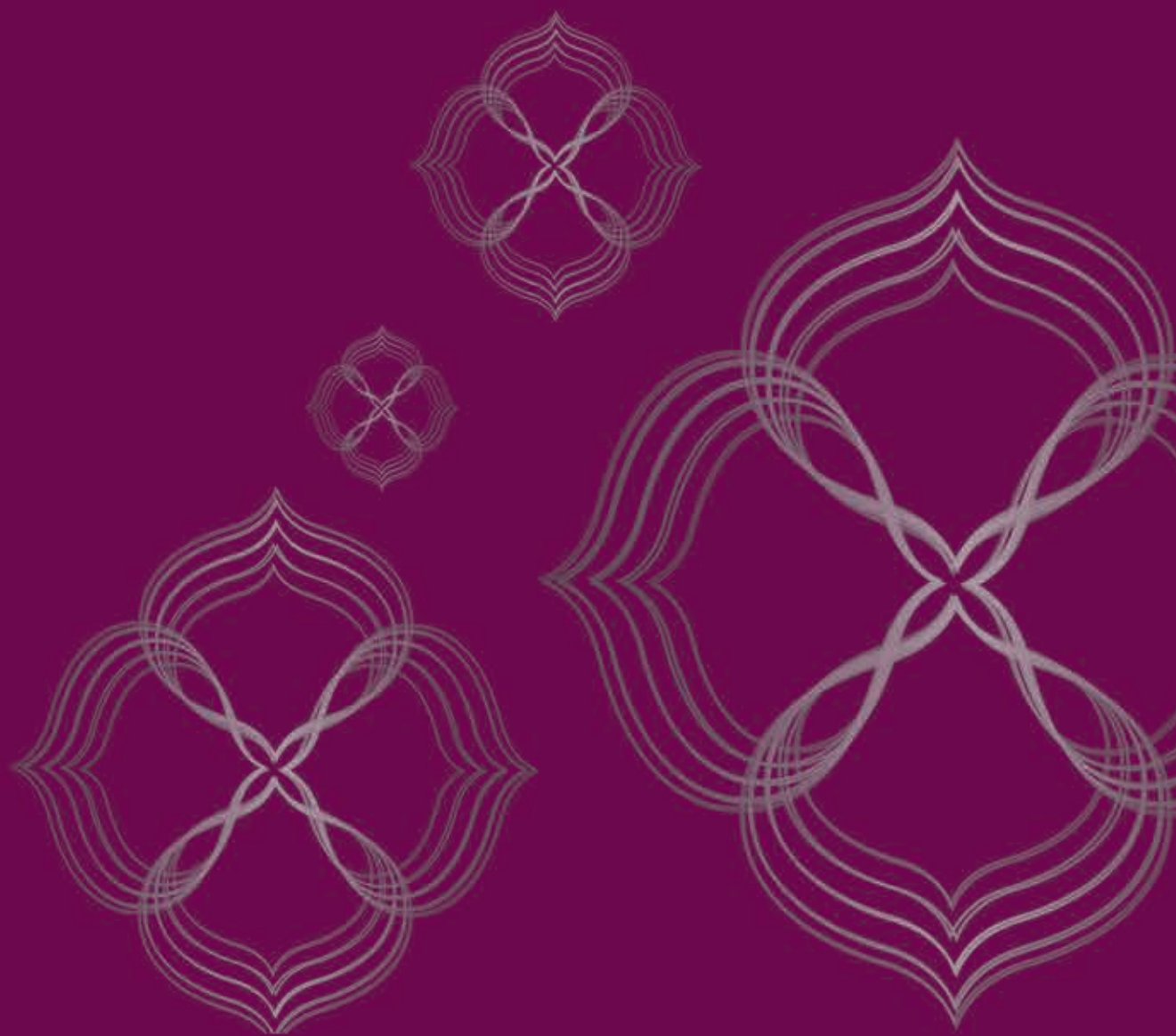




BIBD



2015

ANNUAL REPORT



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Chairman's Statement

Dear Valued Shareholders,



*Bismillahir Rahmanir Rahim
Assalamualaikum Warahmatullahi
Wabarakatuh*

2015 has been a year marked by uncertainties. Lower global energy prices, declining commodity earnings and weakening of emerging markets dampened global growth. However, a relatively strong Bruneian dollar and the Government's long-term reserves served to mitigate risks over the year.

Against this challenging backdrop, Alhamdulillah, BIBD performed admirably for the year in review. We were guided by the year's theme of 'Scaling new heights and achieving aspirations'. This inspired us to be adaptable and flexible to face the challenges around us while keeping focused on our aim to continue our trajectory of growth.

Over the various economic cycles, BIBD has grown by harnessing the strengths of our fundamentals rooted in our Bruneian values. We ended the year on a meaningful note as we reflected back on BIBD's over three decades of transformative growth and achievements, which culminated in BIBD today being the leading bank in Brunei and a renowned Islamic bank in the region. Through the "Bruneian at Heart" brand proposition which resonates in everything that we do,

we are committed to continue building the equity of BIBD and being relevant to our customers through our product and service innovation, for many more decades to come.

Our transformative journey culminated with the launch of our newly refurbished BIBD Headquarters and the Main Branch by Yang Teramat Mulia Paduka Seri Duli Pengiran Muda 'Abdul Malik ibni Kebawah Duli Yang Maha Mulia Paduka Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah. The BIBD headquarters, which was first opened in 1992 by Kebawah Duli Yang Maha Mulia Paduka Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, Sultan dan Yang Di-Pertuan Negara Brunei Darussalam, remains the foundation from which we grew our extensive banking network.

Balancing growth with financial resilience

Our strong compliance culture and prudent management style in ensuring financial stability complements our aspirational drive towards growing our business. We are the top-rated bank in Brunei Darussalam by Standard & Poor's in recognition of our solid capital position, strong liquidity profile, low financing to deposit ratio and sound funding capabilities.

These grounded fundamentals have allowed BIBD to grow domestically over the years and

We are committed to ensure that this balance remains sound for BIBD to continue moving forward in effectively serving our customers and contributing towards the long-term vision of Brunei Darussalam's Wawasan 2035.

move forward in our aspiration to extend our Islamic finance offerings to a wider global audience. In 2015, we opened a representative office in Singapore that will serve as our strategic overseas centre to support our regional customers' needs and promote BIBD's suite of offerings. Insha Allah, we will be opening another representative in Dubai soon that will accord us greater reach to our customers in the Gulf Cooperation Council states.

Our continued growth is made possible because of the seeds we have planted and cared for in ensuring our prudence is balanced with progress and innovation. We are committed to ensure that this balance remains sound for BIBD to continue moving forward in effectively serving our customers and contributing towards the long-term vision of Brunei Darussalam's Wawasan 2035.

Looking ahead to 2016

The year ahead looks set to be another challenging year, but we continue to see opportunities in adversity. Our fundamentals are strong and we have always adopted a long-term view in our business approach. We will continue to actively monitor and conduct stress-test to assess and plug any vulnerabilities given the continuing uncertain market conditions. We are committed to our disciplined

approach in our risk management and funding practices to maintain our strong capital position.

Technological advancement will continue to be a strong underlying feature in our transformative journey ahead as they will enable us to be more efficient. Our revenue pillars remain robust and we will continue to champion the growth of our nation's small and medium sized businesses as well as diversify our business segment portfolios.

Above all, we remain focused on strengthening and elevating our customers' experience, providing our customers with products and services that will support their financial requirements for personal and business ambitions. We aim to be the first choice for our customers, our business partners and our employees and will ensure that the initiatives we put in place will help us realise that aspiration.

Appreciation

I would like to record my gratitude to my fellow Board Directors for their strong support and strategic counsel. The Board and I would like to record our deep appreciation to Mr. Javed Ahmad, who stepped down as Managing Director of BIBD on 30 November 2015, for his commitment and contribution

during his tenure. We also welcome on board Mr Mubashar Khokhar as the new Managing Director and we look forward to scaling greater heights with him at the helm of BIBD. The Board joins me in thanking the employees of BIBD who had performed their roles with dedication and a high level of competence to deliver service excellence to our customers. With the guidance of a strong management team and the dedication of our employees, Insha Allah, we believe that we are in a strong position of strength to face challenges and deliver results to our stakeholders. I thank them all for their efforts in 2015 and look forward to their continued contribution in the years ahead.

I am grateful to our shareholders and our customers for your ongoing support and trust in us. We remain committed to increasing the value of your equity.

I would also like to extend my sincere appreciation to His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam's Government, the Ministry of Finance and our regulators for their continued support, guidance and belief in us.

*Wabillahi Taufik Walhidayah Wassalamu
'Alaikum Warahmatullahi Hi Wabarakatuh*



Dato Paduka Awang Haji Bahrin bin Abdullah
Minister of Development
Chairman

Managing Director's Foreword

Dear Valued Shareholders,



Bismillahir Rahmanir Rahim
Assalamualaikum Warahmatullahi
Wabarakatuh

I am grateful for the opportunity to pen my first message to you as the Managing Director of BIBD in presenting the Financial Report for 2015. My gratitude and appreciation goes to the Board for entrusting me with the responsibility to lead this eminent organisation.

The Group faced its fair share of challenges in 2015. Global economy saw a moderate growth of 3% while the economic activity in emerging markets declined. Sentiments of investors and businesses were impacted by concerns of a prolonged global economic slowdown and capital rationalisation in anticipation of the Federal Reserve's move to raise US interest rates before the end of the year. In Brunei Darussalam, we continued to see progress in the country's on-going economic diversification efforts to pursue non-oil revenue sources as commodity exporters faced headwinds with the lower energy prices. All these factors had an impact on the banking sector resulting in higher funding and capital costs, and adding pressure on operating margins.

Regardless of these external dynamics, BIBD remained committed to identifying and pursuing key opportunities. We have strengthened our banking offerings in the key business segments, as well as on service excellence and business capabilities. Today, BIBD remains the largest bank in Brunei Darussalam with an asset base of \$7.5 billion, and is rated the top bank by an international credit rating agency. We faced the challenges for the year through our grounded values

of being "Bruneian at Heart", thus applying a measured and prudent approach to ensure long-term growth and sustainability reigned at the core of everything that we do.

Resilient performance despite challenging environment

Despite operating under such challenging conditions, I am heartened to report that BIBD showed another year of admirable performance with a 20% increase in profitability from the Bank at \$100.6 million in 2015 compared to \$83.9 million in 2014. Overall, the Group showed a sustained performance with profitability of \$106.7 million in 2015 compared to \$111.5 million in 2014, recording a marginal decline of 4.3%. Total assets declined slightly by 3% and 2% respectively for the Bank and the Group. We continued to maintain prudent practices of building adequate allowances for impairment on financing, advances and financing, and lower recoveries due to the challenging economic environment compared with 2014.

Revenue from our business segments were positive, with an increase of 8% from Consumer Banking and 51% from Institutional Banking, while our Corporate Banking sustained revenues at \$47 million, as compared to 2014. Overall, the growth in revenues from the business segments offset the increasing cost-of-funds. We exercised strict discipline in managing our costs and have one of the lowest cost-to-income ratios in the financial industry at 40%.

We increased our market share to over 55% through concerted efforts by our business leads to grow our customer base through product and service innovation. We also diligently restructured our segment

In Brunei Darussalam, we continued to see progress in the country's on-going economic diversification efforts to pursue non-oil revenue sources as commodity exporters faced headwinds with the lower energy prices.

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composition to reflect the on-going national economic diversification efforts and to better withstand financial volatility in concentrated segments going forward.

This is the second year of financial reporting adopting the International Financial Reporting Standards (IFRS), which provides for greater transparency and international comparability based on global standards. Coupled by our strict adherence to Shariah governance that positions us as an ethically responsible bank for all, our strengthened capital adequacy ratio at 23.8% is above regulatory requirements and industry average, and is more than sufficient to preserve capital.

Innovation and keen understanding of our customers remain drivers for performance

We have continuously invested in our infrastructure and innovation to ensure that we constantly offer our customers solutions that are relevant and timely as markets evolve. Technology remains a cornerstone in promoting operational efficiency and providing a differentiated customer experience.

Responding to our customers' heightened expectations for a more fulfilling digital experience, as well as to match their increasingly rapid pace of life, we upgraded and deployed enhanced digital capabilities to ensure greater convenience for our customers in conducting their banking transactions. These enhancements included the introduction of a digital banking platform that enables faster and convenient onboarding of new customers as well as servicing the banking needs of our existing customers digitally, bypassing the need for manual form filling. Customers can also

connect in real time with our customer service personnel through our Instant Secure Digital Chat feature, which was introduced on our mobile app.

On the Institutional Banking front, our keen understanding of our customers led us to structure a restricted profit-sharing investment account with a counterparty bank within the region, where we also provided our services as the Shariah advisor. This was a first of its kind initiative in Brunei conducted with a counterparty bank, and reflects our ability to offer tailored financial solutions to meet our customer's requirements.

Supporting the nation's agenda for economic growth and diversification remains a key focus for us at BIBD. Our Corporate Banking division's proposition is anchored in the philosophy of offering holistic solutions for businesses at every stage of their development, from their initial years to when they become large corporations. Our understanding of their challenges, needs and aspirations have resulted in us sharpening our offerings to this customer segment, thereby increasing our portfolio by 6% to \$775 million. Our market share improved to 46.5% in 2015 compared to 43.6% in 2014.

Under our Consumer Banking, we strengthened our value proposition by enhancing the features of our full suite of products and promoting them through our analytics-driven marketing campaigns. We rewarded our customers through loyalty programmes and attractive opportunities to participate in contests, while promoting financial products that catered to their needs. We were able to secure a leading edge of 55% market share, strengthening

our already strong position as the leader in Consumer Banking. Our keen understanding of our customers was validated by the strong ratings we received from customer satisfaction surveys conducted by ACORN in which BIBD scored the highest among all banks in Southeast Asia. Our efforts were recognised when the esteemed The Asian Banker awarded us the prestigious title of "The Best Retail Bank in Brunei" for the third year in a row. This award acknowledges the efforts we made into building a long-term sustainable franchise with strong profitable returns, and understanding of our customers.

All these efforts saw BIBD increasing our market share to 55% and strengthening our leadership position as the preferred bank of choice for our customers in Brunei Darussalam.

Recognised internationally for our sound financial management

It was a proud milestone for us when international credit rating agency Standard & Poor's (S&P) reaffirmed BIBD as the top bank in Brunei with an A- rating. This is testament to BIBD's sound financial management that allows the Bank to meet its financial commitments. It is a meaningful acknowledgement to us as it is a validation of the stringent governance we take in managing our business that solidifies our position as the safest and top rated bank in Brunei, putting us on par with leading regional banks in ASEAN.

Inshaa Allah, I am confident that with our continued high levels of governance and disciplined compliance culture, we are able to balance shareholders' desire for sustainable returns and high standards of prudence.

Internationalising our offerings

The rapid progress of Islamic finance has reached a new dimension with its greater integration into the international financial system. It has also drawn a higher level of foreign participation which has resulted in increased cross-border flows.

To capitalise on the surge of international interest for more ethically responsible financing solutions, we set up a representative office in Singapore to cater to providing greater analytics of this potential as well as to promote our expertise in this area. Singapore was chosen as it was a strategic centre to the international financial markets in the region and in having an interchangeable currency, we are well placed to leverage on opportunities.

Our Singapore office sets the tone for expanding our presence into other key global markets, and Inshaa Allah, we will be opening another international office in the Middle East soon.

Investing in our human capital

It is only through the commitment and dedication of our people that we are able to drive our business forward to build long-term value for our shareholders and serve the needs of our esteemed customers. At BIBD, we believe that continuous learning and up scaling of talents is necessary to create innovation and productivity. We invest in our employees by fostering an environment that encourages and rewards continuous learning and development.

We have in place training and development programmes that address both core banking and soft skills necessary to be an effective banker of today and tomorrow. We work closely with renowned industry specialists such as the Islamic Banking and Finance

Institute Malaysia (IBFIM) and Financial Planning Association of Malaysia (FPAM) to tailor programmes to cater to each level of growth.

Succession planning is important to a Bank with a long and rich legacy such as BIBD so as to ensure its continued sustainable growth for many more decades to come. Many of our bright talents have scaled the management rungs from within BIBD and are now in leadership positions themselves. In 2015, we introduced the Leadership Programme to ensure our talents have the right opportunities today to grow into effective leaders of tomorrow. As a start, I am proud to see 24 BIBD talents identified for the first roll-out of this programme. Our leadership talents also have the opportunity to gain global exposure through international secondment initiatives, and we will be expanding this programme to more markets in 2016.

Our efforts have created an engaged and motivated workforce, as attested by the 2015 Employee Engagement Survey by Towers Watson. We will continue to build on the strengths of our people, as we believe that we can only grow when our people grow.

Looking ahead

The challenging economic conditions that outlined 2015 is expected to continue to prevail in 2016. No doubt, we will continue to face more headwinds arising from this. The key imperative for us remains to protect the interest of our shareholders by preserving the Group's balance sheet and capital efficiency. Our vigilance will continue to remain high as we undertake close monitoring of our portfolio for continued risk assessment. While we cannot direct external factors, we can control our internal processes to

proactively manage asset through our sound risk management framework.

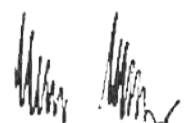
Having said that, we have to be agile to capitalise on opportunities that are ever present. 2016 will be the year where we recalibrate our strengths so that all efforts are aligned to positioning BIBD as the first choice for our customers, our employees and our shareholders. We will enhance mobility and accessibility of our products and services while ensuring innovation underscores relevance of our products and service offerings. Technology will be a key factor that we will harness to redefine the way we do our business. We will strengthen our branding efforts while continuing with community building initiatives.

On a personal note, I am proud to join this leading bank and look forward to working together to realise the aspirations of BIBD and the nation. There is a high level of energy and enthusiasm among the employees and the management team who are motivated to take BIBD to greater heights. I would like to thank the Chairman and the Board for their wholehearted support and guidance.

To our customers and our shareholders, we reaffirm our commitment to serving you and building greater value. Thank you for your trust and support in us.

Finally, I would like to accord my sincere gratitude to His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam's Government, especially to the Ministry of Finance and to our regulators for your steadfast support and confidence in us.

*Wabillahi Taufik Walhidayah Wassalamu
'Alaikum Warahmatullah Hi Wabarakatuh*



Mubashar Khokhar
Managing Director

Heartfelt Appreciation

Former Board of Directors



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



Yang Mulia Javed Ahmad
Managing Director of BIBD
Director

Former Shariah Advisory Body Members



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



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



**Yang Mulia
Awang Haji Hardifadhillah
bin Haji Mohd Salleh**
Head Religious
Enforcement Officer,
Ministry of Religious Affairs
Co-Secretary



Board of Directors



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

Yang Berhormat Dato Bahrin is currently the Minister of Development. Previously, he served as the Deputy Minister of Finance after having held several senior positions within the Ministry of Finance and the Brunei Investment Agency (BIA). He also currently serves as Chairman of Darussalam Assets Sdn. Bhd., Strategic Development Capital Fund, Royal Brunei Airline (the National flag carrier of Brunei Darussalam), Brunei Shell Joint Venture Companies (BSJVs), Brunei National Petroleum Company (Petroleum BRUNEI), and as a member of the Board of Directors for a number of Brunei's Government Linked Companies (GLCs). He holds an MBA in Strategic Management (Majoring in Finance) from University of Strathclyde, Scotland.



**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. Awang Junaidi holds a B.Sc Degree in Computer and Management Sciences from Keele University, United Kingdom.



**Yang Mulia Dato Paduka
Iqbal Ahmad Khan**
Chief Executive Officer,
Fajr Capital PLC
Director

Yang Mulia Dato Iqbal is the Chief Executive Officer of Fajr Capital. He is also a member of the Board of Directors of BIBD, GEMS Education, Jadwa Investment, MENA Infrastructure and National Petroleum Services. Prior to Fajr Capital, Dato Iqbal was the founding CEO of HSBC Amanah, the global Islamic financial services division of the HSBC Group.

