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BAIDURI BANK BERHAD
(Incorporated in Brunei Darussalam)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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YEAR ENDED DECEMBER 31, 2016

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BAIDURI BANK BERHAD

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and audited financial statements of Baiduri Bank Berhad (the "Bank") and its subsidiaries (the "Group") for the financial year ended December 31, 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Bank and the Group are to carry on the business of banking and related financial services including dealing in investment securities and e-financial services. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Bank **B$'000**	**Group** **B$'000**
Balance as at December 31, 2015	**34,809**	126,667
Total Profits for the financial year	**45,109**	41,034
Transferred from Retained profits to:		
- Statutory Reserve	**(11,277)**	(12,090)
Dividend paid	**(14,150)**	(14,150)
Balance as at December 31, 2016	**54,491**	141,461

RESERVES AND PROVISIONS

There were no other material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

FINANCIAL STATEMENTS

The state of affairs of the Bank as at December 31, 2016 is set out in the Statement of Financial Position. These financial statements were approved by the Board of Directors on March 22, 2017.

DIVIDEND

	B$
Dividend paid in respect of the financial year ended December 31, 2015	14,150,000

At the forthcoming Annual General Meeting, a total dividend of B$14,500,000 in respect of the current financial year ended December 31, 2016 will be proposed for shareholders' approval.

BAIDURI BANK BERHAD

REPORT OF THE DIRECTORS

DIRECTORS

The directors in office during the financial year and at the date of this report are:

YTM Pengiran Anak Isteri Pengiran Anak Hajah Zariah
Dr. YAM Pengiran Muda Abdul Fattaah
YM Dato Paduka Timothy Ong Teck Mong
Norliah Binti Haji Kula
Haji Sofian Bin Jani
Francis Gerard Caze
Bertie Cheng Shao Shiong

AUDITORS

The auditors, KPMG, have indicated their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

DIRECTOR

DIRECTOR

DIRECTOR

Brunei Darussalam
Date: 22 March 2017

كي . ڤي . عيم . جي .
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Consolidated financial statements of entity (unmodified report)

Independent auditors' report

Members of Baiduri Bank Berhad and its subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Baiduri Bank Berhad (the "Bank") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Bank and the Group as at 31 December 2016, statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Bank and the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 7 to 70.

In our opinion, the accompanying consolidated financial statements of the Bank and financial statements of the Group are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the "Act") and International Financial Reporting Standards ("IFRSs"), including the modification of IAS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning Guideline No. 1/2009 "Provision for Bad and Doubtful Debts" issued pursuant to the Banking Order, 2006, so as to give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Bank and of the Group 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 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.

Information Other than the Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the Directors' Report included in pages 1 to 2 but does not include the financial statements and our auditor's report thereon.

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 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, 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.

Responsibilities of the Bank's directors for the financial statements

The Bank's 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 IFRSs, including the modification of IAS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning Guideline No. 1/2009 "Provision for Bad and Doubtful Debts" issued pursuant to the Banking Order, 2006, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group'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 directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's 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 internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 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 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 to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

Report on other legal and regulatory requirements

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

KPMG
Certified Public Accountants

Hj Shazali bin Tan Sri Dato Hj Sulaiman
Public Accountant

Brunei Darussalam
Date: 22 March 2017

BAIDURI BANK BERHAD

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2016

		Bank			Group		
	Note	2016 B$'000	2015 B$'000	Change	2016 B$'000	2015 B$'000	Change
Income							
Interest Income		**79,028**	72,007	9.75%	**135,232**	138,620	-2.44%
Interest Expense		**(12,248)**	(10,247)	19.53%	**(18,476)**	(16,317)	13.23%
Net Interest Income	5	**66,780**	61,760	8.13%	**116,756**	122,303	-4.54%
Fee Income		**8,629**	9,163	-5.83%	**8,849**	9,182	-3.63%
Fee Expense		**(334)**	(308)	8.44%	**(379)**	(315)	20.32%
Net Fee Income		**8,295**	8,855	-6.32%	**8,470**	8,867	-4.48%
Other Operating Income	6	**41,514**	37,401	11.00%	**24,395**	24,924	-2.12%
Net Loss from Other Financial Instruments at Fair Value through Profit or Loss	7	**(1)**	(313)	-99.68%	**(1)**	(313)	-99.68%
Net Other Operating Income		**41,513**	37,088	11.93%	**24,394**	24,611	-0.88%
Total Operating Income before Impairment Charges and Allowances		**116,588**	107,703	8.25%	**149,620**	155,781	-3.95%
Less:							
Personnel Expenses	8	**(27,127)**	(25,937)	4.59%	**(32,468)**	(30,730)	5.66%
Provision for End of Service Benefits		**(891)**	(1,100)	-19.00%	**(1,178)**	(1,388)	-15.13%
Other Overhead Expenses	9	**(25,072)**	(22,466)	11.60%	**(48,320)**	(46,187)	4.62%
Total Operating Expenses		**(53,090)**	(49,503)	7.25%	**(81,966)**	(78,305)	4.68%
Less:							
Impairment Losses for Loans	16	**(8,533)**	(8,415)	1.40%	**(12,999)**	(10,631)	22.27%
Loans/Financing Written Off		**(33)**	(11)	200.00%	**(33)**	(11)	200.00%
Impairment of Investments		**(3,000)**	-	-	**(3,000)**	-	-
Total Impairment Charges and Allowances		**(11,566)**	(8,426)	37.27%	**(16,032)**	(10,642)	50.64%
Profit before Taxation		**51,932**	49,774	4.34%	**51,622**	66,834	-22.76%
Less: Income Tax Expense	10	**(6,823)**	(7,320)	-6.79%	**(10,588)**	(13,346)	-20.67%
Profit after taxation / Profit for the year		**45,109**	42,454	6.25%	**41,034**	53,488	-23.28%

The significant accounting policies and the notes from pages 12 to 70 form an integral part of the financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Profit after Taxation / Profit for the Year	45,109	42,454	41,034	53,488
Other Comprehensive income	-	-	-	-
Total Comprehensive income for the year	**45,109**	42,454	**41,034**	53,488

The significant accounting policies and the notes from pages 12 to 70 form an integral part of the financial statements.

BAIDURI BANK BERHAD

STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

	Note	Bank			Group		
		2016 B$'000	2015 B$'000	Change	2016 B$'000	2015 B$'000	Change
ASSETS							
Cash and Short Term Funds	11	**1,645,114**	840,346	95.77%	**1,649,937**	843,933	95.51%
Balances with AMBD	12	**154,305**	117,290	31.56%	**213,131**	175,375	21.53%
Derivative Assets	13	**386**	7	5414.29%	**386**	7	5414.29%
Government Sukuk	14	**24,524**	9,922	147.17%	**24,524**	9,922	147.17%
Investment Securities	15	**121,062**	196,590	-38.42%	**121,062**	196,590	-38.42%
Loans and Advances	16	**1,112,770**	1,147,787	-3.05%	**1,984,040**	2,036,487	-2.58%
Investments in Subsidiaries	17	**27,949**	27,449	1.82%	**-**	-	-
Property, Plant and Equipment	18	**30,053**	31,195	-3.66%	**31,067**	32,374	-4.04%
Other Assets	19	**13,016**	11,832	10.01%	**44,437**	46,688	-4.82%
Total Assets		**3,129,179**	2,382,418	31.34%	**4,068,584**	3,341,376	21.76%
LIABILITIES AND EQUITY							
Deposits from Customers	20	**2,513,157**	1,707,272	47.20%	**3,513,210**	2,688,837	30.66%
Deposits from Banks and Other Financial Institutions	21	**205,794**	200,399	2.69%	**6,445**	38,450	-83.24%
Derivative Liabilities	13	**359**	243	47.74%	**359**	243	47.74%
Borrowings	22	**-**	98,950	-100.00%	**-**	98,950	-100.00%
Group Balances Payable	23	**4,865**	9,956	-51.13%	**-**	-	-
Other Liabilities	24	**57,939**	49,808	16.33%	**65,010**	56,896	14.26%
Deferred Taxation	25	**8,446**	10,778	-21.64%	**8,493**	10,825	-21.54%
Provision for Taxation	10	**13,486**	10,839	24.42%	**34,330**	33,322	3.03%
Total Liabilities		**2,804,046**	2,088,245	34.28%	**3,627,847**	2,927,523	23.92%
SHAREHOLDERS' EQUITY							
Share Capital	26	**150,000**	150,000	0.00%	**150,000**	150,000	0.00%
Statutory Reserves	27	**115,488**	104,211	10.82%	**144,122**	132,032	9.16%
Other Reserves	28	**59,645**	39,962	49.25%	**146,615**	131,821	11.22%
Total Shareholders' funds/ Total Equity		325,133	294,173	10.52%	**440,737**	413,853	6.50%
Total Liabilities and Equity		**3,129,179**	2,382,418	31.34%	**4,068,584**	3,341,376	21.76%
Off Balance Sheet items:							
COMMITMENTS AND CONTINGENCIES	29	**1,059,339**	1,152,357	-8.07%	**1,059,339**	1,152,357	-8.07%

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

Director

Director

Director

The significant accounting policies and the notes from pages 12 to 70 form an integral part of the financial statements.

