



بڤڤك اسلام بروني دارالسلام
BANK ISLAM BRUNEI DARUSSALAM

ANNUAL REPORT **2012**

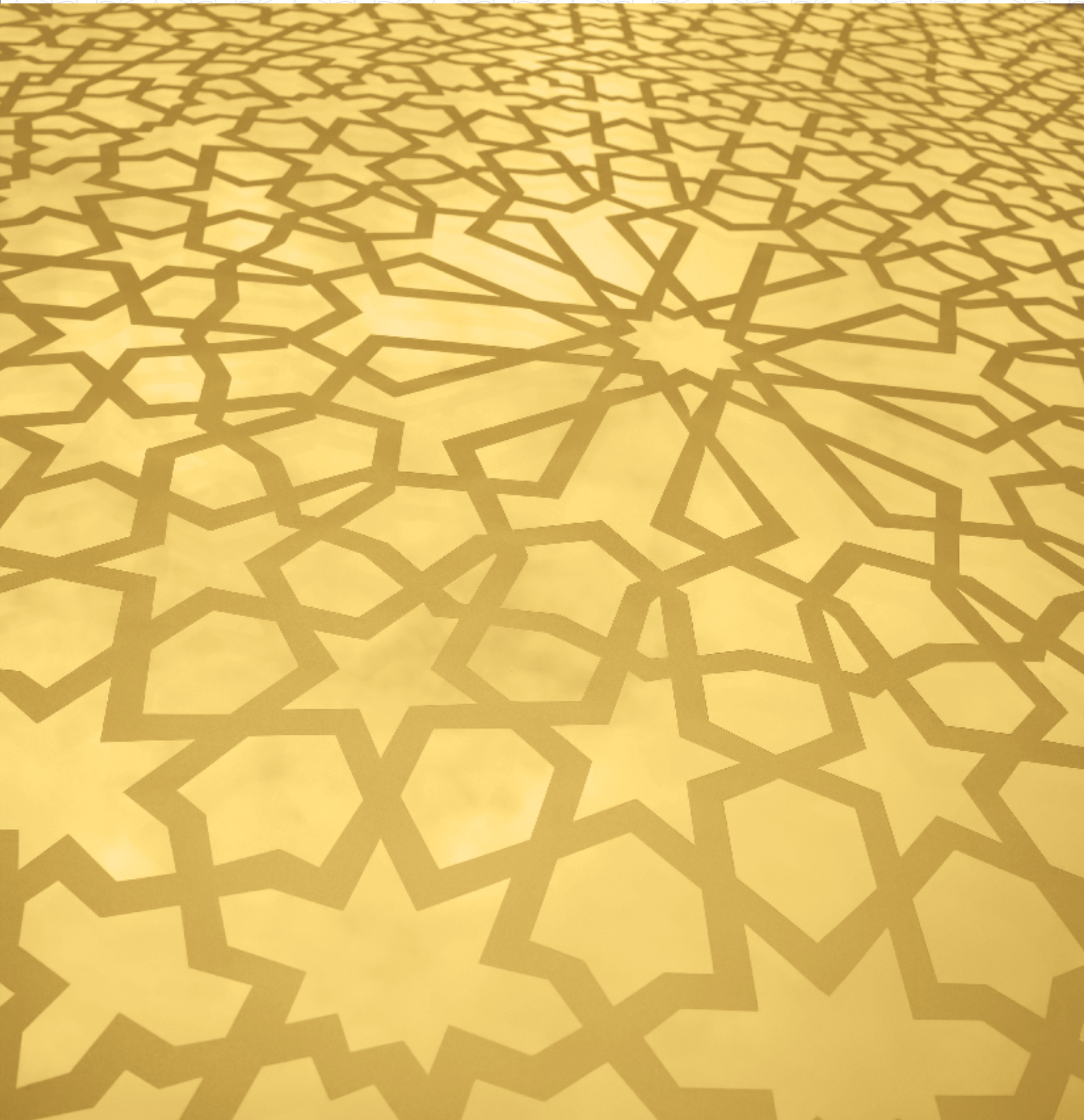


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Message by the Chairman



Yang Berhormat
Pehin Orang Kaya Seri Utama Dato Seri Setia
Awang Haji Yahya bin Begawan Mudim
Dato Paduka Haji Bakar
 Chairman

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
 الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد
 وعلى آله وصحبه أجمعين

Dear Valued Shareholders,

2012 continued to be a challenging year for financial institutions globally, especially in a number of countries in Europe. However, the Far East and in particular ASEAN economies, remained relatively stable, and, Alhamdulillah, our home market remained resilient.

I am pleased to report that BIBD's Three Year Strategic Plan, which was approved by the Board in 2011, continues to bear fruits. For the year 2012, the BIBD Group of Companies achieved:

- a net income growth of 36% to B\$ 251 million
- profit before Zakat and taxation increased 39% to B\$ 151 million
- profit after Zakat and taxation increased 37% to B\$ 119 million
- basic earnings per share rose 38.7% to 16 cents

The Group's return on assets after Zakat and taxation improved by 37% to 1.95% with an increased return on equity of 11.3%. BIBD continued to maintain a very strong Tier 1 capital adequacy ratio of 25.1%, significantly higher than global banking norms. The Board is pleased to propose a dividend of 3.3 cents per share representing an increase from the previous year of 32%.

BIBD's placing in the Top 1,000 World Banks ranking by "The Banker" at number 696 by Tier 1 Capital Strength and 74th in terms of Soundness (Capital Asset Ratio), puts the Bank as the only financial institution to be included in the list from Brunei Darussalam. We have also been recognized with a number of prestigious awards from across the globe, including "Best Retail Bank in Brunei" for the year 2012 by "The Asian Banker".

In addition to the superb financial performance and raised profile of the Group, I am extremely heartened by our 480 Corporate Social Responsibility volunteers representing an increase of 140% from the previous year. Donations raised from the public in 2012 versus 2011 catapulted by over 440% to B\$ 335,022.

Whilst being pleased with BIBD's achievements and record performance in 2012, I would urge our continuing caution and vigilance in growing our business and franchise. The current low yield environment in global debt capital markets requires a disciplined approach with strong risk management. At the same time, we need to continuously evolve to maintain our position as the leading financial Group in Brunei Darussalam. The expectation of our customers and clients will only increase and I look forward to reporting the ongoing transformation of BIBD and exciting new implementations in 2013, including the roll-out of our new and vibrant branches.

I am very pleased to welcome Abdulaziz Mohammed Alsubeaei to our Board. Abdulaziz brings with him a wealth of commercial and investment banking expertise together with real economy experience; complementing and strengthening our Board composition.

2012 has been a record year for BIBD and this was only possible with the continuing support of our customers and clients together with our shareholders. Our regulators, Autoriti Monetari Brunei Darussalam (AMBD) and Shariah Advisory Body has provided invaluable advice and guidance. The contribution of each and every one of our management and staff delivered the Group's results, and on behalf of the Board, I thank you all for your dedication, enthusiasm and hard work.

Yang Berhormat
Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Haji
Yahya bin Begawan Mudim Dato Paduka Haji Bakar
 Chairman

Foreword by the Managing Director



Javed Ahmad
Managing Director

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد
وعلى آله وصحبه أجمعين

Dear Valued Shareholders,

Alhamdulillah, 2012 was a very good year for BIBD and its Group of companies. Not only did we sustain our achievements of the previous year, we have also managed to build on the successes. This is reflected by the international awards we have received for both our consumer and corporate/institutional businesses.

Performance Review

The focused execution of BIBD's Three-Year Strategic Plan 2011-2013 has delivered record financial results for BIBD. Key 2012 financial highlights for the BIBD Group of Companies include:

- net profit attributable to equity holders jumped 38.7% to B\$ 118 million
- financing and advances grew 8.2% to B\$ 2,331 million
- deposits from customers and other financial institutions fell marginally by 2% to just under B\$ 4,896 million
- total shareholders' funds increased 9.1% to over B\$ 1,025 million

BIBD Bank's net income grew 36.7% to B\$ 206 million generating a profit before Zakat and taxation of B\$ 124 million which was 41.1% higher than the previous year. Our key subsidiary, BIBD At-Tamwil, similarly reported significant uplift in financial performance. Net income grew 31.8% to B\$ 32.9 million with a profit before Zakat and taxation of B\$ 22.8 million, a rise of 36.1% versus 2011.

We closed a number of landmark transactions, in particular for Brunei Gas Carriers Sdn Bhd (BGC), where BIBD acted as one of the Mandated Lead Arrangers for two long term Ijara financing facilities of US\$ 170 million and US\$ 184 million respectively. BIBD was awarded the roles of Facility Agent and Security Agent for these two international transactions. We were also the sole provider of an Ijara US\$ 83 million refinancing facility to BGC. This commitment demonstrates our vision and mission to excel in the provision of Islamic financial solutions to our customers and clients supporting Brunei Darussalam's growth aspirations.