He is a long-time advocate of the Islamic financial services industry, serving as an advisor to Government initiatives in Brunei Darussalam, Malaysia, Saudi Arabia, UAE, and the UK. 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.

Dato Iqbal is the recipient of several industry and global accolades, including the Royal Award for Islamic Finance, a biennial prize presented by HM the King of Malaysia. He was bestowed the bintang kebesaran Negara Brunei Darussalam by His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam; and a Lifetime Achievement Award presented by HH Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister of the UAE and Ruler of Dubai.



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

Yang Mulia 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 Dr. Abdul Manaf bin Haji Metussin
Permanent Secretary, Ministry of Primary Resources and Tourism Director

Yang Mulia Dr. Manaf was previously appointed as Permanent Secretary, Ministry of Home Affairs and 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 Universiti Brunei Darussalam. Internationally, 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 Awang Mozart bin Haji Ibrahim
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.



Yang Mulia Mubashar Khokhar
Managing Director of BIBD Director

Yang Mulia Mubashar Khokhar is a seasoned financial services professional with more than thirty-two years of experience across fifteen developed and emerging markets, including the USA, Europe, Asia, Africa and the Gulf Cooperation Council (GCC).

Prior to Fajr Capital, Mr Khokhar was the CEO of Ajman Bank, a publicly listed Shari'a compliant bank in UAE, and also served as the CEO of Badr Al-Islami/Mashreq Al-Islami, a wholly owned subsidiary of MashreqBank.

During his reign, Mashreq Al-Islami and Ajman Bank received widespread industry recognitions, including the coveted 'Best Domestic Bank' award. Mr Khokhar has previously served on the Board of Directors of Badr Al-Islami and Saudi American Bank (SAMBA) Pakistan Ltd, and held senior positions in American Express Bank and Bank of America. He has an MBA and BBA (Hon.) from Ohio University, USA.

New Board Members

Yang Mulia Majed Nasser Alsubaei
Board Director,
Mohammed Alsubaei & Sons Investment Company (MASIC) Director

Mr Majed Alsubaei is the Board Director of MASIC, a member of Internal Audit Committee as well as a member of the Human Resources Compensation and Nomination Committee.

Mr Majed is also the CEO of Nasser Alsubaei and Sons Investment Co, where he has proactively engaged in the strategic and operational development of the company.

Mr Majed has had previous experience in real estate project management, and financial analysis. Mr Majed holds a BSc in Economics from King Saud University, Kingdom of Saudi Arabia.

Shariah Advisory Body



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

Yang Mulia Dato Awang Haji Abdul Aziz is a Permanent Secretary of Ministry of Religious Affairs. He is also a member to the Board of Directors for Syarikat Takaful Brunei Darussalam Sdn Bhd and Syarikat Wafirah & Ghanim Sdn. Bhd. Yang Mulia Dato was previously served as the Deputy Chairman of BIBD Shariah Advisory Body prior to his current Chairmanship. Yang Mulia Dato holds Bachelor's Degrees in Law from the National University of Malaysia (UKM), Malaysia and in Usuluddin from the Al-Azhar University, Egypt.



Yang Mulia
Dr. Haji Japar bin Haji Mat Dain @ Maidin
Deputy State Mufti
State Mufti Department of
Prime Minister Office
Member

Yang Mulia Dr. Haji Japar is the Deputy State Mufti of Brunei Darussalam. He is also a member of Brunei Religious Council and International Islamic Fiqh Academy, OIC Jeddah. He was previously a member to the Shariah Financial Supervisory Board at the Ministry of Finance. Dr. Haji Japar holds PhD and Masters in Shariah from the University of Malaya, Malaysia and a bachelor's Degree in Usuluddin (Aqidah and Philosophy) from the Al-Azhar University, Egypt.



Yang Mulia
Dr. Awang Abdul Nasir bin Haji Abdul Rani
Dean,
Faculty of Economics and Islamic Finance,
Islamic University Sultan
Shariff Ali (UNISSA)
Member

Yang Mulia Dr. Abdul Nasir is the Dean of Faculty of Business and Management Sciences, Universiti Sultan Sharif Ali (UNISSA). His expertise is in Islamic Economics and Fiqh Muamalat. 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 Yarmouk University, Jordan and a Bachelor's Degree in Islamic Studies from the University of Brunei Darussalam. He has written several books related to Islamic Economic and is actively presenting papers locally and in international conferences in the area of Islamic Finance.





Yang Mulia
Dr. Dayang Hajah Rose binti Abdullah
Senior Lecturer
Faculty of Business and
Management Sciences
Islamic University Sultan
Shariff Ali (UNISSA)
Member

Yang Mulia Dr. Dayang Hajah Rose is a Senior Lecturer in the Faculty of Business and Management Sciences, University Sultan Sharif Ali (UNISSA). She holds PhD in Islamic Civilization from National University of Malaysia, a Masters in Islamic Banking and Finance from Universiti Brunei Darussalam, a Masters in Business Administration from Heriot-Watt University UK, a Bachelor's Degree (Hons) Economics from National University of Malaysia, a Post Graduate Diploma in Islamic Banking and Insurance from United Kingdom and a Diploma in Public Administration from Mara Technology University (UiTM), Malaysia. She has written several books and is actively presenting papers locally and international conferences in the area of Islamic Finance. Dr. Hajah Rose was awarded for "The Best Paper Award" (3rd) in the 6th Islamic Economic System Conference (IECONS 2015), Thailand, "The Outstanding Paper" in the 2015 Emerald Literati Network Awards for Excellent and "The Best Paper Award" (1st) in the 5th Islamic Economic System Conference (IECONS 2013), Malaysia.



Yang Mulia
Dr. Haji Noralizam bin Haji Aliakbar
Student's Dean and Lecturer
Seri Begawan Religious Teachers
University College (KUPUSB)
Member

Yang Mulia Dr. Haji Noralizam holds a PhD in Syariah (Specialised in Fiqh and Usul Fiqh) from Jordan University. He was the first Bruneian to received PhD from this university. He also holds a Masters in Syariah from Jordan University and a Bachelor Degree (Hons) in Syariah Islamiah from Al-Azhar University. Dr. Haji Noralizam active in delivering public talks on religious matters as well as presenting papers on Islamic Finance both local and in international conferences.

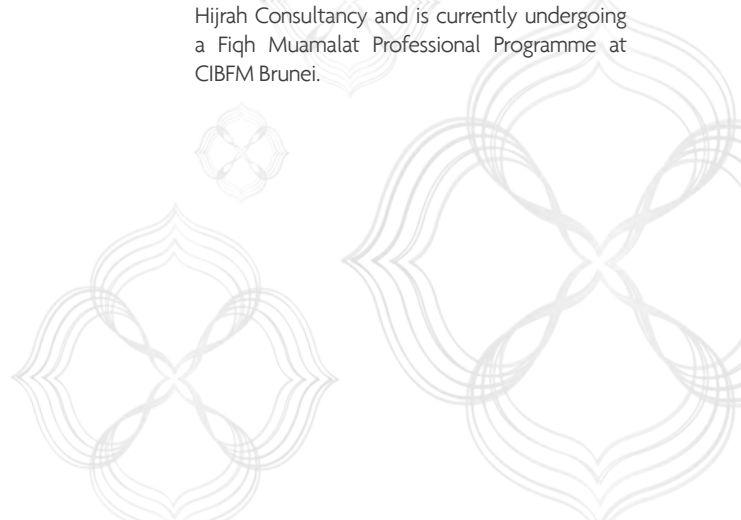


Yang Mulia
Dayang Hajah Hanifah binti Haji Jenan
Head of Syariah, BIBD
Secretary

Yang Mulia 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 the Syariah Department and handled Takaful duties when she was seconded to Takaful BIBD.

Prior to joining the banking sector, she spent three years practising Syariah law, handling Muslim matrimonial and criminal matters in Syariah courts in Kuala Lumpur and Brunei.

Hajah Hanifah holds a BA (Hons) in Syariah 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 undergoing a Fiqh Muamalat Professional Programme at CIBFM Brunei.



Management Team



Yang Mulia Mubashar Khokhar
Managing Director of BIBD

Yang Mulia Mubashar Khokhar is a seasoned financial services professional with more than thirty-two years of experience across fifteen developed and emerging markets, including the USA, Europe, Asia, Africa and the Gulf Cooperation Council (GCC).

Prior to Fajr Capital, Mr Khokhar was the CEO of Ajman Bank, a publicly listed Shari'a compliant bank in UAE, and also served as the CEO of Badr Al-Islami/Mashreq Al-Islami, a wholly owned subsidiary of MashreqBank.

During his reign, Mashreq Al-Islami and Ajman Bank received widespread industry recognitions, including the coveted 'Best Domestic Bank' award. Mr Khokhar has previously served on the Board of Directors of Badr Al-Islami and Saudi American Bank (SAMBA) Pakistan Ltd, and held senior positions in American Express Bank and Bank of America. He has an MBA and BBA (Hon.) from Ohio University, USA.



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

Yang Mulia 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 Dr. Gyorgy Ladics
Chief Operating Officer

Yang Mulia 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 to expand geographically and enter new markets like India, Pakistan, Russia, and re-launched businesses in the UAE, Egypt and Uganda.

He was a key member for mergers and acquisitions (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. Dr. Ladics holds a Master's Degree in Electrical Engineering and Informatics, and a Doctorate Degree from Budapest University of Technology and Economics.



Yang Mulia Haji Minorhadi Haji Mirhassan
Head of Government Relations and
Special Projects & Managing Director of
BIBD Securities

Yang Mulia Haji Minorhadi has more than 25 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 holds a BTEC HND in Business and Finance from Institut Teknologi Brunei as well as an MBA from the Singapore Management University.



Yang Mulia Hak Yeung
Head of Merchant Banking

Yang Mulia Hak Yeung has over 20 years of financial services experience including corporate finance and strategic advisory. He has successfully advised numerous companies across Europe and East Asia.

Prior to joining BIBD, he was Head of UK and Head of Business Development Asia at goetzpartners Corporate Finance, an independent European advisory firm. His controlled functions under the UK Financial Services Authority (now Financial Conduct Authority) included Chief Executive, Compliance Oversight and Money Laundering Reporting.

Prior to goetzpartners, he was at CEA Group, a US headquartered global investment banking and private equity group focussing on media, entertainment, telecom and technology sectors. He has also worked for NatWest Markets and KPMG London. Mr. Yeung is a qualified chartered accountant with a BSc (Hons) in Banking and International Finance from City University, London and a MSc in Development Economics from Oxford University.



Yang Mulia Imran Samee
Head of Retail Banking

Yang Mulia Imran 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 the 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. 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.



Management Team



Yang Mulia Koh Swam Sing
Head of Corporate Banking

Yang Mulia Koh Swam Sing has vast knowledge and experience working in Corporate Banking as well as in Operations and Credit Risk. His career began with The Island Development Bank Bhd in 1983 where he held various positions in branch operations, administration and credit management.

As one of the pioneers of BIBD, Mr. Koh played a key role in the Bank's transformation towards 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 Azmat Ashraf
Corporate Banking Advisor

Yang Mulia Azmat Ashraf has thirty years of diverse international experience with First Chicago, Deutsche Bank, American Express, Saudi Fransi and Mashreq Bank in the Middle East and South Asia.

Additionally, he was also the Managing Director of a brokerage house and an Islamic finance firm. He conceived and executed the local integration of Mashreq Bank's branches in Pakistan and its merger with another domestic bank.

As the CEO of a full service commercial bank, he led the acquisition and amalgamation of other banks and financial services companies. Mr. Ashraf holds a Bachelor's degree in economics from the University College London and an MBA from the University of Bradford.



Yang Mulia Dayangku Fatimah Pengiran Haji Jadid
Head of Human Resources and Human Capital

Yang Mulia 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 Salman Ashraf Khan
Head of Treasury & Global Markets

Yang Mulia Salman Khan is a seasoned investment banker with over 24 years of working experience with high profile institutions such as Deutsche Bank (as Global Head of Islamic Distribution), HSBC, Standard Chartered, ABC and now BIBD.

He has been covering global financial institutions during the last 12 years, covering the EMEA and ASEAN regions. He has also served as the Treasurer of Dubai Islamic Bank and Noor Islamic Bank. He has been instrumental in bringing some innovative structures and products in the Treasury space.

He is a frequent speaker and a subject matter expert on Treasury. He is a qualified Chartered Financial Analyst (CFA) and holds an MBA degree and a PGD qualification.



Yang Mulia Hein Jan Smit
Chief Risk Officer

Yang Mulia 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 responsibilities 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, further enhancing 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 Hanifah
Haji Jenan**
Head of Shariah

Yang Mulia 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 the Shariah Department and handled Takaful duties when she was seconded to Takaful BIBD.

Prior to joining the banking sector, she spent three years practising 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 undergoing a Fiqh Muamalat Professional Programme at CIBFM Brunei.



Yang Mulia Irwan Lamit
Managing Director
BIBD At-Tamwil Berhad

Yang Mulia Irwan 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. Irwan holds a B.Sc (Hons) in Applied Accounting from Oxford Brookes University, UK.



Corporate Profile

Brunei's Leading **Financial Institution**

BIBD, Brunei's largest bank and flagship Islamic financial institution, was formed in 2005 through the merger of Islamic Bank of Brunei and Islamic Development Bank of Brunei. It is an internationally recognised financial institution governed by global best practices under the guidance of an experienced management team. BIBD is committed to meeting the needs of our customers from all walks of life through continuous service, product and technology innovations.



As Brunei's flagship Islamic bank and largest financial services provider, with over 700 employees and B\$7.5 billion worth of assets under management, we proudly serve more than 150,000 customers. Our valued customers include Consumer, Corporate as well as Institutional clients. Headquartered in Bandar Seri Begawan, we have fifteen branches at strategic locations in Brunei's four districts and the largest network of ATMs in the country, serving over a quarter of the Bruneian population. Thanks to BIBD's presence across the country, we have the largest contact center in Brunei, and offer our customers convenience through solutions such as internet and mobile banking.

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

Since the commencement of our transformative journey, BIBD has undertaken reformation of its brand, which included upgrades in its overall service delivery and branch design that depict the Islamic visual canvas of Brunei Darussalam. This distinct identity sets BIBD apart from other financial



institutions in Brunei Darussalam, while establishing a service benchmark that is truly “Bruneian at Heart”. The amalgamation of all these efforts places BIBD in a stronger position to deliver on its aspirations and forge ahead in the local and international arena.

Shareholders

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

Bruneian at Heart

BIBD is a bank for the people of Brunei by the people of Brunei. Our ethos perfectly captures the essence of inclusiveness of Islamic Banking. We provide smart, safe and practical financial services and solutions to our customers regardless of race or religion, ultimately supporting the ambitions of the Bruneian community. BIBD’s long-standing record of intrinsically and genuinely understanding the aspirations and culture of Brunei Darussalam inspires and enables us to constantly innovate to offer solutions that best fit the needs of all our customers.

Governance

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

Active Subsidiaries & Associates

• BIBD At-Tamwil Bhd

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

• BIBD Securities Sdn Bhd

A wholly-owned subsidiary, offering Islamic wealth management products and brokerage services for local BIBD shares and foreign securities listed on the Kuala Lumpur and Singapore stock market.

• Syarikat Takaful Brunei Darussalam (Associate)

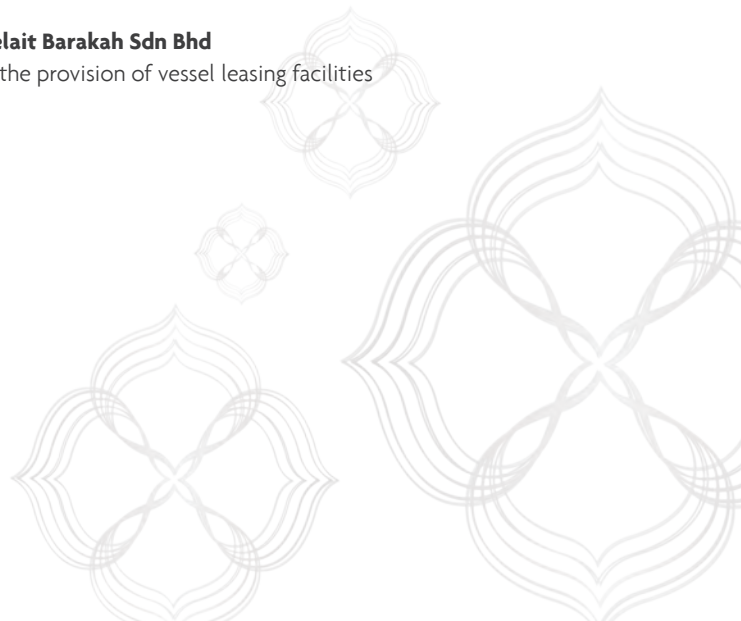
It provides General and Family Takaful services through its subsidiaries: Takaful Brunei Am and Takaful Brunei Keluarga

• BIBD Al-Kauthar Funds DCC Incorporated

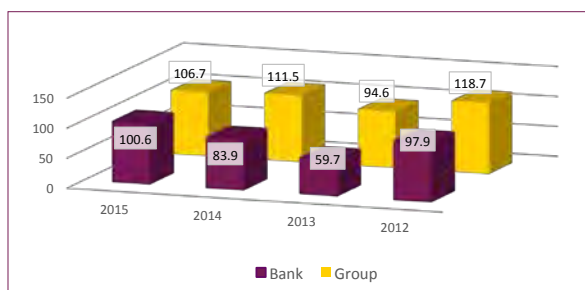
For the provision of fund management services

• Belait Barakah Sdn Bhd

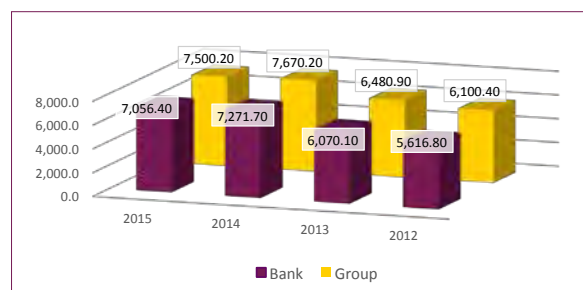
For the provision of vessel leasing facilities



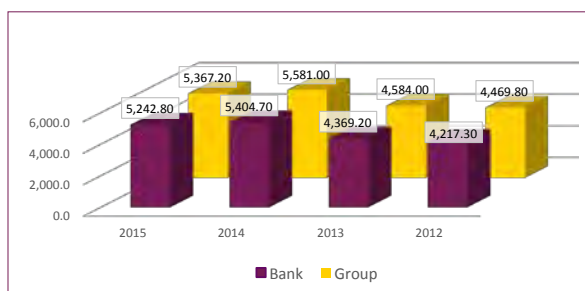
Statistics



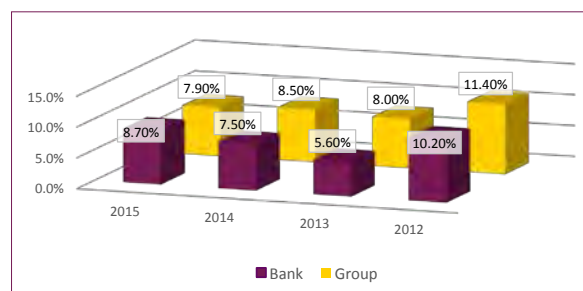
Net Profit after Zakat and Taxation (B\$ Million)



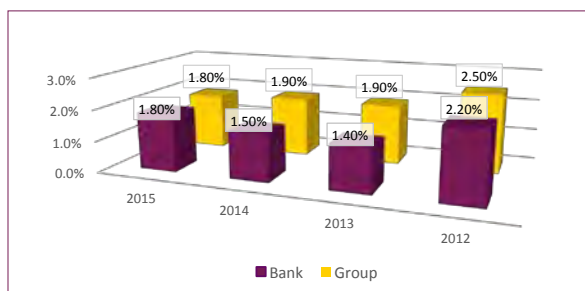
Total Assets (B\$ Million)