BAIDURI BANK BERHAD

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016

Bank	**Share Capital B$'000**	**Statutory Reserve B$'000**	**General Reserve B$'000**	**Retained profits B$'000**	**Total Equity B$'000**
Balance as at 01/01/2015	100,000	113,549	19,154	32,517	265,220
Net profit for 2015	-	-	-	42,454	42,454
Transfer during the year	-	10,662	-	(10,662)	-
Transfer to increase Share Capital	50,000	(20,000)	(14,000)	(16,000)	-
Dividend paid	-	-	-	(13,500)	(13,500)
Balance as at 31/12/2015	**150,000**	**104,211**	**5,154**	**34,809**	**294,174**
Net profit for 2016	-	-	-	45,109	45,109
Transfer during the year	-	11,277	-	(11,277)	-
Dividend paid	-	-	-	(14,150)	(14,150)
Balance as at 31/12/2016	**150,000**	**115,488**	**5,154**	**54,491**	**325,133**

Group	**Share Capital B$'000**	**Statutory Reserve B$'000**	**General Reserve B$'000**	**Retained profits B$'000**	**Total Equity B$'000**
Balance as at 01/01/2015	100,000	137,686	19,154	117,025	373,865
Net profit for 2015	-	-	-	53,488	53,488
Transfer during the year	-	14,346	-	(14,346)	-
Transfer to increase Share Capital	50,000	(20,000)	(14,000)	(16,000)	-
Dividend paid	-	-	-	(13,500)	(13,500)
Balance as at 31/12/2015	**150,000**	**132,032**	**5,154**	**126,667**	**413,853**
Net profit for 2016	-	-	-	41,034	41,034
Transfer during the year	-	12,090	-	(12,090)	-
Dividend paid	-	-	-	(14,150)	(14,150)
Balance as at 31/12/2016	**150,000**	**144,122**	**5,154**	**141,461**	**440,737**

The significant accounting policies and the notes from pages 12 to 70 form an integral part of the financial statements.

BAIDURI BANK BERHAD

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	Note	Bank		Group	
		2016	**2015**	**2016**	**2015**
		B$'000	**B$'000**	**B$'000**	**B$'000**
Cash flows from operating activities					
Profit before tax:		**51,932**	49,774	**51,622**	66,834
Adjustments for non-cash items:					
Depreciation of Property, plant and equipment		**4,677**	3,913	**5,102**	4,320
Net Gain on disposal of Property, plant and equipment		**(4)**	(48)	**(16)**	(69)
Net Loss from Other Financial Instruments at Fair Value through Profit or Loss		**1**	313	**1**	313
Impairment of Investments		**3,000**	-	**3,000**	-
Impairment Losses for Loans		**8,533**	8,415	**12,999**	10,631
Operating profit before change in operating assets and liabilities		**68,139**	62,367	**72,708**	82,029
Change in Operating assets and liabilities:					
Placements with Banks		**(126,687)**	44,252	**(126,687)**	44,252
Balances with AMBD		**(37,015)**	2,638	**(37,756)**	362
Derivative assets		**(379)**	105	**(379)**	105
Loan and advances		**26,484**	(110,157)	**39,449**	(107,864)
Other assets		**(1,184)**	2,901	**2,251**	6,189
Deposits from customers		**805,884**	(363,060)	**824,372**	(304,908)
Deposits from banks and other financial institutions		**5,395**	27,873	**(32,005)**	(41,245)
Derivative liabilities		**116**	(1,271)	**116**	(1,271)
Other liabilities		**3,041**	11,881	**8,115**	5,142
Cash from/(used in) operating activities		**743,794**	(322,471)	**750,184**	(317,209)
Income tax paid		**(6,508)**	(5,401)	**(11,912)**	(11,372)
Net cash from/(used in) operating activities		**737,286**	(327,872)	**738,272**	(328,581)
Cash flow from investing activities					
Purchase of Property, plant and equipment		**(3,545)**	(17,206)	**(3,806)**	(17,981)
Proceeds from Disposal of Property, plant and equipment		**15**	68	**25**	90
Net investments		**56,926**	82,729	**57,426**	82,729
Investment in Subsidiary		**500**	-	**500**	-
Net cash from investing activities		**53,896**	65,591	**54,145**	64,838
Cash flow from financing activities					
Net (decrease)/increase in borrowings		**(98,950)**	32,812	**(98,950)**	32,812
Dividends paid		**(14,150)**	(13,500)	**(14,150)**	(13,500)
Net cash (used in)/from financing activities		**(113,100)**	19,312	**(113,100)**	19,312
Net change in cash and cash equivalents		**678,082**	(242,969)	**679,317**	(244,431)
Cash and cash equivalents at 1 January		**602,521**	845,490	**606,108**	850,539
Cash and cash equivalents at 31 December	30	**1,280,603**	602,521	**1,285,425**	606,108

The significant accounting policies and the notes from pages 12 to 70 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

1 GENERAL

Baiduri Bank Berhad (the Bank) is incorporated in Negara Brunei Darussalam with its principal place of business and registered office at Units 1-4, Block A, Kiarong Complex, Lebuhraya Sultan Hassanal Bolkiah, Bandar Seri Begawan BE1318, Negara Brunei Darussalam. The Bank is to carry on the business of banking and related financial services including dealing in investment securities and e-financial services. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors on March 22, 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF FINANCIAL STATEMENTS PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and included the modification of IAS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Guideline No.1/2009 'Provision for Bad and Doubtful Debts' issued pursuant to the Banking Order, 2006 (Modified IFRS).

2.2 BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis, except for certain investment securities and derivative financial instruments classified as held at fair value through profit or loss that have been measured at fair value. The financial statements are presented in Brunei dollars and all values are rounded to the nearest thousand (B$000), except when otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in inventories or value in use for assessing impairment of non financial assets.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 BASIS OF MEASUREMENT (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

2.3 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

2.3.1 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense on all trading assets and liabilities that are considered to be incidental to the Bank's trading operations other derivatives held for risk management purposes and other financial assets or liabilities carried at fair value through profit or loss are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 REVENUE RECOGNITION (cont'd)

2.3.2 Fees and commission

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

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

2.3.3 Other operating income

Other operating income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

2.3.4 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Bank's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.5 FOREIGN CURRENCIES

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 FOREIGN CURRENCIES (cont'd)

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

2.6 TAXATION

2.6.1 Current tax

Current tax payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.6.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 TAXATION (cont'd)

2.6.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

At each year end, the management reassessed the estimated useful lives of various items of property, plant and equipment. The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

Freehold buildings	50 years
Leasehold lands and buildings	Over period of the lease
Leasehold improvements	5 – 20 years
Computers	2 - 8 years
Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.8.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.9 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 FINANCIAL INSTRUMENTS (cont'd)

2.9.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2.9.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 FINANCIAL INSTRUMENTS (cont'd)

2.9.2 Financial assets at FVTPL (cont'd)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 4.

Changes in the fair value of financial assets at FVTPL relating to changes in foreign currency rates and interest income calculated using the effective interest method are recognised in profit or loss.

The fair value of financial assets at FVTPL, that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset.

2.9.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

2.9.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is not significant.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 FINANCIAL INSTRUMENTS (cont'd)

2.9.5 Impairment of loans and receivables

The Group reviews its loan portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

In accordance with a letter from Authoriti Monetari Brunei Darussalam (AMBD) dated 10 September 2015, the Group modified the requirement of IAS 39 Financial Instruments: Recognition and measurement in respect of loan loss provisioning by Guideline No.1/2009 'Provision for Bad and Doubtful Debts' (AMBD Guideline) issued pursuant to the Banking Order, 2006. AMBD required the Group to recognize allowance for impairment losses for loans and receivables at an amount calculated based on the higher of AMBD Guideline or IAS 39. The allowance for impairment is calculated at an individual company level within the Group.

Individually assessed impairment allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. The Group considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 FINANCIAL INSTRUMENTS (cont'd)

2.9.5 Impairment of loans and receivables (cont'd)

In making the assessment for individual impairment, the Group also takes into consideration the minimum impairment required under the following prudential arrangements set out in the AMBD Guideline as below:

- Substandard Accounts (Facilities in Arrears)
  A specific provision to cover the amount of the expected exposure. Such provisioning shall not be less than 20 percent of the amount outstanding in the event such interest has been debited to the loan/overdraft account. At this stage the value of collateral will not be considered.

- Doubtful Accounts (Facilities in Arrears)
  A specific provision to cover the amount of the expected exposure. Such provisioning shall not be less than 50 percent of the amount outstanding, net of realisable value of security in the event such interest has been debited to the loan/overdraft account.

- Loss Accounts (Facilities in Arrears)
  A specific provision equivalent to 100 percent of the amount outstanding, net of realisable security value, if any, in the event such interest has been debited to the loan/overdraft account.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 FINANCIAL INSTRUMENTS (cont'd)

2.9.6 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the group proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

2.9.7 Financial liabilities and equity instruments classifications

Classification as debt or equity

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.9.8 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the entity are recognised at the proceeds received, net of direct issuance costs.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 FINANCIAL INSTRUMENTS (cont'd)

2.9.9 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or/as other financial liabilities.

2.9.10 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 4.5.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 FINANCIAL INSTRUMENTS (cont'd)

2.9.11 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

2.9.12 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 payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of an outflow of resources embodying economic benefits to settle that obligation under the contract; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

2.9.13 Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.9.14 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks (foreign exchange forward contracts).

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 FINANCIAL INSTRUMENTS (cont'd)

2.9.15 Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

2.10 EMPLOYEE BENEFITS

2.10.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

The Group contributes to the Tabung Amanah Pekerja (TAP) and Supplementary Contributory Pension (SCP) scheme. These are the defined contribution plans regulated and managed by the Government of Brunei Darussalam, which applies to all local employees.

2.10.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Provisions for end of service benefits are made periodically based on the entitlements of the employees. The provisions for end of service benefits are calculated on the basis of the number of years serviced by the employees and are charged to the profit and loss statements in the period in which the entitlements arise.

2.10.3 Short-term employee benefits

Short-term employees benefit obligations 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 salary and wages or accumulated paid absence if the Group 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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these financial statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 9 *Financial Instruments*	IFRS 9, published in July 2014, replaces the existing guidance in IAS39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS39. IFRS 9 is effective for annual reporting periods beginning on after 1 January 2018, with early adoption permitted.	The Group has assessed the potential impact on its financial statements resulting from the application of IFRS 9. There is a potential increase in the Financial instruments asset value of approximately BND12.1million as of 31 December 2015.
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* IFRIC 13 *Customer Loyalty Programmes.* IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group does not anticipate that the application of IFRS 15 will have a material impact on its financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 16 *Leases*	IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the IAS 17 operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor. When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, IFRIC 4 *Determining whether an Arrangement contains a Lease*; SIC 15 *Operating Leases—Incentives*; and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied.	The Group does not anticipate that the application of IFRS 16 will have a material impact on its financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)

The following new or amended standards are not expected to have a significant impact on the Group's financial statements.