Strategy 2011-2013

When our Board of Directors approved BIBD's Three-Year Strategic Plan 2011-2013, the key deliverable was to radically improve our service platform via technology and people.

The Group continues to invest in new technologies and channels on the back of our upgraded core banking system. BIBD Online with our new website was launched by Yang Berhormat Pehin Orang Kaya Hamzah Pahlawan Dato Seri Setia Awang Haji Abdullah bin Begawan Mudim Dato Paduka Haji Bakar, Minister of Communications.

Representing an even higher achievement, we were honoured by His Royal Highness Prince 'Abdul Malik consenting to officiate the launch of our mobile banking platform, BIBD Mobile. 2012 also saw the opening of our state-of-the-art Contact Centre by the Managing Director of AMBD, Yang Mulia Dato Paduka Hj Mohd Rosli bin Haji Sabtu. These three milestones greatly enhanced access to our products and services for our customers and clients, making BIBD readily available 24/7 anytime anywhere.



In regards to our people and talent management, we deployed our first Certified Islamic Financial Planners – the first in Brunei Darussalam. Accelerating our move to a high performance culture, we began our journey with RISE (Reliable, Innovative, Simple and Ever-Caring) as the bedrock of our service ethos. This involves significant improvements and re-engineering of key processes crucial to BIBD's service delivery. We are embedding this new approach in each and every member of our team through on-going coaching and training.

Our strategic thrust includes broadening our service offerings. To this, we are continuing to invest in our Corporate Finance and Advisory businesses to build our advisory capabilities and increase activity in merchant banking. At the same time, we continue to strengthen our compliance and risk management function to ensure there are required controls for the management of our expanding businesses.

Recognition

To commemorate such a wonderful year, BIBD has been blessed with winning an increasing number of key awards. Some of these awards were:

- The Asian Banker - *"Best Retail Bank in Brunei"* for the year 2012
- Islamic Finance News 2013 - *"Structured Finance Deal of the Year"*
- Asia-Pacific Enterprise Leadership Awards (APELA) - 2013 *"Social Service Award"*
- Global Finance - *"World's Best - Emerging Markets Banks 2013"* in Brunei Darussalam

Outlook

2012 was a record year building on the momentum of the previous year. I recognize the challenges of economic uncertainty internationally and quantitative easing efforts by many central banks will continue to exert a downward pressure on yields. However, we will continue to execute on our three year strategic plan and, InsyaAllah, aim to deliver a solid performance for 2013.

Building on BIBD Online, BIBD Mobile and RISE, we are steadily launching new products and services. Furthermore, our customers will see our new vibrant branches designed with one sole objective - serving them better. Continued investment in our high performance culture will be made as part of RISE. 2013 will surely be our "Year of the Customer".

BIBD will pursue growth in a disciplined manner and will remain prudent. Whilst our core market remains Brunei Darussalam, we will continue to participate in international transactions on a selective and risk managed basis.

Appreciation

I would like to express my sincere appreciation to our regulators especially AMBD, the Syariah Financial Supervisory Board, BIBD Shariah Advisory Body and the contribution of the BIBD Board of Directors who have provided valued guidance and support throughout 2012.

My most sincere thanks and appreciation also goes to the management team and our ever-dedicated staff, without whom, none of our efforts and achievements would have been made possible.

Last but not least, I would like to affirm my deepest gratitude to our customers, clients and shareholders for their continued trust, patronage and support towards our aims, beliefs and goals.

Javed Ahmad

Managing Director

Board of Directors



Yang Berhormat Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Haji Yahya bin Begawan Mudim Dato Paduka Haji Bakar
Minister of Industry and
Primary Resources
Chairman

Yang Berhormat Pehin Yahya was previously the Minister of Energy at the Prime Minister's Office. He has held prominent positions as the Deputy Director-General of ASEAN and Director of Economics Department within the Ministry of Foreign Affairs. He has served as the Permanent Secretary at the Prime Minister's Office and has also served as Director of the Anti-Corruption Bureau. He was the Chairman of Brunei Investment Agency (BIA); the investment arm of Brunei's Ministry of Finance and was a member of the Board of Directors of Brunei Shell Petroleum Sdn Bhd (BSP). He is also the Chairman for Semaun Holdings Sdn Bhd, the government's investment and trading arm, established to enhance economic diversification programs in Brunei Darussalam. Yang Berhormat Pehin Yahya holds an M.A. in International Law and Diplomacy from the United States.

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

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

Yang Mulia Awang Junaidi bin Haji Masri
Assistant Managing Director,
Brunei Investment Agency
Director

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

Mr Iqbal Ahmad Khan
CEO, Fajr Capital plc
Director

Mr Iqbal Khan serves as the CEO of Fajr Capital Group. He is also a member of the Board of Directors of Jadwa Investment and chairs its Executive Committee. He is a member of the Board of Directors of the MENA Infrastructure Fund. Previously, he was founding CEO of HSBC Amanah, the global Islamic financial services division of the HSBC Group and at the same time, was a member of the Boards of Directors of HSBC Bank Middle East, The Saudi British Bank, and HSBC Investment Bank (Saudi Arabia). He is a long-time advocate of the Islamic financial services industry, serving as an advisor to government initiatives in the UK, the UAE, and Malaysia. Mr Iqbal Khan has a Masters Degree in Political Science and International Relations from Aligarh Muslim University, an Advanced Management qualification from INSEAD and a professional qualification from NASD, New York. He is the 2012 recipient of The Royal Award of Islamic Finance by His Majesty the King of Malaysia, and was recognized for his "Outstanding Contribution to Islamic Finance" by Euromoney in 2006.


Dr Jan Hendrik van Greuning

Advisor to World Bank

**Director & Chairman of BIBD Audit
Finance Risk Committee**

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

Mr Abdulaziz Mohammed Alsubeaei

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

Director

Mr Abdulaziz is the Board Director of MASIC as well as the member of the Executive Committee. By the early 2000's, the company had grown to be amongst the top 50 companies in Saudi Arabia. The range of investments includes: financial services, real estate, agricultural (aquaculture), manufacturing, industrial and retail. He is a founding committee member of Bank AlBilad and a founding partner and a member of the Board of Directors for Jadwa Investment. He is also a member of the Board of Directors for Farabi Petrochemical Co. Ltd. In Fajr Capital, he is a Board of Director member, member of the Investment Committee and member of Strategic Committee. Abdulaziz is also a member of the Social Responsibility Board of Companies in Riyadh. He is a member of the Committee of Endowment and a member of the Endowment in the Chamber of Commerce.

Mr Javed Ahmad

Managing Director of BIBD

Director

Mr Javed Ahmad has been with BIBD since 2008. He is a founding member of Fajr Capital and his banking career spans over 22 years working in London, Bahrain, Kuala Lumpur and Riyadh. He was a Managing Director at HSBC Amanah, London and also led the HSBC Amanah franchise in Saudi Arabia. He has a long track record of success in global wealth management business, transportation finance and corporate finance transactions in Islamic Finance. He was previously the General Manager of RHB Sakura Merchant Bankers Berhad and also at the DMI Group. Javed holds an MBA from the University of Bradford, United Kingdom and is an Associate Member of the Chartered Institute of Management Accountants (CIMA), United Kingdom. He is also Chairman of Brunei International Airport Cargo Centre, a member of the Board of Directors for RB, BIBD Securities, Takaful Brunei Berhad and BIBD At-Tamwil.

Shariah Advisory Body



**Yang Dimuliakan Pehin Orang Kaya Paduka Setia Raja
Dato Paduka Seri Setia Awang Haji Suhaili bin Haji Mohiddin**
*Deputy State Mufti of Brunei Darussalam and
Shariah Appeal Judge*
Chairman

Yang Dimuliakan Pehin Dato Hj Suhaili is the Deputy State Mufti of Brunei Darussalam and a member of the Islamic Religious Council. He holds several memberships such as in the Islamic Religious Council Committee, the Law of the Islamic Religious Council, Legal Committee of Adjustment with Islamic requirements, a member of the Islamic Council of Zakat while also being Chairman of the Al-Gharimin Asnaf Verification and Validation Committee and Chairman Housing Assistance Project for the Daif, Fakir and Miskin. Yang Dimuliakan Pehin is also an appointed Judge of the Shariah Appeal Court, a member of the Syariah Financial Supervisory Board in the Autoriti Monetari Brunei Darussalam, Deputy Chairman of the Advisory Body of Syarikat Takaful Brunei Darussalam. He has also been a member of the Majma 'al-Fiqh International (International Islamic Fiqh Academy), the OIC Jeddah, since 1995. Yang Dimuliakan Pehin holds a Bachelor's Degree in Tafsir and Hadith from Al-Azhar University, Egypt and a Diploma in Commonwealth and Overseas Education Administration University of Birmingham.

