ANNUAL REPORT 2016



BIBD

Bruneian at Heart

VISION

Serving Brunei through Islamic solutions as its leading financial institution

Benchmark Institution and Point of Reference – Responsible for the fusion of Islamic Values, Real Economy and Finance

MISSION

To become THE FIRST CHOICE institution for Employees, Customers and Stakeholders

VALUES

Integrity
Customer Focus
Unity
Excellence



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FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

CHAIRMAN'S **STATEMENT**

DEAR VALUED SHAREHOLDERS,

Bismillahir Rahmanir Rahim. Assalamualaikum Warahmatullahi Wabarakatuh.

The year 2016 was characterised by uncertainties arising from on-going global economic challenges and geopolitical changes, the impact of which was felt by many around the world. Such events remind us of the dynamic nature of the world in which we live and the importance of being resilient and flexible to adapt to such changes - as individuals, as a company and as a country. While Brunei has a sizeable financial buffer to mitigate the effects of weak oil prices, the country is not complacent and efforts to diversify and reconfigure economic sectors and infrastructure to support long-term fiscal sustainability have been taking root to strengthen and diversify the economy. The banking sector in Brunei continues to exhibit strong capitalisation and liquidity, despite pressures on asset quality.

Against this backdrop, Alhamdulillah, I am pleased to report that BIBD demonstrated its strength and resilience with an impressive financial performance for 2016. We forged ahead, guided by well thought-out strategies, which resulted in the Bank recording a profit after Zakat and Tax of B$122.10 million, a 21% increase from the previous year, while profit after Zakat and Tax for the Group was posted at B$104.2 million, a marginal decline of 2.3% from the previous year.

Total assets for the Bank grew 28% to B$9.0 billion in 2016, propelled by a strong increase in deposits by 36%, cementing its position as the market leader in Brunei with a sizeable market share of the industry. Total assets for the Group also grew favourably by 26% to B$9.5 billion compared to B$7.5 billion in the previous year.

Our strong revenue contribution, diversified offerings and strengthening franchise domestically and abroad continue to deliver sustainable value to our stakeholders. We are grounded in our Bruneian values that have given us strength and direction resulting in a strong balance sheet and growing profitability, which is testament to BIBD's resilience.

We are humbled by the international recognition conferred upon us. We have been recognised by The Asian Banker as the Best Retail Bank in Brunei, our fourth consecutive win and we have retained our strong A- credit rating from Standard & Poor's (S&P Global). These recognitions and awards are possible because of our commitment to ensuring sound business practices are executed on a foundation of strong corporate governance, risk management and compliance.

> "We are grounded in our Bruneian values that have given us strength and direction resulting in a strong balance sheet and growing profitability, which is testament to BIBD's resilience.

On a solid path of continuous growth

BIBD is proud to be the leading bank in Brunei from among a notable line of peers in a vibrant and highly competitive banking landscape. We continue to see opportunities arising from the Government's efforts to diversify its economic sectors as well as raise productivity and enhance efficiency. These reforms have earned Brunei the accolade of being the "most improved global economy" in the World Bank's "Doing Business 2017" report.

BIBD intends to be a key contributor to helping achieve Brunei's Wawasan 2035 through ensuring that we provide support to our customers in their financial journey, whether in business or personal financing needs, so that they in turn will be equipped to contribute back to the nation. At the same time, we will also continue to tap into growth opportunities, particularly in the small and medium enterprise (SME) as we contribute efforts to strengthen the business environment in Brunei. We are particularly proud of the introduction of our SME 360° , a dedicated one-stop service branch for all SME-related offerings as we anticipate that this segment will grow in Brunei.

As an integral contributor to Brunei Darussalam's economy since the 1980s, we are proud to have provided innovative financial conveniences to support the needs of Bruneians for decades. As we continue to grow domestically, we have also embarked on a mission to seek out higher growth opportunities beyond our



Yang Berhormat
Dato Seri Setia Awang Haji Bahrin bin Abdullah
Minister of Development
Chairman, Bank Islam Brunei Darussalam

home base. The vision of becoming a preferred regional Islamic bank will allow us to enhance and diversify our income stream and provide better returns on investment to our shareholders.

Moving forward in 2017

BIBD has always believed in building towards long-term sustained performance. We have in place a comprehensive strategy that will guide us in our pursuit towards enabling growth and becoming the First Choice for our customers and our stakeholders. Against this backdrop, we are focused on directing investments toward technology enhancements that will provide our customers with convenience and an elevated banking experience. Our commitment to service excellence continues unabated and we will couple technology together with the human touch to deliver distinctive service to our valued customers, so that we will continue to be their trusted partner in their financial journey.

We will also advance the reach of our services in the region so as to tap into the rising international demand for well-constructed Shariah offerings by those who seek not only ethical financial management, but also for those who are looking for diversification options to insulate against the uncertainties of other asset classes.

In Appreciation

I wish to thank my Board of Directors for their valuable contributions and guidance in strategic decision-making and oversight that has steered the Bank to achieve sustainable results over the long-term. The Board joins me in congratulating Mr. Mubashar Khokhar, the Managing Director, and the members of the Management for their steadfast commitment in driving results and executing the strategies according to plan. Our sincere appreciation goes to all employees of BIBD for their dedication and the desire to strive for service excellence, all of which strengthens BIBD's position as the First Choice for Bruneians.

Our customers have grown in number over the years, both here in Brunei and in the region. Without them, we would not have been able to achieve all the successes that we have accomplished so far. To you, our valued customers, we thank you for your loyalty and your support.

My gratitude and sincere appreciation goes to His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam's Government, the Ministry of Finance and our honourable regulators for their continued encouragement, guidance and support.

We stand committed to the vision of driving BIBD forward as the preferred choice of our customers, and by the grace of Allah S.W.T., we will continue to contribute meaningfully to our customers, our community, and our country.

Wabillahi Taufik Walhidayah Wassalamu 'Alaikum Warahmatullah Hi Wabarakatuh

MANAGING DIRECTOR'S **FOREWORD**

DEAR RESPECTED SHAREHOLDERS,

Bismillahir Rahmanir Rahim. Assalamualaikum Warahmatullahi Wabarakatuh.

I am honoured to present to you the business and financial performance of BIBD for 2016. After a year at the helm of this prestigious financial institution, I can humbly say that the BIBD Board and team are steadfast and driven by a clear vision of making BIBD the preferred choice for our customers. It is this clarity of direction that has enabled us to perform well on a consistent basis for years, and this year in review is no exception.

This year's positive performance is a result of our vision to serve Brunei through Islamic solutions as its leading financial institution and at the same time, become a benchmark and a point of reference as an institution that is responsible for the fusion of Islamic values, real economy and finance. We will continue to be guided by our clear values of integrity, customer focus, unity of purpose and our commitment to excellence to solidify our leadership position and to ensure that our mission to be **"The First Choice"** for our employees, customers and stakeholders is achieved.

Alhamdulillah, despite challenging market conditions, uncertainties on the global economic front and geopolitical issues which continued to evolve throughout 2016, I am proud to say that BIBD has demonstrated its resilience that is made possible by the robust and solid fundamentals that we have in place.

We continued to enhance our offerings to our customers, grow both our retail and business banking segments, and delivered on the expectations of our shareholders. At the same time, Brunei's economy has been stable and is expected to recover from 2018 onwards with the recovery in oil production and moderate growth. We believe that with this, along with the progress made in economic diversification and focus on private sector development, Brunei will start to come through within the next 12 to 24 months.

Sustaining performance

For the year in review, I am heartened to report that all our key business segments posted healthy and positive revenue growth despite market challenges. Overall, the Group posted an encouraging total income of B$331 million, an increase of 3.1% from the previous year, while the Bank reported a very strong income of $307.6 million, highlighting a 22% growth. This was supported by strong returns from our fee income along with financing, leasing and investment activities that have shown a 6.8% increase in net profit margin for the Group delivering B$244 million and B$198.2 million for the Bank, a 8.9% increase for the Bank.

"For the year in review, I am heartened to report that all our key business segments posted healthy and positive revenue growth despite market challenges.

Funding remains at the core of our strategy and we saw an encouraging growth of 36% for deposits for the Bank at B$7.1 billion while the Group recorded 34% growth in deposits. Profitability for the Bank rose 21% to B$122.1 million, compared to B$100.6 million in 2015. Total assets for the Bank increased more than a quarter to 28% to B$9.0 billion, while total assets for the Group stood at B$9.5 billion, up 26%, lending further strength to our financial position and cementing BIBD as the largest bank in Brunei, with a very sizeable market share.

We strived to maintain discipline and efficiency in our cost management exercises and invested where necessary for sustainable growth. While the rising costs of doing business remains a challenge, we managed to lower our cost-to-income (CIR) ratio for the Bank to 33% compared to 38% in 2015, while CIR for the Group was brought down to 39% from 40.7% in the previous year. As a result, we recorded a return on assets (ROA) of 1.1% for the Group and 1.4% for the Bank. The Bank posted a 6.6% increase on operating expenses, mainly due to investment in talent management as well as technology investments for better scale of operations. We upheld a strong capital adequacy ratio at 20.8% and 21.1% for the Bank and Group respectively, that is well above the regulatory requirements, and allows us to maintain a resilient capital position to support the execution of our strategies.



Yang Mulia
Mubashar Khokhar
Managing Director
Bank Islam Brunei Darussalam

Advancing innovation for growth

We believe in investing discerningly in enablers of business growth. As our customers' financial requirements change and evolve, we remain committed to leading and defining how the use of technology can serve them better in more efficient and innovative ways.

As the pioneering leader in mobile banking services in the country, we were once again the first in the market to offer a digital innovation to our customers by providing them the option to withdraw funds from an ATM machine without using an ATM card. This allowed our customers the ease and security of conducting withdrawal transactions using their mobile devices instead of an ATM card.

As we continue to take advantage of digital innovation, we garnered critical mass usage for our Mobile Chat service that was introduced in late 2015. The Mobile Chat service connects customers with our customer service personnel in real time through our mobile app. With this additional channel, our customers are provided with another alternative convenience on how to best engage with us depending on their preferences.

We invested in state-of-the-art technology to expand the size of our highly secured and reliable data centre to ensure that we achieved the highest level of availability and operational efficiencies for our customers.

With SMEs set on a path for economic growth, we have been extending support to this segment. We launched the SME 360° branch dedicated to providing services and financial solutions related to SMEs such as working capital, property financing, bridging financing, supply/procurement contracts, trade financing and guarantees, as well as advisory services. This is part of our efforts to align closer towards His Majesty's vision of developing the sustainable economy of the country.

Strengthening governance, risk management and compliance

As we continue to operate in an increasingly evolving and interconnected financial landscape, ensuring that we effectively manage risks is not just about avoiding threats but also about capitalising on opportunities, while protecting the interests of all stakeholders of the bank. While we are not immune to the impact of the macroeconomic challenges, we relied on our prudent approach and sound risk management practices to mitigate risks.

In 2016, we adopted an enterprise-wide risk management approach and established an Enterprise Risk Management framework to effectively analyse and measure the real effect of identified risks in order to manage it well. This new integrated approach is aimed to further improve shareholder value by managing uncertainties that may negatively or positively affect the achievement of BIBD's objectives.

We continue to adopt a risk-managed credit exposure and ensure that our capital and liquidity levels are sufficient to withstand any uncertainties. We are heartened by the retained strong rating of A- by international credit rating agency Standard and Poor's (S&P Global), which reflects BIBD's business stability. It was also noted that BIBD's liquidity ratios are stronger than that of several of its global peers.

Reinforce regional reach

Over the past decade or so, we have seen a strong demand globally for Islamic banking services that focus on assets and

risk-sharing as opposed to risk transfer as an alternative to conventional products. BIBD is well positioned to serve this need. We set up a representative office in Singapore in 2015, and we are making good progress to materialise another presence in the Middle East to look into the opportunities and channel business recommendations from customers within the Asian and Middle East who are looking to tap into markets further afield in the ASEAN region.

We are committed to strengthening our regional reach and catering to global customer requirements to support them in harnessing opportunities around the region, especially with the advent of growth from ASEAN.

'Customers first' approach

It goes without saying that our customers are our first priority. As our customers' financial requirements constantly evolve, we challenge ourselves to step up to stay ahead and meet their needs to serve them well. We are constantly looking for ways to improve our customers' experience at BIBD, while growing revenue at a managed cost.

As our customers yearn for convenience and efficiency at their fingertips, we are proud to ensure that they have various channels to suit their needs, from our branches to online and mobile platforms. We have seen an astounding 76% increase in usage of our digital banking transactions in 2016 compared to 2015. This further validates the investments that we have made into strengthening this platform for our customers.

With our initiatives for customer centricity, we have seen a 25% increase in new retail customer accounts. We are pleased to have charted a 93% score for our customer satisfaction survey in 2016 and will strive to ensure that we enhance our customers' journey through service excellence, efficiency and value. We continue to chart a stronghold as the First Choice for our retail customers as we demonstrate our commitment to cater to their product and service requirements, as well as providing them with ease and efficiency through digital mobile and online banking capabilities. As a culmination of our commitment, Alhamdulillah, we are humbled to have been accorded the Best Retail Bank for the fourth consecutive year by The Asian Banker.

Human capital, the backbone of BIBD

While we embrace automation and digital innovation, we cannot underscore enough the heart of BIBD which is our people. We recognise that our people are our most valuable assets and we are committed to investing in human capital development programmes to build and strengthen capabilities so as to enhance productivity and performance.

We look into harnessing talent and nurturing the potential of the next generation of leaders from within the organisation, through premier certification programmes such as the Cambridge Islamic Finance Leadership Programme and the ICLIF Accomplished Manager Leadership Development Programme, among others. We have also adopted online learning modules, which our employees can do at their convenience.

As the financial and regulatory requirements align to global standards, we need to ensure that we build a strong internal knowledge base to be adequately apprised and able to apply the requisite regulatory requirements. Our employees have attended relevant trainings in subjects pertaining to the Foreign Account Tax Compliance Act (FATCA), Basel III and IFSB regulations for Islamic Financial Institutions, among others, on an on-going basis.

Giving back to our community

We strongly believe in contributing back to our community and our corporate social responsibility programmes are steadfastly carried out throughout the year. Our focus on CSR is on three areas: education, entrepreneurship and community.

We believe that education is the right for all to advance in life, and we leverage our flagship programme, the ALAF initiative, to provide students the opportunity to learn relevant life skill subjects such as economy, technology and public relations. We also support entrepreneur-minded individuals and help equip them with vocational skills and relevant knowledge, so that they can acquire the necessary proficiencies to create employment for themselves and to contribute to a sustainable future. Our community's needs are recognised and supported through initiatives that help to improve the standard of living, especially for those in need.

We are privileged to have employees who are very enthusiastic about our CSR programmes and are ever willing to volunteer their service to these activities.

2017 Outlook

In Shaa Allah, our benchmarking activities and robust controls will enable us to navigate through the uncertainties in the global economic and geopolitical environment. Alhamdulillah, we have seen a moderate recovery in oil prices, however we will be ensuring that we are prepared to mitigate any pressures on this sector.

Despite such pressures, which may impact our asset quality, we will continue to fortify ourselves against risks while ensuring balance sheet optimisation. Alhamdulillah, we are thankful that with BIBD's strong fundamentals, we are well placed to cope even if we encounter a tough credit environment. Our focus has, and always will be, on the long-term sustainability and progressive growth of our bank.

We are also cognisant of greater competition, not just from the traditional banking sector but also from financial technology

entities or FinTechs. We will continue to strive to ensure that we remain relevant and in tune with changing consumer trends.

Coupled with Brunei's structural and economic reforms, as well as ASEAN's expanding trade linkages, we are well prepared to capitalise on the expected growth prospects, here in Brunei and in the region. The many services and offerings that we have will put us in a good position to offer our customers attractive propositions. In this regard, we will elevate our profiling activities in the region to reach out to new customers and investors, and strengthen our franchise and footprint in the region.

We recognise the value to be internationally aligned to best practices and we are supportive of our regulators' efforts to elevate our practices to universally benchmarked standards. We are working closely with our regulators on corporate governance standards that will be made mandatory by 2018 to be closely aligned to the Organisation for Economic Co-operation and Development (OECD) standards. We are confident in complying with the requirements ahead of time.

We will continue with efforts to develop and harness our human capital and enhance productivity and efficiency. We are firmly committed to realising our mission of making BIBD the First Choice for our customers, and to create long-term value for our shareholders. With that in mind, we will continue to be vigilant and measured in our approach to risk while seeking opportunities to leverage and grow further.

In appreciation

We have performed well, despite the global market headwinds, and accomplished a lot in 2016, which we are very proud of. This was made possible as we are blessed to have a strong and dedicated team, who always strive to give their best. It is certainly my humble privilege to work with this team and to be supported by our honourable BIBD Board Chairman, Chairman of the Shariah Advisory Body, along with members of the Board, and Shariah Advisory Body who have provided us with sound guidance and encouragement. To all of you, I would like to extend my most sincere appreciation.

My immense gratitude goes to our customers, for your continued loyalty, belief and support in us. We will always keep you as our highest priority in everything that we do and we look forward to serving your needs now and in the future.

My sincere gratitude goes to His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam's Government, the Ministry of Finance and to our regulators for your continued belief and confidence in us.

Wabillahi Taufik Walhidayah Wassalamu 'Alaikum Warahmatullah Hi Wabarakatuh







CORPORATE **PROFILE**

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 around 900 employees and B$ 9.5 billion worth of assets under management, we proudly serve more than 200,000 customers. Our valued customers include retail, corporate as well as international clients.

Headquartered in Bandar Seri Begawan, we have sixteen 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 along with a digital mobile chat capability, and offer our customers convenience through solutions such as internet and mobile banking.

BIBD is the only bank in Brunei that serves all segments within the retail banking market. With a strong focus on innovation and excellence, we have been consistently recognised for our

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BRUNEI'S LEADING FINANCIAL INSTITUTION

EMPLOYEES
900+

WORTH OF ASSETS
B$9.5 BILLION

MORE THAN
200,000 CUSTOMERS

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 made great strides in the development of its capabilities, 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 Darussalam
- 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, built 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 markets.

- **Syarikat Takaful Brunei Darussalam (Associate)**

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

- **BIBD Al-Kauthar Funds DCC Incorporated**

For the provision of fund management services

- **Belait Barakah Sdn Bhd**

For the provision of vessel leasing facilities

- **Better Sdn Bhd**

A subsidiary fully owned by BIBD At-Tamwil providing car-leasing services.

BOARD OF **DIRECTORS**



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1 **Yang Berhormat Dato Seri Setia 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 Airlines (the National flag carrier of Brunei Darussalam), Brunei Shell Joint Venture Companies (BSJVs), Brunei National Petroleum Company (PetroleumBRUNEI), 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 Stratclyde, Scotland.

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

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

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

Dato Iqbal is the Chief Executive Officer of Fajr Capital. He is also a member of the Board of Directors of Bank Islam Brunei Darussalam, 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 BSc (Hons) in Physics and Chemistry, both from Aligarh Muslim University. He is the recipient of several industry and global accolades, including the Royal Award for Islamic Finance, a biannual prize presented by HM the King of Malaysia; the State Award of "The Most Honourable Order of the Crown of Brunei" from HM the Sultan of Brunei; and a Lifetime Achievement Award presented by HH Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister of the UAE and Ruler of Dubai.

4 **Yang Mulia Dr Jan Hendrik (Hennie) van Greuning**
Advisor to The World Bank
Director

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 in South Africa). 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 CFA (Chartered Financial Analyst) 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.



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5 **Yang Mulia Majed Nasser Alsubeaei**
Board Director, Mohammed Alsubeaei & Sons Investment Company (MASIC)
Director

Yang Mulia Majed Alsubeaei is the Board Director of MASIC as well as the Member of the Internal Audit Committee and Member of the HR Committee. He is an international investment professional with experience in global capital markets with the ability to handle responsibilities in investment banking advisory and private equity. Majed holds a BSc Degree in Economics from King Saud University, Kingdom of Saudi Arabia.

6 **Yang Mulia Mubashar Khokhar**
Managing Director of BIBD
Director

Yang Mulia Mubashar Khokhar is a seasoned financial services professional with more than 30 years experience across fifteen developed and emerging markets, including the USA, Europe, Asia, Africa and Gulf Cooperation Council (GCC) member states. Prior to Fajr Capital, Mr Khokhar was the CEO of Ajman Bank, a publicly listed Shariah compliant bank in UAE, and also served as the CEO of Badr Al-Islami/Mashreq Al-Islami, a wholly owned subsidiary of Mashreq Bank. During his tenure, Ajman Bank received widespread industry recognition, including the coveted 'Best Domestic Bank' award in 2011. Mr Khokhar has previously served on the Board of Directors of Badr Al-Islami and 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.

7 **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 Univerisiti Brunei Darussalam. Internationally, Yang Mulia Dr Manaf has been involved as a member of the NETWORK of EAST ASIA THINK TANKS (NEAT), as well as the EAST ASIA VISION Group. He is currently a board member of the Sungai Liang Authority, Centre for Strategic and Policy Studies (CSPS), and an honorary member of Yayasan Sultan Haji Hassanal Bolkiah School's board of governors. Dr Manaf is a Mechanical Engineering graduate from the University of Leeds, UK, MSc Manufacturing Systems Engineering graduate from the University of Bradford, UK and has a PhD in Management from the University of Kent, UK.

8 **Yang Mulia Awang Mozart bin Haji Brahim**
Head of Section (Investments), Investment Division, Ministry of Finance
Alternate Director to Awang Junaidi bin Haji Masri

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

SHARIAH **ADVISORY BODY**



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

Yang Mulia Dato Awang Haji Abdul Aziz serves as the Permanent Secretary of the Ministry of Religious Affairs. Apart from Chairing the BIBD Shariah Advisory Body, he is also a member to the Board of Directors for Takaful Brunei Darussalam Sdn Bhd, and Wafirah & Ghanim Sdn Bhd. Yang Mulia Dato holds a Bachelor's Degree in Law from the National University of Malaysia (UKM), and a Bachelor's Degree in Usuluddin from the Al-Azhar University, Egypt.

2 **Yang Mulia Dato Seri Setia Dr Haji Japar bin Haji Mat Dain @ Maidin**
Deputy State Mufti of Brunei Darussalam
Member

Yang Mulia Dato Dr Haji Japar is the Deputy State Mufti of Brunei Darussalam. He is also a member of Brunei Religious Council, the Shariah Financial Supervisory Board (SFSB) at the Ministry of Finance Brunei, and the International Islamic Fiqh Academy, OIC Jeddah. Yang Mulia Dato Dr holds a PhD in philosophy, and a 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.

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

Yang Mulia Dr Abdul Nasir is the Faculty Dean of Economics and Islamic Finance at the Sultan Sharif Ali Islamic University (UNISSA). He specialises in Islamic Economics and Fiqh Muamalat. He holds a PhD in Economics and Muamalat Administration from the Islamic Science University of Malaysia, a Master's in Economics and Islamic Banking from Yarmouk University, Jordan and Bachelor Degree in Islamic Studies from the University of Brunei Darussalam. He has written a number of books, journals and working papers related to Islamic Economics, and actively presents papers in both local and international conferences in the area of Islamic Finance.

4 **Yang Mulia Dr Haji Noralizam bin Haji Aliakbar**
Director, Centre of Fundamental Knowledge, Seri Begawan Religious Teachers University College (KUPUSB)
Member

Yang Mulia Dr Haji Noralizam is the Director of the Centre of Fundamental Knowledge at the Seri Begawan Religious Teachers University College (KUPUSB). He holds a PhD in Shariah (Specialised in Fiqh and Usul Fiqh) from Jordan University. He also holds a Master's in Shariah from Jordan University and a Barchelor's Degree (Hons) in Shariah Islamiah from Al-Azhar







4 5 6

University. He actively delivers public talks on religious matters as well as presents papers on Islamic Finance in both local and international conferences.

