method	49,870	53,927
Recognition of Profit in Suspense	38,973	20,534
Change in allowance for credit losses, net	22,866	18,839
Total IFRS adjustments including reclassifications and effect of transition to IFRS	111,709	93,300
Reclassifications	12,815	13,105
Effect of transition to IFRS	98,894	80,195
Total IFRS adjustments	111,709	93,300

Description	Bank 1.1.2013 B$'000	Bank 31.12.2013 B$'000
Financing and advances measured under the effective yield method	5,347	4,595
Recognition of Profit in Suspense	38,973	20,534
Change in allowance for credit losses, net	24,519	17,559
Others	–	2,617
Total IFRS adjustments including reclassifications and effect of transition to IFRS	68,839	45,305
Reclassifications	–	–
Effect of transition to IFRS	68,839	45,305
Total IFRS adjustments	68,839	45,305

(e) Other assets

Reclassifications from Other assets of the Group and Bank pertain to reclassification of investment property amounting to B$15,407,000 (1 January 2013: B$15,654,000) and derivative assets of B$2,677,000 (1 January 2013: B$3,577,000). A subsidiary's capitalised transaction cost amounting to B$13,105,000 (1 January 2013: B$12,815,000) was also reclassified from Other assets of the Group to Financing and Advances line item.

Other adjustments of the Group and Bank include accrued fee revenue of B$289,000 (in the opening balance sheet which is recognised as there is probable economic benefits flowing to the Bank.

(f) Property and equipment

IAS 16 *Property, Plant and Equipment* requires that expenditure on an item of property and equipment to be capitalised if the recognition criteria is met. In addition, when a property plant and equipment comprise individual components for which different depreciation methods or rates are appropriate, each component is depreciated separately (i.e. component accounting to be applied).

One of the Group's subsidiaries owns a shipping vessel on which expenditure was incurred on dry-dock but was not capitalised. This resulted in an additional recognition of capitalised dry-dock amounting to B$133,000 in the opening balance sheet and an additional net deprecation of B$27,000 (1 January 2013: writeback of accumulated depreciation of B$854,000) due to the difference in useful lives of the different components. Net increase in value of property plant and equipment amounts to B$960,000 (1 January 2013: B$987,000) for the Group.

(g) Investment property

Investment property amounting to B$15,407,000 (1 January 2013: B$15,654,000) was reclassified from other assets to a separate line item in the statement of financial position.

As detailed in Note 28, the Bank was granted rights to an investment property with a remaining lease 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.

The Group and Bank has adopted the cost model under IAS 40 *Investment Properties* as a measurement basis for the investment property. The Group has also applied the optional exemption under IFRS 1 to use the previous GAAP depreciated cost as the deemed cost under IFRS.

Under AMBD requirements (section 6.2 of Guidelines 1/2010), the Bank is not allowed to write back any specific provision upon acquisition of properties in satisfaction of financing until the properties are sold. However, with the transition to IFRS, the Bank wrote back an allowance amount of B$15,681,000 in the opening balance sheet. Due to the writeback, an additional depreciation amounting to B$279,000 (1 January 2013: B$394,000) was recognised.

(h) Deposits from customers

As discussed under (a) "Cash and short-term funds" above, customer deposits placed with the Group's broker dealer business were not recognised on the statement of financial position under Brunei GAAP. With the transition to IFRS, these deposits were brought on-Balance Sheet as it meets the recognition criteria of a financial asset and financial liabilities. This had an effect of increasing deposits from customers by B$994,000 (1 January 2013: increased by B$727,000) for the Group.

(i) Other liabilities

The transition to IFRS resulted in additional provisions for customer loyalty points and employee benefits being recognised. This has the impact of increasing other liabilities by B$2,734,000 (1 January 2013: increased by B$3,797,000). Reclassifications from Other liabilities include a reclassification of derivative financial liabilities into a separate line item amounting to B$31,636,000 (1 January 2013: B$13,767,000).

(j) Zakat and provision for taxation

Zakat

The effect of the above IFRS adjustments resulted in an increase in zakat payable for the year ended 31 December 2013 by B$256,000 (1 January 2013: increased by B$189,000) for both the Group and the Bank.

Taxation

The effect of the above IFRS adjustments resulted in an increase in the provision for taxation for the year ended 31 December 2013 by B$13,697,000 (1 January 2013: increased by B$12,337,000) for the Group and by B$14,600,000 (1 January 2013: increased by B$13,180,000) for the Bank.

(k) Total shareholders' funds

Reconciliation of previously reported total shareholders' funds under Brunei GAAP to total shareholders' funds under IFRS at 31 December 2013.