Yang Mulia Dato Seri Setia Awang Haji Metussin bin Haji Baki
Shariah High Court Judge
Deputy Chairman

Yang Mulia Dato Haji Metussin is serving as Judge of the Shariah High Court in Brunei Darussalam. He is also the Chairman of the Shariah Advisory Body for Tabung Amanah Islam Brunei (TAIB). He is also an appointed Director and a member of the Syariah Financial Supervisory Board at the Autoriti Monetari Brunei Darussalam. He also serves as a member of the Shariah Advisory Council for Syarikat Takaful Brunei Darussalam, and a member of the Shariah Advisory Council for OCBC Islamic. He is also experienced in presenting papers regarding domestic and regional markets, and has written several books on Islamic Finance and Takaful. He also holds a Bachelor's Degree from the University of Al-Azhar in Egypt and a Diploma in Law and Administration of Islamic Judiciary from International Islamic University Malaysia.



Yang Mulia Ustazah Dr Dayang Hajah Masnon binti Haji Ibrahim
Ra'es of Seri Begawan Religious Teacher's University College
Member

Yang Mulia Dr Hjh Masnon is currently serving as Ra'es of Seri Begawan Religious Teacher's University College, Brunei Darussalam. She is also a member of the Shariah Advisory Body of Tabung Amanah Islam Brunei (TAIB) and a member of the Shariah Advisory Body of Syarikat Takaful Brunei Darussalam. She is also an alternate Syariah Financial Supervisory Board member at the Autoriti Monetari Brunei Darussalam. She holds a PhD in Shariah from the University Malaya, a Masters in Islamic Studies from the National University of Malaysia and a Bachelors Degree from the University of Al Azhar, Egypt.

Yang Mulia Awang Haji Mazanan bin Haji Yusof
Head of Research at State Mufti Department
Member

Yang Mulia Awang Hj Mazanan is the Head of Research at the State Mufti Department of Brunei Darussalam. He also serves as a member of the Shariah Advisory Council of Syarikat Takaful Brunei Darussalam and has experience in presenting papers at national and regional levels. He holds a Master's Degree in Islamic Studies from the National University of Malaysia and holds a Bachelor of Usuluddin from Al-Azhar University, Egypt. Awang Hj Mazanan is currently pursuing a PhD in Islamic Studies (Shariah) from the National University of Malaysia.

Yang Mulia Awang Haji Muhammad Shukri bin Haji Ahmad
Officer at Islamic Religious Council of
Ministry of Religious Affairs
Secretary

Yang Mulia Awang Hj Muhammad Shukri is currently serving as Religious Officer in the Islamic Religious Council at the Ministry of Religious Affairs, Brunei Darussalam. He is also Secretary to Syarikat Takaful Brunei Darussalam and has been appointed as an alternate of the Syariah Financial Supervisory Board member at the Autoriti Monetari Brunei Darussalam. Awang Hj Muhammad Shukri holds a Bachelors Degree in Shariah from Al-Azhar University, Egypt.

Management Team



Mr Javed Ahmad

Managing Director

He is a founding member of Fajr Capital and his banking career spans over 22 years working in London, Bahrain, Kuala Lumpur and Riyadh. He was a Managing Director at HSBC Amanah, London and also led the HSBC Amanah franchise in Saudi Arabia. He has a long track record of success in global wealth management business, transportation finance and corporate finance transactions in Islamic Finance. He was previously the General Manager of RHB Sakura Merchant Bankers Berhad and also at the DMI Group. Mr Javed Ahmad holds an MBA from the University of Bradford, United Kingdom and is an Associate member of the Chartered Institute of Management Accountants (CIMA), United Kingdom.



Haji Minorhadi Haji Mirhassan

Head of Institutional Banking

Haji Minorhadi has more than 20 years commercial banking experience, spending over 15 years with HSBC Brunei, covering leadership roles in Retail Banking, Corporate Banking and Institutional Banking businesses. Currently as Head of Institutional Banking, he is responsible for the Treasury & Markets, Corporate Advisory, Transaction Banking Services and Public Sector & Government Linked Companies Relations businesses within BIBD. While at HSBC, he has also worked in Kuala Lumpur and Dubai. He has had active roles as the acting Deputy CEO of Islamic Development Bank of Brunei (IDBB) and Honorary Secretary & Treasurer for the Brunei Association of Banks (BAB).



Dr Gyorgy Ladics

Chief Operating Officer

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



Koh Swam Sing

Head of Corporate Banking

Mr Koh has extensive experiences in Corporate Banking as well as in operations and credit risk. He started his career with The Island Development Bank Bhd in 1983. He has held various positions in branch operations, administration and credit management. As one of the pioneer members of the Bank, Mr Koh participated in the Bank's transformation into Islamic financial banking and services, and has been instrumental in introducing some of the Bank's core products and services. Currently, Mr Koh is the Head of Corporate Banking Division which is responsible for building the Corporate Banking portfolio, and supporting local business hence contributing to Brunei's own infrastructure growth.



Imran Samee

Head of Consumer Banking

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



Dayangku Fatimah Pg Hj Mohd Jadid

Head of Human Resources

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


Hein Jan Smit
Head of Risk

Mr Jan Smit has over 16 years banking experience. He started his career with ABN AMRO Bank in Netherlands in 1997. In 2004 he was transferred to Singapore, and was appointed as Head of Risk Review Asia in 2007 with regional responsibility for managing Credit Risk Reviews for BU Asia (16 countries). In 2010, he moved to Shanghai to continue his career as the Chief Risk Officer for RBS China. In this role, Mr Jan Smit was responsible for Credit, Operational, Market & Liquidity Risk, and Regulatory Risk & Compliance for the RBS franchise in China (800+ FTE), providing leadership to a team of over 25 risk staff. As of October 2012, Mr Jan Smit started as Head of Risk Management for BIBD. Mr Jan Smit holds a Master of Science in Business Administration, Finance & Economics from Rijks University Groningen and a Degree as Executive Master of Internal Auditing from University of Amsterdam.


Hajah Normah Haji Ismail
Deputy Chief Operating Officer

Hajah Normah carries with her over 34 years in banking experience, spending most of the time within the customer front and support functions. She has numerous successes in completing and implementing assigned business improvement processes, service delivery standards, while also actively delivering in CSR activities and sports events. Hajah Normah is also a green belt holder of Six Sigma.


Hajah Nurul Akmar Haji Md Jaafar
Deputy Head of Consumer Banking

Hajah Nurul has spent almost 18 years with the Bank in the field of Finance, Investment Banking and Retail Banking. She has been part of the BIBD's various strategic projects including direct management of the steering committee of the BIBD's Y2K and System Upgrade Project, Technical Knowledge assistance to Islamic Bank of Thailand, Technical Knowledge assistance to Takaful Brunei and Main Evaluation Committee for BIBD's 2010/2012 System Upgrade. She also leads the BIBD's Corporate Social Responsibility program. Hajah Nurul holds a BA Accounting & Finance from Liverpool, United Kingdom and is involved in the National Curriculum to Vocational Schools regarding Business subjects.


Hajah Hanifah Haji Jenan
Shariah Manager

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


Irwan Lamit
Managing Director of BIBD At-Tamwil Berhad

Irwan Lamit is the Managing Director and a member of the Board of Directors of BIBD At-Tamwil Berhad since 2006. He is a qualified Chartered Accountant and is a Fellow member of the Association of Chartered Certified Accountants (ACCA), and hold a B.Sc (Hons) in Applied Accounting. Prior to joining BIBD At-Tamwil Berhad, he worked as an accountant with Brunei Shell Marketing Company Sdn Bhd.


Hajah Noraini Haji Sulaiman
Former Chief Financial Officer

Hajah Noraini, previously the Chief Financial Officer and Corporate Secretary of BIBD, is a Fellow member of the Association of Certified Accountants, is now the Acting Managing Director of Syarikat Takaful Brunei Darussalam, on secondment from BIBD. She was also the Head of Finance for Islamic Bank of Brunei. She has also held accounting and financial roles in other Bruneian companies including Brunei Shell Petroleum Sdn Bhd. She is also a director to Syarikat Takaful Brunei Darussalam, Takaful Brunei Am and Takaful Brunei Keluarga, BIBD At-Tamwil, BIBD Securities and IDBB Management Services. She is also a member of Brunei Darussalam Accounting Standard Council.

Corporate Profile

History

BIBD is Brunei's largest bank and flagship Islamic financial institution. It was formed by the 2005 merger of two earlier local Islamic financial institutions, Islamic Bank of Brunei and Islamic Development Bank of Brunei. The Islamic Bank of Brunei was established in February 1981 as the Island Development Bank and was converted to the first full-fledged Islamic bank in Brunei Darussalam in January 1993. With majority government shareholding, it is also committed to Brunei Darussalam's National Vision 2035 of attaining developed nation status.