5 **Yang Mulia Dr Dayang Hajah Rose binti Abdullah**
Director, Research and Publications Centre, Sultan Shariff Ali Islamic University (UNISSA)
Member

Yang Mulia Dr Dayang Hajah Rose is the Director of the Research and Publication Centre, Sultan Sharif Ali Islamic University (UNISSA). She holds a PhD in Islamic Civilization from the National University of Malaysia, a Master's Degree in Islamic Banking and Finance from Universiti Brunei Darussalam, a Master's Degree in Business Administration from Heriot-Watt University UK, a Barchelor'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 a number of publications concerning Islamic economy and actively presents papers in both local and international conferences in the area of Islamic Finance. Throughout her career, she has been awarded for "The Best Paper Award" (3rd) at the 6th Islamic Economic System Conference (iECONS 2015), Thailand, "The Outstanding Paper" at the 2015 Emerald Literati Network Awards for Excellence and "The Best Paper Award" (1st) at the 5th Islamic Economic System Conference (iECONS 2013), Malaysia.

6 **Yang Mulia Dayang Hajah Hanifah binti Haji Jenan**
Head of Shariah, Bank Islam Brunei Darussalam
Secretary

Yang Mulia Hajah Hanifah is BIBD's Head of Shariah with over ten years banking experience covering branch banking, recovery, and legal advisory prior to taking the leading role of the Shariah Department. She is also experienced in Takaful matters which was gathered during her secondment to Takaful BIBD, where she was involved in legal and claims matters. She holds a Bachelor's Degree (Hons) in Shariah from the University of Malaya, Malaysia, and a Diploma in Law and Administration of Islamic Judiciary from the International Islamic University of Malaysia (IIUM). She is a certified Islamic Financial Planner from Al-Hijrah Consultancy and a Certificate holder of Fiqh Muamalat Professional Programme (FMPP) from CIBFM Brunei.

MANAGEMENT **TEAM**



Yang Mulia Mubashar Khokhar is a seasoned financial services professional with more than thirty-two years' experience across fifteen developed and emerging markets, including the USA, Europe, Asia, Africa and Gulf Cooperation Council (GCC) member states. Prior to Fajr Capital, Mr Khokhar was the CEO of Ajman Bank, a publicly listed Shariah compliant bank in UAE, and also served as the CEO of Badr Al-Islami/Mashreq Al-Islami, a wholly owned subsidiary of Mashreq Bank. During his tenure, 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 Mubashar Khokhar
Managing Director of BIBD



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 Hajah Noraini Haji Sulaiman
Chief Financial Officer cum Deputy Managing Director



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

Yang Mulia Dr Gyorgy Ladics
Chief Operating Officer



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

Yang Mulia Koh Swam Sing
Head of Corporate Banking



Yang Mulia Salman is a seasoned Treasury & Investment Banking professional with over 24 years of experience in the Middle East, Far East and Europe. He currently serves as the head of Treasury & Global Markets, and is member of ALCO (Asset Liability Committee) and ERM (Enterprise Risk Management) for BIBD. Prior to BIBD, He has worked with high profile global Institutions such as Deutsche Bank (as Global Head of Islamic Distribution), HSBC Amanah (as Global Head of Treasury Sales), Standard Chartered Bank and ABC. He has also served as the Treasurer for Dubai Islamic Bank. He maintains comprehensive relationships with over 250 Financial Institutions covering various asset classes. Salman has worked with Sharia Scholars world-wide to design and implement Islamic Hedging Solutions, Structured Products and yield optimisers (funded/unfunded). He is a frequent speaker and a subject matter expert on Islamic Treasury. Salman is a holder of CFA Designation and has an MBA and PGD Qualification.

Yang Mulia Salman Ashraf Khan
Head of Treasury & Global Markets



Yang Mulia Haji Minorhadi has over twenty-five years of commercial banking experience with BIBD and the HSBC Group through leadership roles in Retail, Corporate and Institutional banking businesses. Haji Minorhadi is an active member of the advisory committee at the Al-Islah Centre, a member of the working committee for the eleventh Brunei National Development Plan, and a visiting lecturer at Universiti Teknologi Brunei. Haji Minorhadi holds an MBA from the Singapore Management University, a BTEC HND in Business and Finance from Universiti Teknologi Brunei and a Certificate in Islamic Financial Planning.

Yang Mulia Haji Minorhadi Haji Mirhassan
Head of Government Relations and Special Projects



Yang Mulia Hajah Normah carries with her almost forty years of banking experience in Retail Banking, Cards, back-office Operations, Compliance, Fraud, Consumer Risk and Operational Risk Management. Prior to joining BIBD in October 2010, she was the Head of Internal Control in HSBC Brunei. In her career at HSBC, she has successfully completed and implemented assigned business improvement processes, which include the centralisation of collection and recovery activities, financing approvals and administration of financing documentations for all products under Consumer Risk Management, established the Personal Banking Centre, implementation of the credit card system for HSBC Brunei and set up the control functions (Legal, Compliance, Fraud, Operational Risk and Internal Control /Audit). Hajah Normah is also a green belt holder of Six Sigma and holds an MBA from the Singapore Management University.

Yang Mulia Hajah Normah Haji Ismail
Head of Legal & Compliance



Yang Mulia Hajah Nurul has been with BIBD for more than twenty years with expertise in the areas of finance, investment and retail banking. She was involved in the transformation of BIBD's strategic initiatives through various projects such as IT system upgrades, business process improvements, product innovations and the development of the sales & service culture within the retail business. She has also played a key role in the Bank's re-branding project which greatly enhanced the customer service experience, strengthened brand loyalty, and growth in customer acquisition. She pioneered the development of BIBD's CSR programmes that underscored the Bank's 'Bruneian at Heart' values, with flagship initiatives including BIBD Sirah Amal and the BIBD ALAF. Hajah Nurul leads the Retail Banking Group, after holding the Sales & Distribution portfolio and growing the customer base as well as Retail's balance sheet for almost ten years. She is currently a member of the CIBFM Continuous Professional Development (CPD) Technical Review Committee, under the auspices of AMBD, to assist CIBFM to implement, monitor and expand the CPD framework across the financial industry. Hajah Nurul holds a BA in Accounting & Finance from United Kingdom and was an Islamic Bank of Brunei Scholar prior to joining BIBD in 1995.

Yang Mulia Hajah Nurul Akmar Haji Md Jaafar
Head of Retail Banking



Yang Mulia Marc Leipoldt joined BIBD in 2016 after a career that spans twenty-five years in academia, consultancy and banking. Prior to joining BIBD, Mr Leipoldt was the head of Non-financial Risk at Saudi Hollandi bank in Riyadh. His main focus there, and now in BIBD, is on streamlining the risk management process and creating the optimal integration of first, second and third line activities. In 2008, Mr Leipoldt founded Global Risk Advisory Services (GRAS) which is responsible for risk management advice for financial institutions. Prior to that Mr Leipoldt worked at ABN AMRO for eleven years in various capacities. He was also was responsible for the bank's Risk Advisory team, covering fifteen banks throughout Asia, the Middle East, Europe and South America with a team of fourteen people. That work was grounded in his earlier risk work for ABN AMRO's corporate centre. Mr Leipoldt started his working life with research and teaching posts at the Erasmus University of Rotterdam and Delft Technical University. Mr Leipoldt graduated from the Erasmus University of Rotterdam in 1984 with an honors degree in Development Economics.

Yang Mulia Marc Frederik Johannes Leipoldt
Chief Risk Officer



Yang Mulia Hajah Hanifah is BIBD's Head of Shariah with over ten years banking experience covering branch banking, recovery and legal advisory prior to taking the leading role of the Shariah Department. She is also experienced in Takaful matters which was gathered during her secondment to Takaful BIBD, where she looked after legal and claims matters. She holds a Bachelor's Degree (Hons) in Shariah from the University of Malaya, Malaysia, and a Diploma in Law and Administration of Islamic Judiciary from the International Islamic University of Malaysia (IIUM). She is a certified Islamic Financial Planner from Al-Hijrah Consultancy and a Certificate holder of Fiqh Muamalat Professional Programme (FMPP) from CIBFM Brunei.

Yang Mulia Hajah Hanifah Haji Jenan
Head of Shariah



Yang Mulia Stuart Clegg has over 20 years of experience in internal audit for financial services, both in the UK and abroad, working for a number of blue-chip financial organisations across investment banking, retail and corporate banking, asset management and broking. He is a qualified accountant and qualified company secretary. He has degrees in Politics from Northumbria University in the UK and also in History from the UK's Open University. In addition, he has an MBA in banking and finance from Manchester Business School. Prior to joining BIBD, Mr Clegg worked in Saudi Arabia at Saudi Hollandi Bank.

Yang Mulia Stuart Clegg
Head of Internal Audit



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

Yang Mulia Irwan Lamit
Managing Director of BIBD At-Tamwil Berhad and Better Sdn Bhd



Yang Mulia Tahir Muzaffar has over twenty seven years of experience in information technology and operations in the financial industry. He started his career at Oracle and then moved to become Citibank Singapore's Vice President responsible for technology implementation in the EMEA region. He was also previously Vice President at ABN Amro Bank in Singapore where he successfully implemented core banking for Hong Kong, Singapore and Taiwan. He also successfully implemented core banking for Bank of America's retail portfolio in Singapore. As Chief Information Officer at the Commercial Bank of Qatar, he propelled the bank to become the most innovative bank in Qatar. He was also in charge of Card implementation & support for nine countries while at Barclays Bank in the UAE. Prior to BIBD, he was Senior Vice President of Al Hilal bank in Abu Dhabi as head of IT and transformation responsible for delivering leading solutions. Tahir holds a Bachelor degree in Electrical Engineering and Computer Science from University of Texas.

Yang Mulia Tahir Muzaffar
Head of Information & Technology



Hajah Noraain has been with BIBD for more than twenty-six years with banking experience covering marketing, research and development, branches, and At Tamwil. She was the project-lead for the bank's initial Performance Balance Scorecard introducing the KPI/KRI on Performance Management. Hajah Noraain currently manages the HR and Human Capital Division. She is a qualified and accredited administrator on Personality and Ability Assessment, Myers Briggs Type Indicator (MBTI) and the FIRO'B instrument from CPP Asia Pacific. Hajah Nora'ain holds a Master of Arts with Distinction in Islamic Banking, Finance and Management, from United Kingdom.

Yang Mulia Hajah Noraain bti Hj Awg Besar
Acting Head of Human Resources and Human Capital



Syed Alwi has more than ten years of banking experience in Corporate Finance and Treasury. He was previously BIBD's Co-Deputy Treasurer responsible for the portfolio management of medium-term assets comprising of fixed income securities (Sukuk), corporate and FI syndications, trade risk participation, structured products and financial institutions group. Prior to that, Syed Alwi was part of Corporate Finance & Advisory where he was responsible for developing the project financing, Sukuk origination, corporate advisory and syndication business. Key transaction experience includes arranging and structuring a refinancing deal for Brunei Gas Carriers Sdn Bhd's first vessel (ABADI) along with syndicated project financing for its fourth (AMANI) and fifth vessels (AMADI). Syed Alwi holds a Bachelor of Commerce (Economics & Finance) from University of Melbourne.

Yang Mulia Syed Alwi Syed Abdillah Alkaff
Acting Head of International Banking Group

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 Mashreq Bank 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. His previous role at BIBD was as Head of Retail Banking Group from 2011 until 2016. Under his leadership, BIBD won the coveted and prestigious "Best Retail Bank in Brunei" award from The Asian Banker for five consecutive years (2013 – 2017).



Yang Mulia Imran Samee
Advisor to the Managing Director

Yang Mulia Azmat Ashraf has thirty years of diverse international banking experience with First Chicago, Deutsche Bank, American Express, Saudi Fransi and Mashreq Bank in the Middle East and South Asia. He has also served as the Managing Director of a brokerage house and an Islamic finance firm. He conceived and executed the local incorporation and integration of Mashreq Bank's branches in Pakistan, and its merger with another domestic bank. As CEO of the newly created bank, he led the acquisition and amalgamation of other smaller banks and financial services companies into that bank. Mr Ashraf holds a Bachelor's degree in economics from the University College London and an MBA from the University of Bradford.

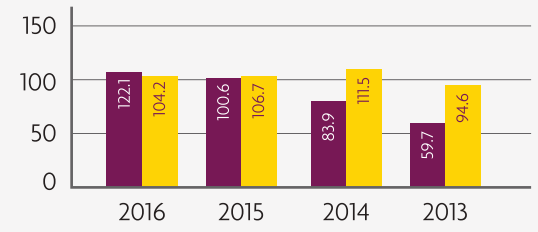


Yang Mulia Azmat Ashraf
Advisor to Risk Division

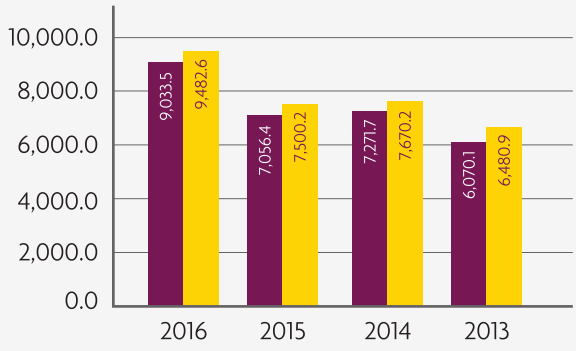
FINANCIAL HIGHLIGHTS

Bank Group

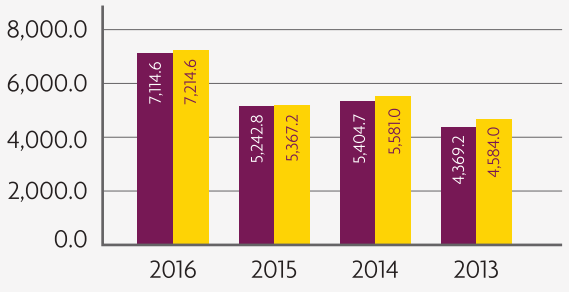
Net Profit after Zakat and Taxation (B$ Million)



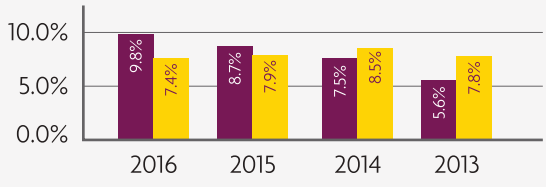
Total Assets (B$ Million)



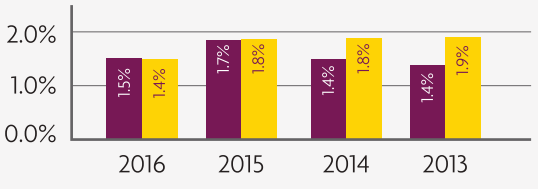
Deposits from Customers (B$ Million)



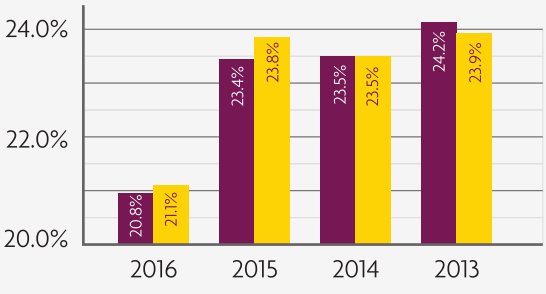
Return on Equity (%) - After Tax



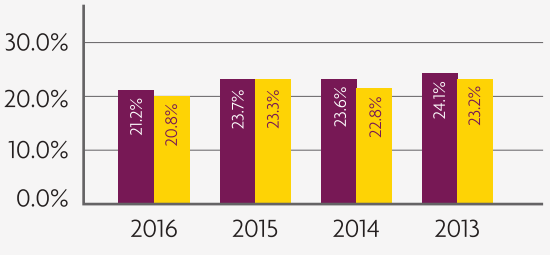
Return on Asset (%) - Before Taxation



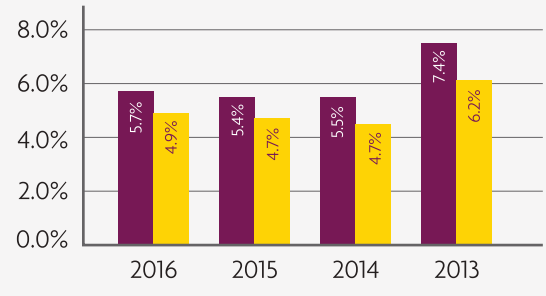
Total Capital Adequacy Ratio (%)



Capital Adequacy Ratios Tier 1 (Core Capital)



Net Non-Performing Financing Ratio



BIBD 2016 AT A GLANCE

GROWTH

21.3%
Bank Growth in Net Profit after Zakat and Taxation

28%
Bank Growth in Total Assets

26.4%
Group Growth in Total Assets

AWARDS

740th
The Banker's Top 1000 World Banks

38th
The Banker's Soundness in Capital Assets Ratio among Top 1000 World Banks

51st
The Banker's Top Islamic Commercial Bank

14th
The Asian Banker's strongest banks in Asia Pacific

SME

MORE THAN **6,000**
SMEs with BIBD

MORE THAN **250**
SME Projects Supported

CORPORATE

MORE THAN **500**
Brunei Corporates with BIBD

38%
BIBD Corporate Internet Banking Penetration for SMEs and Corporates

93%
Customers Satisfied*
*Customer Satisfaction Survey

MORE THAN **340M**
Hadiah Points Issued

DIGITAL BANKING

MORE THAN **1.2M**
Average Monthly Digital Banking Log Ons

53%
Annual growth of Average Monthly Digital Banking Log Ons

MORE THAN **5M**
Annual BIBD Digital Banking Transaction

76%
Growth of Annual BIBD Digital Banking Transactions

THE
EASIEST

more than
5 Million
Annual BIBD
Digital Banking
Transactions in 2016



GET IT ON Google Play Download on the App Store

BIBD has a convenient mobile banking app that helps you to skip queues for bill payments, top up pre paid credit, perform fund transfers and discover special promotions with just a few taps. BIBD Mobile is free to download, fast and easy to use, just how our customers like it.

BUSINESS REVIEW

Retail Banking Group

Corporate Banking Group

International Banking Group

Treasury and Global Markets

Human Resources and Human Capital

Operations

Information Technology

Shariah

Legal and Compliance

Risk Management

Internal Audit

BIBD Subsidiaries

RETAIL **BANKING GROUP**

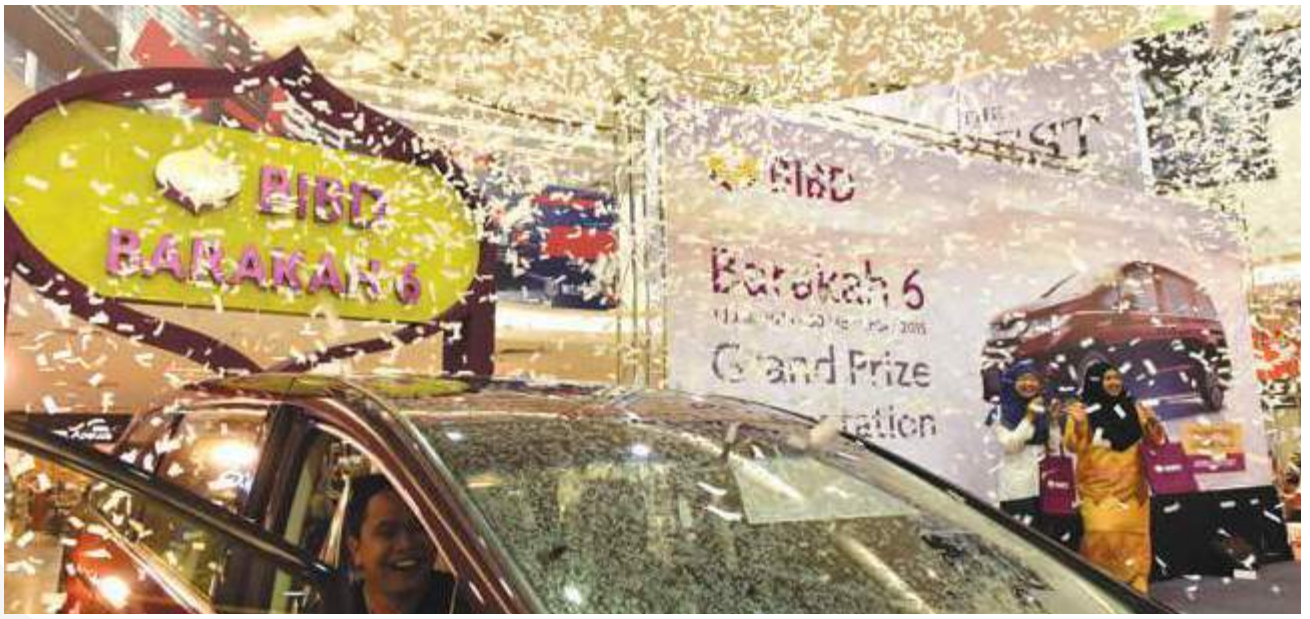
2016 was a year of triumph for the Retail Banking division of BIBD led by robust growth in financing and deposits. Our steadfast approach in prioritising and supporting our retail customers' aspirations in their lifelong financial journey has resulted in Retail Banking charting record-breaking accomplishments despite a challenging market environment.

We remained a strong revenue contributor to the Bank despite financing and deposits continuing to shrink in the retail banking industry in Brunei. We succeeded in going against the grain and growing these segments continuously. Overall, our total retail financing strengthened and continues to be a core support of the Bank's stable funding base.

Our positive growth is attributed to the trust our customers have in us for the long-term, and in our ability to provide financial solutions that meet their requirements. In turn, we saw better 'stickiness' in our deposit base with stable and active current and saving account balances.

Lending credence to being the First Choice bank for Bruneians, we saw total number of retail customers rise by 25% reaching an all-time record high for BIBD's retail banking. This is testament to our approach of focusing on the relevance of our products and services that are designed to meet our customers' requirements.

Ensuring our customer journey remains efficient and simplified is essential to our continued growth. A key highlight for the year in review was the launch of BIBD's first contactless credit card. As part of our commitment in providing our customers with greater efficiency in conducting their financial transactions, the contactless credit card allows purchases to be made without the hassle of swiping the card through a terminal or signing for purchases. Since the launch of the contactless credit card, we have seen promising traction on its usage.



At the heart of our successes in Retail Banking are our people who are dedicated to building the breadth and depth of services and offerings to our customers. Without them, we would not have been blessed to win the 'Best Retail Bank in Brunei 2016' for the fourth year in a row by The Asian Banker.



We saw an encouraging increase in card transactions that was better by 26% compared to 2015, attributed to the various rewards and promotions that we conducted throughout the year including BIBD Delights, Privileges, and Swipe for Rewards, among others. At the same time, this signals an encouraging propensity to use BIBD cards as their preferred choice for their day-to-day transactions.

Given the challenging environment in which we operate in today, we place key importance on strengthening our risk management processes and security procedures on an ongoing basis. We launched the Expert Monitoring System in collaboration with MasterCard to improve fraud monitoring on credit and debit cards, as well as ATM transactions in order to mitigate and minimise losses arising from fraudulent activities. We were judicious in our cost management approach, eliciting higher productivity through better efficiency.



Our continued leverage of digital technologies to simplify banking is a cornerstone of our retail banking strategy that offers our customers the convenience they seek in an otherwise complex world. Our retail customers have moved significantly to the online and mobile platforms to conduct their transactions and we saw an overwhelming 53% growth in digital banking logins and 76% increase in digital transactions for 2016. This comes on the back of our innovative Mobile Chat service that offers our customers real-time connection with our customer service team through a user-friendly mobile app. With an array of digital propositions that provide customers with end-to-end solutions, our customers can operate their accounts and conduct their financial transactions with ease and convenience.

