



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

**Financial Statements
Year ended 31 December 2016**

Directors' report	1
Statement by Directors	4
Shariah Advisory Body Report	5
Independent auditors' report	7
Income Statements	FS1
Statements of Comprehensive Income	FS2
Statements of Financial Position	FS3
Consolidated Statement of Changes in Equity	FS5
Consolidated Statement of Changes in Equity (Cont'd)	FS6
Statement of Changes in Equity	FS7
Statement of Changes in Equity (Cont'd)	FS8
Statements of Cash Flows	FS9
Statements of Cash Flows (Cont'd)	FS10
Notes to the financial statements	FS12
1 Principal activities and general information	FS12
2 Summary of significant accounting policies	FS12
2.1 Basis of preparation	FS12
(a) Statement of compliance	FS12
(b) Basis measurement	FS15
(c) Functional and presentation currency	FS15
(d) Use of estimates and judgements	FS16
2.2 Basis of consolidation	FS16
2.3 Foreign currency	FS18
2.4 Cash and cash equivalents	FS19
2.5 Financial instruments	FS19
2.6 Property and equipment	FS23
2.7 Investment property	FS24
2.8 Leases	FS24
2.9 Impairment	FS25
2.10 Deposits, financing and other liabilities	FS27
2.11 Provisions	FS27
2.12 Contingent liabilities	FS28
2.13 Contingent assets	FS28
2.14 Share capital	FS28
2.15 Recognition of income and expense	FS28
2.16 Income tax	FS29
2.17 Zakat	FS30
2.18 Employee benefits	FS30
2.19 Earnings per ordinary share	FS30
3 Profit from financing, leasing and investments	FS31
4 Profit paid/payable to depositors	FS31
5 Loss from derivatives and investments	FS31
6 Net fee and commission income	FS32
7 Other operating income	FS32
8 Personnel expenses	FS33
9 Other expenses	FS33
10 Allowance for impairment on financing and advances (net)	FS34
11 Allowance for impairment on investments	FS34

12	Zakat	FS34
13	Taxation	FS35
14	Dividend per ordinary share	FS36
15	Earnings per share	FS36
16	Cash and cash equivalents	FS37
17	Balances with Autoriti Monetari Brunei Darussalam	FS37
18	Placements with and financing and advances to banks	FS37
19	Government sukuku	FS37
20	Investments	FS38
21	Derivative financial assets/(liabilities)	FS39
22	Financing and advances	FS39
23	Finance lease receivables	FS43
24	Investments in subsidiaries	FS43
25	Investment in associate	FS46
26	Other assets	FS47
27	Property and equipment	FS48
28	Investment property	FS50
29	Deferred tax assets/(liabilities)	FS51
30	Deposits from customers	FS51
31	Deposits from banks and other financial institutions	FS52
32	Other liabilities	FS53
33	Zakat and provision for taxation	FS53
34	Share capital	FS53
35	Treasury shares	FS54
36	Statutory and other reserves	FS55
37	Related party transactions	FS56
38	Financial risk management	FS60
39	Fair value of financial assets and liabilities	FS103
40	Lease commitments	FS110
41	Non-current assets and liabilities	FS111
42	Commitments	FS112
43	Capital adequacy	FS112
44	Contingent liabilities	FS115
45	Subsequent events	FS115

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	—
	<u>104,216</u>	<u>122,057</u>

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 B\$106,538,178 will be proposed.

Directors

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

Dato Seri Setia Awang Haji Bahrin (Chairman)
bin Abdullah

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 Ibrahim (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:

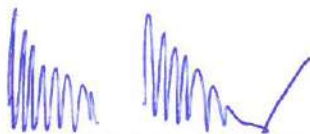
Name of directors	Number of ordinary shares of B\$1 each	
	At beginning of the year/ Date of appointment	At end of the year
Dato Seri Setia Awang Haji Bahrin bin Abdullah	4,441	4,441
Dato Paduka Iqbal Ahmad Khan	1	1
Junaidi bin Hj Masri	1	1
Mubashar Khokhar	1	1

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

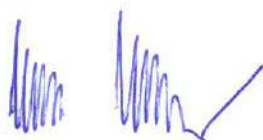
Statement by Directors

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 اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

To the Shareholders of Bank Islam Brunei Darussalam Berhad,

السلام عليكم ورحمة الله وبركاته

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

- a) We have reviewed the principles outlined in the contracts that relate to the transactions as well as the applications of these principles in the products and services introduced by Bank Islam Brunei Darussalam Berhad and its Group of Companies ("Bank") during the financial year ended 31 December 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.