Shareholders

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

Active Subsidiaries & Associate

- BIBD At-Tamwil Bhd
- BIBD Securities Sdn Bhd
- Belait Barakah Sdn Bhd
- BIBD Al-Kauthar Funds DCC Incorporated
- Syarikat Takaful Brunei Darussalam (Associate)

Market Reach

BIBD is headquartered in Bandar Seri Begawan, with fourteen branches at strategic locations in Brunei's four districts, and has the largest network of ATMs in the country. BIBD leads the Brunei market in assets, financings and deposits.

Highlights

BIBD is Brunei Darussalam's premier financial institution. At year-end 2012, the total Group assets stood in excess of B\$ 6 billion, with a net profit after Zakat and taxation of B\$ 119 million. With a Group tier 1 capital of above B\$ 1,025 million and an adequacy ratio of 25.7%, BIBD has significant capacity to expand its business. BIBD maintains conservative provisioning and write-off policies, and provides a consistent dividend stream to shareholders.

Head Office Bandar Seri Begawan

Website www.bibd.com.bn

Contact Centre + 673 2238 181

Corporate Profile

Services

BIBD provides a wide array of Islamic financial services to all customer segments. Consumer Banking contributes the majority of the Bank's revenue (53%), with Corporate Banking contributing 14% and Institutional Banking contributing 26%.

Governance

Its Chairman is Brunei's Minister of Industry and Primary Resources, and its Deputy Chairman is the Deputy Minister at the Ministry of Finance, Brunei Darussalam. Other non-Executive Directors hold senior roles at major financial institutions.

People

BIBD Group has over 700 staff and its governance is rooted in global best practices.

Processes

In our continuous efforts to provide instant and constant access for our BIBD customers, we have also improved our call centre into a full-fledged Contact Centre, ready to serve with an array of services and capabilities. Our BIBD Online and BIBD Mobile platforms have also complimented our attempts to bring BIBD closer to our customers, as BIBD's services can be accessed anywhere at any time. These online platforms would help create a paperless society, along with a reduction of queues at branches, as most BIBD transactions can be performed over the Internet.

Also early in the year, BIBD went on to undergo a transformation of its customer service delivery experience with the launch of the RISE initiative. RISE being Reliable, Innovative, Simple, and Ever-Caring stems to define BIBD's commitment in efforts to serving the customer better.

Landmark transactions

In July 2012, BIBD became the sole arranger for an Ijara financing facility worth US\$ 83 million to Brunei Gas Carriers Sdn Bhd, to re-finance an LNG vessel along with being one of the mandated lead arrangers to successfully close a US\$ 170 million and a US\$ 184 million long-term Ijara financing facility for the construction and deployment of two LNG vessels.

To date, BIBD is the first Brunei institution to develop and launch mutual funds domiciled in Brunei and the only Bruneian bank to have won international mandates.



Corporate Social Responsibility

BIBD actively supports the welfare of Bruneian society through organizing and supporting research and development activities, youth empowerment programmes and social causes. BIBD has also rapidly increased its efforts in this domain, where active volunteers in 2012 for all CSR activities reached 480 personnel, consisting of BIBD employee and members of the public. This showed an increase of 140% of volunteers from the year before.

Subsidiaries and Associate

BIBD At-Tamwil

A wholly-owned subsidiary, mainly provides hire purchase and fixed deposits.

BIBD Securities

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

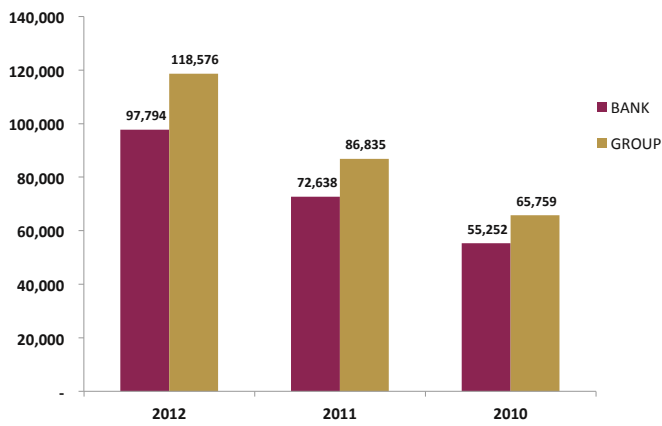
Syarikat Takaful Brunei Darussalam

It is 31% owned by BIBD. It provides general and family takaful services through its subsidiaries Takaful Brunei Am and Takaful Brunei Keluarga.

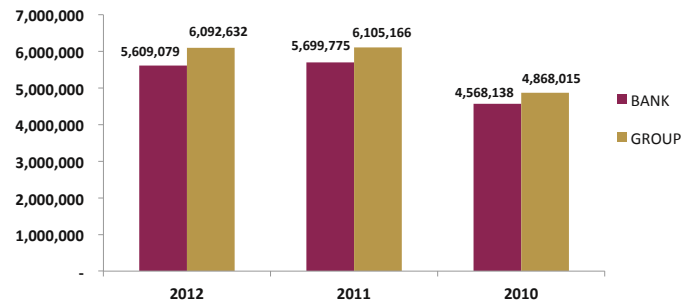
Corporate Highlights

Statistics 2012

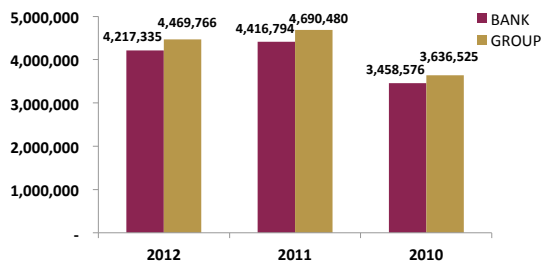
Profit After Zakat and Taxation (B\$ '000)



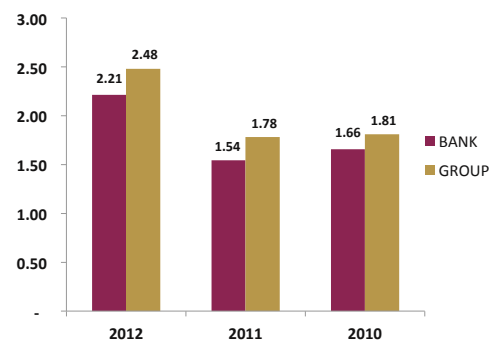
Total Assets (B\$ '000)



Depositors from Customers (B\$ '000)

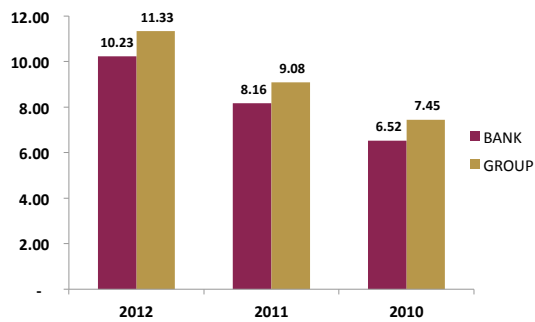


Return on Asset (%) - Before Taxation

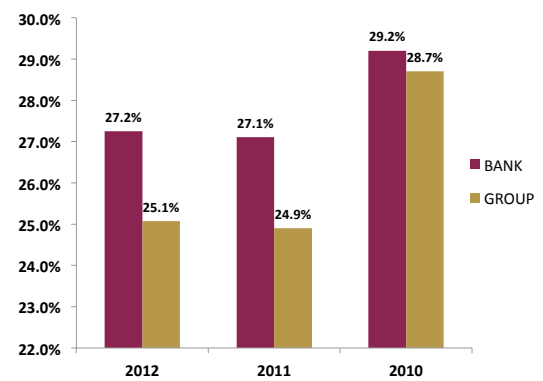


Corporate Highlights

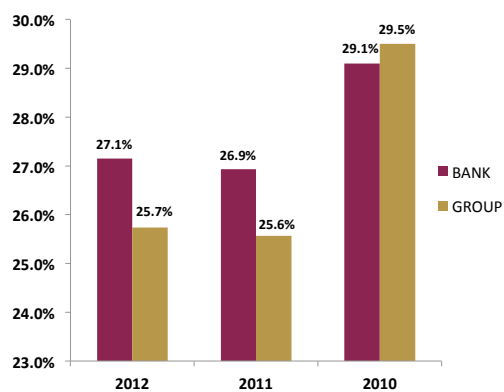
Return on Equity (%)



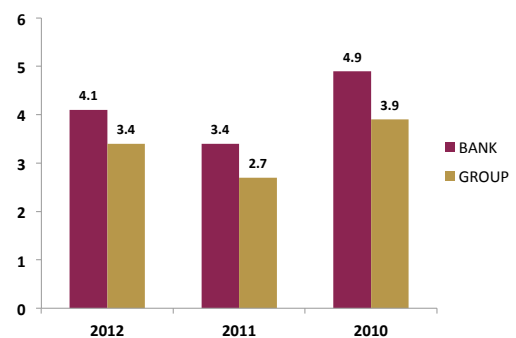
Capital Adequacy Ratio Tier 1 (Core Capital) (%)