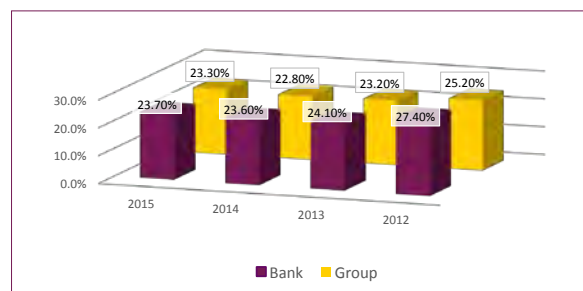
Deposits from Customers (B\$ Million)



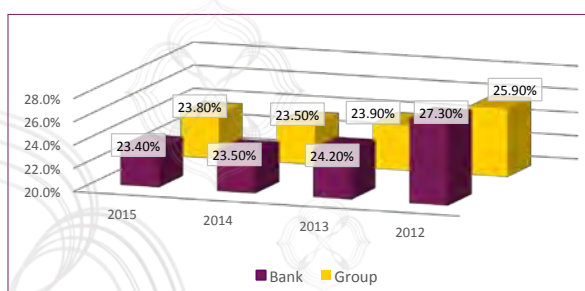
Return on Equity (%)



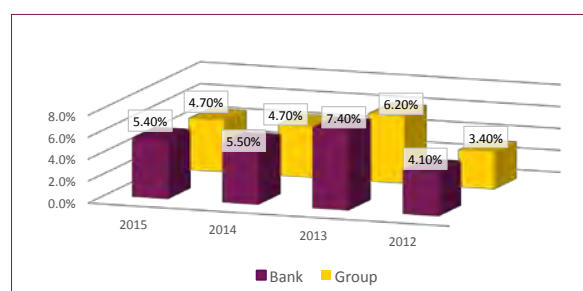
Return on Asset (%) - Before Taxation



Capital Adequacy Ratios Tier 1 (Core Capital) (%)



Total Capital Adequacy Ratio (%)



Net Non-Performing Financing Ratio Tier 1 (%)

Convenience Banking in 2015



BIBD Mobile
transactions
more than
2.5
Million



Card
transactions
more than
2.3
Million



Calls received
more than
300
Thousand



Hadiah Points
distributed
more than
250
Million



BIBD Online
transactions
200
Thousand



15
Branches
56 ATMs,
19 CDMs &
11 CQMs

Business Review

Consumer Banking Division

Corporate Banking Division

Institutional Banking Division

Treasury & Global Market Division

Merchant Banking Division

Support Departments

Operations and Technology Division

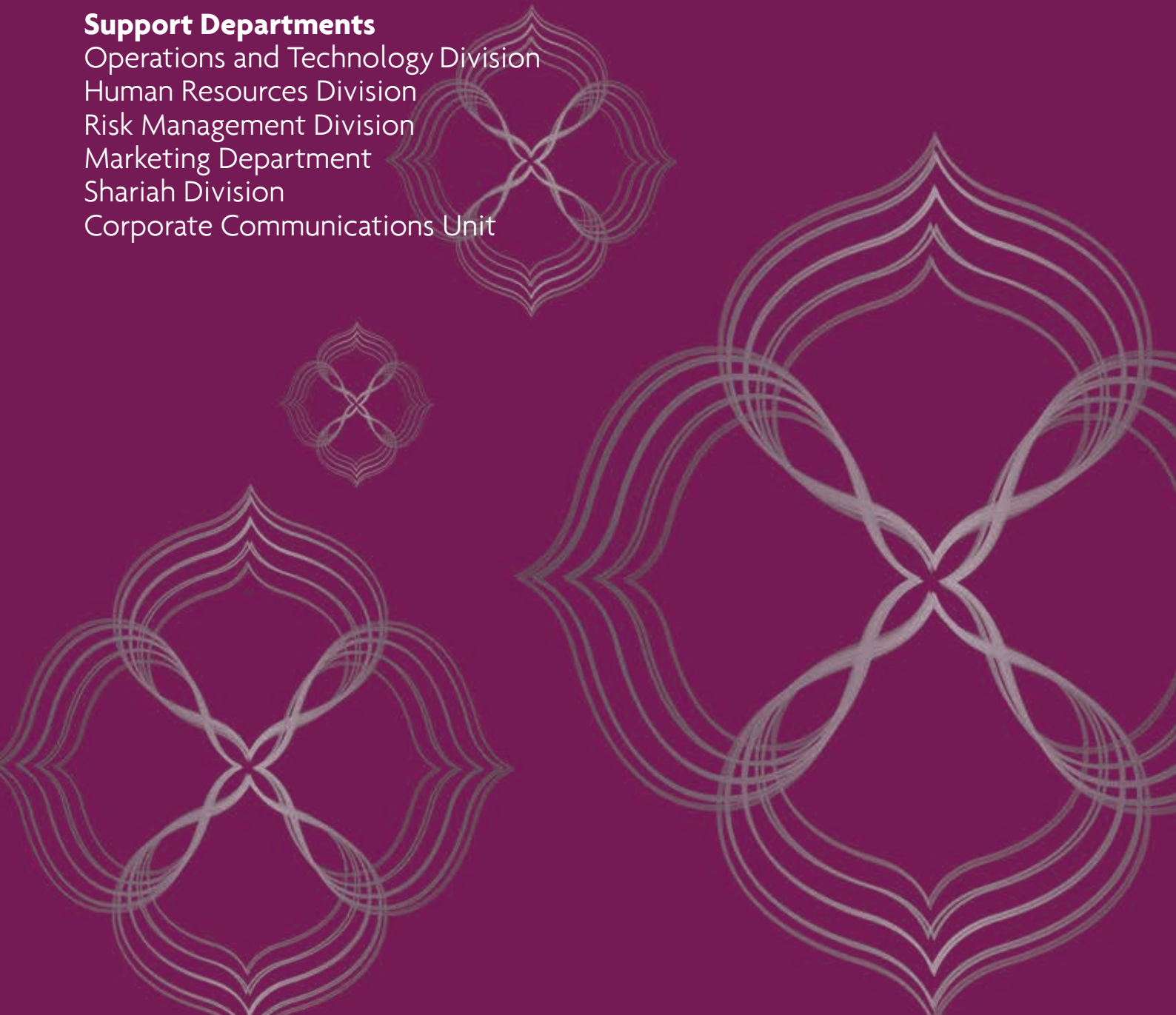
Human Resources Division

Risk Management Division

Marketing Department

Shariah Division

Corporate Communications Unit



Consumer Banking Division

2015 was a watershed year for us as we recorded another outstanding performance in the Consumer Banking Division. The significant improvements in our earnings were based on our relentless business building momentum from 2014. We attribute our unparalleled growth to the on-going consolidation and innovation undertaken on the process re-engineering and risk management fronts.



All these efforts led to Consumer Banking significantly increasing its revenues, and profitability before Zakat and Tax compared to 2014. Cost-to-income ratio was kept at an admirable 24% as we generated maximum productivity and efficiency from our investments.

Against the backdrop of an intensely competitive yet cautious market, we managed to grow our customer base by 5% compared to 2014. Our expanding customer base provided the foundation of robust growth in both financing and deposits.

We successfully outpaced the market and grew our consumer financing portfolio by 12% compared to 2014. Although the consumer market continued to shrink with a decline of 3% to 5% per annum, BIBD Consumer Banking gained 4% market share to cement our leadership position with 53.24% market share

in consumer financing products. This is a testament to the relevance and preference of our products and services that are developed to meet our customers' requirements.

On the deposits front, we registered a strong performance with a 10% increase in our deposits portfolio compared to the corresponding period in 2014. Overall, we are humbled to meet the expectations of our customers and recorded a lower customer attrition rate compared to 2014.

We strengthened our service delivery for better growth at all customer touch points. We concluded the refurbishment of our 'Bruneian at Heart' brand concept at our Main, Manggis, Tanjung Bunut, and Airport branches. The Main Branch at Bandar Seri Begawan was inaugurated by Yang Teramat Mulia Paduka Seri Duli Pengiran Muda 'Abdul Malik ibni Kebawah Duli Yang Maha Mulia Paduka

Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah in November 2015. These initiatives are aimed at invigorating BIBD's image while providing customers with an enhanced and world class service experience.

We continued to innovate on our online and mobile banking platforms, keeping BIBD at the forefront of digital banking convenience. As part of innovation in our process reengineering efforts, we implemented various enhancements to functional and transactional capabilities for mobile banking. This contributed to our active mobile banking customers rising to over 70,000. All our efforts in the past and now to develop the BIBD brand have stood us in good stead as BIBD scored 92% for overall brand awareness and 60% for being top-of-mind of consumers. This is the highest score among all the banks operating in Brunei and also in Southeast

Consumer Banking Division

Asia. Throughout the year, we introduced many major tactical promotions to reward our existing customers as well as to acquire new customers. Our innovative programmes received overwhelming response which contributed to our impressive sales results.

Excellent customer service and the quality of our customers' experience were crucial factors why BIBD achieved highest scores in the banking industry customer satisfaction survey conducted by ACORN. An overwhelming score of 92% was accorded for 'overall customer satisfaction' to BIBD. Likewise, customers accorded BIBD 89% for 'likelihood to recommend'. The scores conferred on BIBD in both categories were higher than all of BIBD's peers in the industry by a wide margin. Similar trends were also evident in results of 'Mystery Shopping' surveys. The quarterly surveys showed a marked improvement in the last quarter (Wave 4) of the year where

we scored 80% compared to 73% scored in the first quarter (Wave 1) of 2015. We are proud to note that this result is higher than our peers in the banking industry. In our quest to constantly elevate our levels of service and offerings, we have initiated five important projects to reengineer critical customer processes for an even more convenient and efficient customer journey.

Our non-performing financing (NPF) rate reduced to 2.2% compared to 3.49% in 2015. This was attributed to our adherence to ensuring quality customers with quality assets. We also made significant improvements to our operational risk management through reinforcement of policies and procedures in various areas including cash management, premises and e-channels, among others.

Crucial to our success are our people. We value the contribution of our employees and

place importance in constantly engaging and motivating them so that they build meaningful careers here at BIBD. We are proud to note that the employee engagement scores for staff of the Consumer Banking Division improved to 81% in 2015 compared to 68% from the last survey done in 2010. This is a very notable improvement and is among the highest in BIBD. We will continue to build a strong and talented workforce in our Consumer Banking Division to be able to serve the needs of our customers and the Bank.

In recognition of BIBD's superlative performance in the Consumer Banking space, we were awarded the "Best Retail Bank in Brunei 2015" by The Asian Banker for the third year in succession. This award is highly coveted within the industry as it is assessed after a rigorous review of the bank's performance against a very wide range of criteria.

Corporate Banking Division

Despite the challenging environment, the Corporate Banking Division charted a positive performance amid the modest economic growth across industries. We increased our portfolio by 6%, at B\$775 million compared to B\$731 million in 2014. Operating revenue for the period under review was B\$47 million. Our efforts for the year saw us growing our corporate banking market share was 46.5% in 2015 compared to 43.6% in 2014.

The growth in our portfolio is attributed to managing and growing our existing client's base organically, while expanding to include new clients from the small and medium sized (SME) business segments. While the challenging oil and gas prices had an impact on our customers' businesses, we managed to mitigate any adverse losses to our financing portfolio due to our already stringent and robust risk management practices and

compliance processes. The effect of our risk management and compliance approach saw a negligible impairment of 0.21% for the bank.

We continue to uphold and support the nation's agenda to build up the country's pipeline of SMEs. With our capabilities, BIBD is best placed to deliver unmatched services to businesses which are looking to seize new opportunities and grow. We offer them the relevant solutions to meet the financial needs of their businesses, from cash flow management to financing options. We also sharpened our focus on targeted industries which include agriculture, fisheries, manufacturing and tourism.

To ensure our customers receive the necessary support to facilitate their business development, we provide them with advisory and counselling services on

financial management and general operations, as well as organised regular seminars and engagements with management specialists to share knowledge on business processes and requirements. These are part of our efforts to deepen our relationships with our customers and support them so that they are able to grow and effectively contribute to nation building.

We also place importance on strengthening the building blocks for the next generation of entrepreneurs and have worked closely with the government and institutions of higher learning and universities to conduct business talks and trainings. We believe that the seeds of knowledge planted today can be cultivated towards nurturing a spirit of entrepreneurship for tomorrow.

Institutional Banking Division

While the extenuating environment in 2015 continued to be challenging with weak commodity prices, a relatively strong Bruneian dollar coupled with our ongoing diversification efforts saw a greater appreciation for Islamic Finance solutions.

For 2015, we achieved record-breaking growth with an overall revenue increase of 51.5% compared to the previous year. Institutional Banking's revenue for the period in review was B\$82.39 million a commendable growth which we attribute to our keen understanding of our clients' needs and our ability to structure solutions that cater to them.

BIBD's Institutional Banking Division focuses on overseeing the bank's liquidity, assets, and investments across a range of Islamic financial instruments to provide risk adjusted returns. The Treasury and Global Markets segment provides financial risk management solutions, investment, and treasury products and services which include Shariah-based fixed income and money market instruments, foreign exchange, structured products and advisory solutions for both our domestic and international client base. The Merchant Banking segment support our corporate clients to achieve their objectives through tailored services ranging from corporate advisory, syndication and debt capital market, among others.

Treasury and Global Market Division

Our Treasury and Global Markets Division performed solidly over the past year. By the end of 2015, the Division had contributed B\$70 million to BIBD's overall revenue, achieving 46% year-on-year growth, whilst contributing close to 25% of BIBD's total revenue. We grew our client base, introduced new products and services, enhanced our sales team and groomed our talents, all of which significantly contributed to the increase in our market share in this segment, positioning ourselves as a leading Islamic Treasury and Global Markets leader in Asia.

Our net profit margin before provision and tax grew by over 25% compared to the previous year. Although cost of funds increased, our asset yields were considerably higher, resulting in an overall improved net spread.

One of the factors contributing to our commendable growth was from our fee income in client advisory which grew fourfold compared to the previous year. We also saw an increase in our foreign currency transactions which almost tripled in volume in 2015.

Our efforts to be the preferred bank for Brunei's Government-Linked Companies (GLC) has gained positive traction as we have increased the number of accounts from our staple of GLC clients. We aim for the year 2016 to become the house bank for many of the associate companies of the GLCs. 2015 also saw an increase of about 10% in our financial institution

counterparties from both the Gulf Cooperation Council states ("GCC") and Asia markets that are predominantly strong in Islamic Banking. The increase allows us to expand our product suite and offer new foreign currency clearing accounts for our valued clients as we aim to be the bank of choice for all our clients.

We remain committed to growing our customer base and strengthening our product and service delivery, not just in Brunei but on the international front. Almost 90% of our Treasury and Global Markets revenue comes from offshore, which is why we are looking to open our second representative office in Dubai in 2016, following on from the successful opening of our Singapore office in 2015. Our representative office in Singapore will be our strategic overseas centre to promote BIBD's full suite of Islamic banking products and services to financial institutions and corporates in the Asia region, while our soon-to-be opened office in Dubai will do likewise for the GCC states.

Merchant Banking Division

We achieved an all-time high revenue growth for Merchant Banking in 2015, doubling our revenue compared to 2014. The main contributor to our revenue growth was the execution of a large key GLC project in the region where we acted as the Structuring Bank, Joint Lead Arranger and Shariah advisor, as well as provided other key facilities. Another key initiative that contributed to our strong revenue was our involvement in a Restricted Profit-Sharing Investment Account with a counterparty bank within the region. This was a first of its kind initiative in Brunei marking another milestone for BIBD.

Relationships matter in our partnership with our clients. Underscoring our strong results for 2015 was our heightened approach in gaining better understanding of our clients' needs. Through ensuring a more thorough understanding of our clients, we were able to build trust and provide value added services and advisory on a proactive basis. Our strong track record and good relationships put Merchant Banking in a meaningful role in helping them achieve their corporate objectives.

We have increased our customer base and have a diversified portfolio of clients, both locally and internationally. We will continue to leverage on our international avenues through our Singapore representative office which was opened in 2015, as well as our soon-to-be opened representative office in Gulf Cooperation Council states to offer Islamic financing solutions.

Operations and Technology Division

In 2015, we continued with our focus to enhance our digital capabilities to offer our customers greater convenience and better efficiency in conducting their banking transactions. We rolled out two digital initiatives through our branch banking and mobile banking avenues.



Firstly, we completed the roll out of our digital branch banking service platform. This new tool and associated service enables more convenient and faster onboarding of new customers, as well as servicing the needs of our existing customers. Services such as opening new accounts, applying for financing and requesting additional services can now be done more conveniently. The digital branch banking platform also enables our personal bankers to provide a more comprehensive yet quick service to our customers. This digital platform enables replacement of paper forms to electronic forms and eliminates the need for form filling. Selecting services or new accounts are also now made faster and simpler.

Secondly, we introduced an Instant Secure Digital Chat feature for our mobile banking customers. This new feature in the BIBD mobile app allows users to interact in real time with our customer service personnel. Those who prefer digital interaction over a voice call can now use this new innovative feature of the BIBD Mobile app. The Instant Secure Digital Chat feature is simple to use and this has resulted in a strong uptake by customers, who gave positive feedback about the app. The Instant Secure Digital Chat is enhanced with security and safety features for users of the BIBD Mobile app. After a successful log in, users can have a secure digital conversation with a contact centre agent.



We remain committed to make banking more convenient and personalised as well as simpler, easier and faster for our customers. Elevating customer experience, while ensuring security and compliance is a key priority. We will continue to invest in digital capabilities and make technology a key differentiator in BIBD service offerings.

In 2016, we will be upgrading our Corporate Online banking platform to ensure our corporate and SME clients also receive efficient and differentiated digital banking service.

Streamlining financial reporting and enterprise risk management frameworks remains a key focus. The bank also invests in finance accounting and reporting toolsets and capabilities as well as risk management infrastructure.

Human Resources Division

Our people are at the heart of our success, and we are committed to upscaling our employees' capabilities to grow our business and our people together.



Through the ongoing improvement programmes that have been rolled out on a continuous basis, we are pleased to create an environment in which our employees feel they can grow and carve a career here at BIBD. Reflecting this is our low attrition rate of 3% to 5% on average over the last five years. We have been fortunate to retain the bright talents who have, over the years, become leaders within the Bank.

We engaged industry specialists to provide complementary education to support our employees' roles in the Bank through programmes that build their soft skills as well as enhanced their core banking skills in financial planning and wealth management. In collaboration with Islamic Banking and Finance Institute Malaysia (IBFIM) and Financial Planning Association of Malaysia (FPAM), we have successfully established a team of 43 Certified Financial Planners in the Bank.

Within BIBD, we continue to roll out our quarterly Excellence Awards, which recognises outstanding individuals who exhibited desired values, such as providing superior service to both internal and external stakeholders. The awards instill a sense of pride amongst our employees for the recognition of their efforts.

We are committed to developing talent to secure the next generation of leaders for BIBD. Our talent management programmes are designed to groom our future leaders with a breadth of exposure and depth of experience across disciplines. One of the key initiatives rolled out in 2015 was the Leadership Programme, which was conducted in collaboration with the International Centre for Leadership in Finance (ICLIF) and is aimed at guiding and building skills in our future leaders.

Twenty-four BIBD talents were identified for the first roll out of this programme, which is slated to continue over the next few years. We have in place a programme to expose our talents to global markets, and this programme will be enhanced to allow our talents to gain more experience in the financial industry globally. We presently have a secondment programme with a financial institution in the Middle East, and we are looking at expanding this programme to a wider base of comparable financial institutions internationally in 2016.

Through all these initiatives, we are pleased to have employees who are engaged and performing at their best. At our recent Employee Engagement Survey conducted by Towers Watson in 2015, we were happy to note a positive response from our employees on the outlook of BIBD's future with a score higher than the Global Financial Services norm and Global High Performance norm for the banking industry globally. Close to 70% of our employees believe in the transformative changes within their own organisation to capitalise on opportunities compared to the international industry average of 52%, cementing the positive outlook that BIBD employees have on the future of BIBD within the banking industry.