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 the Bank 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		Bank	
		2016 B\$'000	2015 B\$'000	2016 B\$'000	2015 B\$'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	2015	2016	2015
	BS'000	BS'000	BS'000	BS'000
Profit for the year	104,216	106,716	122,057	100,623
Other comprehensive income:				
<i>Items that are or may be reclassified to profit or loss</i>				
Fair value reserve (available-for-sale financial assets):				
- Net change in fair value	(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.

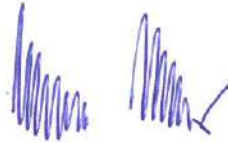
**Statements of Financial Position
As at 31 December 2016**

		Group		Bank	
	Note	2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'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 sukuk	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.

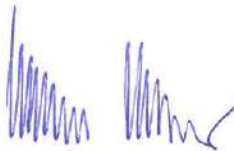


Mubashar Khokhar
Managing Director

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

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

**Consolidated Statement of Changes in Equity
Year ended 31 December 2016**

Group	Note	-----Attributable to equity holders of the Bank-----					
		Share capital B\$'000	Treasury shares B\$'000	Statutory reserve B\$'000	Fair value reserve B\$'000	Retained profits B\$'000	Non-controlling interests B\$'000
At 1 January 2016		724,750	(3)	420,531	(14,361)	196,702	26,425
Profit for the year		-	-	-	-	101,899	2,317
Other comprehensive income		-	-	-	14,891	-	-
Total comprehensive income for the year		-	-	-	14,891	101,899	2,317
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)	-
Redemptions by non-controlling interest		-	3	-	-	-	(6,363)
Total contributions and distributions		-	3	-	-	(52,907)	(6,363)
At 31 December 2016		724,750	-	453,044	530	213,181	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

Attributable to equity holders of the Bank									
Other reserves									
Group	Note	Share capital B\$'000	Treasury shares B\$'000	Statutory reserve B\$'000	Fair value reserve B\$'000	Retained profits B\$'000	Total shareholders' funds B\$'000	Non-controlling interests B\$'000	Total equity B\$'000
At 1 January 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 B\$'000	Statutory reserve B\$'000	Other reserves			Total B\$'000
				Fair value reserve B\$'000	Retained profits B\$'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 B\$'000	Statutory reserve B\$'000	-----Other reserves-----		
				Fair value reserve B\$'000	Retained profits B\$'000	Total B\$'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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	B\$'000	B\$'000	B\$'000	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:

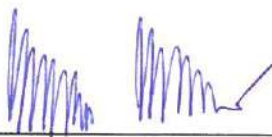
- (a) BIBD At-Tamwil Bhd
- (b) BIBD Securities Sdn Bhd
- (c) IDBB Sukuk Inc
- (d) BIBD Management & Services Bhd
- (e) IBB Capital Asset Management Sdn Bhd
- (f) Belait Barakah Sdn Bhd
- (g) BIBD Al-Kauthar Funds DCC Incorporated
- (h) IBB Transport Sdn Bhd
- (i) Saujana Sdn Bhd
- (j) BIBD Global Equity 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 IFRS15, 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 – <i>Recognition of deferred tax assets for unrealised losses</i>	1 January 2017
Amendments to IAS 7 – <i>Disclosure initiative</i>	1 January 2017
Amendments to IFRS 10 <i>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</i>	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	2015	2016	2015
	BS'000	BS'000	BS'000	BS'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	2015	2016	2015
	BS'000	BS'000	BS'000	BS'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	2015	2016	2015
	BS'000	BS'000	BS'000	BS'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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	BS'000	BS'000	BS'000	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)