Total Capital Adequacy Ratio (%)

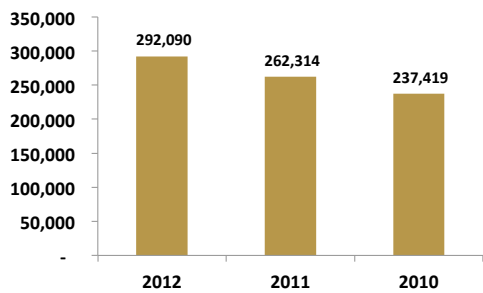


Net Non Performing Financing Ratio (%)

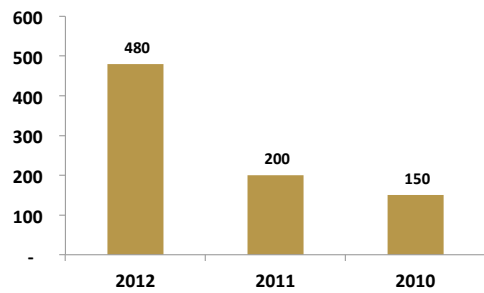


Corporate Highlights

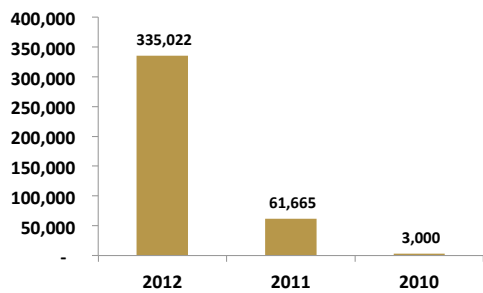
CSR Charitable Contributions (B\$)



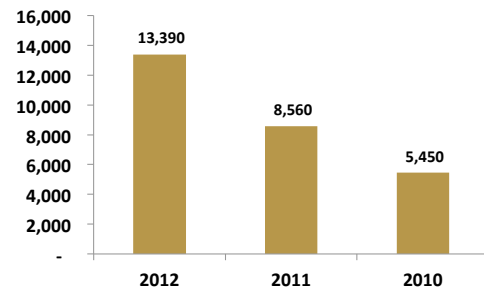
CSR Volunteers



CSR Donations Raised (B\$)



Proceeds From CSR Events (B\$)



BIBD

MILESTONES

BIBD Milestones



BIBD recognizes Islamic Financial Planners

Graduation ceremony for first
financial planners

03 February 2012

BIBD held a graduation ceremony to award its first line of Islamic Financial Planners (IFP), who are also Chartered Financial Consultants, Nurul Jafriah Abdullah and Hjh Isnora Minudin. This represented a new milestone for BIBD and the Islamic Banking Industry in Brunei as a whole. With this achievement, BIBD's Islamic financial planning capabilities were further enhanced with the addition of these certified employees. Certificates were handed by the Minister of Industry and Primary Resources cum BIBD Chairman, Yang Berhormat Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Haji Yahya bin Begawan Mudim Dato Paduka Haji Bakar. With this, BIBD became the first bank in Brunei Darussalam to send representatives to successfully complete the IFP.



Serving you better

BIBD Manggis extends opening hours

07 February 2012

In BIBD's never ending efforts to better serve its customers, the BIBD Manggis branch located at Hua Ho Manggis Mall has extended its operating hours, adding another "Extended Branch" to its existing branch located at The Mall in Gadong. The branch operates normally, while the Financing Section is open until 9pm on most days.



BIBD Milestones

Your dream home a reality

Rumah Plus launch

28 February 2012

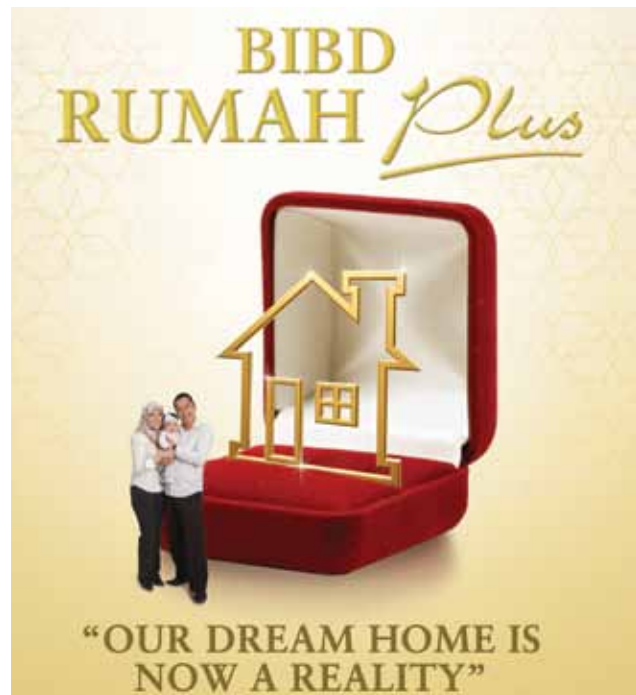
BIBD introduced its new unique home financing product, the “BIBD Rumah Plus” with features such as payment periods of up to 30 years, with a large financing amount based on the Islamic concept of Musyarakah Mutanaqisah. This concept is the first of its kind introduced in Brunei Darussalam, whereby the structure builds on the co-ownership in a property, with gradual ownership transfer to the partner i.e. the customer, who will eventually become the sole owner of the property. The product was designed to provide customers flexibility in their monthly payments to suit their needs and lifestyle. The product allows for more financial headroom as excess funds are available at the beginning of the financing term to cover initial expenses such as interior designing and furnishings, all of which helps realise the clients want for a dream home.

Abundance of prizes

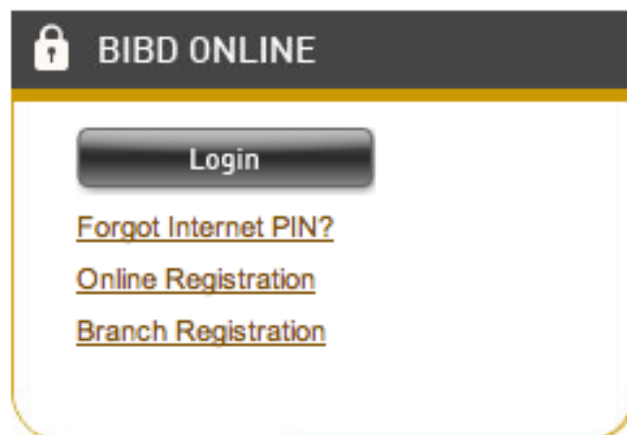
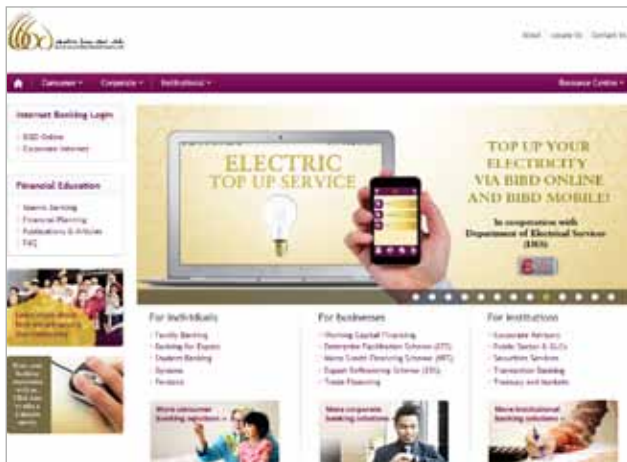
BIBD Blessing Rewards II launch

20 March 2012

BIBD launched the second edition of its Blessing Rewards promotion, with a Lexus IS 300C as its grand prize. The promotion ran for three months, with an array of other prizes such as a 60” Smart Tv and electronic appliance packages.



BIBD Milestones



BIBD Online, anywhere, anytime

BIBD website launch with added features
23 March 2012

BIBD unveiled its fresh and friendly new BIBD website at an event held at the Empire Hotel and Country Club. Gracing his presence at the launch as the guest of honour was Yang Berhormat Pehin Orang Kaya Hamzah Pahlawan Dato Seri Setia Awang Haji Abdullah bin Begawan Mudim Dato Paduka Haji Bakar, Minister of Communications, who kindly inaugurated the new BIBD website. The fresh, friendly, interactive and informative new BIBD website provides a modern and trendy “look and feel”, is easy to navigate, provides comprehensive information on all of BIBD’s products, services, promotions and provides accurate map locations of all BIBD’s branches and ATMs. The new website also provides valuable information on Islamic banking including Islamic terminology, publications on Islamic banking and more. Added features to the new website were, BIBD becoming the first bank in Brunei to launch an online top-up service for customers to recharge their pre-paid electricity meters via BIBD Online; the Bank’s internet banking platform. In addition, BIBD customers may register to receive SMS alerts for all transactions and activities performed by them on their bank accounts, debit cards, and credit cards, which is intended to be a strong security feature for BIBD customers.