Part of offering the convenience that suits the particular needs of our customers include the accessibility and connectivity that our branches offer. We extended our network with the opening of another Perdana Privilege Banking Lounge at the heart of the capital that aims to service the needs of our Perdana customers and offer them exclusive products, banking facilities and customised services relevant to their needs. We were honoured to have the Perdana Lounge officiated by the Deputy Minister at the Prime Minister's Office, Yang Mulia Dato Paduka Awang Haji Muhammad Roselan bin Haji Muhammad Daud.

At the heart of our successes in Retail Banking are our people who are dedicated to building the breadth and depth of services and offerings to our customers. Without them, we would not have been blessed to win the 'Best Retail Bank in Brunei 2016' for the fourth year in a row by The Asian Banker, an accolade that we hold near and dear to our hearts. But more than that, we aim to win the hearts of our customers and be their preferred choice bank in their financial journey.

CORPORATE **BANKING GROUP**

Corporate Banking charted a favourable and expected growth in 2016 despite the slowdown in the global economy, declining commodity prices and currency depreciation.

We are humbled to have posted a healthy increase in our revenue for Corporate Banking compared to the static performance experienced in the previous year. The increase in Corporate Banking's revenue was mainly driven by an expansion of clients from the small and medium enterprises (SMEs) as well as organic growth from our long-term corporate clients.

Our financing income held steady as we looked to support a more diverse range of sectors comprising construction and infrastructure, education, food, agriculture as well as downstream activities for oil and gas.

We remained focused on supporting the growth of SMEs as they look to strengthen their presence in Brunei as well as venture into Asia and beyond to expand their footprint. In line with strengthening our proposition to support the development of SMEs in Brunei, we introduced a new product offering with our SME 360° service that provides a comprehensive banking solution that complements the needs of businesses. Alhamdulilah, this was launched by His Royal Highness Prince Haji Al-Muhtadee Billah, in his capacity as Deputy Sultan, during his working visit to Darussalam Enterprise's Business Support Centre located at the Design and Technology building in Anggerik Desa.

To further ensure our commitment to this cause, we also launched BIBD SME 360°'s first branch later on in the year. The branch is located at the heart of the business district at our Seri Branch, near the commercial areas of BSB, Kiulap, Gadong and Jalan Tutong.

The BIBD SME 360° service, along with its first ever branch, aims to be a dedicated one-stop offering providing solutions to the requirements of SMEs, which include assessing and providing relevant and tailored solutions to these companies. The clients will have the direct support of dedicated relationship managers who will be able to provide sound business advisories to these clients.

We remained focused on supporting the growth of SMEs as they look to strengthen their presence in Brunei as well as venture into Asia and beyond to expand their footprint.

We also place strong focus on supporting entrepreneurs in their journey to becoming SMEs and eventually, corporates. Part of this support includes ensuring the right fostering tools are provided and we do this through being actively involved in delivering business financial literacy programmes at educational clinics such as Darussalam Enterprise's Industry Business Academy as well as Become a Successful Owner Manager (BSOM) workshop under the flagship of LiveWire Brunei.

Our support to entrepreneur advancements also extend to organising relevant educative seminars such as Trade Finance Facilities and Digital Payment Solutions workshop for our Corporate Banking clients. This is part of our effort to provide our SMEs with a better view and understanding of the products and services that are available to ensure they remain nimble and have greater ease of doing business.

We are fully cognisant of the importance of nurturing entrepreneurship from the grassroot level and we work closely with institutes of higher learning such as University Brunei Darussalam, Universiti Teknologi Brunei, Universiti Islam Sultan Sharif Ali, Politeknik Brunei, Pusat Pembangunan Belia and business schools to conduct talks, trainings and be involved as an external assessor to their final year students.

INTERNATIONAL **BANKING GROUP**

We will continue to tap on the growth in ASEAN and the Middle East to develop and convert business leads in these regions

As a leading Islamic bank in Brunei and Asia, we are well poised to tap into the rising regional demand for Shariah offerings and capitalise on the tremendous growth potential within ASEAN and the Middle East. In 2016, we set out to refresh our internal organisation structure to regroup our international businesses, which includes Merchant Banking, under the International Banking Group. International Banking Group will look at accelerating BIBD's reach to international markets and in turn, will facilitate and support the financial needs of large multinational corporates coming to Brunei.

International Banking Group covers businesses under large international corporates, financial institutions, domestic project finance as well as activities surrounding BIBD's Singapore Representative Office and efforts to establish a presence in the Middle East. It will raise the mantle to strengthen our position and expand the Bank's footprint within ASEAN and the Middle Eastern region as part of our long-term strategy to diversify our sources of revenues and deposits.

Our Merchant Banking Division will be integrated into International Banking Group and we see us reaching out to potential clients in ASEAN and the Middle East with a full suite of Islamic finance solutions including syndication, sukuk as well as liquidity deployment.



Given the challenging market conditions that prevailed in 2016, the Merchant Banking Division, posted an admirable increase in its revenue compared to 2015. This represents an encouraging growth segment as we expand our origination, syndication and underwriting services. Our customer base and portfolio of international clients increased accordingly for the year in review.

With the reframed focus under the International Banking Group, we will continue to tap on the growth in ASEAN and the Middle East to develop and convert business leads in these regions.

TREASURY AND **GLOBAL MARKETS**

The Treasury function is seen as an integral part of major financial institutions like BIBD, being responsible for the control and management of funds (in terms of capital and liquidity), at the same time ensuring that all other BIBD businesses have ready access to liquidity. BIBD's Treasury team remains the bank's first line of defence against market stresses via its prudent management of capital and liquidity as well as our strong relationships with our international banking partners.

Key initiatives carried out in 2016 include: (i) The implementation of a new Treasury system, Murex v3 – which is expected to enhance efficiencies and improve turn-around times, adding value in our report generation, risk management and dealing functions, (ii) Implementation of a new Asset-Liability Management (ALM) pack - together with our Risk Management team, we were able to provide more forward looking elements and analyses of BIBD's ALM concentrations, and (iii) Silver Partner in the World Islamic Banking Conference (WIBC) held in Bahrain - the WIBC is aimed at enabling Islamic finance to converge, strengthen and grow itself as an ecosystem within the global financial system.

> We will continue to assess market needs to provide for our customers who want increasingly sophisticated financial innovations and hedging instruments for various financial risks.

Our mission is to enable the sustainable and responsible growth of our global asset book using tried-and-tested risk management principles. By the end of 2016, BIBD's Treasury & Global Markets (TGM) division have been managing about 64% of BIBD's total assets, an increase from 60% from the end of the previous year. Our asset book is geographically diverse and comprises of exposures in investment grade assets including money market instruments, Sukuks, Structured Products and others.

BIBD's TGM team also manages the bank's institutional liabilities, and is ultimately accountable for the prudent safekeeping of our customer deposits, making it a key proponent in building and maintaining the trust that BIBD has with our stakeholders. We remain committed to our potential partners, and provide key liquidity management and foreign exchange services as well.

Moving forward in 2017, we will continue to assess market needs to provide for our customers who want increasingly sophisticated financial innovations and hedging instruments for various financial risks. We remain committed to our pledge to be the First Choice to our customers, and will work in strengthening our product offerings and service delivery in providing solutions that meet our clients' liquidity needs while offering optimum returns based on a risk-reward profile. Our depositors remain our number one priority and continue so moving forward. In our drive to diversify our liabilities base, TGM is contemplating a presence in the Middle East to primarily cover global Islamic Institutions' Interbank activities in different time zones and geographies. As a profit centre, TGM's focus will be on enhancing the most desirable fee income for the bank by offering new products and services to a wider client base.

HUMAN RESOURCES AND **HUMAN CAPITAL**

At BIBD, we believe that we are only as good as our people. In an effort to support our goal to become the First Choice bank, not just for our customers but for our people as well, we place high priority in ensuring holistic talent and skills development for our employees. We look into upscaling their skills and capabilities to enable them to effectively identify, meet and exceed in performing their important roles well within the Bank.

We are committed to creating a thriving environment where our employees are fully supported and confident in advancing and fulfilling their career goals. Many of our Bruneian talents have grown with us over the years, and with the relevant training programmes, have become leaders themselves within the Bank. As a result, we are pleased to record one of the lowest attrition rates in the industry at 4% on average over the last five years.

We continue to drive learning and development programmes to build our employees' core banking skills in Islamic financial planning and wealth management. This is evidenced by the 50% increase in training penetration from 64% in 2015 to 96% in 2016, comprising face-to-face as well as e-learning programmes. In 2016, we saw 20 employees receiving their Certified Qualifications in Islamic Banking - Wealth Management from Islamic Banking and Finance Institute Malaysia (IBFIM), while another 19 employees are currently undergoing their six-month certification in Islamic Financial Planning Programme.

As the financial environment becomes more stringent in its regulatory requirements, we ensure that our people are well equipped to manage and implement these requirements. To strengthen risk and compliance capabilities, 223 of our employees went through various risk and compliance programmes including Foreign Account Tax Compliance Act (FATCA), Basel III & IFSB Regulations for Islamic Financial Institutions, Shariah Non-Compliance Risk Training, IFRS 9 and Impact on Credit Risk Management.

We continuously seek to foster and nurture the best talents. To ensure we identify and work with promising young talents, we increased our participation in various schools and government institutions' career and recruitment initiatives. We also collaborated with learning institutions through work attachment and internship programmes for local talents studying in Brunei and overseas.

As we spread our footprint beyond Brunei, we want to make sure that we have the right people in place to drive and sustain our growth. As such, we put great emphasis in developing the next generation of BIBD leaders. We have strengthened our leadership programmes in collaboration with the International Centre for Leadership in Finance (ICLIF) which was first launched in 2015. A total of 142 employees participated in various in-house and external third party leadership training programmes.

Inspired individuals make great teams, and so we continue to recognise outstanding employees who embody the Bank's values and deliver beyond expectations in servicing our different stakeholders. We steadfastly promote the Bank's service culture, RISE (Reliable, Innovative, Simple and Ever-Caring) which elevates our service standards across BIBD and sets the bar for an improved customer journey.

To that end, we are humbled to have been conferred the Islamic Finance Talent Development Champion Award, an international recognition given by Islamic Banking and Finance Institute Malaysia (IBFIM). This is testament to our continuous efforts to strengthen our talent pool and offer them relevant opportunities to further their skills and knowledge.

As we move forward to become the preferred choice for our stakeholders, we will continue with our efforts to build a strong leadership bench and develop a diverse pool of highly-skilled talents through continuous exposure to international best practices and innovative learning solutions. Our people will continue to be BIBD's driving force and competitive advantage, and we are committed to grow and scale greater heights as one.

OPERATIONS

> We will extend the automation process to our procurement, expense management and human capital functions.

In an increasingly competitive landscape, we cannot emphasise enough the importance of excellent customer service and experience. This is one area that we focus on as a key differentiator in our inherent quest to be the First Choice for our customers. We remain committed to ensuring a superior customer experience through continuous upscaling and improving our reach and digital capabilities through our distribution channels comprising our branches, tellers, self-service transaction machines, online and mobile platforms that allow our customers the ability to bank anywhere, anytime.

In 2016, we saw a significant growth in our new customer acquisition. Our enlarged customer base resulted in higher transactional volumes across all its channels. We were able to provide our customers with better, faster and more convenient means of conducting their transactional requirements.

Of importance to our customers is knowing that we are there to support them whenever they require it. We operate a 24-hours Contact Centre with various means of instant access with our customer service personnel. The platforms offered for the convenience of our customer communication include our well-received Mobile Chat service, as well as telephone and email access.

Given that internet and mobile phone penetration in Brunei is one of the highest in Asia, we look to introduce various digital payment and usage solutions online and on mobile. Through the use of digital technologies, we provide our customers with offerings that go beyond banking, fulfilling their daily lifestyle needs such as purchasing eVouchers from a variety of lifestyle partners and paying through an assortment of channels such as Hadiah Points, credit cards or direct debit from their accounts.

As part of our direction to drive operational efficiencies through digital leverage, we automated our internal processes across all our business divisions, notably in Finance, Risk Management and Compliance. This allows for seamless and aligned processes that lend greater weight to speed and efficiencies in areas such as processing customer transactions, applications, and payments, among others.

Moving forward in 2017, we will extend the automation process to our procurement, expense management and human capital functions.



INFORMATION **TECHNOLOGY**

As we move forward in an ever-changing landscape, we will continue to capitalise on new opportunities to provide innovative solutions and services, supported by secure and effective technology, systems and processes to strengthen our position as the market leader in Brunei.



As we aspire to be the First Choice for our customers, we capitalise continuously and invest substantially on digitisation and the use of new technologies, with the aim of providing customer-oriented cutting edge solutions that will help drive the Bank's innovative products and efficient services, ensure the highest level of availability, and create greater operational efficiencies.

As the market leader in Brunei, we are proud to welcome new customers, both locally and internationally, to our banking base and to serve them well. In order to cater to the growing information needs of our increasing customer base, we completed the installation of a new Primary Data Centre that offers expanded storage for information and data, seamlessly process the increasing volume of transactions within a shorter space of time, as well as ensure the highest availability of services. The Primary Data Centre also boasts of having Green House Computing Environment features that is aimed at being energy-efficient for long-term sustainability.

In 2016, we continued our efforts to strengthen the accessibility of services for our customers' convenience. Through BIBD Mobile, we were the first in the market to introduce cardless ATM withdrawals where our

customers no longer need a physical debit card to conduct their transactions. We also offered our customers greater convenience and security in managing their card services, which include card activation, renewal and blocking through mobile and online banking channels.

Our deep understanding of our customer needs and preferences is reflected in the success of the Bank's Mobile Chat feature that allows our customers to have fast and easy access to our customer service. This has now become the preferred mode of communication with our customers, especially those who are travelling, and we are pleased to introduce new features very soon to provide even more convenience.

As part of our ongoing efforts to strengthen our business offerings, we implemented new Treasury solutions that are geared for more efficient trading in international markets. This included employing a Murex solution that enhances risk management with market-leading controls so that our clients can efficiently capitalise on liquidity needs and foreign exchange requirements easily.

In addition, we also implemented further system enhancements to improve the efficiency and accuracy of the Bank's internal systems relating to reconciliation, data extraction and reporting along with enhancing its test and development environments.

For enhanced cyber security, protections for the Bank's critical IT infrastructure were further strengthened. These included new systems and processes to mitigate the risk of cyber threats. The latest smart alert and monitoring solutions encompassing bank wide infrastructure of servers, network and applications has been implemented along with security monitoring to detect and thwart potential security threats to the environment.

As the technology landscape evolves at a rapid pace, we are committed to upscaling and investing in our human capital to equip them with the necessary tools and knowledge to be ever-ready to contribute to building solutions in the new-generation banking environment. Apart from providing both local and international based trainings, we also adopt a mentor-mentee programme to share knowledge in a more practical setting as well as expose the team to the latest technologies for them to assimilate ideas and build solutions for our customers. Our commitment to developing young talents has enabled us to attract high achieving graduates to join the Information Technology Department at BIBD, who learn under the guidance of experienced team members.

In preparation for future expansion, all mission critical applications will be moving to a highly converged virtualised environment. The move will help optimise resources and reduce the cost of ownership for IT infrastructure, ensuring sustainable growth in the Bank's IT capabilities.

As we move forward in an ever-changing landscape, we will continue to capitalise on new opportunities to provide innovative solutions and services, supported by secure and effective technology, systems and processes to strengthen our position as the market leader in Brunei.

SHARIAH

The Shariah division will continue to strive for enhanced Shariah governance and compliance to support BIBD's growth, both within and beyond Brunei Darussalam.





Underscoring all our offerings to our customers is the Bank's Shariah division that plays an important role in ensuring oversight and adherence to Shariah principles. Guided by the esteemed Shariah Advisory Body, the Shariah division supports the Bank's effort to expand its products and services in accordance to Shariah requirements to meet the growing demand for ethical financial services. Shariah governance measures are applied to all products and services which help build customer confidence and provide peace of mind as we strive towards becoming the First Choice for our customers.

Through close cooperation across various divisions within BIBD, the Shariah division continues to support the delivery of Shariah compliant products and services. We work to continuously enhance our Shariah governance framework so as to ensure that the Bank is prepared to manage and support the development of innovative and relevant products and services to meet our customers' requirements. Moving forward, the Shariah division will continue to strive for enhanced Shariah governance and compliance to support BIBD's growth, both within and beyond Brunei Darussalam.

LEGAL **AND COMPLIANCE**



As BIBD grows as a dynamic bank, we aim to foster and strengthen a culture of compliance to the regulatory environment in which we operate. Part of this requires us to continuously explore and review our structures and practices to ensure that the Bank keeps improving on its effectiveness and governance.

To this end, Legal and Compliance, which was previously a department under the Internal Controls Division, now stands as a division on its own with the aim of strengthening the framework and practices of self-compliance and legal capabilities, in line with internal and external requirements.

Amongst the Division's objectives are to help embed compliance to the Bank's policies and procedures, identify and prevent criminal-related activities, establish and maintain effective compliance risk management and control systems, as well as identify, assess, monitor and report on compliance risks. Internal control and risk mitigation measures are put in place and implemented to ensure compliance with the relevant laws, regulations and internal policies and procedures.

The division will also be involved in setting policies and standards to cover compliance issues, advise and provide support on the application of compliance risk assessment matrixes, as well as support the other divisions in the bank in their adoption and application of compliance parameters. Its role also includes assisting in the conduct of crisis management, as well as monitoring the submission of periodic regulatory returns and reporting on compliance matters which exceed the compliance risk tolerance levels.

> We stand as a division with the aim of strengthening the framework and practices of self-compliance and legal capabilities, in line with internal and external requirements.

To ensure that we continuously strengthen knowledge on the new regulatory requirements and changes so as to ensure adherence to regulatory and statutory requirements, the Compliance function of the Division conducted briefings on Compliance, Anti Money Laundering and Terrorist Financing related matters to relevant business units which include the Foreign Account Tax Compliance Act (FATCA).

RISK **MANAGEMENT**

The Risk Management Division plays an integral role in supporting BIBD's business strategies as the Bank focuses on building long-term sustainable growth and safeguarding its assets. Robust risk management functions and processes that have been put in place play the crucial role of providing independent and rigorous assessment, monitoring and oversight of the financial and non-financial risks across all parts of BIBD. This is part of our wider efforts to uphold the highest standards of compliance, governance and controls to enable effective risk management and compliance throughout BIBD.

We take the approach of analysing investment and financing proposals as well as evaluating the Bank's operational processes in close cooperation with our respective business units, to ensure the Bank's exposure to risk is understood, discussed and managed in a pro-active way and that all stakeholders' interests are protected. We adopt a proactive approach in monitoring the Bank's risk parameters such as performing regular stress test and scenario analysis based on the risks outlined in any given economic environment.

In the current challenging market environment, we continue to conduct regular stress tests to ensure our processes and systems remain robust. Our efforts are reflected in the Bank's reaffirmed A- credit rating conferred by international credit rating agency Standard & Poor's (S&P Global).

In 2016, we focused on five main initiatives to further strengthen the effectiveness of BIBD's risk management approach.

1. Increased depth of analysis for corporate finance proposals through the provision of independent risk analysis for better clarity in credit decision making, as well as implementing a separate work stream to evaluate restructured facilities that may become potential delinquents.

2. Developed a framework for retail product programmes to significantly reduce reliance on judgmental financing and improve turnaround time for retail requests. This framework focuses on automation and adopts international best practices to develop a scorecard based on calculation matrixes that are carefully developed to be Basel II Advanced Internal Ratings Based (AIRB) and IAS39 compliant.

3. Improved the asset liability management (ALM) assessment parameters by expanding analysis and reporting regarding the Bank's exposure to industries, countries and its overall liquidity position, including expansion of stress scenarios.

4. Increased bank-wide awareness on Operational Risk through the adoption of an entity-wide Enterprise Risk Management framework that aims to assess risk in a holistic manner across the Bank. The Operational Risk section continues to drive operational risk awareness across all relevant functions of the Bank by empowering the first line of defence and focusing on identified risk assessments.

5. Preparations for the adoption of IFRS9 (International Financial Reporting Standard) for impairments as well as disclosures of market risk in the IFRS reporting which include fair valuation of assets and liabilities.

Looking ahead to 2017, preparations are underway to transition to IFRS9 provisioning, the introduction of credit scoring for retail from Fair Isaac Corporation (FICO), S&P scoring methodologies for the corporate portfolio, automation for impairment processes and increased combined assurance for non-financial risk management.

These initiatives will continue to provide the platform to further fortify the overall risk capability within BIBD. This is done by strengthening the risk framework and by developing a culture where predictive risk management is enabled in addition to deeper and more comprehensive analytics, to further enhance to overall risk management capability within BIBD.

INTERNAL **AUDIT**

Over the course of 2017, we will implement our strategy of moving away from a compliance-based audit approach on adherence to policies and procedures, to a risk based approach that focuses on key processes and their risks.

As we forge ahead in our mission to be the First Choice bank for all our stakeholders, we recognise the utmost importance of ensuring that they have the assurance that BIBD manages its risks in a responsible manner. This includes the management of the Bank's capital and its assets and liabilities, its adherence to legal and regulatory considerations, its adherence to its own policies and procedures and its management of its corporate and social responsibilities.

In discharging its obligations, Internal Audit remains independent of line and senior management within the Bank, and is able to report, objectively and independently, to the Board (via the Audit, Finance and Risk Committee) on all matters relating to the management of risks and controls within the Bank.

In this respect, Internal Audit plays an intergral role in ensuring the Bank is responsible, responsive and consistent in its dealings with customers and clients, and that assets are safeguarded through robust risk management processes and adherence to the Bank's policies and internal procedures.

In 2016, we sought to expand the abilities of the Internal Audit function through the inclusion of specialist roles covering IT, Treasury and Corporate Banking, as well as Shariah. We have also embarked on improving our methodology in line with best practices to ensure that the execution of audits are streamlined and made more efficient.

Over the course of 2017, we will implement our strategy of moving away from a compliance-based audit approach on adherence to policies and procedures, to a risk-based approach that focuses on key processes and their risks. This approach will follow five elements of the COSO framework covering the Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. This approach will provide a consistent method to auditing the Bank and ensuring that it has a suitable internal control framework. These measures are put in place to achieve effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

These initiatives will strengthen BIBD's internal audit function in helping it to improve its overall assessment of the internal control framework of the Bank, thereby ensuring that current and future banking activities are adequately controlled and managed to the benefit of all stakeholders.

BIBD **SUBSIDIARIES**

BIBD AT-TAMWIL

BIBD At-Tamwil Berhad is a subsidiary of BIBD Berhad, with core operations in the financing of vehicles as well as consumer products. Aside from financing activities, BIBD At-Tamwil also accepts savings and investment deposits from retail customers.

While the economic climate of 2016 was subdued and marked by shrinking sales of both new and used cars, BIBD At-Tamwil performed commendably and recorded a profit before Zakat and Tax of B$40.2 million, marginally higher than B$40.0 million posted in 2015.

The company maintained the size of its net Ijarah assets portfolio at B$672 million despite the consolidations that were taking place in the financing landscape, coupled with more stringent financial regulations.

We were able to retain a favourably manageable rate of default at 1%, far below the industry benchmark of 4% to 5%, thereby maintaining quality of our financial assets.

In 2016, BIBD At-Tamwil launched a unique business model concept on 'usership' that offers the leasing of cars for long-term use at reasonable prices. The model, launched under the BETTER brand, provides customers an economical option that is flexible for their individual needs. We expect to see greater traction in this business model over the coming years.