		Group		Bank	
	Note	2016 B\$'000	2015 B\$'000	2016 B\$'000	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		Bank	
		2016 B\$'000	2015 B\$'000	2016 B\$'000	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		Bank	
	2016 B\$'000	2015 B\$'000	2016 B\$'000	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	2015
	B\$'000	B\$'000
On ordinary shares		
Net dividend paid on ordinary shares	52,907	41,311

	Group and Bank			
	2016		2015	
	Gross dividend per share B\$	Dividend net of tax B\$'000	Gross dividend per share B\$	Dividend net of tax B\$'000
Authorised:				
Final dividend paid	0.073	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 (B\$'000)	101,899	113,588
Weighted average number of ordinary shares ('000)	724,750	724,750
Basic EPS (B\$)	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	2015	2016	2015
	B\$'000	B\$'000	B\$'000	B\$'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 B\$1,088,472 (2015: B\$4,867,222) 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 sukuk

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

	Group		Bank	
	2016	2015	2016	2015
	B\$'000	B\$'000	B\$'000	B\$'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		Bank	
		2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'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		Bank	
		2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'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		Bank	
		2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'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		Bank	
		2016 BS'000	2015 BS'000	2016 BS'000	2015 BS'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	
	2016	2015	2016	2015
	BS'000	BS'000	BS'000	BS'000
Foreign exchange forward contracts:				
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	2015	2016	2015
	BS'000	BS'000	BS'000	BS'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	2015	2016	2015
	BS'000	BS'000	BS'000	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 (<i>deferred payment sale</i>)	954,646	1,291,130	954,646	1,291,130
Ijarah (<i>lease</i>)	184,020	400,130	184,532	400,799
Ijarah Muntahiah Bittamlik/AITAB (<i>lease ended with ownership</i>)	681,119	682,190	—	23
Murabahah (<i>cost-plus</i>)	97,032	130,137	184,595	225,457
Musharakah (<i>profit and loss sharing</i>)	99,066	73,472	99,066	73,472
Qard (<i>benevolent loan</i>)	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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	BS'000	BS'000	BS'000	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	Bank
		BS'000	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.

NCI Percentage	2016		
	Belait Barakah 50% BS'000	Belait CSS 50% BS'000	BIBD Al-Kauthar Funds DCC Incorporated 39.6% BS'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)
NCI Percentage	2015		
	Belait Barakah 50% BS'000	Belait CSS 50% BS'000	BIBD Al-Kauthar Funds DCC Incorporated 59.9% BS'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 BS'000	2015 BS'000	2016 BS'000	2015 BS'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 %	2015 %
Syarikat Takaful Brunei Darussalam Sdn Bhd	Family and general takaful businesses	Negara Brunei Darussalam	31	31

	2016 BS'000	2015 BS'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 BS'000	2015 BS'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 2016 BS'000	2015 BS'000	Bank 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 B\$1,230,000 (2015: B\$19,460,000) and B\$1,230,000 (2015: Nil) respectively on its receivables in the profit or loss.

Property and equipment

Group	Leasehold improvements B\$'000	Equipment, furniture and fittings B\$'000	Motor vehicles B\$'000	Ship vessel B\$'000	Work-in- progress B\$'000	Computer software B\$'000	Total B\$'000
Cost							
At 1 January 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 B\$36,100,000 (2015: B\$36,803,000). The fair value of the investment property was based on the valuation report provided by a firm of external, independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The valuation technique applied is the discounted cash flow approach (Level 3). Fair value of the investment property is derived from the potential cash flows from the building based on the remaining lease term. The key unobservable input includes estimated occupancy rate of 75.5% (2015: 70%).

29 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributed to the following:

Group	At 1 January 2015 BS'000	Recognised in profit or loss BS'000	Recognised in other comprehensive income BS'000	At 31 December 2015 BS'000	Recognised in profit or loss BS'000	Recognised in other comprehensive income BS'000	At 31 December 2016 BS'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 BS'000	Recognised in profit or loss BS'000	Recognised in other comprehensive income BS'000	At 31 December 2015 BS'000	Recognised in profit or loss BS'000	Recognised in other comprehensive income BS'000	At 31 December 2016 BS'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 BS'000	2015 BS'000	2016 BS'000	2015 BS'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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	BS'000	BS'000	BS'000	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 B\$'000	2015 B\$'000	2016 B\$'000	2015 B\$'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 B\$'000	2015 B\$'000	2016 B\$'000	2015 B\$'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