- IFRS 14 *Regulatory Deferral Accounts.*
- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).*
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*
- *Equity Method in Separate Financial Statements (Amendments to IAS 27).*
- *Sale or Contribution of Assets between Investors and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*
- *Annual Improvements to IFRSs 2012-2014 Cycle - various standards*
- *Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).*
- *Disclosure Initiative (Amendments to IAS 1)*
- *Agriculture Bearer Plants (Amendments to IAS 16 and IAS 41).*

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY (cont'd)

3.1 Critical judgements in applying accounting policies

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In designating financial assets or liabilities as at FVTPL, the Group has determined that it has met one of the criteria for this designation.
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date.

The following are the critical judgements, estimations (as below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Individually assessed impairment allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. The Group maintained provision for impairment allowances in accordance with Modified IFRS after taking into consideration the minimum impairment required under the prudential framework set out in the AMBD Guideline.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY (cont'd)

3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value estimation

Determination of the fair value of financial instruments with significant unobservable inputs with assumptions and estimations uncertainty are set out in note 4.5 Fair Value Measurements.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES

4.1 CAPITAL MANAGEMENT

The Group's regulator, Autoriti Monetari Brunei Darussalam sets and monitors capital requirements for the Group.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group's overall strategy remains unchanged from the previous financial year.

The capital structure of the Group consists of equity of the Bank (comprising issued capital, reserves, and retained earnings).

The Group has complied with all imposed capital requirements for the financial years ended December 31, 2015 and 2016. Management monitors capital based on "capital funds" as defined under the Banking Order, 2006.

	Bank		Group	
	2016	2015	**2016**	2015
	B$'000	B$'000	**B$'000**	B$'000
Capital				
Core Capital (Tier I Capital)	**310,633**	280,023	**426,237**	399,703
Supplementary Capital (Tier II Capital)	**21,122**	17,476	**23,440**	19,457
Less: Investment in Subsidiaries	**(27,949)**	(27,449)	**-**	-
Total Capital base	**303,806**	270,050	**449,677**	419,160
Risk-weighted amount				
Risk-Weighted amount for Credit Risk	**1,505,702**	1,386,087	**2,413,824**	2,311,207
Risk-Weighted amount for Operational Risk	**162,790**	153,685	**229,747**	234,106
Total Risk-weighted amount	**1,668,492**	1,539,772	**2,643,571**	2,545,313
Capital Ratios				
Core Capital (Tier I) Ratio, %	**18.62%**	18.18%	**16.12%**	15.70%
Total Capital Ratio, %	**18.21%**	17.54%	**17.01%**	16.47%

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES

4.2 CATEGORIES OF FINANCIAL INSTRUMENTS

	2016				2015			
Bank	**At Fair Value Thru Profit or Loss B$'000**	**Loans and Receivables B$'000**	**At Amortised Cost B$'000**	**Carrying Amount B$'000**	**At Fair Value Thru Profit or Loss B$'000**	**Loans and Receivables B$'000**	**At Amortised Cost B$'000**	**Carrying Amount B$'000**
Financial Assets								
Cash and Short Term Funds	-	-	1,645,114	**1,645,114**	-	-	840,346	840,346
Balances with AMBD	-	-	154,305	**154,305**	-	-	117,290	117,290
Derivative assets	386	-	-	**386**	7	-	-	7
Government Sukuk	-	-	24,524	**24,524**	-	-	9,922	9,922
Investment Securities	41,739		79,323	**121,062**	61,586		135,004	196,590
Loans and Advances	-	1,112,770	-	**1,112,770**	-	1,147,787	-	1,147,787
Others Assets	-	-	11,315	**11,315**	-	-	10,483	10,483
Total Financial Assets	**42,125**	**1,112,770**	**1,914,581**	**3,069,476**	61,593	1,147,787	1,113,045	2,322,425
Financial Liabilities								
Deposits from Customers	17,282	-	2,495,875	**2,513,157**	17,078	-	1,690,194	1,707,272
Deposits from Banks and Other Financial Institutions	-	-	205,794	**205,794**	-	-	200,399	200,399
Derivative Liabilities	359	-	-	**359**	243	-	-	243
Borrowings	-	-	-	**-**	-	-	98,950	98,950
Group balances Payable	-	-	4,865	**4,865**	-	-	9,956	9,956
Other liabilities	-	-	51,838	**51,838**	-	-	44,143	44,143
Total Financial Liabilities	**17,641**	**-**	**2,758,372**	**2,776,013**	17,321	-	2,043,642	2,060,963

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES

4.2 CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd)

	2016				2015			
Group	**At Fair Value Thru Profit or Loss B$'000**	**Loans and Receivables B$'000**	**At Amortised Cost B$'000**	**Carrying Amount B$'000**	**At Fair Value Thru Profit or Loss B$'000**	**Loans and Receivables B$'000**	**At Amortised Cost B$'000**	**Carrying Amount B$'000**
Financial Assets								
Cash and Short Term Funds	-	-	1,649,937	**1,649,937**	-	-	843,933	843,933
Balances with AMBD	-	-	213,131	**213,131**	-	-	175,375	175,375
Derivative assets	386	-	-	**386**	7	-	-	7
Government Sukuk	-	-	24,524	**24,524**	-	-	9,922	9,922
Investment Securities	41,739		79,323	**121,062**	61,586		135,004	196,590
Loans and Advances	-	1,984,040	-	**1,984,040**	-	2,036,487	-	2,036,487
Others Assets	-	-	42,654	**42,654**	-	-	45,232	45,232
Total Financial Assets	**42,125**	**1,984,040**	**2,009,569**	**4,035,734**	61,593	2,036,487	1,209,466	3,307,546
Financial Liabilities								
Deposits from Customers	17,282	-	3,495,928	**3,513,210**	17,078	-	2,671,759	2,688,837
Deposits from Banks and Other Financial Institutions	-	-	6,445	**6,445**	-	-	38,450	38,450
Derivative Liabilities	359	-	-	**359**	243	-	-	243
Borrowings	-	-	-	**-**	-	-	98,950	98,950
Other liabilities	-	-	57,315	**57,315**	-	-	49,822	49,822
Total Financial Liabilities	**17,641**	**-**	**3,559,688**	**3,577,329**	17,321	-	2,858,981	2,876,302

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.3 FINANCIAL INSTRUMENTS SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

Group and Bank	Gross amounts of Recognised Financial Asset/ Liability	Gross amounts of recognised Financial liabilities/Assets set off in the Statement of Financial position	Net amounts of Financial Assets presented in the Statement of Financial position	Related Amounts not set off in the Statement of Financial Position		
				Financial Instruments	Cash Collateral received	Net amount
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2016						
Type of Financial Asset						
Other Assets: Rental income receivable	3	-	3	-	3	-
	3	-	3	-	3	-
Type of Financial Liability						
Other Liabilities: Refundable deposits from Tenants	5	-	5	-	3	2
	5	-	5	-	3	2
2015						
Type of Financial Asset						
Other Assets: Rental income receivable	6	-	6	-	6	-
	6	-	6	-	6	-
Type of Financial Liability						
Other Liabilities: Refundable deposits from Tenants	16	-	16	-	6	10
	16	-	16	-	6	10

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

- credit risk;
- liquidity risk;
- market risks; and
- operational risks.

Risk management framework

The Group's Board of Directors has appointed the Executive Committee (EXCO) to have overall responsibility for the establishment and oversight of the Group's risk management framework and the Audit and Risk Committee (ARC) to control the EXCO. The EXCO has established the Asset and Liability committee (ALCO) and the Credit Committee, which is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's ARC oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's ARC is assisted in its oversight role by the Internal Audit function. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, and reports to the ARC.

Credit risk

Credit risk is the risk of financial losses to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposures (such as individual obligor default risk and sector risk).

The EXCO approves major prudential policies and limits that govern large customer exposures and industry concentration. The EXCO appoints the Group's Credit Committee who would work with the business lines to ensure that approved policies are applied appropriately and optimal returns on the Group's risk exposure are being achieved.

In respect of its lending-related activities, management regularly reviews the amount of risk accepted in relation to one borrower or groups of borrowers, the industry segments, the level of non-performing loans and the adequacy of provisioning.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Exposure to credit risk is also managed in part by obtaining collateral. Some of the assets typically included as collateral are properties, assignment of leases and rental income, assignment of contract payments, salaries and deposit placements.

Concentration of credit risk

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances and other commitments is shown below.

	Loans and Advances		Contingent and Other Commitments		Total	
Bank	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Agriculture	**4,818**	3,146	**7,347**	6,835	**12,165**	9,981
Constructions and Property Financing	**367,480**	355,944	**117,988**	123,953	**485,468**	479,897
Financial	**186**	616	**106,217**	242,504	**106,403**	243,120
Infrastructure	**13,497**	41,186	**25,593**	55,152	**39,090**	96,338
Manufacturing	**65,575**	101,503	**37,754**	28,498	**103,329**	130,001
Personal and Consumption Loans	**207,318**	197,002	**245,920**	231,863	**453,238**	428,865
Services	**140,139**	138,668	**238,860**	215,968	**378,999**	354,636
Telecommunication and Information Technology	**8,391**	8,152	**17,519**	12,782	**25,910**	20,934
Tourism	**8,042**	7,844	**8,029**	3,767	**16,071**	11,611
Traders	**162,105**	145,352	**192,933**	163,296	**355,038**	308,648
Transportation	**197,423**	208,158	**61,179**	67,739	**258,602**	275,897
Total	**1,174,974**	1,207,571	**1,059,339**	1,152,357	**2,234,313**	2,359,928

	Loans and Advances		Contingent and Other Commitments		Total	
Group	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Agriculture	**4,818**	3,146	**7,347**	6,835	**12,165**	9,981
Constructions and Property Financing	**367,480**	355,944	**117,988**	123,953	**485,468**	479,897
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Personal and Consumption Loans	**207,318**	197,002	**245,920**	231,863	**453,238**	428,865
Services	**140,139**	138,668	**238,860**	215,968	**378,999**	354,636
Telecommunication and Information Technology	**8,391**	8,152	**17,519**	12,782	**25,910**	20,934
Tourism	**8,042**	7,844	**8,029**	3,767	**16,071**	11,611
Traders	**162,105**	145,352	**192,933**	163,296	**355,038**	308,648
Transportation	**1,074,310**	1,101,678	**61,179**	67,739	**1,135,489**	1,169,417
Total	**2,051,861**	2,101,091	**1,059,339**	1,152,357	**3,111,200**	3,253,448

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Impaired loans and advances

The Bank regards a loan and advance as non performing if it is in arrears for more than 3 months.