BIBD Milestones

BIBD Online Giveaways

Customer appreciation

06 April 2012

In line with the introduction of the BIBD website & BIBD Online, BIBD presented to award three lucky customers who signed up for the service with laptops. The event was held in conjunction with one of many BIBD roadshows held at The Mall, Gadong. Present to give away the prizes was Hajah Nurul Akmar binti Haji Mohd Jaafar, the Deputy Head of Consumer Banking.



Progression of technical capabilities

BIBD - Silverlake

27 April 2012

BIBD signed a Service Agreement with Silverlake Digital Economy Sdn Bhd, placing BIBD one step closer into mobile banking technology, a service which was launched a few months later. This was an important addition to BIBD's already expansive IT infrastructure, which then included BIBD Online, Top-up services for Department of Electricity and DST, and SMS Alerts for all BIBD Debit and Credit Card transactions.



Easy winners

Swipe to Win grand prize

10 May 2012

One lucky BIBD customer was awarded with the grand prize of B\$ 2,012 for BIBD's Swipe to Win Campaign, and all she had to do was swipe away with either a BIBD Debit or Credit Card. The campaign lasted for three months with daily and monthly prizes available. The Swipe to Win Campaign continued again through the year with its second edition.



BIBD Milestones



The RISE initiative

RISE initiative - launched at
BIBD Annual Dinner
22 May 2012

Early in 2012, BIBD embarked on a journey to transform its customer's experience while banking with BIBD. This involved a cultural shift towards customer service using a top-down approach, involving BIBD's Management team in defining BIBD's service culture, which resulted in the creation of RISE (Reliable, Innovative, Simple and Ever-Caring). RISE sets the standards for our new customer service culture. With the commitment of BIBD's management team, RISE was successfully launched earlier in May 2012. The program has also involved the progressive improvement of several key processes crucial to BIBD's service, which includes the Service Ambassadors, account openings, Contact Centre, and Home Financing. In addition, focused and cross-functional efforts were emphasized, ensuring that the best service and practices would be delivered to all of BIBD's customers.



Royal visit

Royal visit by HRH Prince 'Abdul Malek
20 June 2012

The BIBD Headquarters was graced by His Royal Highness Prince 'Abdul Malik on this day. The royal visit included a presentation by the management of BIBD along with a walk-around of the facilities at the BIBD headquarters.



Global Leadership

BIBD hosts International Leadership
Forum
02 July 2012

BIBD arranged the International Leadership Forum to focus on leadership issues in Muslim majority markets. Fifty representatives from the Brunei Ministry of Finance, Brunei Investment Agency, Khazanah Nasional (Malaysia), the Abu Dhabi Investment Council, the Alsubaei Group of Saudi Arabia, Universiti Brunei Darussalam, Fajr Capital and the Centre for Islamic, Banking and Finance along with officials from BIBD attended the forum which was held at the Empire Hotel and Country Club.

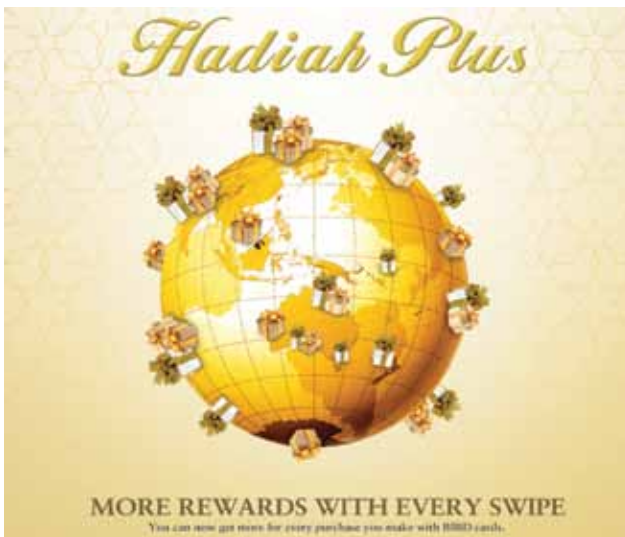
BIBD Milestones



Prizes galore

Blessings Rewards II Grand Prize
19 July 2012

A brand new Lexus IS 300C was up for grabs as the grand prize for the Blessings Rewards II. This campaign was a sequel to the immensely successful initial Blessing Rewards, that ran for three months. During the campaign, BIBD received over 280,000 entries, as customers poured to sign up for BIBD's services, notably the BIBD Debit card, BIBD Rumah Plus, Home Improvement Financing, Education Financing, Ar-Rahnu and BIBD Online.



Swipe to earn

BIBD Hadiah Plus
24 July 2012

The launching of BIBD's rewards programme "BIBD Hadiah Plus", provided BIBD customers with an exciting prospect to obtain Hadiah Points, which can be converted into cash, RB Royal Skies miles or for donations in the various charitable organizations in Brunei Darussalam.

Signing ceremony

Between BIBD and BGC
04 August 2012



BIBD achieved another milestone in Islamic financing when it closed financing facilities with Brunei Gas Carriers Sdn Bhd (BGC), providing them with a total of US\$ 253 million to refinance one existing LNG vessel, "Abadi", and to procure another 154,800-cubic metre Liquefied Natural Gas (LNG) vessel.

This included a financing agreement between BIBD and BGC for the refinancing of Abadi, BGC's first 135,000-cubic metre LNG vessel, whereby BIBD was the sole arranger for the US\$ 83 million Ijara financing facility.

BIBD Milestones

(BIBD milestone continued)

BGC signed another financing agreement with BIBD for the purchase of a new vessel, along with the Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad (BTMU), The Hongkong and Shanghai Banking Corporation Limited (HSBC) and Sumitomo Mitsui Banking Corporation Europe Limited (SMBC) for US\$ 170 million.

Later on BIBD, along with these other mandated lead arrangers, successfully closed another US\$ 184 million long-term Ijara financing facility for the construction and deployment of another LNG vessel. The signing of these financing agreements were follow-ups from MoUs signed in April.

Caring for the Public

CE ALAF

10 August 2012

The Charity Exhibition (CE) ALAF was successfully organized to promote a healthy life style. The event consisted of activities such as running, cycling and a charity bazaar. The event brought together a collaboration of companies, focused on increasing awareness and funds for ALAF. Over 5,000 people turned up to participate in the event.



BIBD fulfills its obligations

BIBD Zakat payment

13 August 2012

BIBD's Zakat contribution for the year 2011 amounted to almost B\$ 2.5 million, along with an added B\$ 212,000 in contributions from the public. Present to hand over the cheque was the Minister of Industry and Primary Resources cum BIBD Chairman, Yang Berhormat Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Haji Yahya bin Begawan Mudim Dato Paduka Haji Bakar to Yang Berhormat Pengiran Dato Seri Setia Dr. Haji Mohammad bin Pengiran Haji Abdul Rahman, Minister of Religious Affairs.



BIBD Milestones



BIBD at your fingertips

BIBD Mobile launch by
HRH Prince 'Abdul Malek
10 September 2012

One of the many BIBD milestones during the year was earmarked with the launching of BIBD Mobile by His Royal Highness Prince 'Abdul Malik. BIBD Mobile is the first mobile banking platform in Brunei, complementing BIBD's online services. With the launch, all of BIBD's online benefits can be accessed via the mobile platform, on almost any mobile phone or tablet.



Fly with Hadiah Points

Royal Skies joins list of Hadiah Plus
24 October 2012

BIBD added RB's frequent flyer miles programme, Royal Skies, into BIBD's Hadiah Plus programme, which allows BIBD customers who have accumulated Hadiah Points, by using their BIBD Debit and Credit Card, to convert them into Royal Skies miles, as an alternative towards opting for cash back. Signing the cooperation agreement on behalf of RB was Awang Maswadi bin Haji Mohsin, RB's Chief Officer Group Services and BIBD's Chief Financial Officer, Hajah Noraini Binti Haji Sulaiman.

BIBD Milestones



BIBD showcases its corporate capabilities

Displaying our strengths

29 August 2012

BIBD, via its Corporate Banking Division, was invited by Yayasan Sultan Hj Hassanah Bolkiah to showcase its services and the opportunities available to local businesses. This represented the Bank's initiative to support and drive Small-Medium Enterprises towards economic excellence. BIBD is committed to His Majesty's wishes that the private sector and government-linked companies should continue to assist SMEs develop their businesses.



Non stop benefits

BIBD launches Blessing Rewards III

06 November 2012

Due to the overwhelming response of the previous Blessing Rewards campaign, BIBD once again launched the third edition of the Blessing Rewards programme. The hype of the event was the unveiling of the grand prize, a Toyota 86, along with other attractive prizes such as an all expenses paid holiday or Umrah package, household electronic packages and RB's Royal Skies miles.