Group and Bank	Number of shares		Amount	
	2016	2015	2016 B\$	2015 B\$
Authorised:				
Golden share of B\$1.00 each	1	1	1	1
Ordinary shares of B\$1.00 each	999,999,999	999,999,999	999,999,999	999,999,999
Total	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid:				
Golden share of B\$1.00 each	1	1	1	1
Ordinary shares of B\$1.00 each	724,749,512	724,749,512	724,749,512	724,749,512
Total	724,749,513	724,749,513	724,749,513	724,749,513

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

The Golden share may be held only by His Majesty the Sultan and Yang Di Pertuan of Brunei Darussalam or his nominee. The Golden share member shall be entitled to receive notices of all General Meetings, reports and balance sheets, to attend all General Meetings and to speak and vote at such meetings. The Golden share 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
	BS'000	BS'000
Treasury shares	—	(3)

36 Statutory and other reserves

Statutory reserves

Group	Total BS'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 BS'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 BS'000	Retained profits BS'000	Total BS'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

	Fair value reserve BS'000	Retained profits BS'000	Total BS'000
Bank			
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	2015
	BS'000	BS'000
Associate		
<i>Amount due to</i>		
Deposits	224,440	195,379
Others	1,205	1,424
Key management personnel		
<i>Amount due from</i>		
Financing (ex. Credit cards)	1,566	1,443
Credit cards	49	22
<i>Amount due to</i>		
Deposits	4,268	1,112
Other related parties		
<i>Amount due to</i>		
Deposits	1,391,316	315,059
	Bank	
	2016	2015
	BS'000	BS'000
Subsidiaries		
<i>Amount due from</i>		
Financing	90,515	95,320
Investments	7,439	7,439
Placements	251,350	261,600
Others	17,735	21,759
<i>Amount due to</i>		
Deposits	125,739	186,167
Others	918	887
Associate		
<i>Amount due to</i>		
Deposits	141,803	90,512
Others	480	419
Key management personnel		
<i>Amount due from</i>		
Financing (ex. Credit cards)	1,261	1,192
Credit cards	49	52

	Bank	
	2016 B\$'000	2015 B\$'000
Key management personnel		
<i>Amount due to</i>		
Deposits	3,753	2,899
Other related parties		
<i>Amount due to</i>		
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				
<i>Income</i>				
Income on financing	—	—	5,867	5,413
Other income	—	—	58,151	16,731
<i>Expenditure</i>				
Profit paid/payable to depositors	—	—	604	418
Associate				
<i>Income</i>				
Fees and commission	173	215	—	—
<i>Expenditure</i>				
Profit paid/payable to depositors	1,777	1,100	737	426
Other Expenditure	88	100	—	—
Key management personnel				
<i>Income</i>				
Income on financing	48	50	27	32
<i>Expenditure</i>				
Profit paid/payable to depositors	42	23	12	7
Other related parties				
<i>Expenditure</i>				
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	2015	2016	2015
	BS'000	BS'000	BS'000	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.

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	2015	2016	2015
	B\$'000	B\$'000	B\$'000	B\$'000
<i>Credit risk exposure of recognised assets:</i>				
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 sukuku	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
<i>Credit risk exposure of unrecognised financial instruments:</i>				
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:

	Cash and short-term funds and deposits and placements with financial institutions	Balances with Monetari Brunei Darussalam	Government sukuk	Investments*	Derivative financial assets	Financing advances	Financing lease receivable	Other assets**	On-balance sheet total	Commitments and contingencies
Group	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'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

Bank Islam Brunei Darussalam Berhad
and its Subsidiaries
Financial statements
Year ended 31 December 2016

Group	Cash and short-term funds and deposits and placements with financial institutions BS'000	Balances with Autoriti Monetari Brunei Darussalam BS'000	Government sukuk BS'000	Investments* BS'000	Derivative financial assets BS'000	Financing and advances BS'000	Financing lease receivable BS'000	Other assets** BS'000	On-balance sheet total BS'000	Commitments and contingencies BS'000
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 Islam Brunei Darussalam Berhad
and its Subsidiaries**
Financial statements
Year ended 31 December 2016