BIBD At-Tamwil has also seen an encouraging take up of its My Real Savings Account which offers customers the opportunity to save progressively for their future using the free standing instruction coupled with higher multi-tier profit and dividend which contributes back to increasing the customers' savings.

> We will continue to strengthen our credit underwriting process to ensure high quality portfolio and improve our balance sheet. For 2017, we aim to maintain profitability and provide superior returns to our shareholders.

In charting our future course, we will continue to build upon our proven fundamental values of integrity and due diligence to be the preferred choice for our customers. We will continue to strengthen our credit underwriting process to ensure high quality portfolio and improve our balance sheet. For 2017, we aim to maintain profitability and provide superior returns to our shareholders.

BIBD SECURITIES

BIBD Securities Sdn Bhd is a subsidiary of BIBD Berhad which offers brokerage and securities services for BIBD shares. Clients who wish to trade in Shariah complaint securities can do so through the access provided by BIBD Securities to the Singapore Stock Exchange and Bursa Malaysia through our respective local counterparts.

THE
BEST
RETAIL BANK

{4} Consecutive Years



THE ASIAN BANKER
EXCELLENCE IN
RETAIL FINANCIAL SERVICES
INTERNATIONAL AWARDS 2016
BEST RETAIL BANK, BRUNEI

Awarded the Best Retail Bank in Brunei Darussalam for four consecutive years from 2013-2016 by The Asian Banker.

MILESTONES

Promoting Brunei Darussalam as an Investment Hub

Enhancing Customer Engagement Channels

Ratings, Awards and Rankings

Investing in Human Capital and Streamlining Processes

Corporate Social Responsibilities

Sharing Our Blessings

Creating Opportunities

BIBD ALAF Programme Activities

PROMOTING BRUNEI DARUSSALAM **AS AN INVESTMENT HUB**



As one of the largest internationally recognised financial institutions in Brunei Darussalam, BIBD strives to fulfil His Majesty's Vision 2035. The vision reflects Brunei's aspirations to be recognised internationally for having well-educated and highly-skilled Bruneians, the best quality of life as well as a dynamic and sustainable economy.

As a way to promote Brunei Darussalam's international competitiveness, BIBD participated in the China-ASEAN Inter-Bank Association (CAIBA) board meetings and seminars to showcase the country's capabilities as a regional investment destination and to exchange ideas of regional finance cooperation, highlighting financial cooperation opportunities in our country which included potential projects relating to infrastructure development.

The Board Meetings and Seminars also served as a platform for China and ASEAN member countries to exchange ideas and share their experience on financial and development issues covering international and regional financial cooperation, infrastructure construction, SME development and financing, cross-currency trade as well as financial and risk management.

BIBD PROMOTES BRUNEI AS AN INVESTMENT DESTINATION AT CAIBA SEMINAR IN BEIJING

This year's seminars on China-ASEAN Financial Cooperation were held in Beijing, China with the theme, "The Belt and Road Initiative and Regional Financial Cooperation" which is a part of the training and experiences sharing scheme under the CAIBA framework.



BIBD ATTENDS 6TH CAIBA MEETING TO STRENGHTHEN FINANCIAL COOPERATION BETWEEN ASEAN AND CHINA

BIBD also attended the 6th CAIBA Executive Board Meeting and Seminar themed "The Role of CAIBA under the China-ASEAN Cooperation Framework" focusing on areas of cooperation between China and ASEAN countries. This included the development of financial products and RMB business, opportunities for capacity and infrastructure cooperation, and promotion of inclusive finance and trade finance. In between the annual board meetings and seminars, BIBD has also made strides to create better understanding of Islamic finance amongst CAIBA members, raising awareness of its exponential growth and potential.



ENHANCING
CUSTOMER ENGAGEMENT CHANNELS

In line with its mission to become the First Choice institution, BIBD strives to provide innovative products and services to meet the growing needs and expectations of our valued customers.

BIBD LAUNCHES SME 360°

BIBD's holistic service offering to its Small and Medium Enterprise (SME) customers, SME 360° was launched by His Royal Highness Prince Haji Al-Muhtadee Billah during his working visit to DARe's Business Support Centre. The service offers an end-to-end banking solutions package for all SMEs. This includes support in terms of banking advisory through its relationship managers and digital payment services, including card merchant services and corporate internet banking.

The service was created with improved solutions and opportunities especially for Brunei's future industry captains. The launch is an effort by BIBD to align closer towards His Majesty's vision of the country in developing a dynamic and sustainable economy.



BIBD SME 360°'s FIRST DEDICATED BRANCH

The first ever SME 360° branch was officiated by BIBD Chairman and Minister of Development, Yang Berhormat Dato Seri Setia Awang Haji Bahrin bin Abdullah. The branch is conveniently located at BIBD's Seri Branch which exclusively serves to provide convenience towards the establishment of SMEs in Brunei Darussalam.



BIBD EXTENDS NETWORK WITH THE OPENING OF ANOTHER PERDANA LOUNGE IN THE HEART OF THE CAPITAL

A third Perdana Privilege Banking lounge was officially opened at the Bank's Headquarters by the guest of honour, Yang Mulia Dato Paduka Awang Haji Muhammad Roselan bin Haji Muhammad Daud, Deputy Minister at the Prime Minister's Office.

The new lounge contributes to a larger network of convenience and accessibility, paired with BIBD's exclusive products, banking facilities and services tailor-made for BIBD's Perdana customers.



"It's not about Ideas, It's about making ideas happen." - SCOTT BELSKY





BIBD LAUNCHES FIRST VISA SERVICES FOR ITS CARDS

BIBD launched its first contactless credit card powered with VISA payWave technology designed to replace the use of cash in a busy retail environment.

Cardholders can now complete their transactions faster, bringing more convenience by simply waving the card without the need to swipe the card or sign for their purchases.

Positioned as a travel card, the contactless BIBD Visa credit cards include an array of discounts, with year-long and seasonal exclusive offers available at a wide variety of merchants.

Platinum cardholders are able to enjoy a yearly complimentary Priority Pass membership and gain access to a host of Visa Concierge services anytime, anywhere.

RATINGS, AWARDS **AND RANKINGS**

> "Strive not to be a success, but rather to be of value." - ALBERT EINSTEIN

BIBD RETAINS STRONG A- RATING FROM S&P GLOBAL

BIBD retained its strong A- rating from leading international credit rating agency S&P Global, the same rating it was first assigned last year. The rating, the highest for a Bruneian bank and on par with other notable banks in ASEAN, recognises BIBD's financial and capital strength.

The A- rating reflects BIBD's strong capital assessment and profitability, commending BIBD as better than the industry average, while at the same time reflecting BIBD's business stability and leading market position in Brunei. It was also noted that BIBD's liquidity ratios are stronger than that of several of its global peers.

RANKED TOP 20 STRONGEST BANK IN ASIA-PACIFIC

THE ASIAN BANKER
TOP 20 STRONGEST BANKS 2016
by balance sheet

The Asian Banker (TAB) also announced BIBD as the strongest bank in Brunei as well as one of the strongest in Asia Pacific on par with top international banks from Hong Kong, Malaysia and China.

In a list of 500 of Asia Pacific's Strongest Bank by Balance Sheet, BIBD remains the only Bruneian Bank to be featured within TAB's 500 ranking of Asia Pacific's top financial institutions.

With a strong aggregate strength score, BIBD also scored top marks in its Assets over GDP, Liquidity and Credit Adequacy Ratio, while scoring highly in the Financing-to-Deposit Ratio, and Return on Asset ratio. BIBD also held the 14th spot among the strongest banks in Asia Pacific for 2016.

BIBD BRANCHES THE SMARTEST IN REGION

THE ASIAN BANKER
TECHNOLOGY INNOVATION AWARDS 2016
BEST SMART BRANCH PROJECT

At the 10th The Asian Banker's Technology Innovation Awards 2016, BIBD was awarded the region's Best Smart Branch Project. BIBD, along with its technology partner Silverlake SDE, was commended for the paperless digital banking platform, which integrated sales. The implementation improved customer experience, reduced timeframes and administrative activities.

This marks the third recognition from The Asian Banker (TAB) this year. According to TAB, BIBD has maintained high levels of liquidity with strong capitalisation as well as a healthy cost to income ratio, which played a key role in the Bank's excellent performance.



SAFEST BANK IN THE COUNTRY

BIBD was recently announced as the safest bank in Brunei Darussalam by Global Finance. Banks were selected through an evaluation of long-term foreign currency ratings – from Moody's, Standard and Poor's, and Fitch – and total assets of the 1000 largest banks worldwide.

FOUR WINS IN A ROW FOR BEST RETAIL BANK



BIBD was also conferred as the Best Retail Bank in 2016 by The Asian Banker for the fourth consecutive year. The prestigious award reflects BIBD's dominant market share in Brunei Darussalam.



RANKED 38TH IN THE BANKER'S TOP 1000 WORLD BANKS

The world's premier banking and finance resource, The Banker issued its annual Top 1000 World Banks rankings, where BIBD was ranked at 38th in terms of the soundness of its capital assets ratio, improving on its previous ranking of 42nd which reflects BIBD's healthy business model and good financial strength.

INVESTING IN HUMAN CAPITAL **AND STREAMLINING PROCESSES**

In line with Brunei's Vision 2035, BIBD thrives to foster a dynamic and sustainable economy along with the accomplishments of well-educated and highly-skilled citizens by developing quality local professionals through collaborations with globally recognised institutions with international benchmarks and standards.

BIBD MAKES BRUNEI PROUD AS AMONG TOP 5 MOST OUTSTANDING ATTENDEES AT CAMBRIDGE ISLAMIC FINANCE LEADERSHIP PROGRAMME

On top of obtaining an Islamic Banking and Finance Leadership certificate, Abdul 'Azim bin Hj Mohammad also bagged the Cambridge Islamic Finance Leadership Award for being placed among the top five most outstanding attendees.

Also at the event, BIBD participants were encouraged to engage with renowned leaders and management gurus in Islamic Banking and finance who provided industry-specific perspectives.



ISLAMIC FINANCE TALENT DEVELOPMENT CHAMPION AWARD

BIBD's very own Dayangku Noruldiana Shim binti Pengiran Hj Hashim was awarded with the Highest Achiever Award in the Islamic Financial Planner (IFP) Category for the Islamic Banking Finance Institute Malaysia's (IBFIM) Islamic Finance Talent Development Champion Award of their International Category at the 3rd Certifications Award Ceremony.

Currently, BIBD has a team of more than forty certified IFPs, four of which are also Chartered Financial Consultants (ChFC), providing a more robust Islamic financial and wealth management solution for our customers. The numbers are ever-growing as more and more of our personnel are enrolled into the IFP program to cater to the increasing standards of competency and ethical practice of financial planning professionals.





BUILDING ON THE SUCCESS OF EMPLOYEE EXCHANGE PROGRAMME WITH SECOND MOU TO DEVELOP LOCAL TALENT SUPPORTING ECONOMIC GROWTH

BIBD signed a second MoU to include Bank Muamalat Malaysia, into BIBD's Employee Exchange Programme (EEP) after a successful start with Bank Al-Bilad of Saudi Arabia. The EEP is to support the creation of world-class professionals that would support Brunei's long-term development plan aligned with our mission and strategy.

The MoU was signed to ensure strong cooperation and knowledge-transfer of best practices and experiences between world-class institutions.

BRUNEI'S LARGEST BANK SIGNS DEAL WITH RAMCO

BIBD partnered with Ramco System by incorporating our business processes across HR and enterprise resource planning functions. Through this partnership, their Enterprise Resource Planning (ERP) solutions was integrated with full suite Human Capital Management (HCM) and Global Payroll systems to support the Bank's pursuit of digitising its operations to streamline services and processes.

The partnership will deliver digitised procurements, payments, and hire to retire functions, providing us with better visibility of our assets and improved productivity.

CORPORATE SOCIAL **RESPONSIBILITIES**



As Brunei Darussalam's leading financial institution, we believe that it is our responsibility to align our efforts to support the long-term development and progress of the nation. Our growth is enabled by sound and sustainable practices, and this is reflected in our corporate social responsibility (CSR) efforts where we promote these practices for the long-term benefit of our community and our country.

In line with His Majesty's Vision 2035, BIBD's CSR programmes continue to focus on education, entrepreneurship and the community. Through our investments in these three key areas, the Bank aims to be part of the collective effort to nurture education opportunities among our youths so that they are well equipped to compete in a dynamic economy to achieve a high quality of life in the future.

To ensure a sustainable pipeline of Bruneian talent, we believe in the importance of education to develop the nation's next generation. At BIBD, we remain committed to supporting the education of young underprivileged Bruneians until the end of their respective educational requirements through our flagship CSR programme called Advocating Life-Long Learning for an Aspiring Future (ALAF).

Through our partnership with the Ministry of Education and Ministry of Religious Affairs, dedicated ALAF welfare teachers complement the provisions provided by BIBD to ALAF pupils to ensure a well-rounded learning experience. Additional activities held in 2016 such as the public speaking workshops, learning camps and an incentive trip to Singapore were part of the programme's holistic approach to education, both within and beyond the classroom.

To date, a total of 140 students have been enrolled in the programme, with more to be included next year. Now in its 3rd year, the long term ALAF programme has achieved significant success as the first ALAF student moves on to pursue her tertiary education at a leading international university with the support of BIBD.

BIBD's education initiatives also include financial literacy programmes to equip Bruneians with greater financial knowledge as they navigate their financial journey. The Bank's accredited financial planners give regular talks on the importance of prudent long-term financial planning at public, private and educational institutions. Among the highlights in 2016 was BIBD's participation in Autoriti Monetari Brunei Darussalam's National Savings Day activities.



As Brunei Darussalam continues to pursue economic diversification, greater entrepreneurship is needed to drive the growth of new businesses. BIBD's recently launched SME 360° supports this by providing a comprehensive array of banking solutions for businesses, especially SMEs.

Our role in supporting the development of a sustainable economy goes beyond products and services. Through our partnerships with government agencies such as Darussalam Enterprise (DARe), BIBD continues to support the long-term growth of new enterprises through our participation in various events aimed at entrepreneurs. At DARe's Industry Business Academy, BIBD facilitates learning modules on business planning and financing to equip entrepreneurs with better knowledge to run their businesses successfully and sustainably.

Inclusive growth is an integral part of our socioeconomic development, where underprivileged communities are not left behind. As part of our "Bruneian at Heart" values, BIBD believes in giving back to society through kind and compassionate assistance for those in need. This is reflected in our continued participation in community and charity events.

In collaboration with the Ministry of Religious Affairs, BIBD held its 7th annual Sirah Amal Charity Drive as part of the Bank's ongoing efforts to give back to local communities.



Ahead of Ramadhan celebrations, the Bank provided relief and support to underprivileged families with food hampers and other daily necessities.

During the Hari Raya Aidil Adha celebrations, korban meat was distributed to underprivileged members of the community and 150 Yaasin books were contributed to the Al-Ameerah Al-Hajjah Maryam Mosque.

Collectively, BIBD's efforts in promoting education, entrepreneurship and the community's wellbeing contribute to the nation's long-term socioeconomic growth. We believe that by giving back to our community, the Bank continues to deliver value for sustainable development, making BIBD Brunei Darussalam's First Choice bank.

SHARING **OUR BLESSINGS**



BIBD HOLDS HARI RAYA AIDIL ADHA CELEBRATION

BIBD held its Aidil Adha celebration at the Masjid Al-Ameerah Al-Hajjah Maryam in Jerudong, where a total of seven buffalos were sacrificed. The Korban was distributed to around fifty recipients, comprising of underprivileged members of the community. BIBD also contributed 150 Yaasin books to the Mosque. The guest of honour was Yang Mulia Dato Seri Setia Dr. Haji Japar bin Haji Mat Dain, a member of the Shariah Advisory Body of BIBD and the Deputy State Mufti.

BIBD HANDS OVER ZAKAT FOR 2015

BIBD is grateful that its performance in 2015 has allowed it to hand over Zakat on Business for the financial year 2015 amounting to just above B$ 2.5 million as well as a Zakat from customers' deposits for the period of 2015 - 2016 which has surpassed the B$ 360,000 mark.

The Zakat was handed over by Yang Mulia Dato Seri Setia Awang Haji Abdul Aziz bin Orang Kaya Maharaja Lela Haji Yussof, Shariah Advisory Body Chairman of BIBD and its subsidiaries, Permanent Secretary at The Ministry of Religious Affairs to Yang Berhormat Pehin Udana Khatib Dato Paduka Seri Setia Ustaz Haji Awang Badaruddin bin Pengarah Dato Paduka Haji Awang Othman, the Minister of Religious Affairs (MORA), in his capacity as MUIB (Brunei Islamic Religious Council) Chairman.

In order to further help Muslim customers meet their obligations, BIBD has also provided the convenience for Zakat payments at its branch counters in Brunei Darussalam. In Sha Allah, BIBD is also exploring more convenient ways to allow customers to perform their obligations by using BIBD's existing digital channels.





BIBD CELEBRATES AIDIL FITRI

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



CREATING **OPPORTUNITIES**

BIBD CONTINUES ANNUAL SIRAH AMAL CHARITY DRIVE

BIBD collaborated with the Islamic Dakwah Centre, Ministry of Religious Affairs to continue its annual "Program Sirah Amal BIBD" visits to twenty less-fortunate families from the Asnaf Muallaf Daif.

This annual CSR Initiative is aimed towards providing the families with timely support and comfort for them to perform their Ramadhan fasting duties.



BIBD GIVING BACK TO UNDERPRIVILEGED CHILDREN

BIBD continued its commitment towards improving the welfare of underprivileged families in Brunei with donations for more than five thousand recipients from all four districts.

BIBD also handed out special prizes to 11 orphaned students through the "Skim Hadiah Galakkan Pelajar-Pelajar Cemerlang 2015". The prizes recognised the students' dedication to academic excellence.

The donations were handed out together in partnership with the Community Development Department (JAPEM), Ministry of Culture, Youth and Sports (MCYS).





"Today a reader; Tomorrow a leader." - MARGARET FULLER

Fortifying Brunei's Future: BIBD ALAF

Our flagship CSR initiative is BIBD's education-community funding initiative: The BIBD ALAF Programme. The ALAF Programme supports His Majesty's Vision 2035 of zero poverty and zero illiteracy in the country via financial support and assistance. ALAF is aimed at providing education, a key indicator for personal and national growth, to underprivileged children in Brunei Darussalam and nurture future leaders. BIBD believes that education and learning is at the core of individual development that in turn contributes to nation building. On top of constant mentoring and counselling, our ALAF programme provides school and tuition fees, stationery, transportation, and food requirements.



BIBD ALAF
PROGRAMME ACTIVITIES

JANUARY



RECOGNISING ALAF STUDENTS AND PARTNERS

An ALAF appreciation event was held to recognise the ALAF task force's support to the Programme. Members of the taskforce were presented with certificates of appreciation while incentive rewards were awarded to PSR students who excelled in their 2015 examinations.



FEBRUARY





BIBD ALAF PROGRAMME AWARDS CEREMONY

Now in its third year, the BIBD ALAF Programme extended scholarships to almost fifty more students from the Ministry of Religious Affairs and Ministry of Education as well as the inclusion of seven special needs students from the Ministry of Education's Special Education Unit. This year marks the year where the ALAF programme breaks the hundred student mark.

APRIL

ALAF LEARNING CAMPS

Holiday English Language Program (HELP) camps were organised with the cooperation of CfBT (Brunei) to deliver specialised English training camps for BIBD ALAF students.





JUNE



BIBD ALAF OFFICE

The ALAF team moved to their new office in the capital to better serve the long-term aspirations of BIBD's ALAF programme. The new office provides more amenities and opportunities to facilitate better activities for the programme's increasing number of participants.

OCTOBER

HAJAT PRAYERS FOR ALAF STUDENTS SITTING FOR NATIONAL EXAMS

Hajat prayers were held for 29 ALAF students who were sitting for their national exams. The students also attended a motivational talk following the Hajat prayers.





NOVEMBER





ALAF TEACHERS APPRECIATION

50 ALAF Student Welfare teachers were recognised for their dedication towards the Programme.

DECEMBER

ALAF TA'ARUF

42 recently enrolled ALAF students participated in a three-day ALAF Ta'aruf Camp to introduce BIBD and the ALAF Programme. They also took part in team building exercises, spelling contests, and other activities to instill a sense of belonging to the Programme.





A PUBLIC SPEAKING WORKSHOP AND ALAF CONVENTION

20 students participated in a three-day workshop to develop their leadership and public speaking skills. At the end of the workshop, the students gave speeches on topics such as entrepreneurship, the agrifood industry, the environment and Brunei's Vision 2035.





BANK ISLAM BRUNEI DARUSSALAM AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

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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 2016.

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	101,899	122,057
Non-controlling interest	2,317	–
	104,216	122,057

Dividends

The amount of dividends paid by the Bank since 31 December 2015 are as follows:

	BS'000
In respect of the financial year ended 31 December 2015:	
Final dividend of 7.3 cents per ordinary share paid on 6 October 2016	52,907

At the forthcoming Annual General Meeting, a final dividend in respect of financial year ended 31 December 2016 of 14.7 cents on 724,749,513 number of ordinary shares, amounting to BS106,538,178 will be proposed.

Directors

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

Dato Seri Setia Awang Haji Bahrin bin Abdullah	(Chairman)
Dato Paduka Iqbal Ahmad Khan	
Junaidi bin Hj Masri	
Dr Jan Hendrik van Greuning	
Mubashar Khokhar	
Majeed Nasser Alsubeaei	(Appointed on 6 April 2016)
Dr Abdul Manaf bin Haji Metussin	
Mozart bin Haji Brahim	(Alternate Director to Junaidi bin Hj Masri)

Directors' benefits

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

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

Directors' interests

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

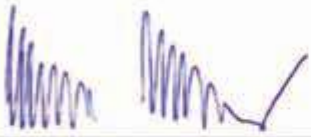
	Number of ordinary shares of B$1 each	
Name of directors	**At beginning of the year/ Date of appointment**	**At end of the year**
Dato Seri Setia Awang Haji Bahrin bin Abdullah	4,441	4,441
Dato Paduka Iqbal Ahmad Khan	1	1
Junaidi bin Hj Masri	1	1
Mubashar Khokhar	1	1

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 March 2017.



Dato Seri Setia Awang Haji Bahrin bin Abdullah
Chairman



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam

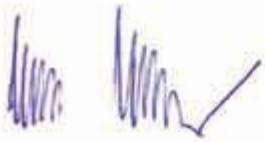
Statement by Directors

In the opinion of the Directors, the financial statements set out on pages FS1 to FS115 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 2016 and the financial performance, changes in equity and cash flows of the Group and the Bank for the financial year ended 31 December 2016.

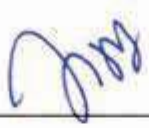
Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 21 March 2017:



Dato Seri Setia Awang Haji Bahrin bin Abdullah
Chairman



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam

Shariah Advisory Body Report

بِسْمِ اللهِ الرَّحْمنِ الرَّحِيمِ

الحمدلله رب العالمين والصلاة والسلام على سيدنا محمد وعلى اله 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 2016 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 2016 that we have reviewed are in compliance with Shariah rules and principles;

b. In accordance with Shariah compliancy, all tainted earnings that have been realised from sources or manner which have not fulfil the Shariah requirement have been separated and considered for disposal to 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 *taufik* 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
21 March 2017

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Independent auditors' report

Members of Bank Islam Brunei Darussalam Berhad and its subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank Islam Brunei Darussalam Berhad (the "Bank") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Bank as at 31 December 2016, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS115.