BIBD across borders

CDB - BIBD bilateral meetings

07 November 2012

As the representative for Brunei in the China-ASEAN (Association of South East Asian Nations) Inter Bank Association, BIBD is keen to foster relationships with other banks and financial institutions in other countries. As such, a bilateral cooperation framework agreement was signed with the China Development Bank which focuses on cooperation in areas such as the placement of funds, provision of credit facilities, international trade settlement and project financing. This progress creates inroads, not only for BIBD, but also for Islamic finance, into the regional and international financial sphere.

BIBD Milestones



Enhancing your customer experience

BIBD launch Contact Centre
7 December 2012

BIBD launched its state of the art Contact Centre, located at its Kiulap branch in Setia Kenangan. The Contact Centre was launched by the Managing Director of Autoriti Monetari Brunei Darussalam, Yang Mulia Dato Paduka Haji Mohd Rosli bin Haji Sabtu. The Contact Centre is an upgrade of BIBD's customer service experience, allowing for an increase of 248% in volume of calls per agent. To complement the experience, there is a call-back facility for the ultimate convenience for customers. One key feature installed is the Interactive Voice Response system, which allows for a self-service phone banking system, without the need to wait for an agent to cater to the customer's call.



Capital upgrade

PGGMB Building relaunch
12 December 2012

BIBD, through its strong partnership with PGGMB, unveiled the newly refurbished Persekutuan Guru-Guru Melayu Brunei (PGGMB) building, turning it into a modern office building to attract local and foreign companies as well as business owners to the vicinity of Bandar Seri Begawan. The unveiling was also followed by a signing ceremony between BIBD and Brunei Shell Petroleum Company Sdn Bhd, for the leasing of office space at the PGGMB building. BIBD has invested a total of B\$ 7 million into the building to help achieve its objective of turning it into a premium commercial office space in Bandar Seri Begawan, to stay committed in supporting and strengthening BIBD's partnership with PGGMB, in ensuring a successful joint business venture. The PGGMB building was officially unveiled with a ribbon cutting ceremony by the guest of honour Yang Berhormat Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Haji Yahya bin Begawan Mudim Dato Paduka Haji Bakar, Minister of Industry and Primary Resources cum BIBD Chairman.

COMMUNITY OUTREACH

With the growing social expectation and as a vital element of corporate sustainability within the community, BIBD has set up its Corporate Social Responsibility (CSR) initiative to further complement the true values and benefits of the Bank's products and services to our valued customers.

BIBD's CSR was set up with the objective of creating awareness and developing individuals to be socially responsible according to the faith that we embrace. It also aims to be a platform for the society to support the developments of our CSR programme, facilitate developments of commercially innovative businesses for economic sustainability of the community, build a CSR brand that enhances the quality of life, which demonstrates compassion, sincerity and solidarity, extend the brand to the public and create a global community that cares.

BIBD's CSR vision is to strengthen and portray the Bank's brand as an integral partner of the community's learning and youth development. It also aims to develop new and existing relationship between other parties (individuals, corporate, government and other agencies) with the Bank to widen our business partnership potentials.

BIBD, through its CSR programme, has organized several initiatives aimed to act as a platform for the nation's development, particularly in education, entrepreneurship and preserving Brunei's tradition in the community.

Some of the initiatives that BIBD'S CSR team has carried out are Sirah Amal, BIBD Charity Expedition for the BIBD ALAF programme, focussing on the less fortunate, providing micro-grant schemes through Youth Development Resources, contributing to the Heart of Borneo initiative and organizing leadership programmes such as Kem Generasi Y and the 7 Habits for Highly Effective Teens Workshop.

Community Outreach



Support for sports

BIBD sponsors jerseys for NFABD

24 February 2012

BIBD handed over football jerseys to the National Football Association of Brunei Darussalam (NFABD) in support of the 4th Hassanal Bolkiah Trophy (HBT). The sponsored jerseys were designed for referees, game commissioners and match assessors of the tournament, and was presented by BIBD's Head of Institutional Banking cum Chairman of BIBD's Sports and Recreational Club, Haji Minorhadi Haji Mirhassan, to Pengiran Haji Aliudin bin Pengiran Haji Tajudin, President of Referees.



Your dream house is our priority

Valor Property investment talk

14 April 2012

In its efforts to educate and create awareness on housing and property purchases, BIBD, in collaboration with Valor Property Agency, organized a free property talk which was opened to the public. During the event, Valor Property Agency briefed the audience on some tips and key points to look out for when purchasing a house. At the same time, BIBD Home Specialists were also on hand to provide information on Home Financing options that are available in BIBD.



Community Outreach



Charity conscious

Official Bank for "The Run"

15 April 2012

BIBD, through its CSR Programme, continues to provide its support for the community, as well as non-profit making organizations such as Pusat Ehsan Al-Ameerah Al-Hajjah Maryam (PE). In light of this, BIBD CSR was nominated by Pusat Ehsan's as the Official Bank Partner for their 2012 charity run, dubbed 'The Run'. This year BIBD assisted PE to collect application forms and payments for participants of 'The Run', via BIBD's counters, cash deposit and ATMs.



Starting early

Conference on Early Childhood Care and Regional Forum on SEAMEO Project 5

16 April 2012

BIBD extended its support to the Ministry of Education, who hosted the "The Early Childhood Care and Education Conference" and Regional Forum on SEAMEO "Project 5". The conference was graced and officially launched by Her Royal Highness Paduka Seri Pengiran Anak Isteri Pengiran Anak Sarah. At the event, BIBD presented a cheque worth B\$ 20,000 for "The Early Childhood Care and Education" Programme, as part of CSR support towards this initiative that emphasises the importance of early childhood care.



Caring for the public

Handover of computers to MOE

22 April 2012

BIBD, committed to the nation's education agenda and in advocating human capital development to achieve His Majesty the Sultan dan Yang Di-Pertuan Negara Brunei Darussalam's Vision for 2035, acted swiftly by contributing computers and learning tools to selected schools, for their students' early development in ICT. The event was held at Taman Perangan Kg Parit and on hand to present the contributions to the head teachers was Awang Haji Mahrub bin Haji Murni, Permanent Secretary (Core Education) at the Ministry of Education.

Community Outreach



One product, one village

Sponsorship of machineries for virgin coconut oil product for Mukim Tanjung Maya

24 April 2012

BIBD, through the Brunei Economic Development Board (BEDB), sponsored four sets of fully automated virgin coconut oil extraction and drying machines to Mukim Tanjung Maya Tutong under the BEDB's Village Enterprise Scheme. This was also part of the CSR's Youth Development Resource initiative, aimed to provide a platform for the society in facilitating developments of commercially innovative business for economic sustainability of the community and the nation.



Family first

BIBD supports Family day

03 May 2012

BIBD, via their BIBD CSR initiative, were in full support for the National Family Day celebration organized by the Ministry of Youth, Culture and Sports. The event was initiated to encourage families to spend quality time together. BIBD contributed various items to add to the benefits and activities that was prepared for the eventful day. The presentation was held at the Brunei Muara District Office to their Public Relations Officer, Awang Haji Raffee Haji Yussof.



Smart money

BIBD financial talk

30 May 2012

Financial education is an important part of our daily lives, and BIBD along with its Wealth Management Unit, constantly strives to ensure that the public is well aware of the advantages and benefits that BIBD can bring towards

Community Outreach

(Smart Money continued)

their financial situation. Among the efforts made by BIBD was the promotion of this financial education through BIBD financial talks. In 2012, BIBD has organized various financial planning roadshows to government department, corporates, higher education institutions and schools.

Fostering good relations

BAB netball friendly

30 May 2012

BIBD, through its Sports and Recreational club, organized a friendly netball match with members of the Bank Association of Brunei (BAB). This was part of the club's initiative and effort in organizing the event to foster good relationships and solidarity amongst banks staff in Brunei, outside the working environment.



Public lecture

BIBD supports muslim culture talk

30 May 2012

BIBD hosted a public lecture on "Youth and Faith in the Modern World", which was jointly organized with Fajr Capital at Universiti Brunei Darussalam. The objective of the event was to highlight the importance of self-confidence in Muslim youth, and the role of faith as a positive force in the development of the identity of the youth. The talk was delivered by international speaker Sarah Joseph, CEO and Editor of emel, a pioneering international Muslim lifestyle magazine, drawing references on her experiences as a young Muslim convert in the United Kingdom.



Community Outreach



Sporting a donation

Supporting Ivy League Charity
Netball Tournament 2012

31 May 2012

BIBD CSR was the Silver Sponsor for this charitable netball tournament organized by the Ivy League, a well-known club in the local sports community. The objective of this tournament was to develop and promote netball as one of the favourite sport in Brunei. The proceeds received from the tournament went to the Pusat Ehsan Al-Ameerah Al-Hajjah Maryam and the Centre for Children with Special Needs (KACA).