	Cash and short-term funds and deposits and placements with financial institutions	Balances with Autoriti Monetari Brunei Darussalam	Government sukuk	Investments*	Derivative financial assets	Financing and advances	Financing lease receivable	Other assets**	On-balance sheet total	Commitments and contingencies
Bank	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
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 Islam Brunei Darussalam Berhad
and its Subsidiaries**
Financial statements
Year ended 31 December 2016

	Cash and short-term funds and deposits with financial institutions	Balances with Monetari Brunei Darussalam	Government sukuk	Investments*	Derivative financial assets	Financing and advances	Financing lease receivable	Other assets**	On-balance sheet total	Commitments and contingencies
Bank	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000	BS'000
2015										
Agricultural	-	-	-	-	-	6,170	-	-	6,170	4,039
Financial	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)

Group	2016		2015	
	Carrying amount of financing and advances BS'000	Fair value of collateral* BS'000	Carrying amount of financing and advances BS'000	Fair value of collateral* BS'000
Type of collateral				
Cash	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

Bank	2016		2015	
	Carrying amount of financing and advances BS'000	Fair value of collateral* BS'000	Carrying amount of financing and advances BS'000	Fair value of collateral* BS'000
Type of collateral				
Cash	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	2015	2016	2015
	B\$'000	B\$'000	B\$'000	B\$'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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	BS'000	BS'000	BS'000	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	2015	2016	2015
	BS'000	BS'000	BS'000	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	Obligors 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

	Retail B\$'000	Corporate B\$'000	Total B\$'000
Group			
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

	Retail B\$'000	Corporate B\$'000	Total B\$'000
Bank			
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:

Group	Investments – Financial assets at fair value through PL B\$'000	Investments – Financial assets available-for-sale B\$'000	Investments – Financial assets held-to-maturity B\$'000	Total B\$'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 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 B\$'000	Investments – Financial assets available-for-sale B\$'000	Investments – Financial assets held-to-maturity B\$'000	Total B\$'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-.

	Investments – Financial assets at fair value through PL B\$'000	Investments – Financial assets available-for-sale B\$'000	Investments – Financial assets held-to-maturity B\$'000	Total B\$'000
Bank				
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 B\$'000	Investments – Financial assets available-for-sale B\$'000	Investments – Financial assets held-to-maturity B\$'000	Total B\$'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

	Related amounts not offset in the statements of financial position				Net amount B\$'000
	Gross amounts of recognised financial instruments B\$'000	Gross amounts of recognised financial instruments offset in the statements of financial position B\$'000	Net amounts of financial instruments presented in the statements of financial position B\$'000	Financing instruments B\$'000	Financing collateral B\$'000
Group and Bank					
2016					
Derivative financial assets	17,971	–	17,971	(17,777)	–
Derivative financial liabilities	110,620	–	110,620	(17,777)	–
					194
					92,843
2015					
Derivative financial assets	27,971	–	27,971	(26,848)	–
Derivative financial liabilities	68,796	–	68,796	(26,848)	–
					1,123
					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 B\$10 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 repriced or mature, whichever is earlier.

Group 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	1,174,294	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 sukuku	–	9,988	16,727	–	–	–	–	26,715
Financial assets at fair value through profit or loss*	–	–	–	–	–	–	–	603
Financial assets available-for- sale*	45,048	–	71,707	449,790	222,093	–	603	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

	Up to 1 month B\$'000	> 1 – 3 months B\$'000	> 3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit sensitive B\$'000	Trading book B\$'000	Total B\$'000
Group 2016								
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

Bank Islam Brunei Darussalam Berhad
and its Subsidiaries
Financial statements
Year ended 31 December 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
Group 2015								
Assets								
Cash and cash equivalents	469,482	232,387	–	–	–	186,444	–	888,313
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	382,383	–	382,383
Placements with and financing and advances to bank	–	–	1,897,463	–	–	–	–	1,897,463
Government sukuk	4,997	15,754	–	–	–	–	–	20,751
Financial assets at fair value through profit or loss*	–	–	–	–	–	–	–	–
Financial assets available-for- sale*	–	–	–	–	–	–	(562)	(562)
Financial assets held-to-maturity	–	–	62,775	405,860	106,996	118	–	575,749
Derivative financial assets	–	–	14,139	–	–	–	–	14,139
Financing and advances**	–	–	–	–	–	–	27,971	27,971
- 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