Our emphasis on talent development is the defining strength of BIBD, as we believe that the Bank grows only when our people grow. We will continue with efforts to build excellence and aim to be the preferred Bank for the talents within BIBD as well as the new, emerging talents in the market.

Risk Management Division

Safeguarding assets and investments to optimise opportunities



Effective risk management is integral to BIBD's business success. We work closely with our business units to understand and provide independent assessments of risks as established by our comprehensive framework of policies and procedures. We adopt a proactive approach in monitoring the bank's risk parameters such as performing regular stress test and scenario analysis based on the current economic environment.

In 2015, we implemented the adoption of IAS 39 for Financing impairment - IFRS (International Financial Reporting Standard) as well as disclosures of market risk in the IFRS reporting which include fair valuation of assets and liabilities.

Our robust risk management processes and assessment, which directs our approach towards prudential capitalisation requirements for the bank is a contributing factor for international credit rating agency Standard & Poor's conferring BIBD A- rating. The strong credit rating, which is the highest in Brunei, solidifies BIBD's position as one of the top in the region, on par with other major established regional banks in ASEAN in terms of technology, product range, and customer service.

Marketing Department

Promoting Financial Awareness for a Better Brunei



The Marketing team at BIBD oversees the development of creative branding and promotional campaigns for the business and its supporting divisions. In-line with Bruneian at Heart, the Marketing team thrives on spearheading awareness initiatives for BIBD by supporting internal stakeholders and their activities, for the betterment of Bruneians.

To name a few highlights, the Marketing division were responsible for coordinating the re-launch of the refurbished BIBD Headquarters, as well as exciting promotional initiatives such as the Barakah 6, Swipe To Win, Swipe To Fly, the Perdana Experience and the BIBD Pusat Insani roadshow.

Also in 2015, the team managed the various aspects of creative design, print and execution of marketing collaterals and logistics for BIBD retail and corporate divisions as well as events ranging from the opening of our second Perdana Privilege Banking lounge in Kuala Belait, Home Showcase 7 and Perdana Golf.

Shariah Division

Strengthening Compliance and Improving Customer Experience



Adhering to Shariah principles is an integral part of our business, and our Shariah team is always focused on strengthening and expanding the Bank's product offerings based on these principles. As part of our enhancement efforts for 2015, we supported the business to operate seamlessly by improving our processes to create more convenient experiences for customers as well as ensuring that we achieve the Shariah compliance requirements.

Our improvement efforts have also helped us to support the introduction of more Shariah compliant consumer banking products such as our credit card and Step-Up Time Deposit products. On the institutional banking front, we provided continuous Shariah support to certify that business deals are closed and executed in accordance to Shariah requirements.

In 2015, BIBD's Shariah Governance Framework was further enhanced to ensure that the Bank continues to be the epitome of Shariah compliance, with initiatives such as the integration process of our audit exercise plan

which covers Shariah aspects in the Bank's assessment. With such efforts in place, BIBD is well prepared to control and mitigate any Shariah non-compliant risks efficiently and effectively.

Another significant initiative carried out by the division was the visit to Bursa Malaysia Islamic Services Berhad in Kuala Lumpur, Malaysia. The objective of the visit was to ensure tawarruq processing operations in BIBD's finance products were in compliance with Shariah requirements, as well as to exchange knowledge on Islamic Financing.

In 2015, two of our bank officers from the Shariah Department enrolled in the Fiqh Mu'amalat Professional Programme (FMPP) by Centre For Islamic Banking, Finance and Management (CIBFM). They are expected to graduate from the 14-month programme in May 2016. The Bank is supporting CIBFM's initiative by sending BIBD representatives to the FMPP in order to further enhance and deepen the understanding of Fiqh Mu'amalat,

in-line with empowering our personnel to contribute and become valuable assets for the Shariah Department and the Bank.

In supporting the nation's agenda to increase financial literacy, the Shariah Department also assisted in creating public awareness and understanding of RIBA at the RIBA Symposium in September 2015. The RIBA Symposium, which was opened to members of the public, was a collaborative effort from the Centre for Islamic Banking, Finance and Management (CIBFM), Brunei as well as Al Naqiy Islamic Solutions Sdn Bhd (Malaysia). The RIBA symposium covered topics on the understanding of RIBA knowledge such as the prohibition of RIBA and its solutions according to the Holy Quran. The event was graced by senior government officials from various ministries, AMBD, Islamic Finance practitioners, along with academics and students from local universities. The event was a success, having received positive feedback from the guests and the Bank is planning to organise a second RIBA symposium in 2016.

Corporate Communications Unit

Enhancing communications with our valued stakeholders



The Corporate Communications team is responsible for aligning and monitoring internal and external communications about the Bank, to ensure consistent and timely delivery of information regarding BIBD's many initiatives, from business updates to CSR programmes. The Corporate Communications unit also supports the various divisions within the Bank through communications efforts – both proactive and reactive – to ensure BIBD's values and proposition are always communicated effectively to our stakeholders.

Among the initiatives carried out in 2015 was the launch of the BIBD newsletter 'PULSE', in-line with the Bank's efforts to enhance communications with our valued stakeholders. The Corporate Communications team also provided key communications and event management support during initiatives such as the re-opening of the BIBD headquarters, the Charity Expedition for the Bank's CSR

Programme, the Advocating Life-long Learning for an Aspiring Future (ALAF) Programme. The department also supported the initiative of Wealth Management Unit on Financial Literacy to raise awareness on the benefits of financial management to create a financially responsible society. For the first time, BIBD also collaborated with Radio Television Brunei (RTB) in producing a special programme on Financial Literacy that was aired on RTB's local and international channel to reach more stakeholders.

Additionally, the unit also strengthened its crisis communications capabilities by holding the first ever media crisis training for BIBD's senior management and communications personnel. The crisis training is expected to prepare and aid our people in handling communications with the media, customers and broader stakeholders.

Milestones

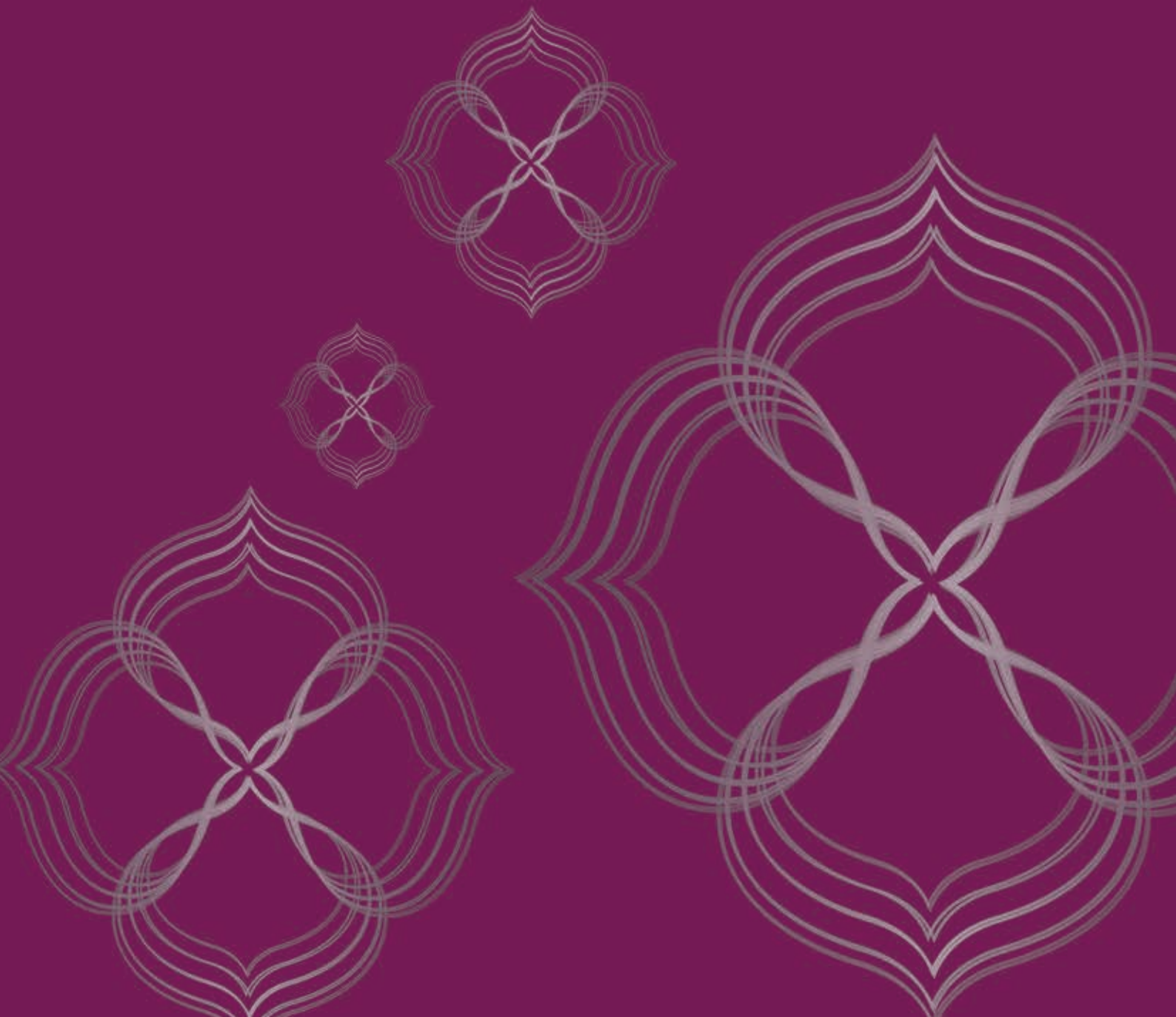
SIGNIFICANT MILESTONES

CORPORATE RESPONSIBILITIES

STRENGTHENING CUSTOMER RELATIONSHIP

DEVELOPING INNOVATIVE PRODUCTS AND SERVICES

REWARD PROGRAMMES



Significant Milestones

YANG TERAMAT MULIA PADUKA SERI DULI PENGIRAN MUDA 'ABDUL MALIK CELEBRATES BIBD'S TRANSFORMATIVE ACHIEVEMENTS BY LAUNCHING BIBD'S NEWLY REFURBISHED HEADQUARTERS

The end of 2015 marked a very significant milestone for BIBD as it celebrated a very special journey of achievements that spanned over three decades. The Bank first commenced its operations in 1981 as the Island Development Bank, and converted to become an Islamic financial institution in 1993 and was named Islamic Bank of Brunei. In 2005, it merged with Islamic Development Bank of Brunei and became the largest Islamic bank in Brunei Darussalam.

The transformation journey that reach almost four decades has made BIBD the leading bank in Brunei, and a preeminent Islamic financial institution in the ASEAN region. Throughout this journey, the spirit of innovation and service which has been enshrined in BIBD's philosophy, has spurred the bank to grow, to offer cutting-edge products and services to its growing customers, to support the vision of the country, and to build a legacy as a renowned Islamic bank in the region. The spirit of continuously scaling new heights and achieving aspirations were recognised through awards and accolades bestowed on BIBD throughout the years, both locally and internationally.

Since 2013, a three-year transformation plan was executed to capture the essence of BIBD as a bank for all with strong Bruneian identity and values, not just for the people and country of Brunei but also in view of the bank's ambitions for international expansion.

The "Bruneian at Heart" brand concept demonstrates the values of inclusiveness that is evident by BIBD products and services that cater to all customers' financial needs, regardless of beliefs or religion. BIBD's deep understanding of what customers needed saw enhancements made to the digital platform for efficient service delivery as well as branch network upgrades for enhanced customer experience.



Significant Milestones

At the end of 2015, the transformative journey culminated in the significant launch of the newly refurbished BIBD headquarters and the main branch by Yang Teramat Mulia Paduka Seri Duli Pengiran Muda 'Abdul Malik ibni Kebawah Duli Yang Maha Mulia Paduka Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah. The BIBD headquarters, which was first opened in 1992 by Kebawah Duli Yang Maha Mulia Paduka Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, Sultan dan Yang Di-Pertuan Negara Brunei Darussalam, is the foundation of BIBD's extensive banking network, which remains the largest in Brunei Darussalam, including fifteen branches in strategic locations across the country.



The new BIBD headquarters has a modern façade, equipped with technological innovations for comfort and improved banking experience of all BIBD customers. BIBD employees also enjoyed upgraded facilities, with a modern and spacious open-concept interior for a more conducive ambience. The launch of the newly refurbished headquarters was momentous in reflecting the evolution of the Bank and its aspirations of becoming a modern, world-class Islamic financial institution in Brunei and the region.



BIBD IS TOP RATED BANK IN BRUNEI BY STANDARD & POOR'S

International credit rating agency Standard & Poor's (S&P) rated BIBD A- as a reflection of BIBD's dominant market share in Brunei Darussalam, with its solid capital position, strong liquidity profile, low financing to deposit ratio and sound funding capabilities. This strong rating reflects the Bank's financial strength and sound fundamentals as well as its commitment to its prudent fiscal policies and sound risk management.

This rating cements BIBD's position as the highest rated bank in Brunei Darussalam as well as solidifies its position as one of the top in the region, on par with other major established regional banks in ASEAN in terms of technology, product range, and customer service.



Corporate Responsibilities



BIBD ANNOUNCES DOUBLE DIGIT PROFIT GROWTH AT AGM

BIBD presented its 2014 annual report headlined by double digit growth in terms of Net Profit after Zakat and Taxation, and Total Assets, both at the Group and Bank level at the Bank's Annual General Meeting (AGM), which was attended by BIBD shareholders.

The meeting was also held to approve the Financial Statements for the year ending 31st December 2014, and to declare dividends for the Financial Year 2014 at 5.7 cents per share. The appointment and settings of the Auditors Fees for the financial year ending 31st December 2015 was also tabled at the AGM.



Corporate Responsibilities

BIBD CHAIRS THE 5th CAIBA DIALOGUE FOR THE SECOND YEAR

As the presiding bank for the second year, BIBD led the 5th China-ASEAN Inter-Bank Association (CAIBA) Executive Board Meeting and Seminar. CAIBA, which promotes cooperation between China and ASEAN countries, was attended by eleven leading financial institutions that represent China and each of the ASEAN member countries. A flexible working group was established under a Memorandum of Understanding (MoU) which aims to deliberate on effective and fair mechanisms for the implementation of areas for cooperation as outlined in the MoU.

CAIBA had previously mobilised facility agreements between China and the other member banks amounting to over US\$1 billion. These facilities provided financial support for key projects from the member countries, further supporting social cooperation and development between China and ASEAN members.

BIBD RAISES AWARENESS OF ISLAMIC FINANCE AT CAIBA SEMINAR IN BEIJING

BIBD presented a session on Islamic finance to senior officials from China-ASEAN Inter-Bank Association (CAIBA) as well as financial regulators from Cambodia, Lao PDR, Myanmar and Viet Nam. The presentation was part of BIBD's efforts to create awareness and raise the understanding, profile and benefits of Islamic finance, to CAIBA member countries.

The four-day seminar on China-ASEAN Capacity Building and Financial Cooperation was organised by the China Development Bank (CDB) and held in Beijing. The platform allowed CAIBA members to enhance their mutual cooperation, as well as expand their networking opportunities with the regulators. The seminar was part of the training and experience-sharing initiative proposed under the CAIBA framework.



Corporate Responsibilities



BIBD PROMOTES E-COMMERCE FOR CROSS-BORDER BUSINESS SOLUTIONS

BIBD worked in collaboration with BAG Networks Sdn Bhd, a business solutions agency, to organise a training workshop on the use of e-commerce for conducting business across borders. The Cross-Border E-Commerce Training Workshop (CBET) was part of the Bank's effort to encourage growth of e-commerce locally. The workshop shared best practices from successful SMEs from China that leveraged cross-border e-commerce solutions to start their business, get access to global markets, and

increase their competitiveness with larger corporations. The workshop also provided SMEs with actionable solutions to common issues such as international market access, finance, capacity building, innovation and entrepreneurship. The workshop was initiated by the ASEAN Business Advisory Council (ABAC) of both China and Brunei for the purpose of promoting end-to-end trading through e-commerce and was participated by delegates from Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), Indonesia, Thailand and Malaysia (the Growth Triangle region).

BIBD HOLDS FIRST-EVER SYMPOSIUM TO RAISE AWARENESS ON RIBA

BIBD organised a one-day Riba Symposium to elevate the general understanding and appreciation of the concept and meaning of Riba (interest rate) in the modern world, and to understand the practical ways of avoiding it. The event also addressed the different types of Riba and the relevant issues including misconceptions and perception surrounding it. The symposium also shared valuable knowledge, practical tips and advice on managing wealth. The Riba Symposium was organised together with the collaboration from the Centre for Islamic Banking, Finance and Management (CIBFM), Brunei as well as Al Naqiy Islamic Solutions Sdn Bhd (Malaysia).



BIBD ZAKAT CONTRIBUTIONS FOR 2014

BIBD handed over Zakat Contributions for 2014 of B\$2,631,853.97 along with the Zakat contributions of its customers for the period of 2014-2015 at B\$510,113.10 to the Brunei Islamic Religious Council (MUIB) at the office of the Minister of Religious Affairs in Berakas.

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



Strengthening Customer Relationships



BSC LAUNCHES ITS LARGEST EVER WORKBOAT, FINANCED BY BIBD'S MUSYARAKAH STRUCTURE

With ongoing support and collaboration with BIBD, Belait Shipping Company (B) Sdn Bhd (BSC) took delivery of its largest workboat vessel to date, the Belait CSS1. The almost 13,000 tonne vessel, BSC's sixth to date, is the third of its kind in the world and the first in the region, in sheer size and technological advancement.

The vessel is BSC's second vessel financed by BIBD under the Musyarakah financing structure signed in 2012, after Belait Barakah in 2008. The agreement is in line with BIBD's goal to support the nation's aspirations of developing local entrepreneurs while at the same time, developing the country's oil and gas capabilities.

The Musyarakah financing structure was used which represents an equal profit and loss sharing mechanism to procure the vessel. The structure used provides an equal equity investment and risk-sharing mechanism between BSC and BIBD, providing ample risk protection to all its stakeholders with the added advantage of knowledge transfer between the two parties.



Strengthening Customer Relationships

BIBD PROVIDES HOME FINANCING SOLUTIONS THROUGH ITS HOME SHOWCASES

BIBD organised two Home Showcases in 2015 to provide a one-stop avenue for the public to find out more from BIBD on suitable home financing solutions. Customers who signed up for BIBD's financing products stood a chance to win prizes such as television sets, home theatre sets, along with other household appliances to give them a head start on their dream home. The showcases acted as a platform for future homeowners to preview exciting possibilities from real estate agents as well as opportunities to enhance their current homes. In 2015 alone, BIBD extended more than \$142 million in borrowing for home financing and home improvement financing, enabling more than 1,800 customers and their families to achieve their aspirations of owning their dream home.

BIBD SHOWCASE BRINGS FINANCIAL SOLUTIONS CLOSER TO CUSTOMERS IN BELAIT

BIBD organised its first-ever showcase in the Belait district to bring its financial solutions closer to its customers, thus saving them the drive all the way to the capital. The promotions and activities on BIBD's products and services highlighted BIBD's "Bruneian at Heart" commitment to always understand and be intuitive to the needs of its customers and to help them achieve their financial aspirations. The event was also participated by local e-vendors, besides other leading partners consisting of investors and real estate developers, interior decorators/designers as well as Takaful.



Strengthening Customer Relationships

BIBD ORGANISED AWARENESS INITIATIVES TO SUPPORT BRUNEIAN SME'S BUSINESS NEEDS

In line with the His Majesty The Sultan's Vision 2035 to promote the growth of SMEs in Brunei, BIBD held several activities to reach out to start-ups and small businesses to offer relevant products and services to support their business requirements, aspirations and expansion plans.

BIBD also organised a one-day showcase on its BIBD Tijarah Business Banking services which is focused on providing support for local start-ups and SMEs, assisting them to plan and expand their business as well as achieve financial stability. The showcase included sign-ups on transaction services, presentations on BIBD e-commerce services and payment solutions that will enable them to transact with convenience.