Bank	Total Credit Exposure		Non Performing Loans		%	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	B$'000	B$'000	**B$'000**	B$'000		
Agriculture	**12,165**	9,981	**-**	28	**0.00%**	0.28%
Constructions and Property Financing	**485,468**	479,897	**13,807**	14,085	**2.84%**	2.94%
Financial	**106,403**	243,120	**-**	-	**0.00%**	0.00%
Infrastructure	**39,090**	96,338	**369**	5,945	**0.94%**	6.17%
Manufacturing	**103,329**	130,001	**4,197**	4,092	**4.06%**	3.15%
Personal and Consumption Loans	**453,238**	428,865	**18,014**	23,236	**3.97%**	5.42%
Services	**378,999**	354,636	**12,966**	13,909	**3.42%**	3.92%
Telecommunication and Information Technology	**25,910**	20,934	**-**	-	**0.00%**	0.00%
Tourism	**16,071**	11,611	**-**	-	**0.00%**	0.00%
Traders	**355,038**	308,648	**9,101**	9,973	**2.56%**	3.23%
Transportation	**258,602**	275,897	**-**	2,411	**0.00%**	0.87%
Total	**2,234,313**	2,359,928	**58,454**	73,679		

Group	Total Credit Exposure		Non Performing Loans		%	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	B$'000	B$'000	**B$'000**	B$'000		
Agriculture	**12,165**	9,981	**-**	28	**0.00%**	0.28%
Constructions and Property Financing	**485,468**	479,897	**13,807**	14,085	**2.84%**	2.94%
Financial	**106,403**	243,120	**-**	-	**0.00%**	0.00%
Infrastructure	**39,090**	96,338	**369**	5,945	**0.94%**	6.17%
Manufacturing	**103,329**	130,001	**4,197**	4,092	**4.06%**	3.15%
Personal and Consumption Loans	**453,238**	428,865	**18,014**	23,236	**3.97%**	5.42%
Services	**378,999**	354,636	**12,966**	13,909	**3.42%**	3.92%
Telecommunication and Information Technology	**25,910**	20,934	**-**	-	**0.00%**	0.00%
Tourism	**16,071**	11,611	**-**	-	**0.00%**	0.00%
Traders	**355,038**	308,648	**9,101**	9,973	**2.56%**	3.23%
Transportation	**1,135,489**	1,169,417	**13,614**	14,810	**1.20%**	1.27%
Total	**3,111,200**	3,253,448	**72,068**	86,078		

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

The table below sets out a reconciliation of changes in the carrying amount of impaired loans and advances.

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Impaired loans and receivables at 1 January	**73,679**	52,908	**86,078**	65,433
Classified as impaired during the year	**10,684**	26,732	**41,732**	64,868
Transferred to not impaired during the year	**(18,085)**	(2,086)	**(37,958)**	(30,101)
Amount written off/recovered	**(7,824)**	(3,875)	**(17,784)**	(14,122)
Impaired loans and receivables at 31 December	**58,454**	73,679	**72,068**	86,078

Past due but not impaired loans and advances

Past due but not impaired loans, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of historical experience.

	Bank				Group			
	2016		2015		2016		2015	
	B$'000	**% of Gross Loans and advances**	**B$'000**	**% of Gross Loans and advances**	**B$'000**	**% of Gross Loans and advances**	**B$'000**	**% of Gross Loans and advances**
By Ageing:								
Month-in-arrears 1	**6,772**	**0.58**	10,066	0.83	**84,927**	**4.14**	101,219	4.82
Month-in-arrears 2	**4,090**	**0.35**	1,410	0.12	**19,949**	**0.97**	21,665	1.03
Total	**10,862**		11,476		**104,876**		122,884	

Impaired loans and advances

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Individually assessed	**58,454**	73,679	**72,068**	86,078
of which:				
Month-in-arrears 1	**-**	-	**-**	-
Month-in-arrears 2	**-**	-	**-**	-
Month-in-arrears 3 and above	**58,454**	73,679	**72,068**	86,078

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Loans with renegotiated terms and the Bank's forbearance Practice

When there is deterioration in the borrower's financial position, loans may be restructured with renegotiated terms where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance practise in order to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance practise, loan forbearance is granted on an elective basis in situation where the debtor is currently in default on its debt, or where there is a high risk of default.

The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants.

Both retail and corporate loans are subject to the forbearance practice.

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
Renegotiated loans and advances	**3,020**	3,876	**10,280**	10,180

Write-off policy

The Group writes off a loan and advances balance, and any related allowances for impairment losses, when the Group's management determines that the loan or security is uncollectible and all necessary actions have been taken. This determination is made after considering information such as the borrower's / issuer's latest financial position and chances of its ability to settle the obligation, the legal status, and /or proceeds from other collateral is minimum and will not be sufficient to pay back the entire exposure. Such proposal is proposed by the Legal and Recovery section and approved by the Management.

The Group's credit policy is in compliance with the Autoriti Monetari Brunei Darussalam's regulations and the laws of Brunei Darussalam.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Collateral held and other credit enhancements and their financial effect

The Group holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

		Bank			Group		
Type of Credit Exposure	**Principal Type of Collateral Held for Secured Lending**	**Loans and Advances**	**Financial Effect of Collateral Held**	**Net exposure from Loans and Advances**	**Loans and Advances**	**Financial Effect of Collateral Held**	**Net exposure from Loans and Advances**
		B$'000	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**
2016							
Agriculture	Cash / Property	4,818	4,806	**12**	4,818	4,806	**12**
Constructions and Property Financing	Mortgage / Cash	367,480	324,619	**42,861**	367,480	324,619	**42,861**
Financial	Cash / Property	186	186	**-**	186	186	**-**
Infrastructure	Cash / Property	13,497	13,018	**479**	13,497	13,018	**479**
Manufacturing	Cash / Debenture	65,575	41,278	**24,297**	65,575	41,278	**24,297**
Personal and Consumption Loans	Cash / Property	207,318	34,268	**173,050**	207,318	34,268	**173,050**
Services	Property / Cash	140,139	102,237	**37,902**	140,139	102,237	**37,902**
Telecommunication and Information Technology	Cash / Property	8,391	6,648	**1,743**	8,391	6,648	**1,743**
Tourism	Property / Debentures	8,042	7,784	**258**	8,042	7,784	**258**
Traders	Property / Cash	162,105	97,526	**64,579**	162,105	97,526	**64,579**
Transportation	Debentures / Property	197,423	120,224	**77,199**	1,074,310	560,564	**513,746**
Total		**1,174,974**	**752,594**	**422,380**	**2,051,861**	**1,192,934**	**858,927**

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Collateral held and other credit enhancements and their financial effect (cont'd)

		Bank			Group		
Type of Credit Exposure	**Principal Type of Collateral Held for Secured Lending**	**Loans and Advances**	**Financial Effect of Collateral Held**	**Net exposure from Loans and Advances**	**Loans and Advances**	**Financial Effect of Collateral Held**	**Net exposure from Loans and Advances**
		B$'000	**B$'000**	**B$'000**	**B$'000**	**B$'000**	**B$'000**
2015							
Agriculture	Debentures / Cash	3,146	3,069	77	3,146	3,069	77
Constructions and Property Financing	Property / Debentures	355,944	310,077	45,867	355,944	310,077	45,867
Financial		616	616	-	616	616	-
Infrastructure	Cash / Debentures	41,186	22,470	18,716	41,186	22,470	18,716
Manufacturing	Debentures / Cash	56,503	37,841	18,662	56,503	37,841	18,662
Personal and Consumption Loans	Cash / Property	197,002	37,176	159,826	197,002	37,176	159,826
Services	Debentures / Cash	183,668	93,955	89,713	183,668	93,955	89,713
Telecommunication and Information Technology	Cash / Property	8,152	6,805	1,347	8,152	6,805	1,347
Tourism	Property / Debentures	7,844	7,312	532	7,844	7,312	532
Traders	Property / Cash	145,352	91,416	53,936	145,352	91,416	53,936
Transportation	Debentures / Cash	208,158	120,255	87,903	1,101,679	568,950	532,729
Total		1,207,571	730,992	476,579	2,101,092	1,179,687	921,405

Cash and cash equivalents

The Group held cash and cash equivalents of B$1,285,425,000 at December 31 2016 (2015: B$606,108,000). Most of the cash and cash equivalents, except deposits with the Autoriti Monetari Brunei Darussalam, are held with bank and financial institution counterparties which are rated at least with an investment grade.

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Liquidity risk

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

Management of liquidity risk

The Group's ALCO sets the Group's strategy for managing liquidity risk and has the responsibility for the oversight of the implementation of this policy. Treasury manages the Group's liquidity position on a day-to- day basis and reviews daily reports covering the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to the management and ALCO.

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

The key elements of the Group's liquidity strategy are as follows:
- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities with other banks;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity; and
- Monitoring liquidity ratios, maturity mismatches behavioural characteristics of the Group's financial assets and liabilities.

Treasury receives information from other business units and reports from the system regarding the liquidity profile of financial assets and liabilities and details of other projected cash flows arising from projected future businesses. Treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, money market placements with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group. The liquidity requirements of business units are centrally managed by the Treasury department to cover any short-term fluctuations and longer term funding requirements.

Treasury monitors compliance with local regulatory limits on a daily basis.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of liquid assets to deposits from customers and short term liabilities. For this purpose liquid assets are considered as including cash and cash equivalents, bank placements and debt securities for which there is an active and liquid market.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

A similar, but not identical, calculation is used to measure the Bank's compliance with the Assets Management Ratio (AMR) requirements established by the regulator, Autoriti Monetari Brunei Darussalam.