	Group		Bank	
	31.12.2013 B$'000	**1.1.2013 B$'000**	**31.12.2013 B$'000**	**1.1.2013 B$'000**
Shareholders' funds as previously reported under Brunei GAAP	1,111,281	1,030,841	1,017,254	961,669
Financial instruments – Available for sale	4,851	12,506	5,060	12,698
Financial instruments – Fair value through profit or loss	829	829	829	829
Derivatives	1,284	1,284	1,284	1,284
Financing and advances	98,894	98,894	68,839	68,839
Investment property	15,287	15,287	15,287	15,287
Property and equipment	494	494	–	–
Provision for employee benefits	(2,620)	(2,620)	(2,620)	(2,620)
Provision for zakat and taxation	(21,836)	(21,836)	(15,854)	(15,852)
Others	(1,643)	(1,643)	(1,641)	(1,641)
Adjustment to current year's profit	(19,437)	–	(25,169)	–
Share of associate	(1,394)	(1,394)	–	–
Shareholders' funds under IFRS	1,185,990	1,132,642	1,063,269	1,040,493

Reconciliation of shareholders' funds by category

	Brunei GAAP B$'000	Effect of transition to IFRS B$'000	IFRS B$'000
Group			
31 December 2013			
Share capital	724,750	–	724,750
Treasury shares	(2,872)	–	(2,872)
Statutory reserve	294,147	–	294,147
Retained profits	100,654	69,874	170,528
Fair value reserve	(5,398)	4,835	(563)
Shareholders' funds under IFRS	1,111,281	74,709	1,185,990

	Brunei GAAP B$'000	Effect of transition to IFRS B$'000	IFRS B$'000
Group			
1 January 2013			
Share capital	724,750	–	724,750
Treasury shares	–	(3)	(3)
Statutory reserve	241,898	–	241,898
Retained profits	64,289	89,298	153,587
Fair value reserve	(96)	12,506	12,410
Shareholders' funds under IFRS	1,030,841	101,801	1,132,642

	Brunei GAAP B$'000	Effect of transition to IFRS B$'000	IFRS B$'000
Bank			
31 December 2013			
Share capital	724,750	–	724,750
Statutory reserve	262,822	–	262,822
Retained profits	36,120	40,956	77,076
Fair value reserve	(6,438)	5,059	(1,379)
Shareholders' funds under IFRS	1,017,254	46,015	1,063,269

	Brunei GAAP B$'000	Effect of transition to IFRS B$'000	IFRS B$'000
Bank			
1 January 2013			
Share capital	724,750	–	724,750
Statutory reserve	211,895	–	211,895
Retained profits	26,086	66,126	92,212
Fair value reserve	(1,062)	12,698	11,636
Shareholders' funds under IFRS	961,669	78,824	1,040,493

(l) Non-controlling interests

Reconciliation of previously reported non-controlling interests under Brunei GAAP to non-controlling interests under IFRS at 31 December 2013.

Group	**31.13.2013 B$'000**	**1.1.2013 B$'000**
Non-controlling interest as previously reported under Brunei GAAP	24,204	21,752
Property and equipment	481	494
Non-controlling interest under IFRS	24,685	22,246

Principal reclassifications of income statement made to comply with IFRS disclosure requirements

The following reclassifications were performed from line items in the Brunei GAAP income statement to line items in the IFRS income statement to reflect more appropriately the nature of the respective assets and liabilities. As a result, the impact on the comparative numbers for the Group and Bank are as follows:

- Income derived from investment of shareholders' funds amounting to B$55,099,000 and B$37,412,000 of the Group and Bank respectively were reclassified to separate line items – Income from financing, leasing and investments, gains from investments, fees and commission and other operating income.

The following tables summarises the impact resulting from the above reclassifications.

	Brunei GAAP As previously disclosed B$'000	Reclassification B$'000	Brunei GAAP As restated B$'000
Income statement for the year ended 31 December 2013			
Group			
Income derived from investment of depositors' funds and others	226,917	(226,917)	–
Profit derived from investment of shareholders' funds	55,099	(55,099)	–
Profit from financing, leasing and investments	–	225,545	225,545
Gain from derivatives and investments	–	2,946	2,946
Fee and commission income	–	26,956	26,956
Other operating income	–	26,571	26,571
Personnel expenses	(53,433)	(840)	(54,273)
Provision for staff retirement benefits	(840)	840	–
Other expenses	(45,977)	(4)	(45,981)
Finance cost	(2)	2	–
Bank			
Income derived from investment of depositors' funds and others	189,734	(189,734)	–
Income derived from investment of shareholders' funds	37,412	(37,412)	–
Profit from financing, leasing and investments	–	182,715	182,715
Gain from derivatives and investments	–	3,972	3,972
Fee and commission income	–	26,957	26,957
Other operating income	–	13,502	13,502
Personnel expenses	(44,096)	(760)	(44,856)
Provision for staff retirement benefits	(760)	760	–
Other expenses	(37,605)	(2)	(37,607)
Finance cost	(2)	2	–