In addition, BIBD also partnered with Academy of Brunei Studies from Universiti Brunei Darussalam to conduct an SME talk where BIBD shared valuable insights on managing SME businesses through the use of the right financial tools and solutions. The talk also highlighted the Bank's products and services that can cater to the requirements of existing and future SMEs.



Strengthening Customer Relationships



BIBD PERDANA PRIVILEGE BANKING HOSTS INVITATIONAL GOLF 2015 TOURNAMENT

A hundred BIBD clients were invited to attend the BIBD Perdana Privilege Banking Invitational Golf 2015 tournament, held at the Empire Hotel and Country Golf Club in Jerudong. The golf tournament was organised to foster stronger relationships between BIBD and its customers from the Perdana Privilege, Corporate and Institutional Banking segments. Also invited were senior and prominent guests from the public and private sectors.



BIBD CELEBRATES AIDILFITRI WITH VALUED CLIENTS

BIBD hosted its colourful annual "Majlis Gema Syawal" for its esteemed clients and partners, from the government sectors, corporates, SMEs and individuals. The event provided BIBD personnel from all its banking divisions the valued opportunity to interact closely with the customers and foster stronger bonds with their partners.



Developing Innovative Products and Services

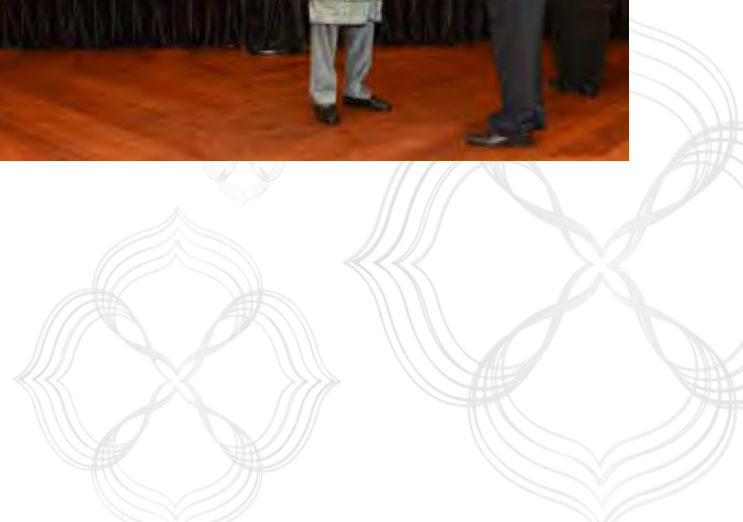


BIBD ELEVATES ISLAMIC FINANCIAL PLANNING AND FINANCIAL ANALYSIS CAPABILITIES

BIBD certified more than fifty graduate employees who took the Islamic Financial Planners (IFP) certification by Islamic Banking and Finance Institute Malaysia (IBFIM), as well as Fitch Learning's Corporate Credit Risk Programs. This is part of BIBD's efforts to continuously develop the capabilities of BIBD talents and capabilities in Islamic planning and wealth management, fostering better analytical skills to create Islamic financing solutions. Over time, BIBD will equip more of its workforce with accredited qualifications, to be able to provide better services to its customers.

The IFP qualification programme aims to develop experts in financial planning and wealth management to cater to the continued innovation and growing demands of Islamic financial products with higher standards of competency and ethical practice of financial planning professionals.

The three-month Corporate Credit Risk Program developed by Fitch Learning is a specially customised programme for BIBD to enhance their analytic skills and credit judgment to better evaluate and structure funding solutions for both existing and new businesses in adherence to industry best practices.



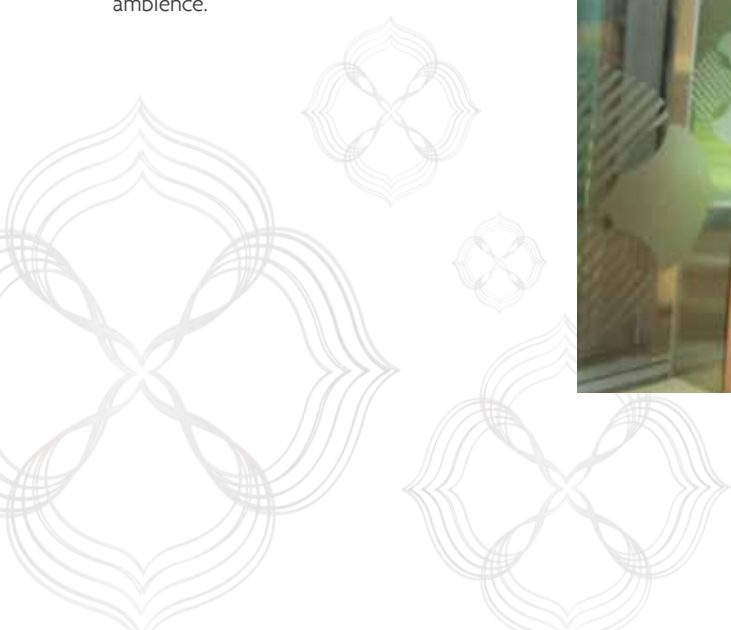
Developing Innovative Products and Services

NEW REFURBISHED BRANCHES LAUNCHED INCLUDING THE MAIN BRANCH, MANGGIS, TANJUNG BUNUT BRANCH AND AIRPORT E-B-RANCH

As part of its efforts to deliver a truly 'Bruneian at Heart' banking experience, BIBD completed its intensive rebranding exercise which started in 2013 with several new branches adopting the signature BIBD image. The upgrading of BIBD's branch network is in line with its strategic efforts to transform itself into a modern, world-class bank while upholding its Bruneian and Islamic roots and values. The branches that were rebranded included the Main Branch, Manggis, Tanjung Bunut as well as the e-branch at the airport.

Under the new BIBD Branch and Financing Centre concept for efficient customer service management, branches will now focus on account service matters while all financing enquiries will be handled by the financing centre, overseen by dedicated BIBD Officers, Customer Service Executives, Services Ambassadors and Personal Bankers.

At the end of the year, the BIBD headquarters was launched alongside the main branch by HRH Prince 'Abdul Malik. The new BIBD headquarters has a modern façade, equipped with technological innovations for the ease of customers. BIBD employees also enjoyed upgraded facilities, with a modern and spacious open-concept interior for better ambience.



Developing Innovative Products and Services

24/7 ONLINE PLATFORM TO PROVIDE CUSTOMERS INSTANT BANKING CONVENIENCE

To further complement BIBD's physical branch network and to provide instant banking anywhere and anytime, BIBD introduced a dedicated 24/7 Contact Centre along with a wide range of services available over its e-banking channel through the BIBD Online website and BIBD Mobile application. Through BIBD Mobile, customers can now chat real-time with dedicated BIBD personnel. This allows the end-user to connect easily over the internet, thus reducing the need to place calls, a feature particularly useful for those outside Brunei.



BIBD OPENS SECOND PERDANA LOUNGE IN BELAIT

To give BIBD's privileged banking customers a more efficient and convenient experience, BIBD launched its Belait Perdana Privilege Banking lounge in Kuala Belait. This is the second lounge launched in Brunei Darussalam, and allows BIBD to extend its Perdana Privilege Banking services to its affluent customers within the Belait area, by providing them with exclusive products, banking facilities and services tailor-made for BIBD's privileged customers.



Reward Programmes

In 2015, BIBD card and banking account customers were rewarded for their loyalty through various attractive contests and promotions.

DEBIT CARD CAMPAIGN

A three-day Shopping Spree package in Malaysia sponsored by Tourism Malaysia along with one hundred thousand BIBD Hadiah Points was awarded to its lucky winner. The shopping spree package includes return airfare, hotel accommodation, return airport transfers as well as a twelve-hour chartered car specifically for their shopping needs for two persons in Kuala Lumpur. The BIBD Hadiah Points, which can also be accumulated via transactions made on BIBD's Debit and Credit Cards, can be used for conversion into Annual Fee waivers, donations to charity, air miles, and also cash.

SWIPE TO FLY

Spending \$30 or above on a single purchase using any of your BIBD cards or the BIBD eTunai service will allow a chance to win a couple of tickets for a dream holiday at Ho Chi Minh, Bali, Dubai or Melbourne.

SWIPE FOR REWARDS

Shopping vouchers worth BND500 were awarded to lucky customers who spent a minimum of BND30 in a single receipt using their BIBD Debit or Credit Card at selected retailers.



Reward Programmes

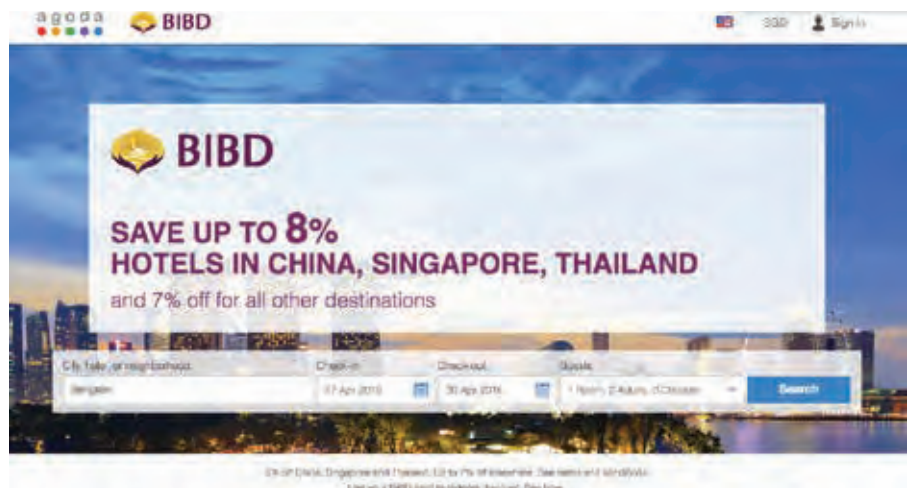
“LET’S GO MOBILE” WINNERS

Two iPhone 6s, two iPhone 6 Pluses, and two Apple Watches awaited monthly winners of BIBD’s monthly “Let’s Go Mobile” winners as BIBD Mobile users who top up, pay their utility bills, make purchases with BIBD eTunai or BIBD Virtual Prepaid MasterCard, or transfer their funds to local or international banks.



BIBD CARDS PRIVILEGES

100,000 Hadiah Points were given to winners of BIBD’s Card Privileges campaign which saw BIBD customers receive an 8% discount on top of regular discounted rates via the popular travel website Agoda for all accommodation bookings at selected travel destinations.



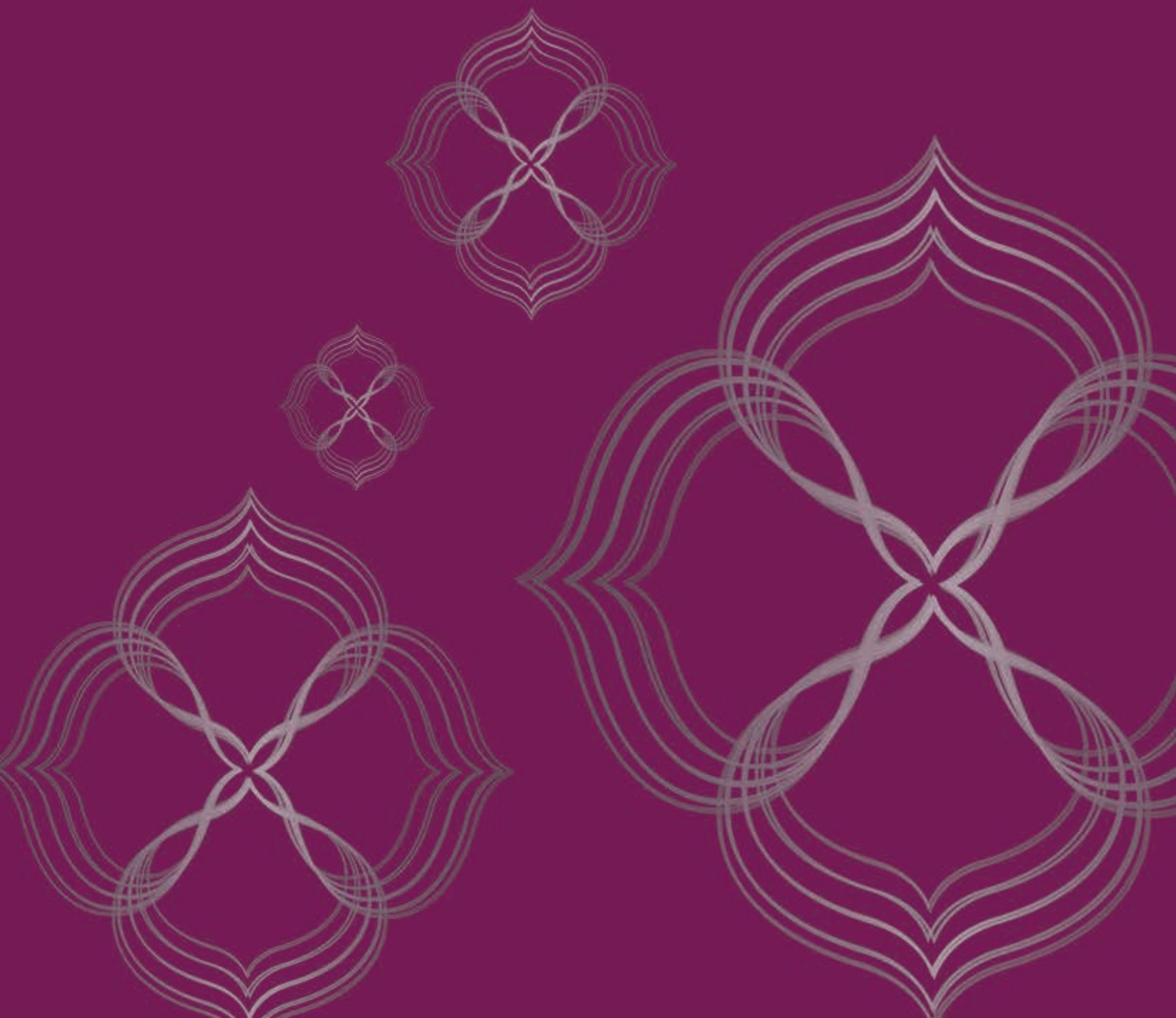
BARAKAH 6 REWARDS PROGRAMME

The BIBD Barakah campaign, now in its sixth edition, allowed customers a chance to win a Honda Odyssey along with consolation prizes of Apple iPhones and iPads. All they had to do was sign up for any BIBD financing products or assign their salary to be remitted to a BIBD account. On top of that, monthly prizes ranging from electronic appliances such as 55” LED TVs, refrigerators, washing machines, air fryers and steam irons were also given out as prizes to the lucky winners.



Corporate Activities

EMPLOYEE ENGAGEMENTS
ANNUAL ACTIVITIES
CORPORATE SOCIAL RESPONSIBILITY
ACHIEVEMENTS AND AWARDS



Employee Engagements

ENGAGING TALENT FOR CONSTANT SUCCESS

At BIBD, we believe that engaged employees will shape the future for continuous growth. We appreciate the commitment and accomplishments of our employees, and will continue to put in place programmes that will engage and recognise their efforts as an integral part of building up an enthusiastic and motivated workforce.

We award our employees for their exemplary work accomplishments through recognition platforms such as the Service Award for long-serving employees, the Star Banker Award for outstanding performance in retail banking, and the quarterly BIBD RISE Staff Recognition Programme for employees who perform above and beyond the call of duty.

The Bank also recognised the contributions and paid tribute to our departing Managing Director Mr Javed Ahmad by hosting a fond farewell, thanking him for his years of service and wishing him the best for the future.

We understand the importance of professional and personal growth for our employees which includes striking a sound work-life balance, and strive to provide a good environment to build all aspects of their development.

To encourage a healthy work-life balance, BIBD's Sports and Recreational Club (SRC) organises annual sporting and health related activities to spur healthy living and camaraderie among employees. It was an active year for the SRC, which kicked off 2015 with its inaugural run and cycle duathlon and climbathon. In addition, together with various other committees, SRC also organised several activities throughout the year including hiking, bowling, football, badminton and cycling. These activities drew participation from all different departments of the bank, uniting employees and building teamwork and comradeship.

The Bank also organised several religious activities to create better social cohesion among BIBD employees. Organised by BIBD's Religious Committee, these activities included special guest lectures held at BIBD's headquarters during Ramadhan, Tadarus events for the employees, as well as the annual 'Majlis Khatam Al-Quran dan Majlis Bersungkai', which serves to bring BIBD management and staff from all departments closer over Iftar.

And as with previous years, BIBD's employees eagerly participated in the BIBD Annual Dinner, which was attended by all of the Bank's staff, members of the Board of Directors and the Shariah Advisory Body (SAB). The dinner, a key employee engagement event, serves as an opportunity for the Managing Director to share the Bank's performance and strategy moving forward as well as to accord appreciation to all employees.



Annual Activities



BIBD HOLDS ANNUAL MAJLIS BERTAHILIL AT THE ROYAL MAUSOLEUM

Personnel from the BIBD Group, which included the Bank, BIBD At-Tamwil, and BIBD Securities, 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 Saifuddin Sa'adul Khairi Waddien and Al-Marhumah Duli Raja Isteri Pengiran Anak Damit Pengiran Bendahara Pengiran Abdul Rahman, along with other royal family members.

BIBD CELEBRATES AIDIL ADHA WITH THE COMMUNITY

BIBD held its annual Korban ceremony at the Masjid Jubli Perak Sultan Haji Hassanal Bolkiah in Jangsak in conjunction with Aidil Adha. A buffalo and eleven cows were sacrificed, with the korban meat distributed to around a hundred recipients, comprising of family members of the students under BIBD's ALAF programme, the Welfare Home Complex (Kompleks Rumah Kebajikan), mualafs, single parents, senior citizens, along with other underprivileged members of the community. BIBD also took this opportunity to donate 150 Yaasin and prayer books to the Mosque.



Corporate Social Responsibility

We have and will always stand by the values that we believe in - that we truly are Bruneian at Heart. To BIBD, being Bruneian means upholding our promise to help our community by showing empathy and compassion to give back to society through our CSR initiatives. As Brunei's leading bank, it is our responsibility to provide value to the nation, the community and our valued customers. The objective of our CSR is to empower individuals to be socially responsible and to lead fulfilling lives, which ultimately benefits our communities and country. We strive to achieve this by focusing on three core pillars: education, entrepreneurship and community.



Education the key to raising our communities



BIBD ALAF CONFIRMS MORA SUPPORT

BIBD held a signing ceremony with the Ministry of Religious Affairs to underline our continued cooperation and commitment towards the success of BIBD's ALAF programme.

SECOND BATCH OF ALAF SCHOLARSHIPS

Now in its second year, over thirty students were awarded BIBD ALAF (Advocating Life-long Learning for an Aspiring Future) scholarships, which brings the total tally of recipients to more than a hundred. The BIBD ALAF is our flagship CSR programme, and the scholarship offers students' provisions for school and tuition fees, stationery, transportation and food requirements along with mentoring and counselling. The scholarships help ensure that our youths are given the tools they need to focus their time and effort into developing their education. The ALAF programme will also continue to provide support and assistance to these students until they graduate.



The ALAF programme was developed in close partnership with the Ministry of Education to ensure the successful implementation and provision of assistance to the ALAF programme. Through ALAF, BIBD hopes to align our support to His Majesty's 2035 vision of eradicating poverty and raising the level of education for Brunei's future.



BIBD LAUNCHES INAUGURAL "KEM MODAL INSAN BIBD ALAF 2015"

To provide further support and guidance to students under the ALAF scholarship programme, BIBD launched a three-day "Kem Modal Insan BIBD ALAF", which aimed to help develop their life skills, self-motivation and communication skills. Later on in the year, BIBD organised two more camps with the same objective, the 'BIBD ALAF Xplorations Camp' and 'Little Caliphs Camp' to further cement the efforts by all the stakeholders involved, to ultimately provide our community with better education for a brighter future.