Maturity analysis for financial assets and liabilities

The tables below set out the remaining contractual maturities of the Bank and the Group's financial assets and financial liabilities.

Bank	Carrying Amount	Gross Nominal inflow/ (outflow)	Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2016								
Non-Derivative Assets								
Cash	**32,230**	**32,230**	32,230	-	-	-	-	-
Due from Banks / AMBD	**1,767,189**	**1,775,105**	1,459,125	73,506	92,286	113,132	37,049	7
Government Sukuk	**24,524**	**24,620**	14,620	-	10,000	-	-	-
Investment Securities	**121,062**	**125,959**	19,767	530	21,052	75,014	9,596	-
Loans and Advances	**1,112,770**	**1,271,345**	156,363	89,239	92,740	433,025	204,752	295,226
Other On Balance sheet assets	**11,315**	**11,315**	13	-	10,932	370	-	-
Other Off Balance sheet assets	**110,366**	**110,366**	110,366	-	-	-	-	-
Total	**3,179,456**	**3,350,940**	**1,792,484**	**163,275**	**227,010**	**621,541**	**251,397**	**295,233**
Non-Derivative Liabilities								
Deposits	**2,718,951**	**2,730,048**	1,051,924	420,608	496,444	722,221	38,851	-
Group balances payable	**4,865**	**4,865**	4,865	-	-	-	-	-
Other On Balance sheet liabilities	**51,838**	**51,838**	1,179	-	-	44,198	239	6,222
Other Off Balance sheet liabilities	**110,366**	**110,366**	110,366	-	-	-	-	-
Undrawn Credit Lines	**750,961**	**750,961**	750,961	-	-	-	-	-
Total	**3,636,981**	**3,648,078**	**1,919,295**	**420,608**	**496,444**	**766,419**	**39,090**	**6,222**
Net cash inflow/(outflow)	**(457,525)**	**(297,138)**	**(126,811)**	**(257,333)**	**(269,434)**	**(144,878)**	**212,307**	**289,011**
Derivative Financial Instruments								
- Outflow	**386**	**29,296**	**1,761**	**23,187**	**4,348**	-	-	-
- Inflow	**359**	**29,490**	**1,710**	**23,276**	**4,504**	-	-	-

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Group	Carrying Amount	Gross Nominal inflow/ (outflow)	Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2016								
Non-Derivative Assets								
Cash	**34,954**	**34,954**	34,954	-	-	-	-	-
Due from Banks / AMBD	**1,828,114**	**1,836,030**	1,520,050	73,506	92,286	113,132	37,049	7
Government Sukuk	**24,524**	**24,620**	14,620	-	10,000	-	-	-
Investment Securities	**121,062**	**125,959**	19,767	530	21,052	75,014	9,596	-
Loans and Advances	**1,984,040**	**2,346,101**	224,233	155,690	220,332	882,196	486,899	376,751
Other On Balance sheet assets	**42,654**	**42,654**	2,587	2,396	15,293	13,732	7,025	1,621
Other Off Balance sheet assets	**110,366**	**110,366**	110,366	-	-	-	-	-
Total	**4,145,714**	**4,520,684**	**1,926,577**	**232,122**	**358,963**	**1,084,074**	**540,569**	**378,379**
Non-Derivative Liabilities								
Deposits	**3,519,655**	**3,541,198**	1,207,100	423,814	641,204	1,230,229	38,851	-
Other On Balance sheet liabilities	**57,315**	**57,315**	6,656	-	-	44,198	239	6,222
Other Off Balance sheet liabilities	**110,366**	**110,366**	110,366	-	-	-	-	-
Undrawn Credit Lines	**750,961**	**750,961**	750,961	-	-	-	-	-
Total	**4,438,297**	**4,459,840**	**2,075,083**	**423,814**	**641,204**	**1,274,427**	**39,090**	**6,222**
Net cash inflow/(outflow)	**(292,583)**	**60,844**	**(148,506)**	**(191,692)**	**(282,241)**	**(190,353)**	**501,479**	**372,157**
Derivative Financial Instruments								
- Outflow	**386**	**29,296**	**1,761**	**23,187**	**4,348**	-	-	-
- Inflow	**359**	**29,490**	**1,710**	**23,276**	**4,504**	-	-	-

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Bank	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
2015								
Non-Derivative Assets								
Cash	28,270	28,270	28,270	-	-	-	-	-
Due from Banks / AMBD	929,366	999,391	871,921	24,990	42,906	39,728	19,844	2
Government Sukuk	9,922	10,000	-	-	10,000	-	-	-
Investment Securities	196,590	206,692	18,122	18,882	32,086	88,695	48,907	-
Loans and Advances	1,147,787	1,308,446	147,648	91,414	77,713	425,298	245,448	320,925
Other On Balance sheet assets	10,483	10,483	30	-	10,084	369	-	-
Other Off Balance sheet assets	97,748	97,748	97,748	-	-	-	-	-
Total	2,420,166	2,661,030	1,163,739	135,286	172,789	554,090	314,199	320,927
Non-Derivative Liabilities								
Deposits	1,907,672	1,915,819	675,023	315,753	181,443	295,782	447,452	366
Borrowings	98,950	98,950	98,950	-	-	-	-	-
Group balances payable	9,956	9,956	9,956	-	-	-	-	-
Other On Balance sheet liabilities	44,143	44,143	877	-	-	42,894	372	-
Other Off Balance sheet liabilities	97,748	97,748	97,748	-	-	-	-	-
Undrawn Credit Lines	691,716	691,716	691,716	-	-	-	-	-
Total	2,850,185	2,858,332	1,574,270	315,753	181,443	338,676	447,824	366
Net cash inflow/(outflow)	(430,019)	(197,302)	(410,531)	(180,467)	(8,654)	215,414	(133,625)	320,561
Derivative Financial Instruments								
- Outflow	7	14,304	4,432	6,850	3,022	-	-	-
- Inflow	243	14,147	4,364	6,800	2,983	-	-	-

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4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Group	Carrying Amount	Gross Nominal inflow/ (outflow)	Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2015								
Non-Derivative Assets								
Cash	31,083	31,083	31,083	-	-	-	-	-
Due from Banks / AMBD	988,225	1,008,074	930,926	77,148	-	-	-	-
Government Sukuk	9,922	10,000	-	-	10,000	-	-	-
Investment Securities	196,590	206,692	18,122	18,882	32,086	88,695	48,907	-
Loans and Advances	2,036,486	2,394,754	215,501	157,645	205,202	875,670	540,251	400,485
Other On Balance sheet assets	194	44,858	34,405	-	10,084	369	-	-
Other Off Balance sheet assets	97,748	97,748	97,748	-	-	-	-	-
Total	3,360,248	3,793,209	1,327,785	253,675	257,372	964,734	589,158	400,485
Non-Derivative Liabilities								
Deposits	923,413	2,745,805	853,080	317,017	367,473	783,480	424,389	366
Borrowings	98,950	98,950	98,950	-	-	-	-	-
Other On Balance sheet liabilities	49,822	49,822	6,556	-	-	42,894	372	-
Other Off Balance sheet liabilities	97,748	97,748	97,748	-	-	-	-	-
Undrawn Credit Lines	691,716	691,716	691,716	-	-	-	-	-
Total	1,861,649	3,684,041	1,748,050	317,017	367,473	826,374	424,761	366
Net cash inflow/(outflow)	1,498,599	109,168	(420,265)	(63,342)	(110,101)	138,360	164,397	400,119
Derivative Financial Instruments								
- Outflow	7	14,304	4,432	6,850	3,022	-	-	-
- Inflow	243	14,147	4,364	6,800	2,983	-	-	-

The above tables show the undiscounted cash flows on the Bank's non-derivative financial assets and liabilities, including issued financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

The gross nominal inflows / (outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to derivative financial liabilities and assets held for risk management purposes. The disclosure shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts).

As part of the management of its liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and debt securities for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with banks and holds unencumbered assets eligible for use as collateral.

Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the value of the Group's holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Group's solvency while optimising the return on risk.

Management of market risks

Overall authority for market risk is vested in the Management Committee. Management may set up limits for each type of risk in aggregate and for portfolios and is responsible for the day-to-day review of their implementation.

The Group monitors and limits market risk exposures through weekly management meetings.

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed to is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps by the management and it is assisted by the Treasury in its day-to-day monitoring activities. A summary of the Group's interest rate bearing assets and liabilities position on the non-trading positions based on earlier of repricing or maturity dates is as follows:

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4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Bank	Carrying Amount	Non-Interest Bearing	Interest Bearing: Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2016								
Financial assets								
Cash	**32,230**	32,230	-	-	-	-	-	-
Due from Banks / AMBD	**1,767,189**	259,928	1,296,506	47,857	63,048	68,265	31,585	-
Government Sukuk	**24,524**	-	14,611	-	9,913	-	-	-
Investment Securities	**121,062**	-	19,369	-	19,169	73,108	9,416	-
Loans and Advances	**1,112,770**	-	134,249	77,540	73,486	371,940	169,365	286,190
Other assets	**11,315**	11,315	-	-	-	-	-	-
Total	**3,069,090**	**303,473**	**1,464,735**	**125,397**	**165,616**	**513,313**	**210,366**	**286,190**
Financial Liabilities								
Deposits	**2,718,951**	894,593	835,822	344,179	268,023	340,901	35,433	-
Group balances payable	**4,865**	4,865	-	-	-	-	-	-
Other Liabilities	**51,838**	51,838	-	-	-	-	-	-
Total	**2,775,654**	**951,296**	**835,822**	**344,179**	**268,023**	**340,901**	**35,433**	**-**
2015								
Financial assets								
Cash	28,270	28,270	-	-	-	-	-	-
Due from Banks / AMBD	929,366	167,466	703,499	6,343	24,336	10,083	17,639	-
Government Sukuk	9,922	-	-	-	9,922	-	-	-
Investment Securities	196,590	-	16,669	18,277	30,611	83,752	47,281	-
Loans and Advances	1,147,787	-	128,606	84,058	59,418	365,160	218,579	291,966
Other assets	10,483	10,483	-	-	-	-	-	-
Total	2,322,418	206,219	848,774	108,678	124,287	458,995	283,499	291,966
Financial Liabilities								
Deposits	1,907,671	646,355	556,593	262,049	127,562	135,376	179,411	325
Borrowings	98,950	-	98,950	-	-	-	-	-
Group balances payable	9,956	9,956	-	-	-	-	-	-
Other Liabilities	44,143	44,143	-	-	-	-	-	-
Total	2,060,720	700,454	655,543	262,049	127,562	135,376	179,411	325