In our opinion, the accompanying financial statements of the Group and the Bank are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Cap. 39 (the "Act") and International Financial Reporting Standards ("IFRS"), so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and of the Bank for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management and directors are responsible for the other information. The other information comprises *Directors' Report, Statement by Directors and Shariah Advisory Body Report* but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the *Vision and Mission, Management Insights, About Us, Business Review, Milestone, Corporate Activities, Achievements and Awards, ("the Reports")* which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Responsibilities of management and directors for the financial statements

Management and directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and IFRS and for such internal control as the management and directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and directors.

- Conclude on the appropriateness of management and directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group and the Bank audit. We remain solely responsible for our audit opinion.

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

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

Report on other legal and regulatory requirements

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

KPMG LLP
Singapore Public Accountant and
Singapore Chartered Accountants

David Waller
Brunei Darussalam Public Accountant

Singapore
21 March 2017

Income Statements
Year ended 31 December 2016

	Note	Group 2016 BS'000	Group 2015 BS'000	Bank 2016 BS'000	Bank 2015 BS'000
Profit from financing, leasing and investments	3	283,099	257,918	233,967	208,274
Profit paid/payable to depositors	4	(39,064)	(29,385)	(35,813)	(26,395)
Net profit margin		244,035	228,533	198,154	181,879
Fee and commission income	6	29,869	30,137	29,116	28,664
Fee and commission expense	6	(4,433)	(3,995)	(4,433)	(3,995)
Net fee and commission income		25,436	26,142	24,683	24,669
Loss from derivatives and investments	5	(141,899)	(148,980)	(142,933)	(149,613)
Other operating income	7	203,428	215,252	227,653	195,128
Total income		331,000	320,947	307,557	252,063
Less:					
Personnel expenses	8	(66,485)	(63,656)	(54,310)	(50,016)
Other expenses	9	(62,671)	(67,036)	(47,302)	(45,268)
Total operating expenses		(129,156)	(130,692)	(101,612)	(95,284)
Operating profit before allowances		201,844	190,255	205,945	156,779
Less:					
Allowance for impairment on financing and advances, net	10	(23,850)	(34,905)	(22,527)	(32,261)
Allowance for impairment on receivables		(1,230)	(19,460)	(1,230)	–
Allowance for impairment on investments, net	11	(40,017)	–	(40,017)	–
Operating profit		136,747	135,890	142,171	124,518
Share of profit of associate	25	722	2,365	–	–
Profit before zakat and tax		137,469	138,255	142,171	124,518
Less:					
Zakat	12	(3,349)	(3,112)	(3,349)	(3,112)
Income tax expense	13	(29,904)	(28,427)	(16,765)	(20,783)
Total zakat and income tax expense		(33,253)	(31,539)	(20,114)	(23,895)
Profit for the year		104,216	106,716	122,057	100,623
Profit for the year attributable to:					
Equity holders of the Bank		101,899	113,588	122,057	100,623
Non-controlling interests		2,317	(6,872)	–	–
Profit for the year		104,216	106,716	122,057	100,623
Earnings per share					
Basic earnings per share (dollars)	15	0.14	0.16		
Diluted earnings per share (dollars)	15	0.14	0.16		

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

Statements of Comprehensive Income
Year ended 31 December 2016

	Group		Bank	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Profit for the year	104,216	106,716	122,057	100,623
Other comprehensive income:				
Items that are or may be reclassified to profit or loss				
Fair value reserve (available-for-sale financial assets):				
- Net change in fair value	(155)	(22,091)	(173)	(21,854)
- Net amount transferred to profit or loss	18,472	48	18,472	48
Share of other comprehensive income of associate	(38)	103	–	–
Tax on other comprehensive income	(3,388)	4,304	(3,388)	4,037
Other comprehensive income for the year, net of tax	14,891	(17,636)	14,911	(17,769)
Total comprehensive income for the year	119,107	89,080	136,968	82,854
Attributable to:				
Equity holders of the Bank	116,790	95,952	136,968	82,854
Non-controlling interests	2,317	(6,872)	–	–
Total comprehensive income for the year	119,107	89,080	136,968	82,854

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

Statements of Financial Position
As at 31 December 2016

	Note	Group 2016 B$'000	Group 2015 B$'000	Bank 2016 B$'000	Bank 2015 B$'000
Assets					
Cash and cash equivalents	16	2,114,879	888,313	2,295,755	892,387
Balances with Autoriti Monetari Brunei Darussalam	17	463,382	382,383	430,531	350,741
Placements with and financing and advances to banks	18	2,588,964	1,897,463	2,662,314	2,159,063
Government sukuks	19	26,715	20,751	26,715	20,751
Investments	20	804,651	614,344	799,447	602,997
Derivative financial assets	21	17,971	27,971	17,971	27,971
Financing and advances	22	3,186,405	3,391,737	2,602,613	2,815,031
Finance lease receivables	23	12,556	12,526	12,556	12,526
Investments in subsidiaries	24	–	–	40,826	36,682
Investment in associate	25	14,513	13,829	7,080	7,080
Other assets	26	38,256	26,994	44,996	42,065
Property and equipment	27	178,337	184,489	47,955	46,641
Investment property	28	27,434	28,646	27,434	28,646
Deferred tax assets	29	8,557	10,790	17,288	13,838
Total assets		9,482,620	7,500,236	9,033,481	7,056,419
Liabilities and equity					
Deposits from customers	30	7,214,644	5,367,152	7,114,615	5,242,793
Deposits from banks and other financial institutions	31	510,272	545,214	363,939	452,713
Placements from other financial institutions	18	57,872	–	57,872	–
Derivative financial liabilities	21	110,620	68,796	110,620	68,796
Other liabilities	32	102,711	92,746	82,413	72,422
Zakat	33	4,037	3,805	4,037	3,805
Provision for taxation	33	68,580	68,479	52,703	52,669
Total liabilities		8,068,736	6,146,192	7,786,199	5,893,198
Equity					
Share capital	34	724,750	724,750	724,750	724,750
Treasury shares	35	–	(3)	–	–
Statutory reserves fund	36	453,044	420,531	416,040	385,526
Other reserves	36	213,711	182,341	106,492	52,945
Total equity attributable to equity holders of the Bank		1,391,505	1,327,619	1,247,282	1,163,221
Non-controlling interests		22,379	26,425	–	–
Total equity		1,413,884	1,354,044	1,247,282	1,163,221
Total liabilities and equity		9,482,620	7,500,236	9,033,481	7,056,419

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 2016 and the financial performance for the year ended 31 December 2016.



Mubashar Khokhar
Managing Director

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



Dato Seri Setia Awang Haji Bahrin bin Abdullah
Chairman



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam
21 March 2017

Consolidated Statement of Changes in Equity
Year ended 31 December 2016

Group	Note	Attributable to equity holders of the Bank							
				Other reserves					
		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 2016		724,750	(3)	420,531	(14,361)	196,702	1,327,619	26,425	1,354,044
Profit for the year		–	–	–	–	101,899	101,899	2,317	104,216
Other comprehensive income		–	–	–	14,891	–	14,891	–	14,891
Total comprehensive income for the year		–	–	–	14,891	101,899	116,790	2,317	119,107
Transfers to statutory reserve		–	–	32,513	–	(32,513)	–	–	–
Transactions with owners of the Bank									
Contributions and distributions									
Dividends paid on ordinary shares	14	–	–	–	–	(52,907)	(52,907)	–	(52,907)
Redemptions by non-controlling interest		–	3	–	–	–	3	(6,363)	(6,360)
Total contributions and distributions		–	3	–	–	(52,907)	(52,904)	(6,363)	(59,267)
At 31 December 2016		724,750	–	453,044	530	213,181	1,391,505	22,379	1,413,884

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

Consolidated Statement of Changes in Equity (Cont'd)
Year ended 31 December 2016

Group	Note	Attributable to equity holders of the Bank: Share capital BS'000	Treasury shares BS'000	Statutory reserve BS'000	Other reserves: 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.

Statement of Changes in Equity
Year ended 31 December 2016

Bank	Note	Share capital BS'000	Other reserves: Statutory reserve BS'000	Other reserves: Fair value reserve BS'000	Other reserves: Retained profits BS'000	Total BS'000
At 1 January 2016		724,750	385,526	(15,673)	68,618	1,163,221
Profit for the year		–	–	–	122,057	122,057
Other comprehensive income		–	–	14,911	–	14,911
Total comprehensive income for the year		–	–	14,911	122,057	136,968
Transfer to statutory reserve		–	30,514	–	(30,514)	–
Transactions with owners of the Bank						
Contributions and distributions						
Dividends paid on ordinary shares	14	–	–	–	(52,907)	(52,907)
Total contributions and distributions		–	–	–	(52,907)	(52,907)
At 31 December 2016		724,750	416,040	(762)	107,254	1,247,282

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

Statement of Changes in Equity (Cont'd)
Year ended 31 December 2016

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

Statements of Cash Flows
Year ended 31 December 2016

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Cash flows from operating activities				
Profit before zakat and tax	137,469	138,255	142,171	124,518
Adjustments for:				
Dividend income	(3,086)	(2,418)	(2,645)	(1,950)
Allowance for impairment on financing and advances	23,850	34,905	22,527	32,261
Allowance for impairment on receivables	1,230	19,460	1,230	–
Change in fair value of derivatives and investments	(16,977)	(19,251)	(15,647)	(18,618)
Depreciation of property, plant and equipment and investment property	22,478	24,597	14,966	14,593
Allowance for impairment of investments, net	40,017	–	40,017	–
Share of profit of associate	(722)	(2,365)	–	–
	204,259	193,183	202,619	150,804
Changes in:				
Deposits from customers	1,832,484	(193,293)	1,856,814	(141,414)
Deposits from banks and other financial institutions	(34,942)	42,200	(88,774)	(43,803)
Other liabilities	9,965	9,822	9,991	4,417
Balances with Autoriti Monetari Brunei Darussalam	(80,999)	(28,587)	(79,790)	(25,726)
Placements with and financing and advances to banks	(653,972)	122,575	(465,722)	61,275
Government sukuks	(5,964)	35,226	(5,964)	35,226
Investments	(197,615)	104,526	(205,108)	105,222
Placements from other financial institutions	57,872	–	57,872	–
Financing and advances	184,207	(449,548)	192,616	(431,528)
Other assets	(11,291)	(13,940)	(2,961)	2,541
	1,304,004	(177,836)	1,471,593	(282,986)
Zakat paid	(3,117)	(2,632)	(3,117)	(2,632)
Taxes paid	(30,958)	(28,711)	(23,569)	(22,104)
Dividends received	3,086	2,418	2,645	1,950
Net cash generated from/(used in) operating activities	**1,273,015**	**(206,761)**	**1,447,552**	**(305,772)**

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

Statements of Cash Flows (Cont'd)
Year ended 31 December 2016

	Group		Bank	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Cash flow from investing activities				
Purchase of property and equipment	(14,981)	(29,205)	(14,935)	(28,542)
Purchase of investment property	(133)	(197)	(133)	(197)
Investment in subsidiary	–	–	(4,144)	
Net cash used in investing activities	**(15,114)**	**(29,402)**	**(19,212)**	**(28,739)**
Cash flow from financing activities				
Dividends paid	(52,907)	(41,311)	(52,907)	(41,311)
Capital redeemed by non-controlling interest	(6,363)	(1,786)	–	–
Net cash used in financing activities	**(59,270)**	**(43,097)**	**(52,907)**	**(41,311)**
Net change in cash and cash equivalents	1,198,631	(279,260)	1,375,433	(375,822)
Cash and cash equivalents at 1 January	888,313	1,185,467	892,387	1,286,103
Effect of exchange rate fluctuations on cash and cash equivalents held	27,935	(17,894)	27,935	(17,894)
Cash and cash equivalents at 31 December	**2,114,879**	**888,313**	**2,295,755**	**892,387**

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 2016 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 2016:

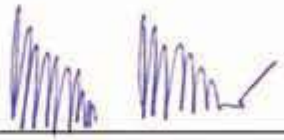
(a) BIBD At-Tamwil Bhd
(b) BIBD Securities Sdn Bhd
(c) IDBB Sukuk Inc
(d) BIBD Management & Services Bhd
(e) IBB Capital Asset Management Sdn Bhd
(f) Belait Barakah Sdn Bhd
(g) BIBD Al-Kauthar Funds DCC Incorporated
(h) IBB Transport Sdn Bhd
(i) Saujana Sdn Bhd
(j) BIBD Global Equity Funds
(k) BIBD Asia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



Mubashar Khokhar
Managing Director



Junaidi bin Hj Masri
Director

Brunei Darussalam
21 March 2017

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 2016 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 the expected credit 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 investment-by-investment 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 the 'incurred loss' model in IAS 39 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 Group is making progress to implement IFRS 9 which replaces IAS 39 with effect from 1 January 2018.

The Group had performed a quantitative impact assessment ("QIA") on the likely effect of IFRS 9 to the Bank as at 31 December 2015. The QIA performed was based on the best estimates as at 31 December 2015 and does not represent a complete list of expected adjustments as it is focused on material items.

A high level assessment on classification and measurement was performed to determine the changes in the classification and measurement methods of the Bank's financial instruments. Under IFRS 9, equity instruments are not subjected to impairment assessment.

The QIA on the allowances for financing and advances was computed based on available information with the application of some assumptions. As such, the QIA results may not represent the actual IFRS 9 loss allowance to the Bank. All financial assets were subjected to a minimum 12-month expected credit loss. In addition, the consideration of forward looking macro-economic factors and expected credit losses for off-balance sheet exposures were also considered in the QIA. The IFRS 9 expected credit loss methodology resulted in an overall increase in loss allowance when compared with the existing basis of measurement under IAS 39.

Transition

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening retained earnings at the date of initial application, with no requirement to restate comparative periods. Hedge accounting is generally applied prospectively from that date.

IFRS 9 allows early application of the requirements. However, BIBD does not envisage an early application of these requirements.

(ii) 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,* IFRIC 13 *Customer loyalty programmes* 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 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 and improve guidance for multiple-element arrangements.

The Group expects the key changes to impact customer loyalty programme. The Group currently allocates a portion of the fair value of the revenue consideration under its customer loyalty programme for its credit and debit cards. Under IFRS 15, the loyalty credits give rise to a separate performance obligation as the loyalty credits provide a material right to the customer.

The mandatory effective date of IFRS 15 is 1 January 2018, with earlier application permitted.

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

(iii) IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, in the form of a right-of-use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing periods. The right-of-use assets will be amortised on a straight-line basis and the financial liabilities will be amortised on an effective yield-rate method over the lease period. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 applies with effect from 1 January 2019.

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

(iv) Amendments and improvements

IASB also introduces the following improvements and amendments:

IFRS	Effective for annual period beginning or after
Amendments to IAS 12 – *Recognition of deferred tax assets for unrealised losses*	1 January 2017
Amendments to IAS 7 – *Disclosure initiative*	1 January 2017
Amendments to IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

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 – Allowance for impairment on financing and advances
- Note 11 – Allowance for impairment on 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 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;
- a group of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the entity's documented risk management or investment strategy and information is provided to key management personnel on this basis; or
- the financial asset contains an embedded derivative that would otherwise need to be separately recorded.

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

(c) Financial assets held-to-maturity

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. These financial assets are subsequently measured at amortised cost using effective 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 2.9 Impairment.

Derivative financial instruments

The Group and the Bank holds derivative financial instruments to economically 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

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

Offsetting

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

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

2.6 Property and equipment

(a) Recognition and measurement

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

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

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 improvements	Over the lease term and not more than 10 years
• Equipment, furniture and fittings	3-5 years
• Motor vehicles	7 years
• Ship vessel	25 years
• Dry dock of ship vessel	4 years
• Computer software	5 years

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

2.7 Investment property

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

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 Leases

Lease payments - Lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of profit on the remaining balance of the balance of the liability.

Lease assets - Lessee

Assets held by the Group and the Bank under leases that transfer to the Group and the Bank substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's and the Bank's statement of financial position.

Lease assets - Lessor

If the Group or the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised.

2.9 Impairment

Financial assets

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

The criteria that the Group 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 and advances are classified as impaired when there is objective evidence of impairment. Such objective evidence of impairment can include significant financial difficulty of the borrower, breach of contract or delinquency in profit or principal payments.

For financing and advances, the Group 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 advances 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 advances, whether significant or not, it includes the assets in a group of financing and advances with similar credit risk characteristics and collectively assesses them for impairment. Financing and advances that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment for impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective 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 advances are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

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

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

Non-financial assets

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

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

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

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

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

2.10 Deposits, financing and other liabilities

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

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

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

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

2.11 Provisions

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

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

Onerous contracts

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

2.12 Contingent liabilities

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

2.13 Contingent assets

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. The Group does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.14 Share capital

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

2.15 Recognition of income and expense

Profit from financing and leasing and profit paid/payable to depositors

Profit from financing and leasing and profit paid/payable to depositors are recognised in the profit or loss using the effective 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 commission

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

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

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

Profit from placements and investments

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

Dividend income

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

2.16 Income tax

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

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

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

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

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

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

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

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

2.17 Zakat

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

2.18 Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group 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.

Defined contribution plan

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

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

Other long-term employee benefits

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

2.19 Earnings per ordinary share

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

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

3 Profit from financing, leasing and investments

	Group		Bank	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Financing and leasing	217,769	207,882	167,128	157,027
Securities				
- Profit from sukuk	24,127	22,337	24,127	22,337
- Dividend income	3,086	2,418	2,645	1,950
Balances and placements with banks and other financial institutions	38,117	25,281	40,067	26,960
Total	283,099	257,918	233,967	208,274

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	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Deposits from customers:				
- Mudharabah fund	161	162	161	162
- Non-Mudharabah fund	34,981	26,249	34,394	24,719
	35,142	26,411	34,555	24,881
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	3,922	2,974	1,258	1,514
Total	39,064	29,385	35,813	26,395

5 Loss from derivatives and investments

	Group		Bank	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Net fair value loss on financial instruments held-for-trading				
- Derivatives	(143,951)	(149,153)	(143,951)	(149,153)
- Others	(71)	(212)	(71)	(212)
Fair value gain/(loss) on investments designated at fair value through profit and loss	2,123	(402)	1,089	(1,035)
Gain from sale of available for sale debt securities	–	787	–	787
Total	(141,899)	(148,980)	(142,933)	(149,613)

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	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Fee and commission income:				
- Trade finance	752	860	752	860
- Ar-Rahnu (pawn/pledge)	1,578	1,928	1,578	1,928
- Credit and debit cards	15,957	14,481	15,957	14,481
- Al-Kafalah (guarantee)	1,832	1,502	1,832	1,502
- Commission	3,421	3,650	3,248	3,435
- Others	6,172	7,493	5,749	6,458
Arrangement fees	157	223	–	–
Total fee and commission income	29,869	30,137	29,116	28,664
Fee and commission expense:				
- Credit cards	(4,433)	(3,995)	(4,433)	(3,995)
Total fee and commission expense	(4,433)	(3,995)	(4,433)	(3,995)
Net fee and commission income	25,436	26,142	24,683	24,669

The net fee and commission income above excludes amount included in determining the effective profit rate on financial assets and financial liabilities that are not at fair value through profit or loss but includes other income and expense relating to such financial assets and financial liabilities.

7 Other operating income

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Dividend income from subsidiary	–	–	56,091	15,000
Net foreign exchange gain	158,977	169,016	158,976	169,016
Rental income	813	740	813	729
Rental income from investment property	3,212	2,035	3,212	2,035
Income from charter of vessel	31,635	33,941	–	–
Recovery of financing written off	8,285	8,870	8,285	7,989
Others	506	650	276	359
Total	203,428	215,252	227,653	195,128

Rental income amounts include finance lease income of B$689,674 (2015: B$688,089) on finance lease receivables for the current financial year.

8 Personnel expenses

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Salaries and wages	40,820	40,429	32,480	30,303
Allowances and bonuses	18,963	17,128	15,466	13,925
Contributions to defined contribution plans	3,290	3,231	3,034	2,930
Others	3,412	2,868	3,330	2,858
Total	66,485	63,656	54,310	50,016

9 Other expenses

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Promotion				
Advertisement and publicity	2,099	2,284	2,000	1,993
Operational				
Office rental	4,925	4,881	4,611	4,602
Depreciation of property and equipment and investment property	22,478	24,597	14,966	14,593
Electronic data processing expenses	6,697	5,664	5,729	4,645
Hire of equipment	139	87	139	87
Office expenses	8,425	8,777	7,577	6,672
	42,664	44,006	33,022	30,599
General expenses				
Management fees	1,004	1,131	–	–
Auditors' remuneration:				
- Statutory audit fees	537	575	436	436
- Audit related fees	250	474	250	474
- Non-audit services	119	380	119	380
Professional fees	3,305	4,119	3,041	4,053
Other operating expense - Investment property	911	773	911	773
Insurance coverage	1,216	830	897	830
Repair & maintenance	1,893	966	1,201	966
License	1,460	1,489	1,460	1,489
Others	7,213	10,009	3,965	3,275
	17,908	20,746	12,280	12,676
Total	62,671	67,036	47,302	45,268

10 Allowance for impairment on financing and advances (net)

	Note	Group 2016 B$'000	Group 2015 B$'000	Bank 2016 B$'000	Bank 2015 B$'000
Allowance for impaired financing and advances:					
- collective allowance	22	10,049	4,691	10,974	4,908
- individual allowance	22	13,801	30,214	11,553	27,353
Total		23,850	34,905	22,527	32,261

Profit accrued during the year on impaired financing amounts to B$16,035,541 (2015: B$15,539,497).

11 Allowance for impairment on investments (net)

	Group 2016 B$'000	Group 2015 B$'000	Bank 2016 B$'000	Bank 2015 B$'000
Allowance for impairment on investment:				
- Investment in unquoted fund	393	–	393	–
- Investment in quoted debt securities	39,624	–	39,624	–
Total	40,017	–	40,017	–

12 Zakat

	Group 2016 B$'000	Group 2015 B$'000	Bank 2016 B$'000	Bank 2015 B$'000
Zakat				
Current zakat provision	3,349	3,112	3,349	3,112

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	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Current tax expense				
Current year	31,059	32,638	23,603	24,779
Deferred tax expense				
Origination and reversal of temporary differences	(1,155)	(4,211)	(6,838)	(3,996)
Total tax expense recognised in profit or loss	29,904	28,427	16,765	20,783
Tax recognised in other comprehensive income				
Available-for-sale financial instrument	3,388	(4,304)	3,388	(4,037)

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

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Profit before zakat and taxation	137,469	138,255	142,171	124,518
Income tax using the domestic corporate tax rate of 18.5% (2015: 18.5%)	25,432	25,577	26,302	23,036
Tax effect of non-deductible expenses	8,652	2,106	2,690	1,862
Tax effect of non-taxable revenue	–	–	(10,376)	(2,775)
Tax incentives	(382)	(452)	(357)	(376)
Tax effect of zakat	(620)	(576)	(620)	(576)
Others	(3,178)	1,772	(874)	(388)
Total	29,904	28,427	16,765	20,783

14 Dividend per ordinary share

	Group and Bank	
	2016 BS'000	2015 BS'000
On ordinary shares		
Net dividend paid on ordinary shares	52,907	41,311

	Group and Bank			
	2016		2015	
	Gross dividend per share BS	Dividend net of tax BS'000	Gross dividend per share BS	Dividend net of tax BS'000
Authorised:				
Final dividend paid	0.073	52,907	0.057	41,311

At the Annual General Meeting on 8 September 2016, a final dividend in respect of financial year ended 31 December 2015 of B$0.073 on 724,749,513 number of ordinary shares, amounting to B$52,906,714 was approved by shareholders and was paid on 6 October 2016.