Reconciliation of Statement of Profit or Loss for the year ended 31 December 2013

Group	Note	Brunei GAAP B$'000	Effect of transition to IFRS B$'000	IFRS B$'000
Profit from financing, leasing and investments	(a)	225,545	6,667	232,212
Profit derived from investment of shareholders' funds				
Profit paid/ payable to depositors		(20,433)	–	(20,433)
Net profit margin		205,112	6,667	211,779
Fee and commission income		29,035	(6,260)	22,775
Fee and commission expense		(2,079)	–	(2,079)
Net fee and commission income	(c)	26,956	(6,260)	20,696
(Loss)/gain on derivatives and investments	(b)	2,946	(24,144)	(21,198)
Other operating income	(d)	26,571	22,827	49,398
Total income		261,585	(910)	260,675
Less:				
Personnel expenses		(54,273)	3,623	(50,650)
Other expenses	(e)	(45,981)	3,296	(42,685)
Total operating expenses		(100,254)	6,919	(93,335)
Operating profit before allowances		161,331	6,009	167,340
Less:				
Allowance for impairment on financing and advances	(f)	(13,852)	(26,503)	(40,355)
Allowance for impairment on investments	(g)	(5,565)	779	(4,786)
Operating profit		141,914	(19,715)	122,199
Share of profit in associate		–	1,509	1,509
Profit before zakat and tax		141,914	(18,206)	123,708
Less:				
Zakat	(h)	(435)	(67)	(502)
Income tax expense	(h)	(27,470)	(1,164)	(28,634)
Total zakat and income tax expense		(27,905)	(1,231)	(29,136)
Profit for the year		114,009	(19,437)	94,572
Profit for the year attributable to:				
Equity holders of the Bank		112,531	(19,424)	93,107
Non-controlling interests		1,478	(13)	1,465
Profit for the year		114,009	(19,437)	94,572

Reconciliation of Statement of Comprehensive Income for the year ended 31 December 2013

Group	Brunei GAAP B$'000	Effect of transition to IFRS B$'000	IFRS B$'000
Profit for the year	114,011	(19,439)	94,572
Other comprehensive income:			
Fair value reserves (available-for-sale financial assets):			
- Net change in fair value	(6,089)	(9,551)	(15,640)
- Net amount transferred to profit or loss	787	(1,343)	(556)
Share of other comprehensive income of associate	–	(20)	(20)
Tax on other comprehensive income	–	3,243	3,243
Other comprehensive income for the year, net of tax	(5,302)	(7,671)	(12,973)
Total comprehensive income for the year	108,709	(27,110)	81,599
Total comprehensive income for the year attributable to:			
Equity holders of the Bank	107,231	(27,097)	80,134
Non-controlling interests	1,478	(13)	1,465
Total comprehensive income for the year	108,709	(27,110)	81,599

Reconciliation of Statement of Profit or Loss for the year ended 31 December 2013

	Note	Brunei GAAP B$'000	Effect of transition to IFRS B$'000	IFRS B$'000
Bank				
Profit from financing, leasing and investments	(a)	182,715	6,000	188,715
Profit paid/ payable to depositors		(16,154)	–	(16,154)
Net profit margin		166,561	6,000	172,561
Fees and commission income		29,036	(6,261)	22,775
Fees and commission expense		(2,079)	–	(2,079)
Net fees and commissions	(c)	26,957	(6,261)	20,696
(Loss)/gain on derivatives and investments	(b)	3,972	(25,278)	(21,306)
Other operating income	(d)	13,502	23,660	37,162
Total income		210,992	(1,879)	209,113
Less:				
Personnel expenses		(44,856)	(67)	(44,923)
Other expenses	(e)	(37,607)	3,323	(34,284)
Total operating expenses		(82,463)	3,256	(79,207)
Operating profit before allowances		128,529	1,377	129,906
Less:				
Allowance for impairment on financing and advances	(f)	(11,601)	(26,679)	(38,280)
Allowance for impairment on investments	(g)	(5,565)	779	(4,786)
Profit before zakat and tax		111,363	(24,523)	86,840
Less:				
Zakat	(h)	(2,859)	(67)	(2,926)
Income tax expense	(h)	(23,626)	(580)	(24,206)
Total zakat and income tax expense		(26,485)	(647)	(27,132)
Profit for the year		84,878	(25,170)	59,708