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4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Group	Carrying Amount	Non-Interest Bearing	Interest Bearing					
			Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
2016								
Financial assets								
Cash	**34,954**	34,954	-	-	-	-	-	-
Due from Banks / AMBD	**1,828,114**	320,853	1,296,506	47,857	63,048	68,265	31,585	-
Government Sukuk	**24,524**	-	14,611	-	9,913	-	-	-
Investment Securities	**121,062**	-	19,369	-	19,169	73,108	9,416	-
Loans and Advances	**1,984,040**	-	194,805	130,658	183,172	737,812	388,298	349,295
Other assets	**42,654**	42,654	-	-	-	-	-	-
Total	**4,035,348**	**398,461**	**1,525,291**	**178,515**	**275,302**	**879,185**	**429,299**	**349,295**
Financial Liabilities								
Deposits	**3,519,655**	839,581	993,086	355,781	431,254	864,520	35,433	-
Other Liabilities	**57,315**	57,315	-	-	-	-	-	-
Total	**3,576,970**	**896,896**	**993,086**	**355,781**	**431,254**	**864,520**	**35,433**	**-**
2015								
Financial assets								
Cash	31,083	31,083	-	-	-	-	-	-
Due from Banks / AMBD	988,225	225,551	704,273	6,343	24,336	10,083	17,639	-
Government Sukuk	9,922	-	-	-	9,922	-	-	-
Investment Securities	196,590	-	16,669	18,277	30,611	83,752	47,281	-
Loans and Advances	2,036,486	-	188,478	139,280	168,784	732,334	448,194	359,416
Other assets	45,232	45,232	-	-	-	-	-	-
Total	3,307,538	301,866	909,420	163,900	233,653	826,169	513,114	359,416
Financial Liabilities								
Deposits	2,727,287	592,850	698,653	283,399	298,155	674,492	179,411	327
Borrowings	98,950	-	98,950	-	-	-	-	-
Other Liabilities	49,822	49,822	-	-	-	-	-	-
Total	2,876,059	642,672	797,603	283,399	298,155	674,492	179,411	327

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

The management of interest rate risk is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various interest rate scenarios. Scenarios that are considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in all yield curves.

Interest rate movements affect reported retained earnings due to increases or decreases in net interest income and the fair value changes reported in profit or loss.

If interest rates had been 10 basis points higher or lower and all other variables were held constant, the Bank/Group's projected net interest income for the year ended December 31, 2016 would increase by:

	Bank		Group	
	+0.10% B$'000	-0.10% B$'000	+0.10% B$'000	-0.10% B$'000
As at 31 December 2016	**331**	**(331)**	**(517)**	**517**
As at 31 December 2015	315	(315)	(533)	533

Overall non-trading interest rate risk positions are managed by Treasury and Finance department which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's activities.

Foreign exchange risk

Foreign exchange risk is the risk to earnings and value of financial instruments caused by fluctuations in foreign exchange rates.

Currency risks primarily arise for the fluctuation in the exchange rates on the open position of the Bank for all currencies other than its functional currency. The main dealing currencies of the Group are BND against major currencies, including USD, GBP, SGD and AUD. The Group is not exposed to foreign exchange risk for SGD due to the Currency Interchangeability Agreement between Singapore and Brunei Darussalam which interchange the two currencies at par. The Group has limited foreign exchange transactions and does not hold speculative trading positions. The Group manages the foreign exchange risk by monitoring the exposure against limits set by ALCO.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Bank and Group	USD B$'000	GBP B$'000	AUD B$'000	Others B$'000
2016				
Financial Assets				
Cash	870	483	228	1,072
Due from Banks / AMBD	27,994	23,155	49,629	34,576
Investment Securities	-	-	-	-
Loans and Advances	143,549	-	-	-
Others	-	-	-	-
Total	**172,413**	**23,638**	**49,857**	**35,648**
Financial Liabilities				
Deposits	167,537	23,757	50,237	18,348
Borrowings	-	-	-	-
Others	60	2	-	24
Total	**167,597**	**23,759**	**50,237**	**18,372**
Off Balance Sheet Derivative Financial instruments	**(10,686)**	**-**	**30**	**(17,874)**
2015				
Financial Assets				
Cash	613	392	248	673
Due from Banks / AMBD	132,684	8,617	42,851	19,935
Investment Securities	-	-	-	-
Loans and Advances	145,122	-	-	-
Others	-	-	-	-
Total	278,419	9,009	43,099	20,608
Financial Liabilities				
Deposits	173,034	9,001	43,510	17,148
Borrowings	98,938	-	-	-
Others	408	-	-	25
Total	272,380	9,001	43,510	17,173
Off Balance Sheet Derivative Financial instruments	12,334	-	418	3,823

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

The estimated impact for the Bank for a 10% change in the foreign exchange rates (USD, GBP, AUD and others) against BND is shown below:

Bank and Group	**USD**	**GBP**	**AUD**	**Others**
	+/- 10%	**+/- 10%**	**+/- 10%**	**+/- 10%**
	B$'000	**B$'000**	**B$'000**	**B$'000**
As at 31 December 2016	**(587)**	**(12)**	**(35)**	**(60)**
As at 31 December 2015	(375)	1	1	29

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group's policy requires compliance with all applicable legal and regulatory requirements.

The Executive Committee ("EXCO") has delegated responsibility for operational risk to its Deputy General Manager of the Operations Management Division (OMD) who is responsible for the development and implementation of procedures and processes to address operational risk.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.5 FAIR VALUE MEASUREMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Bank and Group	Fair Value as at 2016 B$'000	Fair Value as at 2015 B$'000	Level of the Fair Value Hierarchy	Valuation Technique(s) & Key input(s)	Significant unobservable input(s)	Relationship of Unobservable inputs to Fair value
Assets						
Investment securities	**41,550**	61,397	3	Valuation performed by Broker	Quotations from Brokers	An increase in the quotation from the broker would increase the value of the investment by equivalent rate
Investment securities	**189**	189	1	Share prices	-	-
Derivative assets	**386**	7	2	Reuters Quote	-	-
Total	**42,125**	61,593				
Liabilities						
Deposits from customers	**17,282**	17,128	3	Valuation performed by Broker	Quotations from Brokers	An increase in the quotation from the broker would increase the value of the investment by equivalent rate
Derivative liabilities	**359**	243	2	Reuters Quote	-	-
Total	**17,641**	17,371				

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4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.5 FAIR VALUE MEASUREMENTS (cont'd)

Reconciliation of Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	Bank and Group	
	2016	**2015**
	B$'000	**B$'000**
Investment Securities		
Opening balance as at 1 January	**61,397**	130,702
Total Gains or Losses included in Profit or Loss for the year:		
- Net income from other Financial instruments at Fair value through Profit or Loss	**153**	(944)
Purchases during the year	**-**	9,596
Settlements during the year	**(20,000)**	(77,957)
Balance as at 31 December	**41,550**	61,397

	Bank and Group	
	2016	**2015**
	B$'000	**B$'000**
Deposits		
Opening balance as at 1 January	**17,128**	38,311
Total Gains or Losses included in Profit or Loss for the year:		
- Net income from other Financial instruments at Fair value through Profit or Loss	**154**	(297)
Placements during the year	**-**	9,596
Settlements during the year	**-**	(30,482)
Balance as at 31 December	**17,282**	17,128

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.5 FAIR VALUE MEASUREMENTS (cont'd)

Financial assets and financial liabilities not measured at fair value on the statement of financial position

Fair value of financial instruments

Where possible, fair values have been estimated using market prices for financial instruments. Where market prices are not available, fair values have been estimated using quoted prices for financial instruments with similar characteristics, or otherwise using a suitable valuation technique where practicable to do so. The fair value information presented represents the Group's best estimate of those values and may be subject to certain assumptions and limitations.

Methodologies

The methodologies and assumptions used in estimating fair values depend on the terms and risk characteristics of the various instruments and include the following:

Financial instruments for which carrying value approximates fair value

These include cash and balances with AMBD, deposits from customers, deposits from banks and other financial institutions, loans and advances and intercompany balances which reprice generally within six months of the reporting date, and accrued interest receivable and payable. The carrying value of these financial instruments is an approximation of the fair value because they are either short-term in nature, reprice frequently or are receivable or payable on demand and do not have significant credit risk.

Loans and advances to customers

For loans and advances which mature or reprice after six months, the fair value is principally estimated by discounting anticipated cash flows (including interest at contractual rates). Performing loans are grouped, to the extent possible, into homogenous pools segregated by maturity and the coupon rates of the loans within each pool. In general, cash flows are discounted using current market rates for instruments with similar maturity, repricing and credit risk characteristics.

For non-performing uncollateralised loans and advances, an estimate is made of the time period to realise these cash flows and the fair value is estimated by discounting these cash flows at the market rate. For non-performing loans and advances where collateral exists, the fair value is the lesser of the carrying value of the loans and advances, net of specific allowances, or the fair value of the collateral, discounted as appropriate.

Deposits by customers

Deposits by customer which mature or reprice after six months from the reporting date are grouped by residual maturity. The fair value is calculated using discounted cash flow models, based on the deposit type and its related maturity, applying either market rates, where applicable or current rates offered for deposits of similar remaining maturities.

4.5 FAIR VALUE MEASUREMENTS (cont'd)

Derivative financial instruments

The fair values of derivative financial instruments such as foreign exchange contracts are based on quoted market prices at the balance sheet date.