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	
	2016	2015
Profit for the year attributable to equity holders (BS'000)	101,899	113,588
Weighted average number of ordinary shares ('000)	724,750	724,750
Basic EPS (BS)	0.14	0.16

Diluted Earnings per Share

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

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

16 Cash and cash equivalents

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Cash in hand	55,483	78,327	55,218	77,673
Balances with banks and other financial institutions	164,416	108,117	167,557	112,845
Money at call and short notice and interbank placements with original maturity not exceeding three months	1,894,980	701,869	2,072,980	701,869
Cash and cash equivalents in the statements of financial position	2,114,879	888,313	2,295,755	892,387

Restricted cash amounting to BS1,088,472 (2015: BS4,867,222) 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 sukuks

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

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Available-for-sale investments	12,738	–	12,738	–
Held-to-maturity investments	13,977	20,751	13,977	20,751
Total	26,715	20,751	26,715	20,751

20 Investments

	Note	Group 2016 B$'000	Group 2015 B$'000	Bank 2016 B$'000	Bank 2015 B$'000
Investments at fair value through profit or loss	20.1	13,514	20,456	603	1,700
Available-for-sale investments	20.2	791,137	579,749	798,844	587,158
Held-to-maturity investments	20.3	–	14,139	–	14,139
Total		804,651	614,344	799,447	602,997

20.1 Investments at fair value through profit or loss

	Group 2016 B$'000	Group 2015 B$'000	Bank 2016 B$'000	Bank 2015 B$'000
Quoted equities	12,911	21,018	–	2,262
Structured deposits	603	(562)	603	(562)
Total	13,514	20,456	603	1,700

20.2 Available-for-sale investments

	Group 2016 B$'000	Group 2015 B$'000	Bank 2016 B$'000	Bank 2015 B$'000
Quoted debt securities	712,021	498,872	712,021	498,872
Unquoted security	–	–	7,707	7,409
Unquoted fund	2,499	4,000	2,499	4,000
Structured deposits	76,617	76,877	76,617	76,877
Total	791,137	579,749	798,844	587,158

20.3 Held-to-maturity investments

	Group 2016 B$'000	Group 2015 B$'000	Bank 2016 B$'000	Bank 2015 B$'000
Quoted debt securities (sukuk)	–	14,139	–	14,139

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 and Bank			
	Principal/Nominal amount		Carrying amount	
Foreign exchange forward contracts:	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Derivative assets	725,923	871,480	17,971	27,971
Derivative liabilities	3,859,942	2,299,559	(110,620)	(68,796)
Total	4,585,865	3,171,039	(92,649)	(40,825)

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

22 Financing and advances

(a) By type of product

	Group		Bank	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
At amortised cost				
Cash line/Naqad (overdrafts)	101,515	99,420	101,515	99,420
Mortgages	497,885	464,323	497,885	464,323
Syndicated financing	36,632	63,947	36,632	63,947
Hire purchase	588,044	583,016	–	23
Lease receivables	184,532	400,799	184,532	400,799
Other term financing	1,647,155	1,640,578	1,644,629	1,641,091
Bills receivable	137,549	141,314	137,549	141,314
Staff financing	28,100	31,391	28,100	31,391
Credit/charge cards	51,060	51,124	51,060	51,124
Revolving credits	4,134	23,175	4,134	23,175
Others	15,488	18,347	13,014	14,649
Gross financing and advances	3,292,094	3,517,434	2,699,050	2,931,256
Less: Allowances for losses on financing and advances				
Individual assessment allowance	(61,475)	(73,670)	(56,082)	(68,984)
Collective assessment allowance	(44,214)	(52,027)	(40,355)	(47,241)
Net financing and advances	3,186,405	3,391,737	2,602,613	2,815,031

(b) By contract

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Al-Kafalah bil Mal and Al-Bai	2,004	4,907	2,004	4,907
Al-Wakalah bil Ujrah	49,056	46,217	49,056	46,217
Bal' Bithaman Ajil *(deferred payment sale)*	954,646	1,291,130	954,646	1,291,130
Ijarah (*lease*)	184,020	400,130	184,532	400,799
Ijarah Muntahiah Bittamlik/AITAB *(lease ended with ownership)*	681,119	682,190	–	23
Murabahah (*cost-plus*)	97,032	130,137	184,595	225,457
Musharakah *(profit and loss sharing)*	99,066	73,472	99,066	73,472
Qard (*benevolent loan*)	5	1,754	5	1,754
Tawarruq	1,212,132	874,596	1,212,132	874,596
Others	13,014	12,901	13,014	12,901
Total	3,292,094	3,517,434	2,699,050	2,931,256

(c) By security

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Unsecured	96,759	247,479	97,271	248,149
Credit enhanced by:				
- Assignment of salary	1,200,108	1,152,637	1,200,108	1,152,637
- Assignment of project income or receivables	40,323	34,218	40,323	34,219
- Assignment of fixed or floating charge	32,284	61,095	32,284	61,095
- Assignment of rental	12,853	18,722	12,853	18,722
Secured by:				
- Cash	224,418	275,300	224,418	275,300
- Mortgage or property	720,732	672,380	720,732	672,380
- Charge on vessel	269,302	318,517	352,117	404,731
- Guarantees	–	50,928	–	50,928
- Motor vehicles	610,557	597,997	6,855	1,698
- Others	84,758	88,161	12,089	11,397
Total	3,292,094	3,517,434	2,699,050	2,931,256

(d) By sector

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Agricultural	9,690	7,979	9,690	7,979
Financial	24,179	31,810	24,179	31,810
Manufacturing	40,494	50,364	40,494	50,364
Transportation	532,401	533,848	15,565	32,320
Infrastructure	50,512	55,615	45,763	46,509
Traders	118,008	119,941	118,008	119,941
Services	41,517	36,582	41,517	36,582
Residential property (personal)	686,111	672,031	686,111	672,031
Commercial (property development)	134,208	168,479	134,208	168,479
Tourism	19,106	22,898	19,106	22,898
Telecommunication and information technology	8,511	14,231	8,511	14,231
Personal and consumption financing	1,129,682	1,057,078	1,057,712	980,864
Oil and gas	497,675	746,578	498,186	747,248
Total	3,292,094	3,517,434	2,699,050	2,931,256

(e) By type of customer

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Domestic business enterprise	589,737	816,748	677,813	912,738
Small and medium industries	224,746	268,131	200,583	238,974
Individuals	2,404,664	2,310,154	1,747,707	1,657,143
Other domestic entities	2,047	2,064	2,047	2,064
Foreign entities	70,900	120,337	70,900	120,337
Total	3,292,094	3,517,434	2,699,050	2,931,256

(f) Non-performing financing and advances

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

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
At 1 January	164,556	144,272	158,512	138,853
Classified as impaired during the year	61,955	49,640	57,994	45,592
Reclassified as performing	(1,309)	(1,018)	(728)	(343)
Amount received	(20,928)	(15,966)	(20,047)	(15,966)
Amount written off against allowances	(43,858)	(12,372)	(42,315)	(9,624)
At 31 December	160,416	164,556	153,416	158,512
Gross impaired financing as a percentage of gross financing and advances	4.9%	4.7%	5.7%	5.4%

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

(g) Non-performing financing and advances by sector

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Agricultural	5,260	3,672	5,260	3,672
Manufacturing	3,791	3,946	3,791	3,946
Transportation	4,034	3,917	4,034	3,917
Infrastructure	99	5,596	99	5,596
Traders	21,634	10,009	21,634	10,009
Services	3,958	4,913	3,958	4,913
Residential property (personal)	41,120	39,302	41,120	39,302
Commercial (property development)	24,512	36,796	24,512	36,796
Tourism	13,011	17,071	13,011	17,071
Telecommunication and information technology	250	629	250	629
Personal and consumption financing	24,661	24,202	17,661	18,158
Oil and gas	18,086	14,503	18,086	14,503
Total	160,416	164,556	153,416	158,512

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

	Note	Group BS'000	Bank BS'000
Collective allowance			
At 1 January 2015		56,478	51,475
Allowance made during the year	10	4,691	4,908
Amount written off during the year		(9,142)	(9,142)
At 31 December 2015		52,027	47,241
Allowance made during the year	10	10,049	10,974
Amount written off during the year		(17,862)	(17,860)
At 31 December 2016		44,214	40,355
Individual allowance			
At 1 January 2015		46,686	42,113
Allowance made during the year	10	30,214	27,353
Amount written off during the year		(3,230)	(482)
At 31 December 2015		73,670	68,984
Allowance made during the year	10	13,801	11,553
Amount written off during the year		(25,996)	(24,455)
At 31 December 2016		61,475	56,082

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

The finance lease receivables are as follows:

	Group and Bank		
	Future minimum lease payments BS'000	Profit BS'000	Present value of minimum lease payments BS'000
2016			
Within one year	660	19	641
Between one and five years	2,800	431	2,369
More than five years	27,780	18,234	9,546
Total	31,240	18,684	12,556
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

24 Investments in subsidiaries

	Bank	
	2016 BS'000	2015 BS'000
At cost		
Unquoted equity investments	40,826	36,682

Details of the Group's subsidiaries are as follows:

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest	
			2016 %	2015 %
BIBD At-Tamwil Bhd	Lease financing	Negara Brunei Darussalam	100	100
- Better Sdn Bhd	Car rental	Negara Brunei Darussalam	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	60.4	40.1
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	98.9	97.9
BIBD Asia Equity Funds	Investment fund	Negara Brunei Darussalam	98.6	98.1

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.

	2016		
	Belait Barakah	**Belait CSS**	**BIBD Al-Kauthar Funds DCC Incorporated**
NCI Percentage	**50%**	**50%**	**39.6%**
	B$'000	**B$'000**	**B$'000**
Non-current assets	24,781	106,275	–
Current assets	8,697	4,554	14,277
Non-current liabilities	–	(87,488)	–
Current liabilities	(13,176)	(10,454)	(173)
Net assets	20,302	12,887	14,104
Net assets attributable to NCI	10,151	6,444	5,590
Revenue	9,346	22,290	1,475
Profit / (Loss)	7,391	(3,129)	911
Total comprehensive income	7,391	(3,129)	911
Attributable to NCI:			
Profit / (Loss)	3,696	(1,565)	185
Total comprehensive income allocated to NCI	3,696	(1,565)	185
Cash flows from operating activities	4,080	6,888	(1,750)
Cash flows used in investing activities	–	(17)	673
Cash flows used in financing activities, before dividends to NCI	–	(7,832)	–
Net increase / (decrease) in cash and cash equivalents	4,080	(961)	(1,077)

	2015		
	Belait Barakah	**Belait CSS**	**BIBD Al-Kauthar Funds DCC Incorporated**
NCI Percentage	**50%**	**50%**	**59.9%**
	B$'000	**B$'000**	**B$'000**
Non-current assets	25,686	110,933	–
Current assets	304	3,499	21,226
Non-current liabilities	–	(95,320)	–
Current liabilities	(14,074)	(3,096)	(1,825)
Net assets	11,916	16,016	19,401
Net assets attributable to NCI	5,958	8,008	11,613
Revenue	16,323	17,618	1,099
(Loss) / Profit	(10,129)	(4,285)	529
Total comprehensive income	(10,129)	(4,285)	529
Attributable to NCI:			
(Loss) / Profit	(5,065)	(2,143)	334
Total comprehensive income allocated to NCI	(5,065)	(2,143)	334
Cash flows from operating activities	1,492	2,030	1,594
Cash flows used in investing activities	(2,061)	(148)	(770)
Cash flows used in financing activities, before dividends to NCI	–	(931)	–
Net (decrease) / increase in cash and cash equivalents	(569)	951	824

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 has ability to affect those returns through its power over these subsidiaries, as well as has exposure to variability of returns from the involvement with the subsidiaries.

25 Investment in associate

	Group		Bank	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
At cost				
Unquoted shares	7,080	7,080	7,080	7,080
Share of post-acquisition reserves	7,433	6,749	–	–
Investment in associate	14,513	13,829	7,080	7,080

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

Name of Company	Principal activities	Country of incorporation/ Place of business	Effective ownership interest 2016 %	Effective ownership interest 2015 %
Syarikat Takaful Brunei Darussalam Sdn Bhd	Family and general takaful businesses	Negara Brunei Darussalam	31	31

	2016 B$'000	2015 B$'000
Group's share in net assets of associate at the beginning of the year	13,829	11,361
Group's share of:		
- profit from continuing operations	722	2,365
- other comprehensive income	(38)	103
Carrying amount of interest in associate at the end of the year	14,513	13,829

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

	2016 B$'000	2015 B$'000
Current assets	225,152	216,485
Non-current assets	65,153	53,432
Current liabilities	(22,008)	(21,688)
Non-current liabilities	(221,949)	(203,797)
Net assets	46,348	44,432

	2016 BS'000	2015 BS'000
Revenue	21,259	33,728
Profit from continuing operations	2,329	2,614
Other comprehensive income	(124)	115
Total comprehensive income	2,205	2,729

Included in balances above are the following amounts:

	2016 BS'000	2015 BS'000
Cash and cash equivalents	205,751	191,887
Current financial liabilities excluding trade, other payables and provisions	(6,174)	(5,751)
Non-current financial liabilities excluding trade, other payables and provisions	(221,949)	(203,797)
Depreciation and amortisation	(642)	(885)
Income tax expense or income	(465)	(60)

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

	Group	
	2016 BS'000	2015 BS'000
Profit from continuing operations	722	2,365
Other comprehensive income	(38)	103
Total comprehensive income	684	2,468

26 Other assets

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Receivables	19,161	10,257	26,080	23,390
Accrued income and bills receivable	10,322	8,095	10,428	8,890
Foreign acceptance receivables	1,840	2,352	1,840	2,352
Sundry debtors	167	188	167	188
Intercompany receivables	–	–	179	1,602
Financing and receivables	31,490	20,892	38,694	36,422
Prepayments	6,766	6,102	6,302	5,643
Total	38,256	26,994	44,996	42,065

During the year, the Group and the Bank recognised an allowance for impairment of BS1,230,000 (2015: BS19,460,000) and BS1,230,000 (2015: Nil) respectively on its receivables in the profit or loss.

27 Property and equipment

Group	Leasehold improvements 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 2015	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	–	111,025	(123,863)	3,604	–
At 31 December 2015	30,807	46,039	730	147,922	14,858	44,363	284,719
Additions	1,879	2,504	–	16	8,179	2,403	14,981
Disposals	(12,450)	(11,241)	–	–	–	(751)	(24,442)
Transfers	13,144	2,428	–	–	(17,713)	2,141	–
At 31 December 2016	33,380	39,730	730	147,938	5,324	48,156	275,258
Accumulated depreciation							
At 1 January 2015	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
Depreciation for the year	3,815	5,849	66	5,521	–	5,882	21,133
Disposals	(12,450)	(11,241)	–	–	–	(751)	(24,442)
At 31 December 2016	12,805	24,302	602	22,090	–	37,122	96,921
Carrying amounts							
At 31 December 2015	9,367	16,345	194	131,353	14,858	12,372	184,489
At 31 December 2016	20,575	15,428	128	125,848	5,324	11,034	178,337

Bank	Leasehold improvements BS'000	Equipment, furniture and fittings BS'000	Motor vehicles BS'000	Work-in-progress BS'000	Computer software BS'000	Total BS'000
Cost						
At 1 January 2015	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
Additions	1,879	2,535	–	8,179	2,342	14,935
Disposals	(12,450)	(11,241)	–	–	(751)	(24,442)
Transfers	13,144	2,428	–	(17,713)	2,141	–
At 31 December 2016	31,563	29,193	735	5,324	48,095	114,910
Accumulated depreciation						
At 1 January 2015	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
Depreciation for the year	3,679	4,053	66	–	5,823	13,621
Disposals	(12,450)	(11,241)	–	–	(751)	(24,442)
At 31 December 2016	11,702	17,582	606	–	37,065	66,955
Carrying amounts						
At 31 December 2015	8,517	10,701	195	14,858	12,370	46,641
At 31 December 2016	19,861	11,611	129	5,324	11,030	47,955

28 Investment property

	Group and Bank B$'000
Cost	
At 1 January 2015	32,515
Additions	197
At 31 December 2015	32,712
Additions	133
At 31 December 2016	32,845
Accumulated depreciation	
At 1 January 2015	2,707
Charge for the year	1,359
At 31 December 2015	4,066
Charge for the year	1,345
At 31 December 2016	5,411
Carrying amounts	
At 31 December 2015	28,646
At 31 December 2016	27,434

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 BS36,100,000 (2015: BS36,803,000). 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 75.5% (2015: 70%).

29 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

Group	At 1 January 2015 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2015 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2016 B$'000
Deferred tax assets							
Financing and advances	7,739	5,019	–	12,758	(794)	–	11,964
Allowance for investment	–	–	–	–	7,331	–	7,331
Available-for-sale investments	–	–	3,561	3,561	–	(3,388)	173
Total	7,739	5,019	3,561	16,319	6,537	(3,388)	19,468
Deferred tax liabilities							
Property and equipment	(4,721)	(808)	–	(5,529)	(5,382)	–	(10,911)
Available-for-sale investments	(743)	–	743	–	–	–	–
Total	(5,464)	(808)	743	(5,529)	(5,382)	–	(10,911)
Total deferred tax assets/(liabilities)	2,275	4,211	4,304	10,790	1,155	(3,388)	8,557

Bank	At 1 January 2015 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2015 B$'000	Recognised in profit or loss B$'000	Recognised in other comprehensive income B$'000	At 31 December 2016 B$'000
Deferred tax assets							
Financing and advances	7,617	5,297	–	12,914	(760)	–	12,154
Allowance for investment	–	–	–	–	7,331	–	7,331
Available-for-sale investments	–	–	3,561	3,561	–	(3,388)	173
Total	7,617	5,297	3,561	16,475	6,571	(3,388)	19,658
Deferred tax liabilities							
Property and equipment	(1,336)	(1,301)	–	(2,637)	267	–	(2,370)
Available-for-sale investments	(476)	–	476	–	–	–	–
Total	(1,812)	(1,301)	476	(2,637)	267	–	(2,370)
Total deferred tax assets/(liabilities)	5,805	3,996	4,037	13,838	6,838	(3,388)	17,288

30 Deposits from customers

(a) By type of deposit

	Group		Bank	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Non-Mudharabah				
Demand deposits	1,696,378	1,286,010	1,725,983	1,307,087
Saving deposits	1,003,007	816,720	950,323	755,139
General investment deposits	4,271,079	3,058,293	4,194,129	2,974,438
Total	6,970,464	5,161,023	6,870,435	5,036,664
Mudharabah (*profit sharing*)				
Demand deposits	129,952	93,958	129,952	93,958
Savings deposits	114,228	112,171	114,228	112,171
Total	244,180	206,129	244,180	206,129
Total	7,214,644	5,367,152	7,114,615	5,242,793

(b) By type of customer

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Government and statutory bodies	3,015,098	1,460,939	3,015,098	1,460,939
Business enterprises	1,726,690	1,701,159	1,732,600	1,706,601
Individuals	2,472,856	2,205,054	2,366,917	2,075,253
Total	7,214,644	5,367,152	7,114,615	5,242,793

31 Deposits from banks and other financial institutions

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Non-Mudharabah				
Licensed conventional banks in Brunei Darussalam	226	72	226	72
Licensed Islamic banks and financial institutions in Brunei Darussalam	221,616	268,152	122,220	168,152
Licensed finance companies in Brunei Darussalam	–	–	98,200	164,369
Licensed Islamic insurance companies in Brunei Darussalam	263,233	262,379	118,096	105,509
Other banks and financial institutions abroad	7,954	7,041	7,954	7,041
Total	493,029	537,644	346,696	445,143
Mudharabah (*profit sharing*)				
Licensed Islamic banks and financial institutions in Brunei Darussalam	6,941	3,230	6,941	3,230
Licensed insurance companies in Brunei Darussalam	–	21	–	21
Licensed Islamic insurance companies in Brunei Darussalam	10,302	4,319	10,302	4,319
Total	17,243	7,570	17,243	7,570
Total	510,272	545,214	363,939	452,713

32 Other liabilities

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Accrued expenditure	17,569	17,216	15,529	14,561
Provisions for defined contribution plan	491	472	383	364
Liability for long service award	2,830	2,755	2,792	2,755
Short-term employee benefit	11,334	9,507	8,978	7,457
Cashier's order payable	13,283	9,545	13,283	9,545
Profit payable to depositors	16,366	14,450	14,044	10,380
Foreign acceptance payable	1,840	2,352	1,840	2,352
Merchant payable	3,320	3,882	3,320	3,882
Share dividend payable	3,748	4,257	1,748	2,257
Sundry creditors	14,015	12,188	4,284	3,650
Financing deposits related liabilities	6,102	4,044	6,102	4,044
Intercompany payables	–	–	698	523
Others	11,813	12,078	9,412	10,652
Total	102,711	92,746	82,413	72,422

33 Zakat and provision for taxation

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Zakat	4,037	3,805	4,037	3,805
Provision for taxation	68,580	68,479	52,703	52,669
Total	72,617	72,284	56,740	56,474

34 Share capital

	Number of shares		Amount	
Group and Bank	2016	2015	2016 BS	2015 BS
Authorised:				
Golden share of BS1.00 each	1	1	1	1
Ordinary shares of BS1.00 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 BS1.00 each	1	1	1	1
Ordinary shares of BS1.00 each	724,7`49,512	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 is entitled to receive dividends as declared from time to time.

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	
	2016	**2015**
	B$'000	**B$'000**
Treasury shares	–	(3)

36 Statutory and other reserves

Statutory reserves

Group	Total B$'000
At 1 January 2015	385,875
Transfer in respect of current year's profit	34,656
At 31 December 2015	420,531
Transfer in respect of current year's profit	32,513
At 31 December 2016	453,044

Bank	Total B$'000
At 1 January 2015	352,870
Transfer in respect of current year's profit	32,656
At 31 December 2015	385,526
Transfer in respect of current year's profit	30,514
At 31 December 2016	416,040

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

Other reserves

Group	Fair value reserve B$'000	Retained profits B$'000	Total B$'000
At 1 January 2015	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
Total comprehensive income for the year	14,891	101,899	116,790
Transfer to statutory reserves	–	(32,513)	(32,513)
Dividends paid on ordinary shares	–	(52,907)	(52,907)
At 31 December 2016	530	213,181	213,711

Bank	Fair value reserve B$'000	Retained profits B$'000	Total B$'000
At 1 January 2015	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
Total comprehensive income for the year	14,911	122,057	136,968
Transfer to statutory reserve	–	(30,514)	(30,514)
Dividends paid on ordinary shares	–	(52,907)	(52,907)
At 31 December 2016	(762)	107,254	106,492

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. 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	
	2016 BS'000	2015 BS'000
Associate		
Amount due to		
Deposits	224,440	195,379
Others	1,205	1,424
Key management personnel		
Amount due from		
Financing (ex. Credit cards)	1,566	1,443
Credit cards	49	22
Amount due to		
Deposits	4,268	1,112
Other related parties		
Amount due to		
Deposits	1,391,316	315,059

	Bank	
	2016 BS'000	2015 BS'000
Subsidiaries		
Amount due from		
Financing	90,515	95,320
Investments	7,439	7,439
Placements	251,350	261,600
Others	17,735	21,759
Amount due to		
Deposits	125,739	186,167
Others	918	887
Associate		
Amount due to		
Deposits	141,803	90,512
Others	480	419
Key management personnel		
Amount due from		
Financing (ex. Credit cards)	1,261	1,192
Credit cards	49	52

	Bank	
	2016 B$'000	2015 B$'000
Key management personnel		
Amount due to		
Deposits	3,753	2,899
Other related parties		
Amount due to		
Deposits	1,391,316	315,059

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

	Group		Bank	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Subsidiaries				
Income				
Income on financing	–	–	5,867	5,413
Other income	–	–	58,151	16,731
Expenditure				
Profit paid/payable to depositors	–	–	604	418
Associate				
Income				
Fees and commission	173	215	–	–
Expenditure				
Profit paid/payable to depositors	1,777	1,100	737	426
Other Expenditure	88	100	–	–
Key management personnel				
Income				
Income on financing	48	50	27	32
Expenditure				
Profit paid/payable to depositors	42	23	12	7
Other related parties				
Expenditure				
Profit paid/payable to depositors	4,371	4,594	4,371	4,594

Key management personnel

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

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Directors' fees and other remuneration	1,483	996	1,188	720
Other key management personnel:				
- Salary and employee benefits	6,044	6,970	6,044	5,773
Withholding tax paid	1,148	810	1,148	810

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

	Group	
	2016	2015
Number of shares held	58	53

Interest held by associate

The number of shares of the Bank held by the associate as at 31 December 2016 is 11,706,000 (2015: 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 via the shareholdings. As a result, the government of Brunei Darussalam and other government controlled bodies are related parties of the Group.