Bank Islam Brunei Darussalam Berhad
and its Subsidiaries
Financial statements
Year ended 31 December 2016

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
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 Islam Brunei Darussalam Berhad
and its Subsidiaries
Financial statements
Year ended 31 December 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
Bank 2016								
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 sukuk	–	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 Islam Brunei Darussalam Berhad
and its Subsidiaries
Financial statements
Year ended 31 December 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
Bank 2016								
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

	Up to 1 month B\$'000	> 1 – 3 months B\$'000	> 3 – 12 months B\$'000	1 – 5 years B\$'000	Over 5 years B\$'000	Non profit sensitive B\$'000	Trading book B\$'000	Total B\$'000
Bank 2015								
Assets								
Cash and cash equivalents	469,482	232,387	–	–	–	190,518	–	892,387
Balances with Autoriti Monetari Brunei Darussalam	–	–	–	–	–	350,741	–	350,741
Placements with and financing and advances to bank	–	–	2,159,063	–	–	–	–	2,159,063
Government sukuk	4,997	15,754	–	–	–	–	–	20,751
Financial assets at fair value through profit or loss*	–	–	–	–	–	–	(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 Islam Brunei Darussalam Berhad
and its Subsidiaries**
Financial statements
Year ended 31 December 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
Bank 2015								
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.

Group and Bank	Profit or loss / Equity					
	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:

2016	Group and Bank			
	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

	-----Group and Bank-----			
2015	USD BS'000	EUR BS'000	GBP BS'000	Others BS'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:

	Profit or loss / Equity			
	2016		2015	
Group and Bank	- 1% depreciation BS'000	+ 1% appreciation BS'000	- 1% depreciation BS'000	+ 1% Appreciation BS'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 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
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 sukuk	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

	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
Group 2016									
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

	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
Group 2015									
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 sukuku	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

	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 2015									
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

	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
Bank 2016									
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 sukuku	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

	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
Bank 2016									
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

	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
Bank 2015									
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

	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
Bank 2015									
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 sukuk, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at the reporting date approximate their fair values.

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

Investments

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

Financing and advances

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

Derivatives

The fair values of derivatives are obtained based on quoted 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.

Group 2016	Designated at fair value B\$'000	Carrying amounts				Total B\$'000	Fair values			
		Held for trading B\$'000	Available for sale B\$'000	Held to maturity B\$'000	Loans and receivables B\$'000		Level 1 B\$'000	Level 2 B\$'000	Level 3 B\$'000	Total B\$'000
Financial assets measured at fair value										
Investments	13,514	-	791,137	-	-	804,651	12,911	789,241	2,499	804,651
Government sukus	-	-	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

Brunei Darussalam Berhad
and its Subsidiaries
Financial statements
Year ended 31 December 2016

Group 2015	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
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

	Designated at fair value B\$'000	Carrying amounts				Total B\$'000	Fair values			
		Held for trading B\$'000	Available for sale B\$'000	Held to maturity B\$'000	Loans and receivables B\$'000		Level 1 B\$'000	Level 2 B\$'000	Level 3 B\$'000	Total B\$'000
Bank 2016										
Financial assets measured at fair value										
Investments	603	-	798,844	-	-	799,447	-	796,948	2,499	799,447
Government sukus	-	-	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

	Designated at fair value BS'000	Carrying amounts				Fair values				
		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 sukuk	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 sukuk 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 BS'000	2015 BS'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 BS'000	2015 BS'000	2016 BS'000	2015 BS'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	2015	2016	2015
	BS'000	BS'000	BS'000	BS'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	2015	2016	2015
	B\$'000	B\$'000	B\$'000	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	2015	2016	2015
	B\$'000	B\$'000	B\$'000	B\$'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 B\$106,538,178 (2015: B\$52,906,714).

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	2015	2016	2015
	BS'000	BS'000	BS'000	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 B\$106,538,178 was proposed. No provision has been made in the financial statements.