Summary

The fair value of certain financial assets and liabilities approximate their carrying values at the end of the reporting period. Accordingly, the Group has not disclosed the fair value and their levels in the fair value hierarchy for financial assets and liabilities carried at amortised cost.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Bank and Group			
	2016		2015	
	Carrying Amount B$'000	Fair Value B$'000	Carrying Amount B$'000	Fair Value B$'000
Financial Assets				
Held to Maturity Investments				
-Government Sukuk	**24,524**	**24,524**	9,922	9,922
-Investment Securities	**79,323**	**81,101**	135,004	134,363
Total	**103,847**	**105,625**	144,926	144,285

	Fair Value Hierarchy			
	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
2016				
Financial Assets				
Held to Maturity Investments				
-Government Sukuk	-	-	24,524	**24,524**
-Investment Securities	81,101	-	-	**81,101**
Total	**81,101**	-	**24,524**	**105,625**
2015				
Financial Assets				
Held to Maturity Investments				
-Government Sukuk	-	-	9,922	9,922
-Investment Securities	121,794	-	12,569	134,363
Total	121,794	-	22,491	144,285

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

NOTES TO FINANCIAL STATEMENTS
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5 NET INTEREST INCOME

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
Interest Income				
Loans and Advances	**65,010**	60,213	**121,214**	126,789
Government Sukuk	**140**	24	**140**	24
Investment Securities	**3,284**	5,344	**3,284**	5,344
Placements with Other Banks	**10,574**	6,423	**10,574**	6,460
Others	**20**	3	**20**	3
Total Interest Income	**79,028**	72,007	**135,232**	138,620
Interest Expense				
Deposits, Borrowings and Refinance	**12,248**	10,247	**18,476**	16,317
Net Interest Income	**66,780**	61,760	**116,756**	122,303

Total interest income and expense calculated using the effective interest method are reported above. The effective interest relating to financial assets or liabilities carried at fair value through profit or loss for the Bank's and Group's included above is an interest income of B$838,470 (2015: B$964,256) and an interest expense of B$362,421 (2015: B$303,990) respectively.

6 OTHER OPERATING INCOME

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
Management fee from Subsidiary	**-**	1,800	**-**	-
Fees and charges	**16,500**	17,686	**19,369**	20,520
Dividend income from Subsidiary	**20,000**	13,532	**-**	-
Realised and Unrealised gains from Foreign Exchange transactions	**5,009**	4,327	**5,009**	4,327
Gains on Disposal of Property, Plant and Equipment	**5**	56	**17**	77
Total	**41,514**	37,401	**24,395**	24,924

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7 NET INCOME FROM OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Bank and Group	
	2016	**2015**
	B$'000	**B$'000**
Investment Securities Fair Value Thru Profit or Loss:		
- Index Linked Notes	**153**	(519)
- Real Estate Investment Trust	**-**	(11)
Deposits Fair Value Thru Profit or Loss:		
- Structured Deposit	**(154)**	815
- Certificate of Deposit	**-**	(598)
Total	**(1)**	(313)

8 PERSONNEL EXPENSES

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Salaries and Wages	**19,697**	18,321	**23,584**	21,764
Allowances and Bonuses	**4,778**	4,976	**5,839**	5,918
Others	**2,652**	2,640	**3,045**	3,048
Total	**27,127**	25,937	**32,468**	30,730

9 OTHER OVERHEAD EXPENSES

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Promotion				
Advertisement & Publicity	**2,272**	2,638	**2,552**	2,990
Operational				
Depreciation	**4,677**	3,913	**5,102**	4,320
Repair and maintenance	**3,524**	2,559	**4,146**	3,142
Rental	**1,724**	1,730	**2,389**	2,358
Hire of Equipment	**190**	-	**190**	-
General Expenses				
Auditors' Fees	**300**	206	**395**	300
Professional Fees	**2,094**	2,261	**3,100**	3,337
Loss on Disposal of Fixed Assets	**1**	8	**1**	8
Loss on Disposal of Investment Securities	**482**	-	**483**	-
Dealer's commission and incentives	**-**	-	**13,201**	13,674
Others	**9,808**	9,151	**16,761**	16,058
Total	**25,072**	22,466	**48,320**	46,187

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10 INCOME TAX EXPENSE

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Recognised in the Profit & Loss Statements				
Current Tax Expense				
Current Year	**9,155**	7,320	**12,920**	13,346
Adjustments for prior years				
	9,155	7,320	**12,920**	13,346
Deferred Tax Expense				
Origination & reversal of temporary differences	**(2,332)**	-	**(2,332)**	-
Total Income Tax Expense	**6,823**	7,320	**10,588**	13,346
Movement in Provision for Taxation				
Opening Balance as at 1 January	**10,839**	8,919	**33,322**	31,348
Current year provision	**9,155**	7,320	**12,920**	13,346
Income tax paid	**(6,508)**	(5,401)	**(11,912)**	(11,372)
Balance as at 31 December	**13,486**	10,838	**34,330**	33,322
Reconciliation of Effective Tax Rate at 18.50%				
Profit before Income Tax	**51,932**	49,774	**51,621**	66,834
Income Tax using the Domestic corporation Tax rate	**9,607**	9,208	**9,550**	12,365
Tax effect of non-taxable revenue and others	**(2,784)**	(1,888)	**1,038**	981
Total	**6,823**	7,320	**10,588**	13,346

11 CASH AND SHORT TERM FUNDS

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Cash in Hand	**32,230**	28,270	**34,954**	31,083
Balances with Banks and Other financial institutions	**105,624**	50,176	**107,723**	50,950
Money at call and short notice & interbank	**15,910**	70,025	**15,910**	70,025
Placements with remaining maturity not exceeding one year	**1,491,350**	691,875	**1,491,350**	691,875
Total	**1,645,114**	840,346	**1,649,937**	843,933

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12 BALANCES WITH AUTORITI MONETARI BRUNEI DARUSSALAM (AMBD)

This is maintained as required by the provisions of Section 45 of the Brunei Darussalam Banking Order 2006 and a directive issued by the Autoriti Monetari Brunei Darussalam in accordance with Section 25(2) of the Finance Companies Act, Cap.89. This is not available for use in the Bank and its subsidiaries' day to day operations. At present the minimum cash reserve requirement is 6% (2015: 6%) of the deposit liabilities and is not earning interest.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Bank and Group		
	Notional B$'000	Asset B$'000	Liability B$'000
2016			
Foreign Exchange Contracts	**29,472**	**386**	**359**
2015			
Foreign Exchange Contracts	16,575	7	243

14 GOVERNMENT SUKUK

	Bank / Group	
	2016 B$'000	2015 B$'000
Government Sukuk – Held to maturity	**24,524**	9,922

15 INVESTMENT SECURITIES

	Bank / Group	
	2016 B$'000	2015 B$'000
Quoted Debt Securities, at amortised cost		
- Corporate Bonds	**79,323**	122,344
Unquoted Debt Securities, at amortised cost		
- Fixed Rate Notes	**-**	12,660
Total Securities – Held to maturity, at amortised cost	**79,323**	135,004
Quoted Debt Securities, at Fair value		
- Indexed linked Deposits	**41,550**	61,397
- Real Estate Investment Trust	**189**	189
Total Securities – Fair value through profit or loss	**41,739**	61,586
Total	**121,062**	196,590

16 LOANS AND ADVANCES

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
By Type:				
Cash line / Overdrafts	**179,930**	200,426	**179,930**	200,426
Term Loans				
- Property Loans	**232,135**	233,995	**232,135**	233,995
- Hire Purchase Receivables	**-**	-	**876,887**	893,520
- Other Term Loans	**591,688**	612,801	**591,688**	612,801
Bills Receivable	**65**	431	**65**	431
Trust Receipts	**121,419**	97,612	**121,419**	97,612
Staff Loans	**5,724**	6,134	**5,724**	6,134
Credit / Charge cards	**29,511**	26,305	**29,511**	26,305
Revolving credit	**13,425**	28,469	**13,425**	28,469
Others	**1,077**	1,398	**1,077**	1,398
Gross Loans and advances	**1,174,974**	1,207,571	**2,051,861**	2,101,091
Less: Loan Loss Provision				
- General	**(6,622)**	(3,326)	**(8,940)**	(5,306)
- Specific	**(55,582)**	(56,458)	**(58,881)**	(59,298)
Net Loans and advances	**1,112,770**	1,147,787	**1,984,040**	2,036,487

16 LOANS AND ADVANCES (cont'd)

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Movement in the Allowance for Collective Impairment Losses				
Balance at the beginning of the year	**3,326**	-	**5,306**	1,902
Increase in allowance recognised in Profit or Loss:				
Amounts provided for the year	**3,296**	3,326	**3,634**	3,404
Balance at the end of the year	**6,622**	3,326	**8,940**	5,306
Movement in the Allowance for Specific Impairment Losses				
Balance at the beginning of the year	**56,458**	52,708	**59,298**	55,419
Amounts written off	**(6,113)**	(1,339)	**(9,782)**	(1,448)
Increase/(Decrease) in allowance recognised in Profit or Loss:				
Amounts provided during the year	**11,151**	11,985	**21,959**	20,830
Amounts recovered/reversed during the year	**(5,914)**	(6,896)	**(12,594)**	(15,503)
Balance at the end of the year	**55,582**	56,458	**58,881**	59,298

The Bank uses AMBD Guideline (2015: AMBD Guideline) and a subsidiary uses AMBD Guideline (2015: IAS 39), being the higher of AMBD Guideline or IAS 39, to recognise the allowances for impairment losses at the individual company level.