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

Individually significant transactions

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

38 Financial risk management

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

Overview of risk management

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

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

Risk management functional and governance structure

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

(a) Credit risk

Overview of credit risk of the Bank

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

Management of credit risk

The Board of Directors of the Bank has delegated responsibility for oversight of credit risk to its Credit Risk Committee. A separate Risk Management Division, reporting to the Credit Risk Committee, is responsible for managing the Bank's credit risk, including the following:

- To support management in building a healthy credit portfolio in line with the Bank's overall strategy and risk appetite;

- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk issues; and

- To conform with statutory, regulatory and internal credit requirements.

Corporate credit risks are assessed by business units and evaluated and approved in accordance to the Bank's Credit Risk Governance. Each borrower is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors including a borrower's financial position, types of facilities and proposed securities or collateral. Bank wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently within the Bank.

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

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

Counterparty credit risk exposures are managed via counterparty limits either on a single name basis or counterparty group basis which adheres to the Guidance on Single Borrowing Limit issued by AMBD. The Bank monitors and manages its exposures to counterparties on a day-to-day basis.

To avoid concentration of credit risk in its financing and advances portfolio, the Bank imposes limits and related lending guidelines on:

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

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

Internal credit rating reviews

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

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 of the subsidiary

Credit risk arises as a result of customers' or counterparties' to a financial instruments failure to meet their contractual obligations when they fall due. These obligations arise from the subsidiary's direct hire-purchase financing operations and placements with the Bank. The subsidiary exposure to 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 monitor the high-risk borrowers 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	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Credit risk exposure of recognised assets:				
Cash and cash equivalents	2,114,879	888,313	2,295,755	892,387
Balances with Autoriti Monetari Brunei Darussalam	463,382	382,383	430,531	350,741
Placements with and financing and advances to banks	2,588,964	1,897,463	2,662,314	2,159,063
Government sukuks	26,715	20,751	26,715	20,751
Investments*	789,241	589,326	789,241	589,326
Derivative financial assets	17,971	27,971	17,971	27,971
Financing and advances	3,186,405	3,391,737	2,602,613	2,815,031
Finance lease receivables	12,556	12,526	12,556	12,526
Other assets**	31,490	20,892	38,694	36,422
Sub-total	9,231,603	7,231,362	8,876,390	6,904,218
Credit risk exposure of unrecognised financial instruments:				
Credit commitments	202,507	269,066	202,507	269,066
Contingent liabilities	501,993	551,505	501,993	551,505
Sub-total	704,500	820,571	704,500	820,571
Total credit exposures	9,936,103	8,051,933	9,580,890	7,724,789

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund
** Excludes prepayments

(i) Concentration of credit risk for Group and Bank

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from the assets is shown below:

Group	Cash and short-term funds and deposits and placements with financial institutions BS'000	Balances with Autoriti Monetari Brunei Darussalam BS'000	Government sukuks 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
2016										
Agricultural	–	–	–	–	–	7,295	–	–	7,295	1,443
Financial	4,703,843	–	–	422,536	17,971	23,866	–	–	5,168,216	165,485
Manufacturing	–	–	–	–	–	39,461	–	–	39,461	3,033
Transportation	–	–	–	37,563	–	523,420	–	–	560,983	20,494
Infrastructure	–	–	–	–	–	49,669	–	–	49,669	216,341
Traders	–	–	–	–	–	101,090	–	–	101,090	29,937
Services	–	–	–	8,189	–	40,272	12,556	–	61,017	14,026
Residential property (personal)	–	–	–	–	–	665,930	–	–	665,930	20,298
Commercial (property development)	–	–	–	25,174	–	126,836	–	–	152,010	100,791
Tourism	–	–	–	–	–	16,368	–	–	16,368	4,278
Telecommunication and information technology	–	–	–	–	–	8,228	–	–	8,228	8,495
Personal and consumption financing	–	–	–	–	–	1,105,226	–	–	1,105,226	62,560
Oil and gas	–	–	–	–	–	478,744	–	–	478,744	57,319
Others	–	463,382	26,715	295,779	–	–	–	31,490	817,366	–
Total	4,703,843	463,382	26,715	789,241	17,971	3,186,405	12,556	31,490	9,231,603	704,500

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund
** Excludes prepayments

Group	Cash and short-term funds and deposits and placements with financial institutions BS'000	Balances with Autoriti Monetari Brunei Darussalam BS'000	Government sukuks 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
2015										
Agricultural	–	–	–	–	–	6,170	–	–	6,170	4,039
Financial	2,785,776	–	–	339,040	27,962	31,809	–	–	3,184,587	191,877
Manufacturing	–	–	–	–	–	49,248	–	–	49,248	9,606
Transportation	–	–	–	2,167	–	524,604	–	–	526,771	30,891
Infrastructure	–	–	–	–	–	49,325	–	–	49,325	244,858
Traders	–	–	–	–	–	100,757	–	–	100,757	20,222
Services	–	–	–	9,771	–	34,709	12,526	–	57,006	10,165
Residential property (personal)	–	–	–	–	–	648,184	–	–	648,184	26,353
Commercial (property development)	–	–	–	16,329	–	151,972	–	–	168,301	58,681
Tourism	–	–	–	–	–	19,856	–	–	19,856	3,440
Telecommunication and information technology	–	–	–	–	–	13,448	–	–	13,448	5,748
Personal and consumption financing	–	–	–	–	–	1,033,671	–	–	1,033,671	44,261
Oil and gas	–	–	–	–	–	727,984	–	–	727,984	169,926
Others	–	382,383	20,751	222,019	9	–	–	20,892	646,054	504
Total	2,785,776	382,383	20,751	589,326	27,971	3,391,737	12,526	20,892	7,231,362	820,571

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund

** Excludes prepayments

Bank	Cash and short-term funds and deposits and placements with financial institutions B$'000	Balances with Autoriti Monetari Brunei Darussalam B$'000	Government sukuks B$'000	Investments* B$'000	Derivative financial assets B$'000	Financing and advances B$'000	Financing lease receivable B$'000	Other assets** B$'000	On-balance sheet total B$'000	Commitments and contingencies B$'000
2016										
Agricultural	–	–	–	–	–	7,295	–	–	7,295	1,443
Financial	4,958,069	–	–	422,536	17,971	23,866	–	–	5,422,442	165,485
Manufacturing	–	–	–	–	–	39,461	–	–	39,461	3,033
Transportation	–	–	–	37,563	–	14,891	–	–	52,454	20,494
Infrastructure	–	–	–	–	–	45,136	–	–	45,136	216,341
Traders	–	–	–	–	–	101,090	–	–	101,090	29,937
Services	–	–	–	8,189	–	40,272	12,556	–	61,017	14,026
Residential property (personal)	–	–	–	–	–	665,930	–	–	665,930	20,298
Commercial (property development)	–	–	–	25,174	–	126,836	–	–	152,010	100,791
Tourism	–	–	–	–	–	16,368	–	–	16,368	4,278
Telecommunication and information technology	–	–	–	–	–	8,228	–	–	8,228	8,495
Personal and consumption financing	–	–	–	–	–	1,033,984	–	–	1,033,984	62,560
Oil & gas	–	–	–	–	–	479,256	–	–	479,256	57,319
Others	–	430,531	26,715	295,779	-	–	–	38,694	791,719	–
Total	4,958,069	430,531	26,715	789,241	17,971	2,602,613	12,556	38,694	8,876,390	704,500

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund
** Excludes prepayments

Bank	Cash and short-term funds and deposits and placements with financial institutions BS'000	Balances with Autoriti Monetari Brunei Darussalam BS'000	Government sukuks 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
2015										
Agricultural	–	–	–	–	–	6,170	–	–	6,170	4,039
Financial	3,051,450	–	–	339,040	27,962	31,810	–	–	3,450,262	191,877
Manufacturing	–	–	–	–	–	49,248	–	–	49,248	9,606
Transportation	–	–	–	2,167	–	31,408	–	–	33,575	30,891
Infrastructure	–	–	–	–	–	40,546	–	–	40,546	244,858
Traders	–	–	–	–	–	100,758	–	–	100,758	20,222
Services	–	–	–	9,771	–	34,709	12,526	–	57,006	10,165
Residential property (personal)	–	–	–	–	–	648,184	–	–	648,184	26,353
Commercial (property development)	–	–	–	16,329	–	151,973	–	–	168,302	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	169,926
Others	–	350,741	20,751	222,019	9	–	–	36,422	629,942	504
Total	3,051,450	350,741	20,751	589,326	27,971	2,815,031	12,526	36,422	6,904,218	820,571

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund

** Excludes prepayments

(ii) Collateral

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

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

Based on the secured financings, the fair values of collaterals held by the Group and Bank for which they are entitled to sell or pledge in the event of default is as follows: (Refer to Note 22 for the breakdown of financings by security)

	2016		2015	
Group	**Carrying amount of financing and advances B$'000**	**Fair value of collateral* B$'000**	**Carrying amount of financing and advances B$'000**	**Fair value of collateral* B$'000**
Type of collateral				
Cash	224,418	224,418	275,300	275,300
Properties	720,732	645,656	672,380	601,280
Plant and machinery	269,302	267,768	318,517	309,365
Guarantees	–	–	50,928	50,928
Motor vehicles and others	695,315	582,575	686,158	512,696
Total	1,909,767	1,720,417	2,003,283	1,749,569

	2016		2015	
Bank	**Carrying amount of financing and advances B$'000**	**Fair value of collateral* B$'000**	**Carrying amount of financing and advances B$'000**	**Fair value of collateral* B$'000**
Type of collateral				
Cash	224,418	224,418	275,300	275,300
Properties	720,732	645,656	672,380	601,280
Plant and machinery	352,117	350,583	404,731	395,579
Guarantees	–	–	50,928	50,928
Others	18,944	18,944	13,095	13,095
Total	1,316,211	1,239,601	1,416,434	1,336,182

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

The carrying amount of properties and motor vehicles that have been repossessed during the year amount to B$10,171,000 for the Group (2015: B$7,962,000) and B$5,375,000 for the Bank (2015: B$3,096,000).

(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 to the Group and the Bank.

- Impaired financing and advances

  Retail 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.

  Corporate 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 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	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Neither past due nor impaired	3,030,485	3,164,917	2,445,144	2,585,461
Past due but not impaired	64,242	149,397	63,538	148,719
Impaired	197,367	203,120	190,368	197,076
	3,292,094	3,517,434	2,699,050	2,931,256
Allowance for impaired financing and advances				
- collective allowance	(44,214)	(52,027)	(40,355)	(47,241)
- individual allowance	(61,475)	(73,670)	(56,082)	(68,984)
Total	3,186,405	3,391,737	2,602,613	2,815,031

Neither past due nor impaired financing

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Retail	2,310,911	2,217,495	1,661,512	1,571,190
Corporate	719,574	947,422	783,632	1,014,271
Total	3,030,485	3,164,917	2,445,144	2,585,461

Past due but not impaired financing

	Group			
	2016		2015	
	BS'000	% of gross financing	BS'000	% of gross financing
By ageing:				
1 month-in-arrears	44,913	1.4	132,370	3.8
2 months-in-arrears	10,881	0.3	12,167	0.3
3 or more months-in-arrears	8,448	0.3	4,860	0.1
Total	64,242	2.0	149,397	4.2

	Bank			
	2016		2015	
	BS'000	% of gross financing	BS'000	% of gross financing
By ageing:				
1 month-in-arrears	44,210	1.6	131,693	4.5
2 months-in-arrears	10,880	0.4	12,166	0.4
3 or more months-in-arrears	8,448	0.3	4,860	0.2
Total	63,538	2.3	148,719	5.1

Impaired financing

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Individually assessed	150,850	160,018	143,851	153,974
Of which:				
0 month-in-arrears	40,541	25,613	37,556	22,973
1 month-in-arrears	137	486	–	433
2 months-in-arrears	996	7,682	530	7,374
3 or more months-in-arrears	109,176	126,237	105,765	123,194
Collectively assessed	46,517	43,102	46,517	43,102
Total	197,367	203,120	190,368	197,076

Impaired financing - rescheduled and restructured financing

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Retail	4,325	8,867	2,837	6,385
Corporate	10,687	938	10,500	723
Total	15,012	9,805	13,337	7,108

Rescheduled and restructured financing are financing where the terms have been renegotiated 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.

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.
Past due but not impaired	Obligators rated in this category have financial commitments that are past due but no objective evidence of impairment.
Impaired	Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated.

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

Group	Retail B$'000	Corporate B$'000	Total B$'000
2016			
Neither past due nor impaired			
Excellent to good	1,677,688	625,976	2,303,664
Fair	633,223	93,598	726,821
Past due but not impaired	19,986	44,256	64,242
Impaired	73,767	123,600	197,367
Total	2,404,664	887,430	3,292,094
2015			
Neither past due nor impaired			
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

Bank	Retail B$'000	Corporate B$'000	Total B$'000
2016			
Neither past due nor impaired			
Excellent to good	1,396,716	714,051	2,110,767
Fair	264,797	69,580	334,377
Past due but not impaired	19,338	44,200	63,538
Impaired	66,856	123,512	190,368
Total	1,747,707	951,343	2,699,050
2015			
Neither past due nor impaired			
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

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

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

	Investments – Financial assets at fair value through PL BS'000	Investments – Financial assets available-for-sale BS'000	Investments – Financial assets held-to-maturity BS'000	Total BS'000
Group				
2016				
Islamic debt securities				
Rated AAA	–	–	–	–
Rated AA1 to AA3	–	50,746	–	50,746
Rated A1 to A3	–	373,462	–	373,462
Rated A or below	–	212,082	–	212,082
Unrated – Quasi-government	–	73,508	–	73,508
Unrated – Others	–	2,223	–	2,223
Other investments	603	76,617	–	77,220
Total	603	788,638	–	789,241

Government bonds and treasury bills held by the Group (refer to Note 19) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 21) are generally above the rating of A-.

Group	Investments – Financial assets at fair value through PL BS'000	Investments – Financial assets available-for-sale BS'000	Investments – Financial assets held-to-maturity BS'000	Total BS'000
2015				
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	–	18,554	–	18,554
Other investments	(562)	76,876	–	76,314
Total	(562)	575,749	14,139	589,326

Government bonds and treasury bills held by the Group (refer to Note 19) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 21) are generally above the rating of A-.

Bank	Investments – Financial assets at fair value through PL BS'000	Investments – Financial assets available-for-sale BS'000	Investments – Financial assets held-to-maturity BS'000	Total BS'000
2016				
Islamic debt securities				
Rated AAA	–	–	–	–
Rated AA1 to AA3	–	50,746	–	50,746
Rated A1 to A3	–	373,462	–	373,462
Rated A or below	–	212,082	–	212,082
Unrated – Quasi-government	–	73,508	–	73,508
Unrated – Others	–	2,223	–	2,223
Other investments	603	76,617	–	77,220
Total	603	788,638	–	789,241

Government bonds and treasury bills held by the Bank (refer to Note 19) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 21) are generally above the rating of A-.

Bank	Investments – Financial assets at fair value through PL BS'000	Investments – Financial assets available-for-sale BS'000	Investments – Financial assets held-to-maturity BS'000	Total BS'000
2015				
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	–	18,554	–	18,554
Other investments	(562)	76,876	–	76,314
Total	(562)	575,749	14,139	589,326

Government bonds and treasury bills held by the Bank (refer to Note 19) are issued by Autoriti Monetari Brunei Darussalam. Derivative financial assets held with other counterparties (refer to Note 21) are generally above the rating of A-.

(v) Offsetting financial assets and financial liabilities

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

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

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

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

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

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

Group and Bank	Gross amounts of recognised financial instruments BS'000	Gross amounts of recognised financial instruments offset in the statements of financial position BS'000	Net amounts of financial instruments presented in the statements of financial position BS'000	Related amounts not offset in the statements of financial position		Net amount BS'000
				Financing instruments BS'000	Financing collateral BS'000	
2016						
Derivative financial assets	17,971	–	17,971	(17,777)	–	194
Derivative financial liabilities	110,620	–	110,620	(17,777)	–	92,843
2015						
Derivative financial assets	27,971	–	27,971	(26,848)	–	1,123
Derivative financial liabilities	68,796	–	68,796	(26,848)	–	41,948

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

(b) Market risk

Overview of the Bank's market risk

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

The Bank's asset and liability profile can be characterised as that of a standard retail bank. Trading activities are negligible, with an investment portfolio of no more than 15% of the bank's total assets. Stress testing and sensitivity analysis are performed to assess the impact from changes in the yield curve for income on a monthly basis and for market value on a quarterly basis.

Management of market risk

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

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

The Bank is exposed to the following risks:

Profit Rate Risk: Changes in the market wide 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.

Fair Value/Duration Risk: The fair value of assets and liabilities changes as the discount factor i.e. the yield curve moves up or down. The composition and duration of the assets and liabilities will determine the net change in net asset value. The base discount factor is the market SGD yield curve, to which a premium is added to reflect the market perception of the Bank's credit standing. The changes in fair value will not have a material impact on the financial statements of the Group and the Bank.

Foreign Exchange Risk: The Bank has substantial exposure in foreign exchange denominated assets, particularly the United States Dollar ("USD"). This foreign exchange risk is managed through foreign exchange forward currency hedges, whereby all foreign exchange assets are required to be covered by either liabilities in the same currency and/or foreign exchange forward hedge with a reputable international counterparty. The Bank's Executive Committee has given approval for only BS10 million equivalent in total aggregate of foreign currency open position.

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.

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

(i) Profit rate risk

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

Group 2016	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	1,174,294	723,457	–	–	–	217,128	–	2,114,879
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	463,382	–	463,382
Placements with and financing and advances to bank	–	–	2,588,964	–	–	–	–	2,588,964
Government sukuks	–	9,988	16,727	–	–	–	–	26,715
Financial assets at fair value through profit or loss*	–	–	–	–	–	–	603	603
Financial assets available-for-sale*	45,048	–	71,707	449,790	222,093	–	–	788,638
Derivative financial assets	–	–	–	–	–	–	17,971	17,971
Financing and advances**								
- non-impaired	38,066	88,611	221,797	870,777	1,875,525	–	–	3,094,776
- impaired	31,092	2,868	7,304	27,672	21,817	876	–	91,629
Finance lease receivables	–	–	–	–	–	12,556	–	12,556
Other assets***	–	–	–	–	–	31,490	–	31,490
Total	1,288,500	824,924	2,906,499	1,348,239	2,119,435	725,432	18,574	9,231,603

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund

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

*** Excludes prepayments

Group 2016	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	(4,216,459)	(1,182,476)	(1,657,376)	(157,375)	(958)	–	–	(7,214,644)
Deposits from banks and other financial institutions	(298,288)	–	(141,584)	(70,400)	–	–	–	(510,272)
Derivative financial liabilities	–	–	–	–	–	–	(110,620)	(110,620)
Placements from other financial institutions	(57,872)	–	–	–	–	–	–	(57,872)
Other liabilities	–	–	–	–	–	(102,711)	–	(102,711)
Total	(4,572,619)	(1,182,476)	(1,798,960)	(227,775)	(958)	(102,711)	(110,620)	(7,996,119)
Recognised assets profit sensitivity gap	(3,284,119)	(357,552)	1,107,539	1,120,464	2,118,477	622,721	(92,046)	1,235,484
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	(704,500)	–	(704,500)
Total profit sensitivity gap	(3,284,119)	(357,552)	1,107,539	1,120,464	2,118,477	(81,779)	(92,046)	530,984

Group 2015	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	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 sukuks	4,997	15,754	–	–	–	–	–	20,751
Financial assets at fair value through profit or loss*	–	–	–	–	–	–	(562)	(562)
Financial assets available-for-sale*	–	–	62,775	405,860	106,996	118	–	575,749
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	31,188	(9,388)	2,161	29,987	23,751	(277)	–	77,422
Finance lease receivables	–	–	–	–	–	12,526	–	12,526
Other assets***	–	–	–	–	–	20,892	–	20,892
Total	604,379	309,466	2,160,306	1,525,030	2,001,428	603,344	27,409	7,231,362

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund

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

*** Excludes prepayments

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
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	(2,364,378)	(548,218)	395,144	1,204,495	2,001,200	510,598	(41,387)	1,157,454
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	(820,571)	–	(820,571)
Total profit sensitivity gap	(2,364,378)	(548,218)	395,144	1,204,495	2,001,200	(309,973)	(41,387)	336,883

Bank 2016	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	1,171,523	901,457	–	–	–	222,775	–	2,295,755
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	430,531	–	430,531
Placements with and financing and advances to bank	–	–	2,662,314	–	–	–	–	2,662,314
Government sukuks	–	9,988	16,727	–	–	–	–	26,715
Financial assets at fair value through profit or loss*	–	–	–	–	–	–	603	603
Financial assets available-for-sale*	45,048	–	71,707	449,790	222,093	–	–	788,638
Financial assets held-to-maturity	–	–	–	–	–	–	–	–
Derivative financial assets	–	–	–	–	–	–	17,971	17,971
Financing and advances**								
- non-impaired	37,923	87,976	210,654	509,904	1,662,274	–	–	2,508,731
- impaired	31,089	2,855	7,286	28,986	23,666	–	–	93,882
Finance lease receivables	–	–	–	–	–	12,556	–	12,556
Other assets***	–	–	–	–	–	38,694	–	38,694
Total	1,285,583	1,002,276	2,968,688	988,680	1,908,033	704,556	18,574	8,876,390

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund

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

*** Excludes prepayments

Bank 2016	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	(4,188,566)	(1,173,742)	(1,615,078)	(137,229)	–	–	–	(7,114,615)
Deposits and placements of banks and other financial institutions	(137,899)	(13,523)	(191,417)	(21,100)	–	–	–	(363,939)
Derivative financial liabilities	–	–	–	–	–	–	(110,620)	(110,620)
Placements from other financial institutions	(57,872)	–	–	–	–	–	–	(57,872)
Other liabilities	–	–	–	–	–	(82,413)	–	(82,413)
Total	(4,384,337)	(1,187,265)	(1,806,495)	(158,329)	–	(82,413)	(110,620)	(7,729,459)
Recognised assets profit sensitivity gap	(3,098,754)	(184,989)	1,162,193	830,351	1,908,033	622,143	(92,046)	1,146,931
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	(704,500)	–	(704,500)
Total profit sensitivity gap	(3,098,754)	(184,989)	1,162,193	830,351	1,908,033	(82,357)	(92,046)	442,431

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 sukuks	4,997	15,754	–	–	–	–	–	20,751
Financial assets at fair value through profit or loss*	–	–	–	–	–	–	(562)	(562)
Financial assets available-for-sale*	–	–	62,775	405,860	106,996	118	–	575,749
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	31,202	(9,391)	2,200	31,718	26,354	(1,231)	–	80,852
Finance lease receivables	–	–	–	–	–	12,526	–	12,526
Other assets***	–	–	–	–	–	36,422	–	36,422
Total	604,189	308,896	2,412,502	1,181,604	1,779,266	590,352	27,409	6,904,218

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund

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

*** Excludes prepayments

Bank 2015	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
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	(2,306,575)	(545,975)	723,420	940,815	1,779,266	517,930	(41,387)	1,067,494
Unrecognised financial instruments profit sensitivity gap	–	–	–	–	–	(820,571)	–	(820,571)
Total profit sensitivity gap	(2,306,575)	(545,975)	723,420	940,815	1,779,266	(302,641)	(41,387)	246,923

Profit sensitivity analysis for variable rate instruments:

A change of 100, 300 and 800 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.