	Note	Brunei GAAP B$'000	Effect of transition to IFRS B$'000	IFRS B$'000
Bank				
Profit for the year		84,878	(25,170)	59,708
Other comprehensive income:				
Items that are or may be reclassified to profit or loss				
Fair value reserve (available-for-sale financial assets):				
- Net change in fair value		(6,163)	(9,550)	(15,713)
- Net amount transferred to profit or loss		787	(1,343)	(556)
Tax on other comprehensive income		–	3,254	3,254
Other comprehensive income for the year, net of tax		(5,376)	(7,639)	(13,015)
Total comprehensive income for the year		79,502	(32,809)	46,693

Summary of profit or loss and other comprehensive income reclassifications and key adjustments as a result of transition from Brunei GAAP to IFRS

(a) Profit from financing, leasing and investments

The increase in profit comprises additional income arising from the following:

Description	Group 31.12.2013 B$'000	Bank 31.12.2013 B$'000
Recognition of Profit in Suspense derived from financing income during the year	3,897	3,897
Financing and advances measured under the effective yield method	2,770	2,103
Total	6,667	6,000

(b) (Loss)/gain on derivatives and investments

In 2013, there was net loss of B$1,618,000 for the Group and Bank from the revaluation and foreign exchange losses of financial instruments fair value through profit or loss and available-for-sale, and derivatives for the Group and Bank respectively. See summary of balance sheet reclassifications and key adjustments note (c) above.

(c) Fees and commission

Financial services fees that are integral part of the effective profit rate of a financing are recognised as part of the effective yield of the financing. Fees earned as services rendered are capitalised and amortised over the period of service. Under Brunei GAAP, the Group and Bank had recognised these fees immediately in the profit or loss. With the transition to IFRS, these fees are capitalised and amortised. As such, the net fees and commission amounts recognised in the profit or loss in the year was adjusted. See summary of balance sheet reclassifications and key adjustments note (d) above.

(d) Other operating income

The increase in other operating income of Group and Bank is mainly due to foreign exchange gain of B$23,660,000 from USD denominated other financial assets.

(e) Other expenses

The increase in expenses is mainly due to additional depreciation of investment property amounting to B$279,000 due to the write back of provision of investment property for the Bank. Other expenses for the Group also reduced as a subsidiary reclassified the amortisation of salesman commission expenses (directly attributable costs to the financings) amounting to B$1,876,000 to Profit from financing, leasing and investment line item from Other expenses line item. See summary of balance sheet reclassifications and key adjustments note (f) above.

(f) Allowance for impairment on financings and advances

Allowance for impairment of financings and advances increased under impairment assessments under IAS 39. Profit in Suspense amounting to B$22,336,000 was released which was offset by a write back of impairment of B$4,343,000 for the Group and Bank. A subsidiary made an additional write back of BND$176,000. See summary of balance sheet reclassifications and key adjustments note (d) above.

(g) Allowance for impairment on investments

Allowance for impairment on investments decreased due to the reversal of impairment made in 2013 under Brunei GAAP. Under IFRS, the impairment would have been made in earlier periods.

(h) Zakat and income tax expense

Zakat

The effect of the above IFRS adjustments resulted in an increase in zakat for the year ended 31 December 2013 by B$67,000 for both the Group and the Bank.

Taxation

The effect of the above IFRS adjustments resulted in an increase in the income tax expense for the year ended 31 December 2013 by B$1,164,000 for the Group and by B$580,000 for the Bank.

Reconciliation of Profit after tax

Reconciliation of previously reported under Brunei GAAP to profit after tax under IFRS at 31 December 2013 is performed below.

	Group B$'000	Bank B$'000
31 December 2013		
Profit after tax under Brunei GAAP	114,009	84,878
Financing and advances	(18,507)	(23,349)
Derivatives	(3,303)	(3,303)
Investments	1,223	1,243
Property and equipment	(27)	–
Investment property	(280)	(280)
Others	1,166	1,166
Zakat	(67)	(67)
Income tax	(1,164)	(580)
Share of associate	1,509	–
Non-controlling interest	13	–
	(19,437)	(25,170)
Profit after tax under IFRS	94,572	59,708

Material adjustments to the Statements of Cash Flow for 2013

The statement of cash flows presented under IFRS is similar in all material respects to the statement of cash flows presented under Brunei GAAP with the exception of the treatment of customer balances placed with the Group's broker-dealer business, which were recognised on-Balance Sheet with the transition to IFRS. This has the impact of increasing cash and cash equivalents by B$994,000 (1 January 2013: increased by B$726,000) for the Group.

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