17 INVESTMENT IN SUBSIDIARIES

		Cost		% Holding	
		2016	**2015**	**2016**	**2015**
Name of Company	**Principal Activity**	**B$'000**	**B$'000**	**B$'000**	**B$'000**
Baiduri Finance Berhad	Finance Company	**25,249**	25,249	100%	100%
Baiduri Securities Sdn Bhd	Sharebrokers & Dealers in Securities & Investments of all kinds	**-**	-	51%	51%
Baiduri Capital Sdn Bhd	Sharebrokers & Dealers in Securities & Investments of all kinds	**2,700**	2,200	99.99%	99.99%
Total		**27,949**	27,449		

18 PROPERTY, PLANT AND EQUIPMENT

Bank	Freehold Land and Buildings	Leasehold Land and Buildings	Leasehold improvements	Computers	Equipment / Furniture	Motor Vehicles	Total 2016	Total 2015
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Cost								
As at beginning of year	3,683	16,907	4,025	14,257	2,946	509	**42,327**	31,604
Additions	-	344	702	1,876	305	318	**3,545**	17,206
Disposals	-	-	(2,673)	(1,971)	(418)	(274)	**(5,336)**	(6,483)
As at end of year	3,683	17,251	2,054	14,162	2,833	553	**40,536**	42,327
Accumulated Depreciation								
As at beginning of year	338	527	2,623	5,913	1,406	325	**11,132**	13,682
Depreciation for the year	54	500	1099	2,358	550	116	**4,677**	3,913
Disposals	-	-	(2,673)	(1,965)	(413)	(275)	**(5,326)**	(6,463)
As at end of year	392	1,027	1,049	6,306	1,543	166	**10,483**	11,132
Carrying Amounts								
At 31 December 2015	3,345	16,380	1,402	8,344	1,540	184	31,195	-
At 31 December 2016	**3,291**	**16,224**	**1,005**	**7,856**	**1,290**	**387**	**30,053**	-

Group	Freehold Land and Buildings	Leasehold Land and Buildings	Leasehold improvements	Computers	Equipment / Furniture	Motor Vehicles	Total 2016	Total 2015
	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000	B$'000
Cost								
As at beginning of year	3,683	16,907	4,873	15,011	3,530	565	**44,569**	34,839
Additions	-	346	715	1,992	338	415	**3,806**	17,981
Disposals	-	-	(2,673)	(1,971)	(418)	(329)	**(5,391)**	(8,251)
As at end of year	3,683	17,253	2,915	15,032	3,450	651	**42,984**	44,569
Accumulated Depreciation								
As at beginning of year	338	527	2,855	6,419	1,675	381	**12,195**	16,105
Depreciation for the year	54	499	1,264	2,486	665	134	**5,102**	4,320
Disposals	-	-	(2,673)	(1,965)	(413)	(329)	**(5,380)**	(8,230)
As at end of year	392	1,026	1,446	6,940	1,927	186	**11,197**	12,195
Carrying Amounts								
At 31 December 2015	3,345	16,380	2,018	8,592	1,855	184	32,374	-
At 31 December 2016	**3,291**	**16,227**	**1,469**	**8,092**	**1,523**	**465**	**31,067**	**-**

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2015: nil).

Included in the Leasehold Land and Buildings is a building on a 99 years leasehold land with an annual lease payment of B$72,000 for the land.

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19 OTHER ASSETS

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
Accounts receivables	**394**	456	**530**	689
Sundry Debtors	**10,921**	10,027	**11,039**	10,362
Prepayments and consumables	**1,701**	1,349	**1,783**	1,456
Dealer's commission and incentives	**-**	-	**31,085**	34,181
Total	**13,016**	11,832	**44,437**	46,688

20 DEPOSITS FROM CUSTOMERS

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
By type of Deposit				
Demand Deposits	**831,080**	553,639	**833,136**	554,400
Savings Deposits	**493,243**	346,148	**1,352,815**	1,198,730
Fixed Deposits	**1,188,834**	807,485	**1,327,259**	935,706
Total	**2,513,157**	1,707,272	**3,513,210**	2,688,836

21 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
Licensed Conventional bank in Brunei Darussalam	**456**	13,895	**456**	13,895
Licensed Islamic Banks in Brunei Darussalam	**-**	19,000	**-**	19,000
Licensed Finance companies in Brunei Darussalam	**199,349**	161,949	**-**	-
Banks and Financial Institutions Abroad	**5,989**	5,555	**5,989**	5,555
Total	**205,794**	200,399	**6,445**	38,450

22 BORROWINGS

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
By Product				
Call money Borrowing	**-**	98,950	**-**	98,950
By Maturity				
Due within One year	**-**	98,950	**-**	98,950

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23 GROUP BALANCES PAYABLE

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
Due from Subsidiaries	**4,865**	9,956	**-**	-

24 OTHER LIABILITIES

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
Other Creditors	**245**	1,697	**3,898**	3,812
Accrued Expenditure and provisions	**24,031**	22,024	**24,413**	23,017
Provision for Bonuses and end of service benefits	**10,674**	10,600	**12,268**	12,009
Others	**22,989**	15,487	**24,431**	18,058
Total	**57,939**	49,808	**65,010**	56,896

25 DEFERRED TAX ASSETS AND LIABILITIES

	Bank		Group	
	2016	2015	2016	2015
	B$'000	B$'000	B$'000	B$'000
Balance B/F	**10,778**	10,778	**10,825**	10,825
Decrease in Provision	**(2,332)**	**-**	**(2,332)**	**-**
Total	**8,446**	10,778	**8,493**	10,825

26 SHARE CAPITAL

	Bank and Group	
	2016	2015
	B$'000	B$'000
Authorised		
200,000,000 Ordinary shares of B$1 each	**200,000**	200,000
Issued and Paid Up		
150,000,000 Ordinary shares of B$1 each	**150,000**	150,000

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27 STATUTORY RESERVES

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Opening balance	**104,211**	113,549	**132,032**	137,686
Add: Transfer during the year	**11,277**	10,662	**12,090**	14,346
Less: Transfer to increase Share Capital	**-**	(20,000)	**-**	(20,000)
Closing balance	**115,488**	104,211	**144,122**	132,032

28 OTHER RESERVES

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Retained Profits				
Opening balance	**34,809**	32,517	**126,667**	117,025
Profit for the financial year	**45,109**	42,454	**41,034**	53,488
Less: Transfers during the year	**(11,277)**	(10,662)	**(12,090)**	(14,346)
Less: Transfer to increase Share Capital	**-**	(16,000)	**-**	(16,000)
Dividend	**(14,150)**	(13,500)	**(14,150)**	(13,500)
Closing balance	**54,491**	34,809	**141,461**	126,667
General Reserve				
Opening balance	**5,154**	19,154	**5,154**	19,154
Add: Transfers during the year	**-**	-	**-**	-
Less: Transfer to increase Share Capital	**-**	(14,000)	**-**	(14,000)
Closing balance	**5,154**	5,154	**5,154**	5,154
Total Other Reserves	**59,645**	39,963	**146,615**	131,821

29 CONTINGENCIES AND COMMITMENTS

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

	Bank and Group	
	2016	**2015**
	B$'000	**B$'000**
Contingencies		
Letters of Credit	**79,174**	77,427
Guarantees, Bonds	**197,939**	363,910
Shipping Guarantees	**73**	594
Acceptances	**1,720**	3,746
Forward purchase	**29,472**	14,964
Sub-Total	**308,378**	460,641
Commitments		
Undrawn Credit Lines	**750,961**	691,716
Sub-Total	**750,961**	691,716
Total Contingencies and Commitments	**1,059,339**	1,152,357

30 CASH AND CASH EQUIVALENTS

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Cash in hand	**32,230**	28,270	**34,954**	31,083
Balances and placements with Banks and other financial contractual maturity of less than 3 months	**1,248,373**	574,251	**1,250,471**	575,025
Total	**1,280,603**	602,521	**1,285,425**	606,108

31 LEASE COMMITMENTS

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows.

	Bank		Group	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Less than One year	**792**	1,381	**1,319**	1,979
Between One and Five Years	**1,197**	1,828	**2,980**	3,794
More Than Five years	**137**	223	**919**	1,414
Total	**2,126**	3,432	**5,218**	7,187

The Bank leases a number of branch and office premises under operating leases. The leases typically run for a period of 1 to 10 years, and with an option to renew the lease after that date.

32 RELATED PARTY TRANSACTIONS

Related parties in these financial statements refer to members of the holding company's group of companies.

Some of the Bank's transactions and arrangements are with related parties and subsidiary companies and the effect of these on the basis determined between the parties are reflected in these financial statements.

(i) Transactions with Key Management Personnel for Bank and Group:

	2016 B$'000	2015 B$'000
Statement of Financial Position		
Assets		
Loans and Advances (exclude Credit cards)	**2,303**	2,806
Credit Cards (Secured)	**396**	244
Total	**2,699**	3,050
Liabilities		
Deposits	**53,588**	43,395
Total	**53,588**	43,395
Off Balance Sheet items		
Undrawn Facilities	**1,108**	1,455
Total	**1,108**	1,455
Statement of Profit or Loss and Other Comprehensive Income		
Income		
Interest Income	**120**	138
Total	**120**	138
Expenses		
Interest Expenses	**2,364**	1,085
Other Expenses	**2,934**	2,555
Total	**5,298**	3,640
Purchase of Leasehold land and building from a related party	**-**	13,500

33 RELATED PARTY TRANSACTIONS (cont'd)

(ii) The group related party, shall include parent, subsidiaries and other related companies.

	Subsidiaries		Other Related Companies	
	2016	**2015**	**2016**	**2015**
	B$'000	**B$'000**	**B$'000**	**B$'000**
Statement of Financial Position				
Assets				
Loans and Advances (exclude Credit cards)	**-**	-	**30,233**	22,358
Credit Cards (Secured)	**-**	-	**24**	13
Other assets	**55**	374	**-**	-
Total	**55**	374	**30,257**	22,371
Liabilities				
Deposits	**199,349**	162,156	**88,204**	33,584
Other Liabilities	**4,920**	10,329	**-**	-
Total	**204,269**	172,485	**88,204**	33,584
Off-Balance sheet items				
Letter of Credit	**-**	-	**59**	938
Guarantees	**-**	-	**833**	128
Undrawn Facilities	**-**	-	**26,735**	14,207
Other Commitments and Contingencies	**-**		**-**	-
Total	**-**	-	**27,627**	15,273
Statement of Profit or Loss and Other Comprehensive Income				
Income				
Interest Income	**-**	-	**250**	238
Total	**-**	-	**250**	238
Expenses				
Interest Expenses	**39**	413	**1,479**	1,112
Total	**39**	413	**1,479**	1,112