STRONG SUPPORT FOR THE 2015 BIBD CE ALAF

Almost 5,000 participants turned up to show their support for the 2015 BIBD CE ALAF (Charity Expedition for Advocating Life-Long Learning for an Aspiring Future Programme). The CE is one of our strategic efforts for fundraising in order to sustain the ALAF programme as a long-term initiative.

Sustaining Economic Stability & Growth Through Financial Literacy for the People

SUPPORTING FINANCIAL LITERACY AWARENESS AT AMBD DAY

BIBD helped underscore the importance of elevating financial literacy nationwide by participating in the inaugural AMBD Day 2015. BIBD's certified Islamic financial planners were present to assist the public in planning and managing their finances by offering their expert counsel on Zakat (wealth-cleansing), Wasiat (will), Hibbah (gift) and distributions of wealth through Faraidh.

BIBD Securities, a BIBD subsidiary, was also present to offer customers a selection of Islamic investment products such as BIBD shares, Foreign Stock Exchange, Gold Prestige and Unit trust/ Mutual Fund, that offered different levels of risk mitigation packages for individual investors. To support His Majesty's 2035 vision, BIBD aims to equip all of its front line personnel with Islamic Financial Planner certifications to help promote a more financially inclusive and literate society.

RAISING PUBLIC AWARENESS FOR BETTER FINANCIAL MANAGEMENT

The BIBD Wealth Management Unit's (WMU) objective to raise awareness on the benefits of better financial management was in support of His Royal Highness The Crown Prince's call for financial understanding at the inaugural AMBD day. The talks focused on best practices regarding financial management that covered insurance, investments and risk for students from all education levels as well as personnel from private and public sectors.

On top of the financial talks, the WMU in collaboration with Radio Television Brunei (RTB) initiated a television series on financial planning called "Secawan Kopi", which provided another platform for BIBD to reach the public on the importance of wealth management. The series invited different personnel with varied backgrounds to provide insight on how to best manage their finances, and was moderated by certified Islamic Financial Planners from BIBD.



Looking after our own by giving back to our communities



BIBD GIVES BACK TO UNDERPRIVILEGED CHILDREN OF BRUNEI

In continuing with our long-standing commitment towards elevating Brunei's economy and community, BIBD partnered with the Community Development Department (JAPEM), Ministry of Culture, Youth and Sports (MCYS) to award special prizes to orphaned students in recognition for their dedication to excelling in their education through the "Skim Hadiah Galakkan Pelajar-Pelajar Cemerlang".

BIBD also handed out donations in the form of green packets to over 5,000 recipients. The cooperation with JAPEM was part of BIBD's multi-channel effort to give back to the Bruneian community.



BIBD VISITS 100 HOMES IN 2015 SIRAH AMAL

The 2015 edition of the annual "Program Sirah Amal BIBD" began with trips to almost a hundred homes in Brunei. The visits during the festive season aimed to provide support and comfort to those in need in the months of Ramadhan and Syawal.

This people-first initiative is a reflection of BIBD's Bruneian at Heart commitment to the community to ease the burden of underprivileged families through donations in the form of food hampers and other daily necessities.



Achievements and Awards

BIBD RECOGNISED AS SAFEST AND TOP RATED BANK IN BRUNEI, SECURES “A-” RATING FROM STANDARD & POOR’S

Brunei’s largest bank became the country’s highest rated bank as BIBD was accredited with an A- rating by Standard & Poor’s (S&P), a global credit rating agency. The A- rating investment grade by S&P acknowledges the Bank’s strong capacity to meet its financial commitments.

BIBD was judged on its solid capital position, strong liquidity profile, low financing to deposit ratio and sound funding capabilities. Along with its robust asset quality, BIBD’s principle of balancing sound risk management with growth opportunities has made it a prudent yet progressive bank. The rating also solidifies BIBD’s position as one of the best in the ASEAN region, placing it level with the highest rated banks in ASEAN in terms of technology, product range, and customer service.

BIBD AWARDED BEST RETAIL BANK FOR THIRD CONSECUTIVE YEAR

BIBD was named, yet again, the Best Retail Bank in Brunei for 2015 by The Asian Banker. This makes it the third consecutive year that BIBD has achieved and retained the prestigious accolade from the region’s leading financial services research, benchmarking and intelligence consultancy.

The award is a recognition of BIBD’s innovation and transformation – both rebranding and processes – that contribute to a more efficient and enjoyable customer experience.

The Asian Banker also commended BIBD on its impressive market-leading performance, achieved by the bank’s strategy of growing profitable products and segments. BIBD also successfully reduced customer attrition by focusing on relevant value propositions and implementing better customer retention techniques.



Achievements and Awards

GLOBAL FINANCE AWARDS

BIBD was awarded the Global Finance's Best Emerging Market Bank and Best Islamic Financial Institution for Brunei, also retaining these awards for the third year running. Global Finance selects winners based on their growth in assets, profitability, strategic relationships, customer service, competitive pricing, and innovative products. In addition, a poll of Global Finance's corporate readership was conducted in order to increase the accuracy and reliability of the results.

The awards are seen as a way to honour banks that have the deepest commitment to the markets in which they operate, and understanding of the specific needs of customers based in those markets.



DOUBLE HONOURS AT ISLAMIC FINANCE NEWS AWARDS: BEST ISLAMIC BANK IN BRUNEI AND QATAR DEAL OF THE YEAR

BIBD was announced the winner in two categories at the Islamic Finance News (IFN) Awards 2015, receiving awards for Qatar Deal of the Year and Islamic Bank of the Year Brunei.

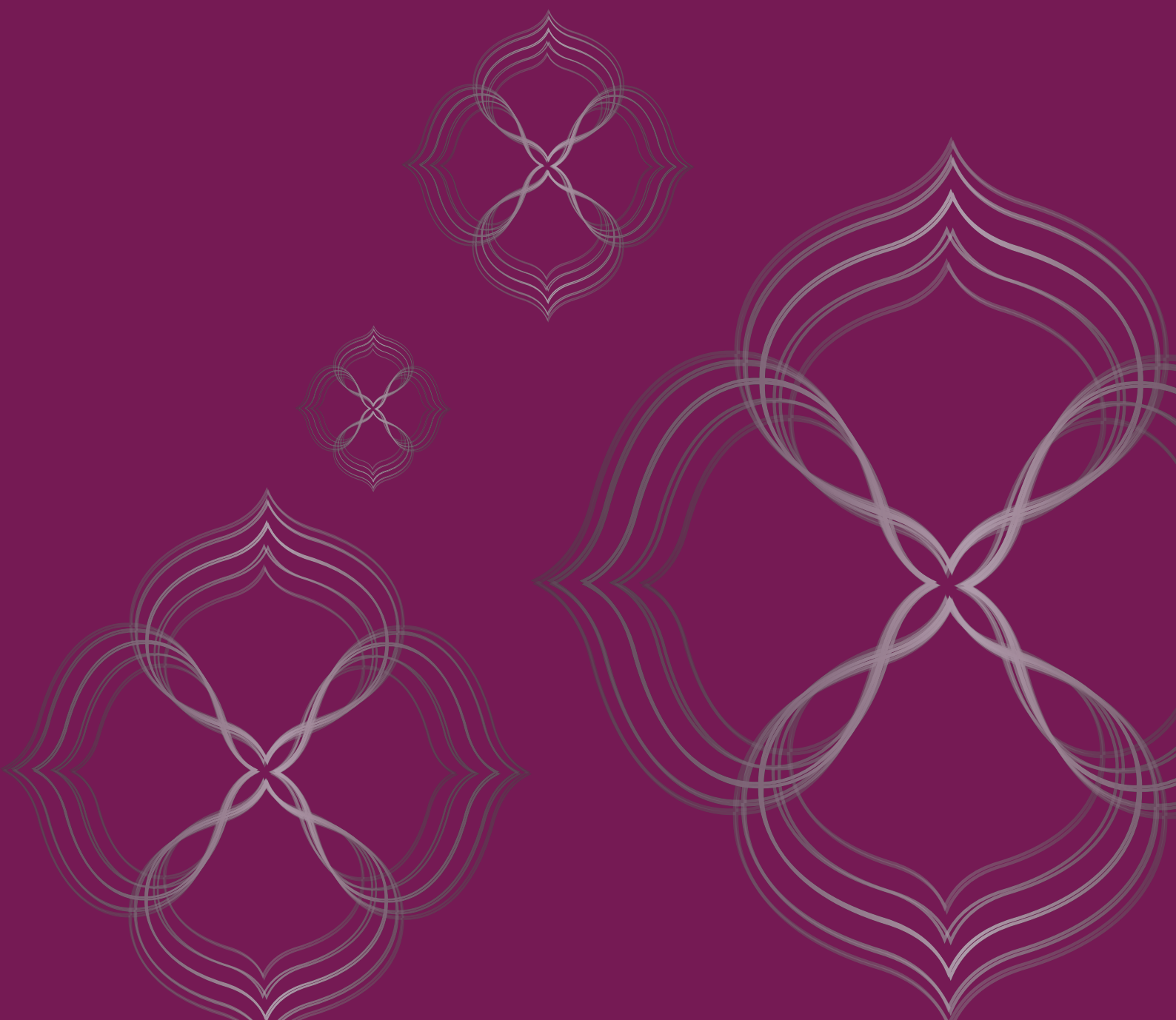
The Qatar Deal of the Year award was given for its participation as one of the Main Arrangers for Ezdan Holding's US\$500 million international Ijarah syndication. The 100% Islamic deal adhered strictly to the very highest Ijarah and Financing Market Association standards, and was the first of its kind for a Qatari corporation and the Qatari real estate industry. The deal was also able to attract interest from more conservative institutions.

The recognition for Islamic Bank of the Year Brunei continues BIBD's string of Best Bank in Brunei awards, a distinction that reinforces its commitment to better serving its customers and community.



Bank Islam Brunei Darussalam And Its Subsidiaries

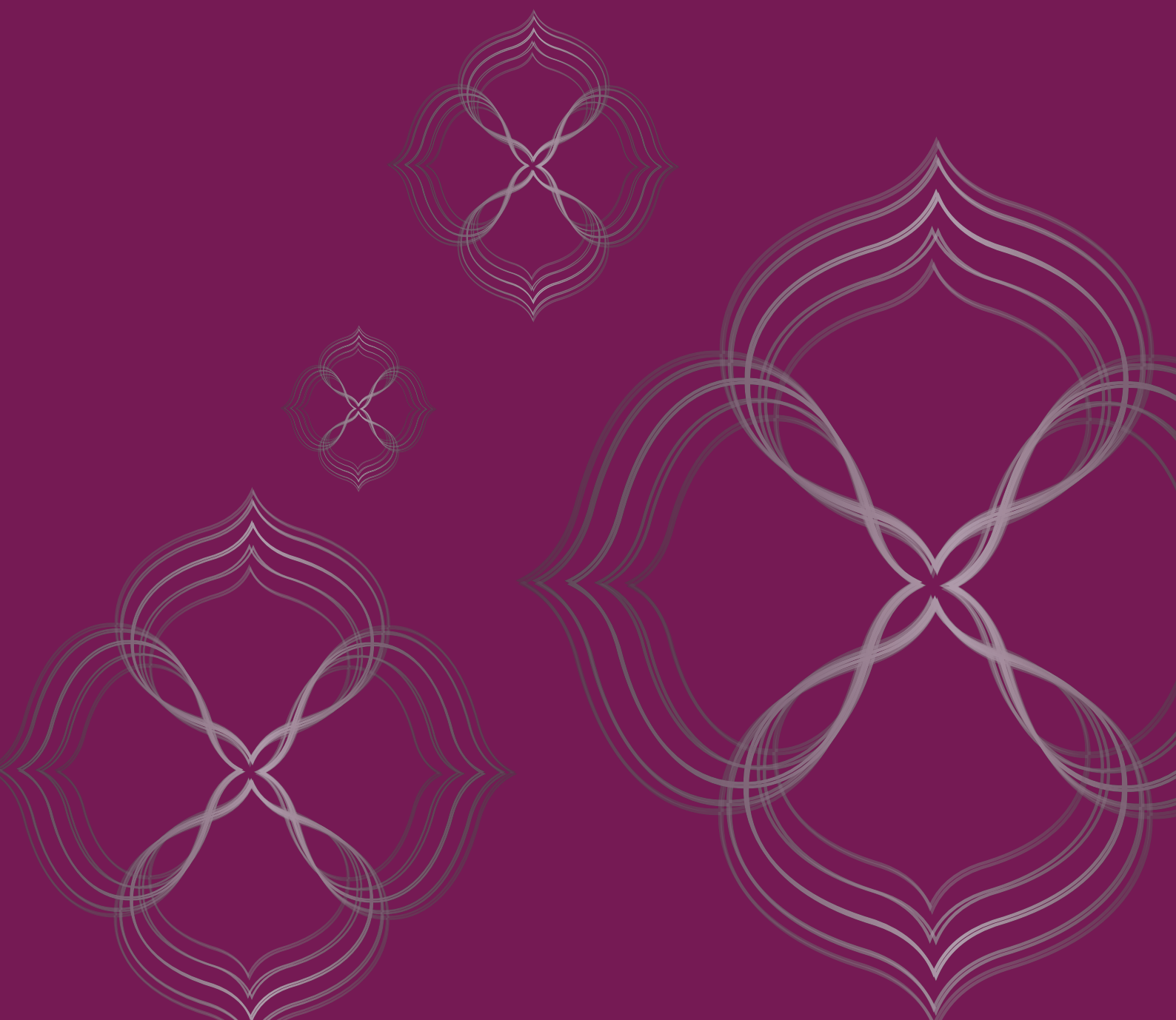
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YEAR ENDED 31 DECEMBER 2015



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Directors' report

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

Principal activities

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

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

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

Results

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

Dividends

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

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

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

Directors

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

Dato Paduka Haji Bahrin bin Abdullah (Chairman)

Dato Paduka Iqbal Ahmad Khan

Junaidi bin Hj Masri

Dr Jan Hendrik van Greuning

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

Abdulaziz Mohammed L. Alsubaei

Dr Abdul Manaf bin Haji Metussin

Mozart bin Haji 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:

Name of directors	Number of ordinary shares of B\$1 each	
	At beginning of the year/ Date of appointment	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	—
Junaidi bin Hj Masri	1	1
Mubashar Khokhar	—	1

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

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



Dato Paduka Haji Bahrin bin Abdullah
Chairman



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam



Statement by Directors

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

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



Dato Paduka Haji Bahrin bin Abdullah
Chairman



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam



Shariah Advisory Body Report

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

To the Shareholders of Bank Islam Brunei Darussalam Berhad,

السلام عليكم ورحمة الله وبركاته

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

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



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

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

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

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

آمين

والله ولي التوفيق والهداية

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



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

Brunei Darussalam
22 April 2016





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Independent auditors' report

Members of the Bank
Bank Islam Brunei Darussalam Berhad

Report on the financial statements

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

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion:

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

KPMG LLP

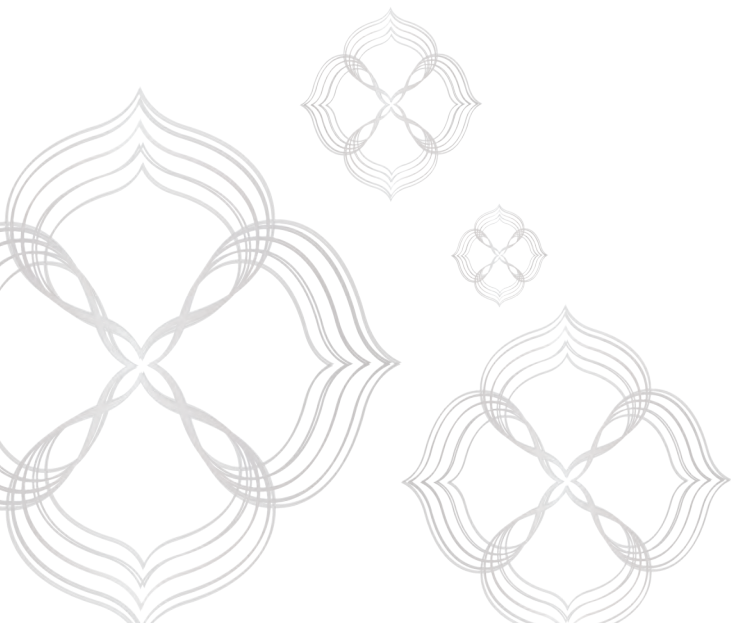
*Singapore Public Accountant and
Singapore Chartered Accountants*

David Waller

Brunei Darussalam Public Accountant

Singapore

16 March 2016



Income Statements
Year ended 31 December 2015

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

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

Statements of Comprehensive Income
Year ended 31 December 2015

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

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

Statements of Financial Position
As at 31 December 2015

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

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

Certification

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



Mubashar Khokhar
Managing Director

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



Dato Paduka Haji Bahrin bin Abdullah
Chairman



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam
16 MAR 2016

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

Consolidated Statement of Changes in Equity
Year ended 31 December 2015

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

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

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

----- Attributable to equity holders of the Bank -----										
		----- 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)	—	—	—	
Transactions with owners of the Bank										
Contributions and distributions										
Dividends paid on ordinary shares	14	—	—	—	—	(28,990)	(28,990)	(2,000)	(30,990)	
Contributions from non-controlling interest		—	—	—	—	—	—	10,154	10,154	
Total contributions and distributions		—	—	—	—	(28,990)	(28,990)	8,154	(20,836)	
At 31 December 2014		724,750	(3)	385,875	3,275	159,081	1,272,978	35,083	1,308,061	

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

Statement of Changes in Equity
Year ended 31 December 2015

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

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

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

Bank	Note	Share capital BS'000	Statutory reserve BS'000	-----Other reserves-----		
				Fair value reserve BS'000	Retained profits BS'000	Total BS'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.

Statements of Cash Flows
Year ended 31 December 2015

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

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

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

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

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

Statement pursuant to Section 125 of the Brunei Darussalam Companies Act

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

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

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

On behalf of the Board of Directors



Dato Paduka Haji Bahrin bin Abdullah
Chairman



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam
16 MAR 2016

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

Notes to the financial statements

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

1 Principal activities and general information

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

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

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

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

2 Summary of significant accounting policies

2.1 Basis of preparation

(a) Statement of compliance

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

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

Standards and interpretations issued but not yet effective

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

(i) IFRS 9 *Financial Instruments*

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

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

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

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

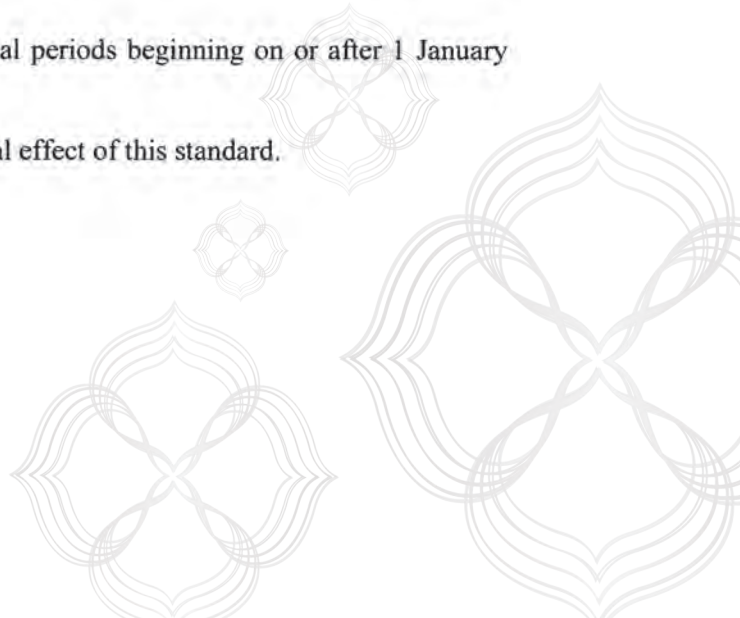
IFRS 9 also introduces a new impairment model that replaces IAS 39's 'incurred loss' model with an 'expected credit loss' model. Under the 'expected credit loss' model, a loss event will no longer need to occur before an impairment allowance is recognised.