	Profit or loss / Equity					
Group and Bank	**100 bp increase BS'000**	**100 bp decrease BS'000**	**300 bp increase BS'000**	**300 bp decrease BS'000**	**800 bp increase BS'000**	**800 bp decrease BS'000**
2016						
Variable rate instruments	2,532	(2,532)	7,596	(7,596)	20,256	(20,256)
2015						
Variable rate instruments	4,391	(4,391)	13,173	(13,173)	35,128	(35,128)

(ii) Foreign exchange risk of the Bank

Trading positions

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

Overall (trading and non-trading positions)

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

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

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

Foreign exchange risk of the subsidiaries

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

Exposure to foreign exchange risk

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

	Group and Bank			
2016	**USD BS'000**	**EUR BS'000**	**GBP BS'000**	**Others BS'000**
Assets				
Cash and short term funds	1,835,980	8,996	136,689	9,586
Placements with and financing and advances to bank	2,344,560	–	193,744	–
Investments	791,748	–	–	–
Financing and advances	252,767	–	–	–
Others	15,623	71	3,046	–
Total	5,240,678	9,067	333,479	9,586
Liabilities				
Deposits from customers	(898,837)	(7,909)	(367,574)	(8,547)
Deposits from banks and other financial institutions	(2,016)	(1,122)	(479)	–
Placements from other financial institutions	(57,872)	–	–	–
Others	(5,666)	(74)	(787)	(162)
Total	(964,391)	(9,105)	(368,840)	(8,709)
Net foreign exchange exposure	4,276,287	(38)	(35,361)	877
Effect of use of derivatives	(4,276,364)	228	35,515	575
Net exposure	(77)	190	154	1,452
2015				
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

2015	Group and Bank			
	USD B$'000	EUR B$'000	GBP B$'000	Others B$'000
Liabilities				
Deposits from customers	(737,002)	(13,553)	(273,456)	(4,712)
Deposits from banks and other financial institutions	(3,699)	–	(1)	–
Others	(4,162)	(2)	(1,068)	(34)
Total	(744,863)	(13,555)	(274,525)	(4,746)
Net foreign exchange exposure	2,364,890	991	(102,609)	599
Effect of use of derivatives	(2,370,804)	(696)	103,075	–
Net exposure	(5,914)	295	466	599

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:

Group and Bank	Profit or loss / Equity			
	2016		2015	
	- 1% depreciation B$'000	+ 1% appreciation B$'000	- 1% depreciation B$'000	+ 1% Appreciation B$'000
USD	1	(1)	59	(59)
EUR	(2)	2	(3)	3
GBP	(2)	2	(5)	5
Others	(15)	15	(6)	6
Total	(18)	18	45	(45)

(iii) Equity price risk

The Group is not exposed to any equity price risk on its equity investments which are carried at fair value through profit or loss for the year ended 31 December 2016 as they have been disposed of during the year. It is only exposed to those that are carried at fair value through other comprehensive income. (Refer to Note 20)

For the year ended 31 December 2015, the impact on profit or loss of the Group and the Bank due to a 10% increase in the value of equity securities would have been an increase of B$2,102,000 and B$226,000 respectively after tax. 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 the year ended 31 December 2016, the impact on fair value reserve of the Group and Bank due to a 10% increase in the value of equity securities would have been an increase of B$250,000 and B$1,021,000 respectively after tax (2015: B$400,000 and B$1,141,000 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 2015 and assumes that all other variables remain the same.

(c) Liquidity risk

Overview of the Bank's liquidity risk

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

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

In addition, the Bank and one of its subsidiaries have to comply with Section 45(1) of the Islamic Banking Order, 2008 and section 13A of the Finance Companies Act, Cap 89 respectively to maintain minimum cash balances with the AMBD. The Bank and the subsidiary were in compliance with these requirements during the year ended 31 December 2016.

Management of liquidity and funding risk

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

Overview of the subsidiary's liquidity risk

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

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

Management of liquidity risk

Liquidity risk is managed in accordance to the subsidiary's liquidity framework through contingency funding line with its parent of US$300 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.

	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	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
Group 2016									
Assets									
Cash, balances and placements with banks	2,114,879	2,115,280	2,115,280	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	463,382	463,382	317,414	42,373	61,628	9,116	–	32,851	–
Placements with and financing and advances to banks	2,588,964	2,597,507	1,039,894	693,521	864,092	–	–	–	–
Government sukuks	26,715	26,850	10,000	4,000	12,850	–	–	–	–
Investments*	789,241	811,819	44,933	13,843	71,331	196,517	255,639	108,292	121,264
Derivatives financial assets	17,971	17,778	1,400	61	4,873	11,444	–	–	–
Financing and advances	3,186,405	4,069,766	517,840	343,344	268,900	1,347,974	601,312	990,396	–
Finance lease receivables	12,556	31,240	165	165	330	1,360	1,440	27,780	–
Other assets**	31,490	31,490	17,630	4,109	2,309	3,026	2,911	1,505	–
Total	9,231,603	10,165,112	4,064,556	1,101,416	1,286,313	1,569,437	861,302	1,160,824	121,264

Group 2016	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	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
Liabilities									
Deposits from customers	(7,214,644)	(7,215,958)	(5,405,989)	(673,380)	(977,822)	(157,749)	–	(1,018)	–
Deposits and placements of banks and other financial institutions	(510,272)	(515,158)	(249,082)	(211,111)	(3,643)	(51,322)	–	–	–
Derivative financial liabilities	(110,620)	(109,798)	(81,985)	(253)	(5,736)	(21,824)	–	–	–
Placements from other financial institutions	(57,872)	(57,878)	(57,878)	–	–	–	–	–	–
Other liabilities	(102,711)	(102,711)	(75,819)	(15,950)	(3,766)	(1,996)	(1,442)	(3,738)	–
Total	(7,996,119)	(8,001,503)	(5,870,753)	(900,694)	(990,967)	(232,891)	(1,442)	(4,756)	–
Recognised assets net liquidity gap	1,235,484	2,163,609	(1,806,197)	200,722	295,346	1,336,546	859,860	1,156,068	121,264
Commitments and contingencies	(704,500)	(704,500)	(704,500)	–	–	–	–	–	–
Net liquidity gap	530,984	1,459,109	(2,510,697)	200,722	295,346	1,336,546	859,860	1,156,068	121,264

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund
** Excludes prepayments

Group 2015	Carrying amount B$'000	Gross nominal inflow/ (outflow) B$'000	Less than 3 months B$'000	> 3 – 6 months B$'000	> 6 – 12 months B$'000	> 1 – 3 years B$'000	> 3 – 5 years B$'000	Over 5 years B$'000	No specific maturity B$'000
Assets									
Cash, balances and placements with banks	888,313	888,354	888,354	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	382,383	382,383	232,313	68,218	35,434	14,776	–	31,642	–
Placements with and financing and advances to banks	1,897,463	1,902,740	823,514	354,426	724,800	–	–	–	–
Government sukuks	20,751	20,800	5,000	15,800	–	–	–	–	–
Investments*	589,326	679,888	4,437	35,215	96,989	251,248	195,314	84,149	12,536
Derivatives financial assets	27,971	23,800	3,057	585	5,623	10,577	3,958	–	–
Financing and advances	3,391,737	3,666,346	529,840	329,135	269,442	853,736	626,418	1,057,775	–
Finance lease receivables	12,526	31,900	165	165	330	1,320	1,420	28,500	–
Other assets**	20,892	20,892	2,046	8,562	5,171	3,856	1,257	–	–
Total	7,231,362	7,617,103	2,488,726	812,106	1,137,789	1,135,513	828,367	1,202,066	12,536

Group 2015	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	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
Liabilities									
Deposits from customers	(5,367,152)	(5,389,769)	(3,612,430)	(1,130,808)	(470,735)	(175,554)	–	(242)	–
Deposits and placements of banks and other financial institutions	(545,214)	(552,220)	(177,821)	(304,916)	(6,187)	(63,296)	–	–	–
Derivative financial liabilities	(68,796)	(62,617)	(13,134)	(12,814)	(8,259)	(20,854)	(7,556)	–	–
Other liabilities	(92,746)	(92,746)	(31,945)	(24,211)	(30,275)	(5,110)	(1,205)	–	–
Total	(6,073,908)	(6,097,352)	(3,835,330)	(1,472,749)	(515,456)	(264,814)	(8,761)	(242)	–
Recognised assets net liquidity gap	1,157,454	1,519,751	(1,346,604)	(660,643)	622,333	870,699	819,606	1,201,824	12,536
Commitments and contingencies	(820,571)	(820,571)	(820,571)	–	–	–	–	–	–
Net liquidity gap	336,883	699,180	(2,167,175)	(660,643)	622,333	870,699	819,606	1,201,824	12,536

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund

** Excludes prepayments

Bank 2016	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	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
Assets									
Cash and cash equivalents	2,295,755	2,296,157	2,296,157	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	430,531	430,531	317,414	42,373	61,628	9,116	–	–	–
Placements with and financing and advances to banks	2,662,314	2,670,857	1,039,894	766,871	864,092	–	–	–	–
Government sukuks	26,715	26,850	10,000	4,000	12,850	–	–	–	–
Investments*	789,241	811,819	44,933	13,843	71,331	196,517	255,639	108,292	121,264
Derivative financial assets	17,971	17,778	1,400	61	4,873	11,444	–	–	–
Financing and advances	2,602,613	3,343,190	463,063	188,514	268,900	805,405	601,312	1,015,996	–
Finance lease receivables	12,556	31,240	165	165	330	1,360	1,440	27,780	–
Other assets**	38,694	38,694	24,323	4,620	2,309	3,026	2,911	1,505	–
Total	8,876,390	9,667,116	4,197,349	1,020,447	1,286,313	1,026,868	861,302	1,153,573	121,264

Bank 2016	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	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
Liabilities									
Deposits from customers	(7,114,615)	(7,114,201)	(5,361,771)	(633,183)	(982,000)	(137,247)	–	–	–
Deposits from banks and other financial institutions	(363,939)	(364,542)	(152,024)	(102,884)	(88,534)	(21,100)	–	–	–
Derivative financial liabilities	(110,620)	(109,798)	(81,985)	(253)	(5,736)	(21,824)	–	–	–
Placements from other financial institutions	(57,872)	(57,878)	(57,878)	–	–	–	–	–	–
Other liabilities	(82,413)	(82,413)	(56,167)	(15,673)	(3,487)	(1,906)	(1,442)	(3,738)	–
Total	(7,729,459)	(7,728,832)	(5,709,825)	(751,993)	(1,079,757)	(182,077)	(1,442)	(3,738)	–
Recognised assets net liquidity gap	1,146,931	1,938,284	(1,512,476)	268,454	206,556	844,791	859,860	1,149,835	121,264
Commitments and contingencies	(704,500)	(704,500)	(704,500)	–	–	–	–	–	–
Net liquidity gap	442,431	1,233,784	(2,216,976)	268,454	206,556	844,791	859,860	1,149,835	121,264

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund
** Excludes prepayments

Bank 2015	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	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
Assets									
Cash and cash equivalents	892,387	892,428	892,428	–	–	–	–	–	–
Balances with Autoriti Monetari Brunei Darussalam	350,741	350,741	232,313	68,218	35,434	14,776	–	–	–
Placements with and financing and advances to banks	2,159,063	2,164,340	823,514	616,026	724,800	–	–	–	–
Government sukuks	20,751	20,800	5,000	15,800	–	–	–	–	–
Investments*	602,997	679,888	4,437	35,215	96,989	251,248	195,314	84,149	12,536
Derivative financial assets	27,971	23,800	3,057	585	5,623	10,577	3,958	–	–
Financing and advances	2,815,031	3,487,107	476,462	177,174	269,442	853,736	626,418	1,083,875	–
Finance lease receivables	12,526	31,900	165	165	330	1,320	1,420	28,500	–
Other assets**	36,422	36,422	14,806	11,332	5,171	3,856	1,257	–	–
Total	6,917,889	7,687,426	2,452,182	924,515	1,137,789	1,135,513	828,367	1,196,524	12,536

Bank 2015	Carrying amount BS'000	Gross nominal inflow/ (outflow) BS'000	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
Liabilities									
Deposits from customers	(5,242,793)	(5,262,865)	(3,544,241)	(1,093,746)	(472,694)	(152,184)	–	–	–
Deposits from banks and other financial institutions	(452,713)	(452,711)	(241,463)	(17,909)	(104,734)	(88,605)	–	–	–
Derivative financial liabilities	(68,796)	(62,617)	(13,134)	(12,814)	(8,259)	(20,854)	(7,556)	–	–
Other liabilities	(72,422)	(72,422)	(11,621)	(24,211)	(30,275)	(5,110)	(1,205)	–	–
Total	(5,836,724)	(5,850,615)	(3,810,459)	(1,148,680)	(615,962)	(266,753)	(8,761)	–	–
Recognised assets net liquidity gap	1,081,165	1,836,811	(1,358,277)	(224,165)	521,827	868,760	819,606	1,196,524	12,536
Commitments and contingencies	(820,571)	(820,571)	(820,571)	–	–	–	–	–	–
Net liquidity gap	260,594	1,016,240	(2,178,848)	(224,165)	521,827	868,760	819,606	1,196,524	12,536

* Excludes equity investments which comprise of quoted equities, unquoted security and unquoted fund
** Excludes prepayments

(d) Operational Risk of the Bank

Overview of the Bank's operational risk

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

Operational Risk Management Framework

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

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

- People
- Process
- System
- External

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

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

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

Overview of the subsidiary's operational risk

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

Operational Risk and Internal Controls Framework of the subsidiary

The board of directors of the subsidiary has delegated responsibility for operational risk management to the Operational Risk and Internal Controls ("ORIC") Committee. The ORIC is responsible for ongoing monitoring of operational risk and the development and implementation of controls to address the operational risk identified through Risk Control Self-Assessment ("RCSA") or internal audit reviews. The following are the standards set by ORIC for the monitoring of operational risk:

- 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.

The internal audit of the Bank performs on-going review on the compliance of the above standards. The results of the 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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The information presented herein represents the estimates of fair values as at the reporting date.

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

Fair value information for non-financial assets and liabilities are excluded from this note as they do not fall within the scope of IFRS 13: *Fair Value Measurements* which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Group's and the Bank's financial instruments such as cash and short-term funds, balances with AMBD, deposits and placements with banks and other financial institutions, deposits from customers and banks, government sukuks, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market 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 rates of similar instruments at the reporting date.

Fair value hierarchy

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

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

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

	Carrying amounts						Fair values			
	Designated at fair value BS'000	Held for trading BS'000	Available for sale BS'000	Held to maturity BS'000	Loans and receivables BS'000	Total BS'000	Level 1 BS'000	Level 2 BS'000	Level 3 BS'000	Total BS'000
Group 2016										
Financial assets measured at fair value										
Investments	13,514	–	791,137	–	–	804,651	12,911	789,241	2,499	804,651
Government sukuks	–	–	12,738	–	–	12,738	–	–	12,738	12,738
Forward exchange contracts	–	17,971	-	–	–	17,971	–	17,971	–	17,971
	13,514	17,971	803,875	–	–	835,360	12,911	807,212	15,237	835,360
Financial assets not measured at fair value										
Financing and advances	–	–	–	–	3,186,405	3,186,405	–	–	2,938,650	2,938,650
	–	–	–	–	3,186,405	3,186,405	–	–	2,938,650	2,938,650
Financial liabilities measured at fair value										
Forward exchange contracts	–	110,620	–	–	–	110,620	–	110,620	–	110,620

	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$'000	Total B$'000	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
Group 2015										
Financial assets measured at fair value										
Investments	20,456	–	579,749	–	–	600,205	20,456	575,749	4,000	600,205
Forward exchange contracts	–	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	–	–	3,247,192	3,247,192
	–	–	–	14,139	3,391,737	3,405,876	–	14,208	3,247,192	3,261,400
Financial liabilities measured at fair value										
Forward exchange contracts	–	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	Total BS'000	Level 1 BS'000	Level 2 BS'000	Level 3 BS'000	Total BS'000
Bank 2016										
Financial assets measured at fair value										
Investments	603	–	798,844	–	–	799,447	–	796,948	2,499	799,447
Government sukuks	–	–	12,738	–	–	12,738	–	–	12,738	12,738
Forward exchange contracts	–	17,971	–	–	–	17,971	–	17,971	–	17,971
	603	17,971	811,582	–	–	830,156	–	814,919	15,237	830,156
Financial assets not measured at fair value										
Financing and advances	–	–	–	–	2,602,613	2,602,613	–	–	2,364,667	2,364,667
	–	–	–	–	2,602,613	2,602,613	–	–	2,364,667	2,364,667
Financial liabilities measured at fair value										
Forward exchange contracts	–	110,620	–	–	–	110,620	–	110,620	–	110,620

	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	Total BS'000	Level 1 BS'000	Level 2 BS'000	Level 3 BS'000	Total BS'000
Bank 2015										
Financial assets measured at fair value										
Investments	1,700	–	587,158	–	–	588,858	2,262	582,596	4,000	588,858
Forward exchange contracts	–	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	–	–	2,685,647	2,685,647
	–	–	–	14,139	2,815,031	2,829,170	–	14,208	2,685,647	2,699,855
Financial liabilities measured at fair value										
Forward exchange contracts	–	68,796	–	–	–	68,796	–	68,796	–	68,796

Valuation techniques and significant unobservable inputs

The table below sets out information about valuation techniques and significant unobservable inputs used at in measuring financial instruments categorised as Level 2 and 3 in the fair value hierarchy:

Type of financial instruments	Classifications	Level of the fair value hierarchy	Valuation techniques	Significant unobservable inputs
Forward exchange contracts	FVTPL	2	Quoted rates	–
Investment deposit	FVTPL	2	Option pricing	–
Quoted debt securities	Available for sale	2	Quoted prices	–
Unquoted security*	Available for sale	2	Net asset value	–
Investment deposit	Available for sale	2	Quoted prices	–
Financing and advances	Loans and receivables	3	Discounted cash flows	Yield curve and credit spreads
Unquoted funds	Available for sale	3	Net asset value	Net asset value
Government sukuks	Available for sale	3	Discounted cash flows	Yield curve and credit spreads

* The unquoted security includes only quoted equity investments

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 and discounted cash flows of the government sukuks will result in a corresponding increase/decrease in the fair value of the securities.

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:

	2016 B$'000	2015 B$'000
Securities available-for-sale		
At 1 January	4,000	5,072
Unrealised gains/(losses) recognised in other comprehensive income	11,237	(1,072)
At 31 December	15,237	4,000

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.

There are no transfers from Level 1 instruments to Level 2.

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	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Within one year	1,623	1,303	1,347	1,030
Between one and five years	3,763	1,918	3,410	1,343
More than five years	48	36	48	36
Total	5,434	3,257	4,805	2,409

41 Non-current assets and liabilities

Assets and liabilities other than those disclosed below are current.

	Group		Bank	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Assets				
Investments	671,883	513,348	671,883	436,630
Financing and advances	2,746,302	2,953,718	2,172,178	2,383,798
Finance lease receivables	11,915	11,885	11,915	11,885
Investments in subsidiaries	–	–	40,826	36,682
Investment in associate	14,513	13,829	7,080	7,080
Property and equipment	178,337	184,489	47,955	46,641
Investment property	27,434	28,646	27,434	28,646
Deferred tax assets	8,557	10,790	17,288	13,838
Liabilities				
Deposits from customers	158,333	175,258	137,229	152,184
Deposits from banks and other financial institutions	70,400	145,505	21,100	88,605

42 Commitments

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Commitments:				
Undrawn credit lines	193,240	259,095	193,240	259,095
Total	193,240	259,095	193,240	259,095
Capital expenditure:				
- Approved and contracted for but not provided for in the financial statements	6,917	9,362	6,917	9,362
- Approved but not contracted for and provided for in the financial statements	2,350	609	2,350	609
Total	9,267	9,971	9,267	9,971
Total commitments	202,507	269,066	202,507	269,066

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

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

Repossession of collateral

Under AMBD guidelines, allowances 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 allowances made 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.

Impairment on financing

Based on AMBD, credit allowances are made based on specified percentages of the amounts outstanding and ageing. These requirements deviate from the individual and collective allowance requirements under IAS 39 which is based on the incurred loss model.

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

	Group		Bank	
	2016 B$'000	2015 B$'000	2016 B$'000	2015 B$'000
Regulatory capital				
Total equity attributable to equity holders of the Group and Bank	1,391,505	1,327,619	1,247,282	1,163,221
Less adjustments for:				
Capitalised costs	(17,722)	(18,898)	(7,109)	(7,555)
Repossession of collateral	(14,796)	(14,900)	(14,796)	(14,900)
Profit in suspense	(13,105)	(15,557)	(13,105)	(15,557)
Impairment on financing	4,198	(5,410)	4,141	(5,681)
Adjusted Core capital (Tier 1) based on AMBD prudential capital requirements	1,350,080	1,272,854	1,216,413	1,119,528

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	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Regulatory capital				
Core capital (Tier 1 capital) before dividend	1,350,080	1,272,854	1,216,413	1,119,528
Less: Dividends to be proposed for the financial year	(106,538)	(52,907)	(106,538)	(52,907)
Core capital (Tier 1 capital) after dividend	1,243,542	1,219,947	1,109,875	1,066,621
Supplementary capital (Tier II capital)	30,175	39,072	25,437	33,332
Less: Investments in associate and subsidiaries	(14,513)	(13,829)	(47,906)	(43,762)
Total capital base	1,259,204	1,245,190	1,087,406	1,056,191
Total risk-weighted amount				
Risk-weighted amount for credit risk	5,558,895	4,845,009	4,892,364	4,199,569
Risk-weighted amount for operational risk	422,116	382,726	331,782	305,454
Total risk-weighted amount	5,981,011	5,227,735	5,224,146	4,505,023
Capital ratios				
Core capital (Tier 1) ratio %	20.8%	23.3%	21.2%	23.7%
Total capital ratio %	21.1%	23.8%	20.8%	23.4%

The core capital is derived after deducting the dividends to be proposed for the financial year ended 31 December 2016 subsequent to the year end amounting to BS106,538,178 (2015: BS52,906,714).

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

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

44 Contingent liabilities

	Group		Bank	
	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'000
Letters of credit	20,879	33,909	20,879	33,909
Guarantees, bonds	461,357	482,991	461,357	482,991
Shipping guarantees	16,436	7,130	16,436	7,130
Acceptances	3,044	4,238	3,044	4,238
Trade risk participation	–	23,192	–	23,192
Import bills	277	45	277	45
Total	501,993	551,505	501,993	551,505

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

45 Subsequent events

A final dividend in respect of financial year end 31 December 2016 of 14.7 cents on 724,749,513 number of ordinary shares, amounting to BS106,538,178 was proposed. No provision has been made in the financial statements.

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