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

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

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

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



(ii) IFRS 14 Regulatory Deferral Accounts

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

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

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

(iii) IFRS 15 Revenue from Contracts with Customers

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

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

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

(iv) IFRS 16 Leases

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

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

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

(v) Amendments and improvements

IASB also introduces the following improvements and amendments:

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

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

(b) Basis measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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



2.2 Basis of consolidation

Business combinations

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

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

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

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

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

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

Acquisitions before 1 January 2013

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

Acquisition of non-controlling interest

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

Subsidiaries

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

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

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

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

Loss of control

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

Associate

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

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

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

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

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

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

Non-controlling interests

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

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

Transactions eliminated on consolidation

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

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

2.3 Foreign currency***Foreign currency transactions and balances***

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

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

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

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

2.4 Cash and cash equivalents

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

2.5 Financial instruments

Recognition

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

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

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

Financial assets

(a) Financing and receivables

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

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

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

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

(i) Held-for-trading

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

(ii) Designated under fair value option

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

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

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

(c) Financial assets held-to-maturity

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

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

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

(d) Financial assets available-for-sale

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

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

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

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

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

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

Derivative financial instruments

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

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

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

Financial liabilities

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

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

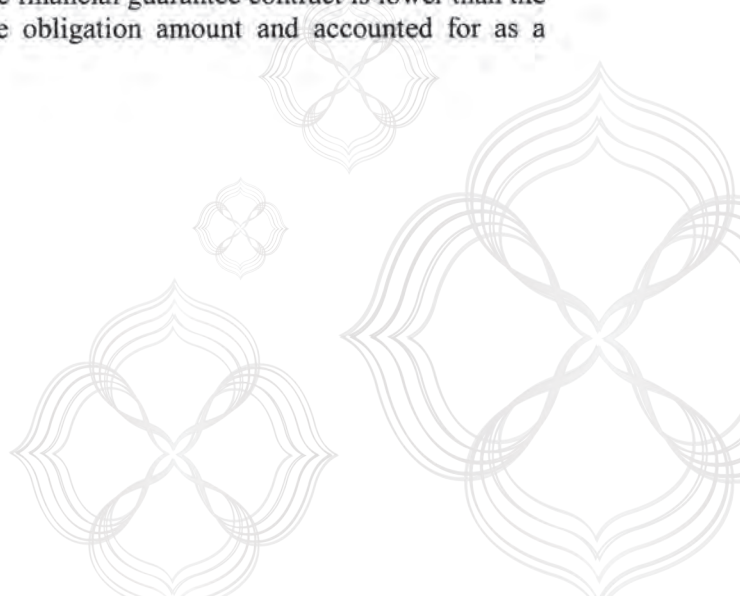
Derivatives that are linked to and must be settled by delivery of equity instruments that do not have quoted price in an active market for identical instruments whose fair value otherwise cannot be reliably measured are measured at cost.

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

Financial guarantee contracts

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

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



Fair value measurement

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

Reclassification of financial assets

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

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

Derecognition

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

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

Offsetting

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

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

2.6 Property and equipment

(a) Recognition and measurement

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

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

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

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

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

(b) Subsequent costs

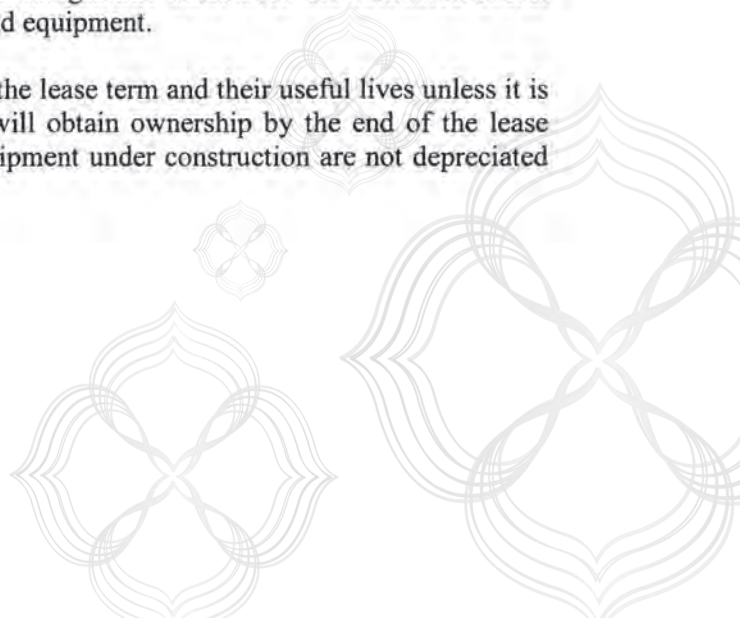
The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Bank, and its cost can be measured reliably. The carrying amount of the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

(c) Depreciation

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

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

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



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

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

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

2.7 Investment property

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

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

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

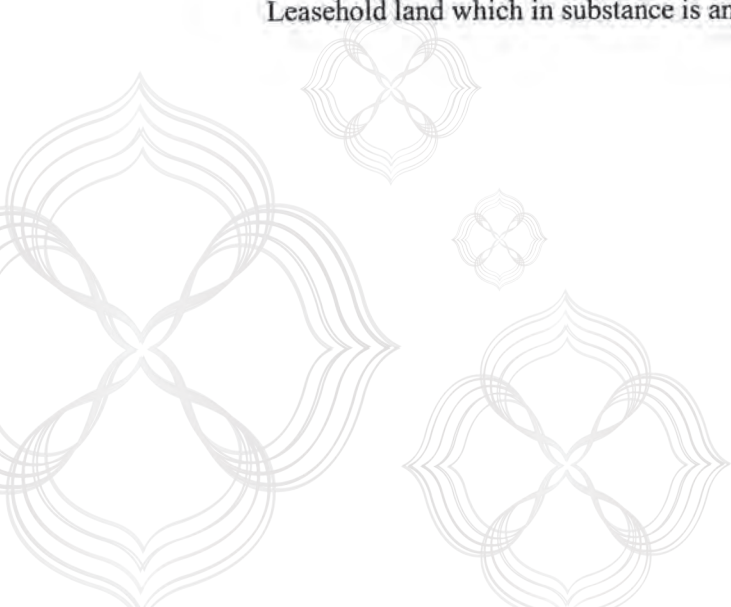
Depreciation on investment property is recognised in profit or loss on a straight-line basis over 49 years.

2.8 Leased assets – operating lease

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

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

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



2.9 Impairment

Financial assets

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

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

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

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

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

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

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

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

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

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

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

Non-financial assets

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

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

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

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

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

2.10 Deposits, financing and other liabilities

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

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

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

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

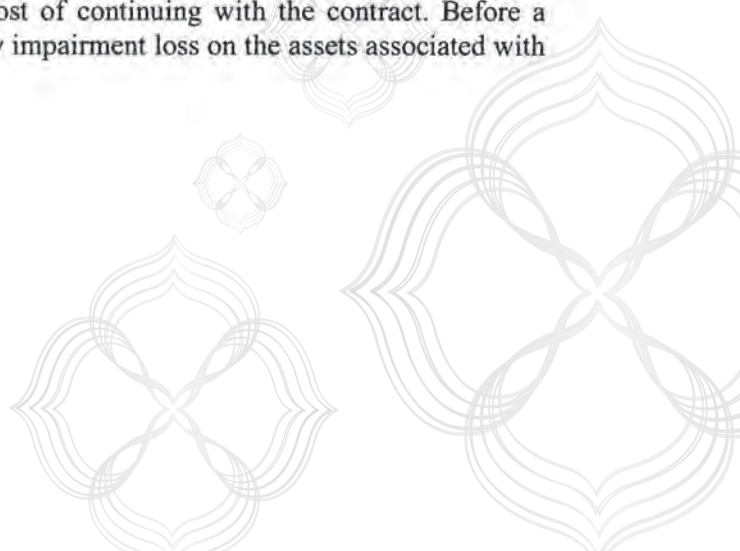
2.11 Provisions

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

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

Onerous contracts

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



2.12 Contingent liabilities

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

2.13 Contingent assets

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

2.14 Share capital

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

2.15 Recognition of income

Financing income

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

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

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

Fee and other income recognition

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

Income derived from placements and investments

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

Dividend income

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

2.16 Income tax

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

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

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

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

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

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

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

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

2.17 Zakat

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

2.18 Employee benefits

Short term employee benefits

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

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

Other long-term employee benefits

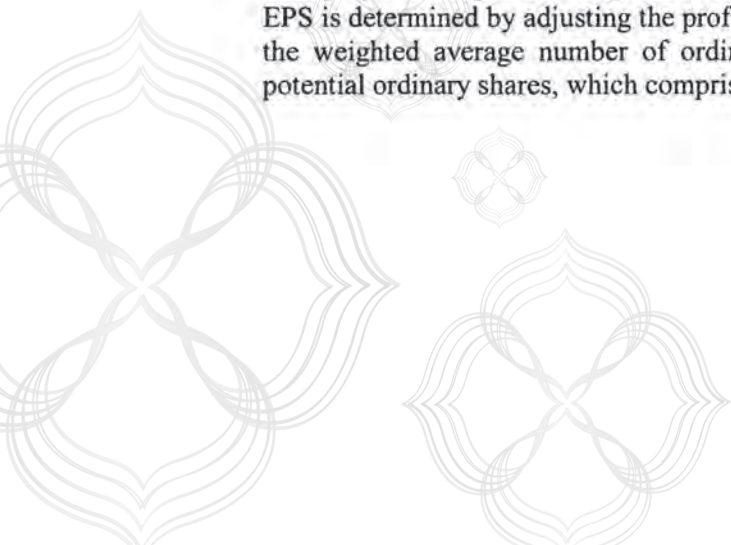
The Group’s net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the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

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

2.19 Earnings per ordinary share

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

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



3 Profit from financing, leasing and investments

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

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

4 Profit paid/payable to depositors

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

5 Loss from derivatives and investments

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

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

6 Net fee and commission income

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

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

7 Other operating income

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

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

8 Personnel expenses

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

9 Other expenses

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

10 Allowance for impairment on financing and advances (net)

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

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

11 Allowance for impairment on investments

		Group		Bank	
		2015 BS'000	2014 BS'000	2015 BS'000	2014 BS'000
Impairment of allowance for impairment losses:					
- Investment in unquoted fund		—	350	—	350

12 Zakat

		Group		Bank	
		2015 BS'000	2014 BS'000	2015 BS'000	2014 BS'000
Zakat					
Current zakat provision		3,112	3,065	3,112	3,065

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

13 Taxation

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

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

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

14 Dividend per ordinary share

	Group and Bank	
	2015 BS'000	2014 BS'000
On ordinary shares		
Net dividend paid on ordinary shares	41,311	28,990

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

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

15 Earnings per share

Basic Earnings per Share ("EPS")

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

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

Diluted Earnings per Share

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

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

16 Cash and cash equivalents

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

⁽¹⁾ Comparatives have been restated to conform to current year's presentation.

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

17 Balances with Autoriti Monetari Brunei Darussalam

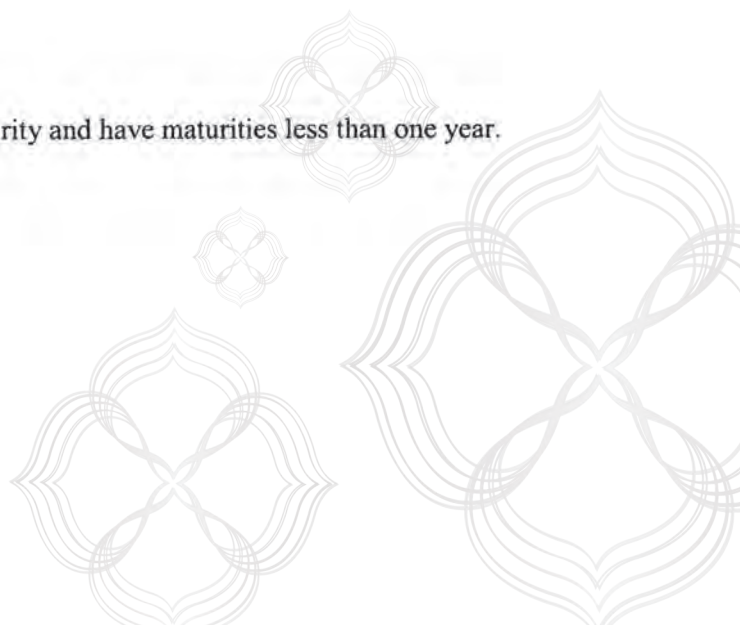
As required by the provisions of Section 45 of the Islamic Banking Order, 2008 and Section 13A of the Finance Companies Act, a cash balance is maintained with the Autoriti Monetari Brunei Darussalam (AMBD). At present, the minimum cash reserve requirement is 6% of the weighted average deposit liabilities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

18 Placements with and financing and advances to banks

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

19 Government sukuk

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



20 Investments

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

20.1 Investment at fair value through profit or loss

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

20.2 Available-for-sale investments

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

20.3 Held-to-maturity investments

	Group		Bank	
	2015 BS'000	2014 BS'000	2015 BS'000	2014 BS'000
Quoted debt securities (sukuk)	14,139	22,216	14,139	22,216

21 Derivative financial assets/(liabilities)

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

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

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

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

22 Financing and advances

(a) By type of products

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

(b) By contract

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

(c) By security

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

(d) By sector

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

(e) By type of customer

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

(f) Non-performing financing and advances

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

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

(g) Non-performing financing and advances by sector

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

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

23 Finance lease receivables

The Bank was granted the lease of the land and a hotel building for a period of 40 years commencing 1 May 2014, for waiving and releasing its rights to enforce the judgment debt against one of its debtors. The Bank then entered into a sub-lease agreement with third 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 BS'000	Profit BS'000	Present value of minimum lease payments BS'000
2015			
Within one year	660	19	641
Between one and five years	2,740	422	2,318
More than five years	28,500	18,933	9,567
Total	31,900	19,374	12,526
2014			
Within one year	660	19	641
Between one and five years	2,680	410	2,270
More than five years	29,220	19,633	9,587
Total	32,560	20,062	12,498

24 Investments in subsidiaries

	2015 Bank BS'000	2014 Bank BS'000
At cost		
Unquoted equity investments	36,682	36,682



Details of the subsidiaries are as follows:

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



Non-controlling interests in subsidiaries

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

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

NCI Percentage	2014			
	Belait Barakah 50% BS'000	Belait CSS 50% BS'000	Saujana Sdn Bhd 47.5% BS'000	Total BS'000
Non-current assets	25,379	117,014	—	142,393
Current assets	7,316	704	12	8,032
Non-current liabilities	—	(96,252)	—	(96,252)
Current liabilities	(10,697)	(1,165)	(69)	(11,931)
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

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

25 Investment in associate

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

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

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

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

Included in balances above are the following amounts:

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

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

	Group	
	2015 BS'000	2014 BS'000
Profit from continuing operations	2,365	2,246
Other comprehensive income	103	1,117
Total comprehensive income	2,468	3,363

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

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

26 Other assets

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

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

27 Property and equipment

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

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

28 Investment property

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

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

Fair value hierarchy, valuation technique and unobservable inputs

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

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



29 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

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

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

30 Deposits from customers

(a) By type of deposit

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

(b) By type of customer

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

31 Deposits from banks and other financial institutions

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

32 Other liabilities

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

33 Zakat and provision for taxation

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

34 Share capital

Group and Bank	Number of shares		Amount	
	2015	2014	2015 B\$	2014 B\$
Authorised:				
Golden share of B\$1.00 each	1	1	1	1
Ordinary shares of B\$1.00 each	999,999,999	999,999,999	999,999,999	999,999,999
Total	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
Ordinary shares of B\$1.00 each	724,749,512	724,749,512	724,749,512	724,749,512
Total	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 the Group.

	Group	
	2015 BS'000	2014 BS'000
Treasury shares	(3)	(3)

36 Statutory and other reserves

Statutory reserves

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

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

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

Other reserves

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

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

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

37 Related party transactions

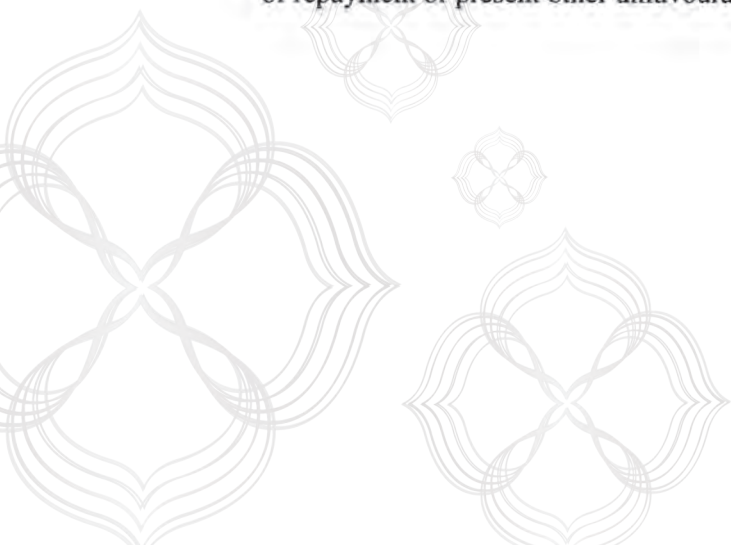
Identity of related parties

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

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

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

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



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

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

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

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

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

Key management personnel

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

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

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

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

	Group	
	2015	2014
Number of shares held	53	53

Interest held by associate

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

Interest held by the government and government controlled entities

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

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

Individually significant transactions

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

38 Financial risk management

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

Overview of risk management

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

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

Risk management functional and governance structure

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

Credit risk

Overview of credit risk policies of the Bank

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

Management of credit risk

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

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

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

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

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

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

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

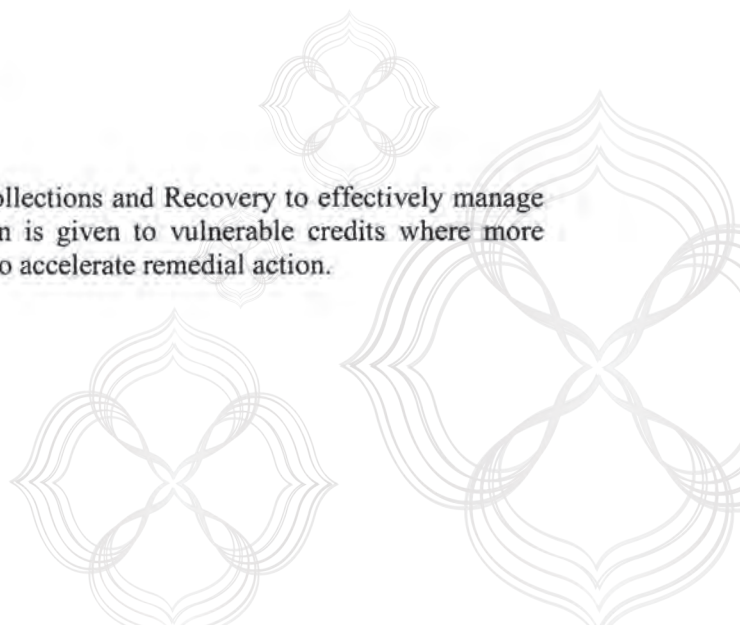
Counterparty credit risk exposures are managed via counterparty limits either on a single name basis or counterparty group basis that also adheres to regulatory Guidance on Single Borrowing Limit. These exposures are actively monitored to protect the Bank's statement of financial position in the event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

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

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

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

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



Internal credit rating reviews

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

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

Overview of credit risk policies of the subsidiary

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

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

(a) Internal credit rating model

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

(b) Maximum exposure to credit risk

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



Maximum exposure to credit risk

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

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



(i) Concentration of credit risk for Group and Bank

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

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

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

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

(ii) Collateral

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

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

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

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

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

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

(iii) Credit quality of gross financing and advances

Gross financing and advances are classified as follows:

- Neither past due nor impaired financing and advances

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

- Past due but not impaired financing and advances

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

- Impaired financing and advances

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

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

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

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

Neither past due nor impaired financing

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

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

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

Impaired financing

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

Impaired financing of which rescheduled and restructured financing

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

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

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

	Consumer	Corporate/ Institution	Total
	BS'000	BS'000	BS'000
Group			
2015			
Excellent to good	1,511,851	796,468	2,308,319
Fair	705,644	150,954	856,598
Past due but not impaired	24,101	125,296	149,397
Impaired	69,830	133,290	203,120
Total	2,311,426	1,206,008	3,517,434
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

Bank	Consumer BS'000	Corporate/ Institution BS'000	Total BS'000
2015			
Excellent to good	1,302,194	892,458	2,194,652
Fair	268,996	121,813	390,809
Past due but not impaired	23,423	125,296	148,719
Impaired	63,830	133,246	197,076
Total	1,658,443	1,272,813	2,931,256
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



(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:

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

Group

2014

	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
Government bonds and treasury bills	–	–	–	–	–
Islamic debt securities	–	–	–	–	–
Rated AAA	–	–	–	22,216	22,216
Rated AA1 to AA3	–	–	46,340	–	46,340
Rated A1 to A3	–	–	382,443	–	382,443
Rated A or below	–	–	211,267	–	211,267
Unrated – Quasi-government	–	–	2,125	–	2,125
Unrated – Others	427	–	71,160	–	71,587
Derivative financial assets	–	–	–	–	–
Bank and financial institution counterparties	–	1,019	–	–	1,019
Total	427	1,019	713,335	22,216	736,997

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

	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					
2014					
Government bonds and treasury bills	–	–	–	–	–
Islamic debt securities					
Rated AAA	–	–	–	22,216	22,216
Rated AA1 to AA3	–	–	46,340	–	46,340
Rated A1 to A3	–	–	382,443	–	382,443
Rated A or below	–	–	211,267	–	211,267
Unrated – Quasi-government	–	–	2,125	–	2,125
Unrated – Others	427	–	71,160	–	71,587
Other investments	–	–	8,923	–	8,923
Derivative financial assets					
Bank and financial institution counterparties	–	1,019	–	–	1,019
Total	427	1,019	722,258	22,216	745,920

(v) Offsetting financial assets and financial liabilities

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

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

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

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

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



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

	Related amounts not offset in the statements of financial position				
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the statements of financial position	Net amounts of financial instruments presented in the statements of financial position	Financing instruments	Financing collateral
	BS'000	BS'000	BS'000	BS'000	BS'000
2015					Net amount BS'000
Derivative financial assets	27,971	—	27,971	(26,848)	—
Derivative financial liabilities	68,788	—	68,788	(26,848)	—
					1,123
					41,940
2014					
Derivative financial assets	1,019	—	1,019	(853)	—
Derivative financial liabilities	127,435	—	127,435	(853)	—
					166
					126,582

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

Group and Bank

(b) Market risk**Overview of the Bank's market risk**

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

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

The Bank is exposed to the following risks:

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

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

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

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

Market risk governance and management

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

Overview of the subsidiary's market risk

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

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

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

Market risk governance and management

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



(i) Profit rate risk

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

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

	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 2015								
Liabilities								
Deposits from customers	2,788,358	796,159	1,607,377	175,030	228	—	—	5,367,152
Deposits from banks and other financial institutions	180,399	61,525	157,785	145,505	—	—	—	545,214
Derivative financial liabilities	—	—	—	—	—	—	68,796	68,796
Other liabilities	—	—	—	—	—	92,746	—	92,746
Total	2,968,757	857,684	1,765,162	320,535	228	92,746	68,796	6,073,908
Recognised assets profit sensitivity gap	(2,392,058)	(538,830)	392,983	1,174,999	1,977,450	594,399	(20,369)	1,188,574
Unrecognised financial instruments profit sensitivity gap	—	—	—	—	—	821,536	—	821,536
Total profit sensitivity gap	(2,392,058)	(538,830)	392,983	1,174,999	1,977,450	1,415,935	(20,369)	2,010,110

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

Group 2014	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
Assets								
Cash and cash equivalents	852,128	137,099	–	–	–	196,240	–	1,185,467
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	353,796	–	353,796
Placements with and financing and advances to bank	188,068	666,467	1,207,956	–	–	–	–	2,062,491
Government Sukuk	55,977	–	–	–	–	–	–	55,977
Financial assets at fair value through profit or loss	–	–	–	–	–	–	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 and advances*								
- non-impaired	143,420	77,094	689,126	348,873	1,625,268	4,665	–	2,888,446
- impaired	–	–	–	–	–	98,414	–	98,414
Finance lease receivables	–	–	–	–	–	12,498	–	12,498
Other assets	–	–	–	–	–	32,541	–	32,541
Total	1,336,202	920,873	2,002,416	787,235	1,680,301	698,154	23,117	7,448,298

	Up to 1 month BS'000	> 1 – 3 months BS'000	> 3 – 12 months BS'000	1 – 5 years BS'000	Over 5 years BS'000	Non profit sensitive BS'000	Trading book BS'000	Total BS'000
Group 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
Other liabilities	—	—	—	—	—	82,921	—	82,921
Total	3,192,282	1,260,809	1,493,869	136,968	42	82,921	127,435	6,294,326
Recognised assets profit sensitivity gap	(1,856,080)	(339,936)	508,547	650,267	1,680,259	615,233	(104,318)	1,153,972
Unrecognised financial instruments profit sensitivity gap	—	—	—	—	—	555,324	—	555,324
Total profit sensitivity gap	(1,856,080)	(339,936)	508,547	650,267	1,680,259	1,170,557	(104,318)	1,709,296

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

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

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

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

Bank 2014	Up to 1 month BS'000	> 1 – 3 months BS'000	> 3 – 12 months BS'000	1 – 5 years BS'000	Over 5 years BS'000	Non profit sensitive BS'000	Trading book BS'000	Total BS'000
Assets								
Cash and cash equivalents	952,128	137,099	–	–	–	196,876	–	1,286,103
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	325,015	–	325,015
Placements with and financing and advances to bank	188,068	699,467	1,375,256	–	–	–	–	2,262,791
Government sukuk	55,977	–	–	–	–	–	–	55,977
Financial assets at fair value through profit or loss	–	–	–	–	–	–	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 and advances*	143,015	76,627	680,553	5,179	1,412,920	4,665	–	2,322,959
- non-impaired	–	–	–	–	–	102,572	–	102,572
- impaired	–	–	–	–	–	12,498	–	12,498
Finance lease receivables	–	–	–	–	–	44,629	–	44,629
Other assets	–	–	–	–	–	–	–	–
Total	1,425,542	972,583	2,161,143	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 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	3,010,694	1,186,264	1,562,551	141,725	–	68,000	127,435	6,096,669
Recognised assets profit sensitivity gap	(1,585,152)	(213,681)	598,592	301,816	1,467,954	618,255	(123,496)	1,064,288
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	554,629	–	554,629
Total profit sensitivity gap	(1,585,152)	(213,681)	598,592	301,816	1,467,954	1,172,884	(123,496)	1,618,917

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

Profit sensitivity analysis for variable rate instruments:

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

Group and Bank	Profit or loss		Equity	
	100 bp increase BS'000	100 bp decrease BS'000	100 bp increase BS'000	100 bp decrease BS'000
2015				
Variable rate instruments	43,912	(43,912)	43,912	(43,912)
2014				
Variable rate instruments	8,210	(8,210)	8,210	(8,210)

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

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

Overall (trading and non-trading positions)

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

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

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

Foreign exchange risk of the subsidiaries

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



Exposure to foreign exchange risk

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

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

Sensitivity analysis

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

	2015		2014	
	- 1% depreciation BS'000	+ 1% appreciation BS'000	- 1% depreciation BS'000	+ 1% Appreciation BS'000
Group and Bank				
USD	1	(1)	(38)	38
EUR	(3)	3	(2)	2
GBP	(5)	5	(1)	1
Others	(6)	6	5	(5)
Total	(13)	13	(36)	36

(iii) Equity price risk

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

Sensitivity analysis – equity price risk

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

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

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

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

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

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

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

Management of liquidity and funding risk

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

Liquidity risk of the subsidiary

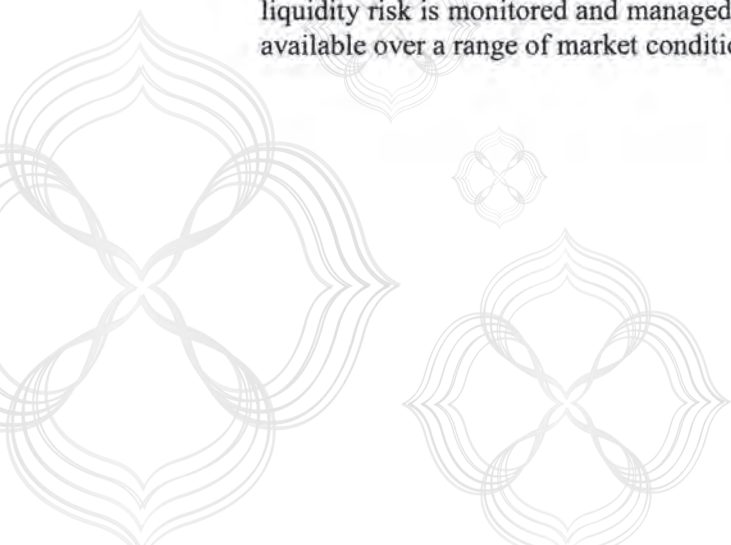
Liquidity risk is the risk that the subsidiary will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

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

Management of liquidity risk

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



Maturity analysis

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

**Group
2015**

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

Group
2015

Liabilities

Deposits from customers
Deposits and placements of banks
and other financial institutions

Derivative financial liabilities

Other liabilities

Total

Recognised assets net liquidity gap

Commitments and contingencies

Net liquidity gap

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

3,612,430	1,130,808	470,735	175,554	–	242	–	5,389,769
177,821	304,916	6,187	63,296	–	–	–	552,220
13,134	12,814	8,259	20,854	7,556	–	–	62,617
31,945	24,211	30,275	5,110	1,205	–	–	92,746
3,835,330	1,472,749	515,456	264,814	8,761	242	–	6,097,352
(1,334,554)	(660,545)	623,143	872,726	822,071	1,201,824	12,536	1,537,201
101,010	119,678	154,083	101,025	299,030	37,015	9,695	821,536
(1,233,544)	(540,867)	777,226	973,751	1,121,101	1,238,839	22,231	2,358,737

**Group
2014****Assets**

Cash, balances and placements with banks

	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
	1,185,525	–	–	–	–	–	–	1,185,525
Balances with Autoriti Monetari Brunei Darussalam	227,959	59,278	25,987	7,897	–	24,114	–	345,235
Placements with and financing and advances to banks	878,397	546,353	658,911	–	–	–	–	2,083,661
Government sukuk	36,000	20,000	–	–	–	–	–	56,000
Investments	148,129	5,912	126,852	214,027	308,962	103,119	17,371	924,372
Derivative financial assets	758	486	118	–	–	–	–	1,362
Financing and advances	373,731	211,606	367,417	1,080,822	732,961	916,830	–	3,683,367
Finance lease receivables	165	165	330	1,320	1,360	29,220	–	32,560
Other assets	19,484	4,583	2,476	3,260	5,752	3,105	–	38,660
Total	2,870,148	848,383	1,182,091	1,307,326	1,049,035	1,076,388	17,371	8,350,742

	Less than 3 months BS'000	> 3 – 6 months BS'000	> 6 – 12 months BS'000	> 1 – 3 years BS'000	> 3 – 5 years BS'000	Over 5 years BS'000	No specific maturity BS'000	Total BS'000
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	4,289,543	1,144,004	598,469	202,032	16,815	9,886	–	6,260,749
Recognised assets net liquidity gap	(1,419,395)	(295,621)	583,622	1,105,294	1,032,220	1,066,502	17,371	2,089,993
Commitments and contingencies	291,074	26,819	93,848	35,560	11,418	85,214	11,391	555,324
Net liquidity gap	(1,128,321)	(268,802)	677,470	1,140,854	1,043,638	1,151,716	28,762	2,645,317

Group
2014

Bank 2015		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
Assets									
Cash and cash equivalents	892,428	–	–	–	–	–	–	–	892,428
Balances with Autoriti Monetari Brunei Darussalam	232,313	68,218	35,434	14,776	–	–	–	–	350,741
Placements with and financing and advances to banks	823,514	616,026	724,800	–	–	–	–	–	2,164,340
Government sukuk	5,000	15,800	–	–	–	–	–	–	20,800
Investments	4,437	35,215	96,989	251,248	195,314	84,149	12,536	–	679,888
Derivative financial assets	3,057	585	5,623	10,577	3,958	–	–	–	23,800
Financing and advances	476,462	177,174	269,442	853,736	626,418	1,083,875	–	–	3,487,107
Finance lease receivables	165	165	330	1,320	1,420	28,500	–	–	31,900
Other assets	15,050	11,429	5,981	5,883	3,722	–	–	–	42,065
Total	2,452,426	924,612	1,138,599	1,137,540	830,832	1,196,524	12,536	–	7,693,069

Bank
2015

Liabilities

Deposits from customers	3,544,241	1,093,746	472,694	152,184	—	—	—	—	5,262,865
Deposits from banks and other financial institutions	241,463	17,909	104,734	88,605	—	—	—	—	452,711
Derivative financial liabilities	13,134	12,814	8,259	20,854	7,556	—	—	—	62,617
Other liabilities	11,621	24,211	30,275	5,110	1,205	—	—	—	72,422
Total	3,810,459	1,148,680	615,962	266,753	8,761	—	—	—	5,850,615
Recognised assets net liquidity gap	(1,358,033)	(224,068)	522,637	870,787	822,071	1,196,524	12,536	—	1,842,454
Commitments and contingencies	101,010	119,678	154,083	101,025	299,030	37,015	9,695	—	821,536
Net liquidity gap	(1,257,023)	(104,390)	676,720	971,812	1,121,101	1,233,539	22,231	—	2,663,990

Bank 2014	Assets	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
	Cash and cash equivalents	1,286,162	—	—	—	—	—	—	1,286,162
	Balances with Autoriti Monetari Brunei Darussalam	227,959	59,278	25,987	7,897	—	—	—	321,121
	Placements with and financing and advances to banks	884,133	720,304	658,911	—	—	—	—	2,263,348
	Government sukuk	36,000	20,000	—	—	—	—	—	56,000
	Investments	137,874	5,912	126,852	214,027	308,962	103,119	17,371	914,117
	Derivative financial assets	758	486	118	—	—	—	—	1,362
	Financing and advances	345,420	155,812	286,348	799,595	551,230	952,508	—	3,090,913
	Finance lease receivables	165	165	330	1,320	1,360	29,220	—	32,560
	Other assets	30,643	4,280	2,405	2,209	2,588	2,533	—	44,658
	Total	2,949,114	966,237	1,100,951	1,025,048	864,140	1,087,380	17,371	8,010,241

Bank
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	4,257,497	1,164,971	510,405	163,880	8,894	2,277	–	6,107,924
Recognised assets net liquidity gap	(1,308,383)	(198,734)	590,546	861,168	855,246	1,085,103	17,371	1,902,317
Commitments and contingencies	290,379	26,819	93,848	35,560	11,418	85,214	11,391	554,629
Net liquidity gap	(1,018,004)	(171,915)	684,394	896,728	866,664	1,170,317	28,762	2,456,946

(d) Operational Risk of the Bank

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

Operational Risk Management Framework

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

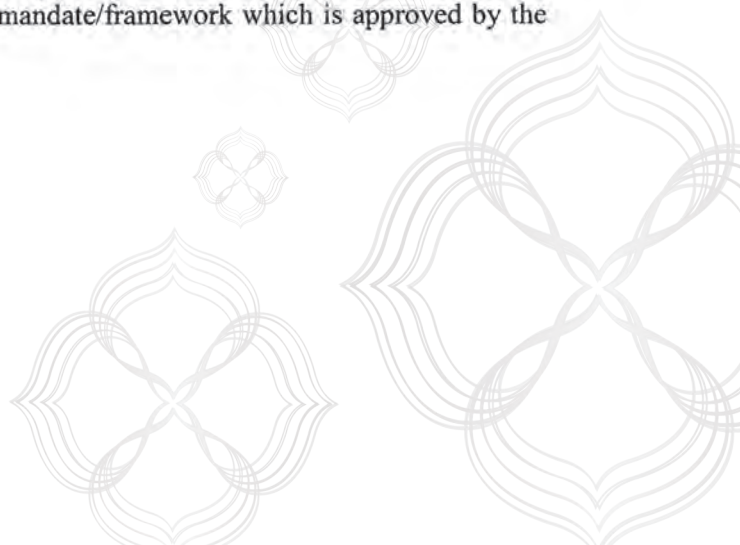
Operational risk exposures can take various forms, and the Bank seeks to manage them in accordance with standards that drive systematic risk identification, assessment, control and monitoring. These standards are reviewed regularly to ensure their ongoing effectiveness. To support the systematic identification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

- People
- Process
- System
- External

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

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

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



Operational Risk of the subsidiary

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

Operational Risk and Internal Controls Framework of the subsidiary

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

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

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

39 Fair value of financial assets and liabilities

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

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

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

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

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

Investments

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

Financing and advances

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

Derivatives

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

Fair value hierarchy

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

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

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

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

	Carrying amounts						Fair values				
	Designated at fair value BS'000	Held for trading BS'000	Available for sale BS'000	Held to maturity BS'000	Loans and receivables BS'000	Other financial liabilities BS'000	Total BS'000	Level 1 BS'000	Level 2 BS'000	Level 3 BS'000	Total BS'000
Group 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
	22,098	1,019	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	—	—	3,074,109	3,074,109
	—	—	—	22,216	2,986,860	—	3,009,076	—	22,566	3,074,109	3,096,675
Financial liabilities measured at fair value											
Derivative financial liabilities	—	(127,435)	—	—	—	—	(127,435)	—	(127,435)	—	(127,435)

	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 2015											
Financial assets measured at fair value											
Investments	1,700	—	587,158	—	—	—	588,858	2,262	582,596	4,000	588,858
Derivative financial assets	—	27,971	—	—	—	—	27,971	—	27,971	—	27,971
	1,700	27,971	587,158	—	—	—	616,829	2,262	610,567	4,000	616,829
Financial assets not measured at fair value											
Investments	—	—	—	14,139	—	—	14,139	—	14,208	—	14,208
Financing and advances	—	—	—	—	2,815,031	—	2,815,031	—	—	2,801,872	2,801,872
	—	—	—	14,139	2,815,031	—	2,829,170	—	14,208	2,801,872	2,816,080
Financial liabilities measured at fair value											
Derivative financial liabilities	—	(68,796)	—	—	—	—	(68,796)	—	(68,796)	—	(68,796)

	Carrying amounts						Fair values				
	Designated at fair value BS'000	Held for trading BS'000	Available for sale BS'000	Held to maturity BS'000	Loans and receivables BS'000	Other financial liabilities BS'000	Total BS'000	Level 1 BS'000	Level 2 BS'000	Level 3 BS'000	Total BS'000
Bank 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
	2,920	1,019	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)

Valuation techniques and significant unobservable inputs

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

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

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

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

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

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

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

	2015 BS'000	2014 BS'000
Securities available-for-sale		
At 1 January	5,072	5,590
Unrealised gains/(losses) recognised in other comprehensive income	(1,072)	(518)
At 31 December	4,000	5,072

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

40 Lease commitments

Leases as lessee

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

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

41 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

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

42 Commitments

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

43 Capital adequacy

Capital Management

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

Reconciliation from IFRS to regulatory capital

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

Differences between IFRS and AMBD's prudential capital requirements

Intangible assets

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

Capitalised costs

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

Impairment on financing

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

Profit in suspense

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

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

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

Capital Adequacy Ratios

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

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

Capital ratios

Core capital (Tier 1) ratio %	23.3%	22.8%	23.7%	23.6%
Total capital ratio %	23.8%	23.5%	23.4%	23.5%

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

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

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

44 Contingent liabilities

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

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

45 Subsequent events

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