Cooking for a cause

Sales of recipe book "Flavours and
Colours Brunei Darussalam"

10 June 2012

BIBD CSR extended its support to the Majlis Kesejahteraan Masyarakat, Negara Brunei Darussalam by helping to sell the association's recipe books, "Flavours and Colours Brunei Darussalam" to BIBD's staff and customers. The activity was a fund-raising drive to help raise funds for needy senior citizen and other charitable organizations in the country.

Community Outreach



Always giving back

Sirah Amal

13 July 2012

Program Sirah Amal BIBD was initiated in 2010 by the BIBD CSR initiative, consisting of combined efforts and resources by generous BIBD employees through internal fund raising. These donations were in the form of basic necessities, clothes, food and cash. Annually, in the spirit of Ramadhan, BIBD employees visit more than 150 families and homes throughout the country to distribute these donations.



BIBD Bantuan Jariah Eidulfitr

This is part of the Sirah Amal programme, aimed at providing assistance to low income and underprivileged single mothers; and was jointly supported by Brunei Muara Red Crescent and Ababil Resources. During the event, BIBD contributed monetary donation to help lighten their expenses, in the spirit of the Syawal festivity.

Our children, our future

Donating to orphans

27 July 2012

Every year, in conjunction with the holy month of Ramadhan, BIBD extended its support, and collaborated with the Community Development Department (JAPEM) in presenting monetary donations to more than 3,000 orphans in the country. The contribution of these donations would help reduce the burden of their families and lighten up the children's spirit in celebrating the festive month of Syawal. During the ceremony, BIBD also presented monetary rewards to orphaned students who excelled at the Primary School Assessment Examinations (PSR), GCE 'O' Levels and 'A' Levels (2011) under their "Rewards Scheme for Excellent Students".



Community Outreach

Sharing our blessings

Hosting Iftar event for orphans and underprivileged children

6 August 2012

BIBD supported a special get-together Iftar event, co-hosted by Katakljau Humanitarian Relief Support Group and Seri Mulia Sarjana School, which was held for children and orphans from underprivileged families in the Brunei Muara district. This joint event was the first of its kind, which took place at the Emperor's Court, Manggis Mall.



Festive treat

Takbir Syawal

31 August 2012

BIBD's Board of Directors, Shariah Advisory Body, along with the management, officers and staff of BIBD welcomed more than 1,000 guests, which included BIBD customers, shareholders, and corporate clients, as well as business associates and partners. This annual event was organized with the objective to strengthen relationship and as a show of appreciation for all the support that has been given to the bank. The event was held at the Indera Samudera Grand Hall of the Empire Hotel and Country Club.



Education is key

BIBD holds "Managing Asian Market Macro Trends" Lecture

17 September 2012

Around 50 BIBD clients were enlightened by a special lecture on "Managing Asian Market Macro Trends" held at the Rizqun International Hotel. The lecture was presented by Dr Zerillo, an Executive Director at the Singapore Management University, which was aimed at fostering and strengthening relationships between BIBD, its customers and various government agencies.



Community Outreach



In support of success

CE ALAF Event

14 October 2012

BIBD successfully organized the Charity Expedition for ALAF (CE ALAF). About 5,000 enthusiastic and compassionate runners, cyclist and participating vendors of all levels participated in this event in supporting this benevolent event's objective to raise funds for BIBD ALAF. Carrying the tagline "One Step, One Pedal, One Education", the charity drive aims to help underprivileged students in their educational progression through a systematic sponsorship scheme under the BIBD ALAF programme.

With one of the nation's major aspirations being to build well-educated and highly skilled human resources, BIBD played its role in supporting the nation's plans by providing opportunities of educational progression and long term support to these underprivileged students through the BIBD ALAF programme.

Amongst the prizes were marathon packages to Melbourne, Hongkong, Singapore, Kuala Lumpur and Kota Kinabalu. Through this expedition, it is hoped to promote a healthy lifestyle, as well as to encourage public awareness through fitness, on the aims of the programme.



Community Outreach

Going global

Partnership in Asia Inc Forum's 'Think Big, Innovate' Forum 2012

24 October 2012

BIBD, as corporate partner, collaborated with Asia Inc, in organizing the Technology and Entrepreneurship Forum, that explores on how innovation driven technology has inspired change and how entrepreneurs have used these innovations to bring value to businesses and to society. Amongst the forum speakers were Mr Javed Ahmad, BIBD's Managing Director as well as Dr Gyorgy Ladics, COO of BIBD. The forum became a platform for inspiration, learning and ideas, in building better businesses and markets, a stronger industry and firmer framework for encouraging entrepreneurship, as well as understanding how the world is embracing these emerging technologies. The forum was held at the Indera Samudera Grand Hall, the Empire Hotel and Country Club and attended by representatives from the private sector, government departments, as well as students.



BIBD Korban

Double donation

29 October 2012

BIBD held its annual Hari Raya Aidil Adha ceremony at the Raja Isteri Pengiran Anak Damit Mosque. A total of six buffaloes and a cow were sacrificed at the event, and the cut meat was later distributed to single mothers, orphans and underprivileged individuals. Present at the event were BIBD Board members, members of the Shariah Advisory Body, along with officers and staff of BIBD, as well as representative from its Group of Companies. During the ceremony, BIBD also took the opportunity to donate prayer books to the mosque, which were received by Imam Haji Md Daud Haji Abdul Kadir.

Property rights

Supporting IMMerse Character Design Challenge

24 October 2012

The Character Design Challenge was organized by the iCentre and BIBD supported in sponsoring prizes to the students who participated in the IMMerse Character Design challenge. This activity aimed to encourage, not only the creation of original Bruneian characters and Intellectual Properties, but also the preservation and promotion of Brunei Darussalam's rich source of cultural heritage, tradition, values and folklores with the emphasis on Brunei Darussalam's national philosophy, Melayu Islam Beraja (MIB).



Community Outreach

Awal Hijrah newborns

Head start in savings

13 November 2012

BIBD, as part of its annual activities and in conjunction with the celebration of the new Hijrah Year, collaborated with the Ministry of Religious Affairs, in celebrating the arrival of the new newborn babies, born on first day of Muharram. BIBD contributed donations in the form of baby gifts and account openings, which were handed out to the mothers of the babies during the transition into the new year, at a ceremony which was simultaneously held at all government medical centres, in all four districts. Donations were handed over by Yang Berhormat Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Haji Yahya bin Begawan Mudim Dato Paduka Haji Bakar, Minister of Industry and Primary Resources cum BIBD Chairman and Datin Dayang Hajah Norlina binti Dato Haji Abu Bakar.



Looking back

BIBD organises sunat hajat prayers for Gaza & Rohingya victims

30 November 2012

BIBD, via the CSR and Shariah Department, held a mass Hajat prayer at the Sultan Omar Ali Saifuddien mosque, for the safety of the Gaza and Rohingya victims, as well as other muslims around the world. This mass prayer held before the Friday prayer was also joined by the public. This is to support the initiative made by the Department of Mosques, Ministry of Religious Affairs.



Youth Development Research Project

This five year working partnership is a collaboration project between BIBD (as the corporate sponsor), Brunei Economic Development Board (BEDB) and Youth Development Centre. Its main objectives was to formulate programmes and organize activities that would help the local youths and underprivileged individuals, in developing their entrepreneurship skills and knowledge, and promote the development of micro-businesses in Brunei.



International Awards



Best Retail Bank in Brunei



Asia-Pacific Enterprise Leadership Awards (APELA) 2013

"Social Service Award" for our Al-Rahnu Micro-Finance business



Islamic Finance News 2013

"Structured Finance Deal of the Year" for the Brunei Gas Carriers transaction



Islamic Finance News 2013

"Turkey Deal of the Year" for the Republic of Turkey's sovereign Sukuk issue



Islamic Finance News 2013

"Tawarruq Deal of the Year" for Al-Baraka Turk Syndicated Financing



Islamic Finance News 2013

"Best Islamic Bank in Brunei"

*Global Finance
"World's Best Emerging
Markets Banks 2013
in Asia-Pacific" - Brunei*

*Asiamoney
"Best Islamic Bank in Brunei"*

*Global Finance
"World's Best Islamic
Financial Institutions 2013"
- Brunei*



*The Banker's
"Islamic Bank of the Year" - Brunei*

FINANCIAL STATEMENTS 2012¹

BANK ISLAM BRUNEI DARUSSALAM BERHAD

(Incorporated in Brunei Darussalam)

Financial Statements

31 December 2012

1 These financial statements are a summary extract of the Audited Financial Statements of Bank Islam Brunei Darussalam Berhad and its subsidiaries and have been reproduced for the purposes of the Annual Report.

Financial Statements 2012

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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Bank Islam Brunei Darussalam Berhad ("the Bank") and its subsidiaries ("the Group") for the financial year ended 31 December 2012.

Principal activities

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

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

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

Results

	Bank B\$'000	Group B\$'000
Profit for the year	<u>97,794</u>	<u>118,576</u>
Attributable to:		
Equity holders of the Bank	97,794	117,767
Minority interest	<u>-</u>	<u>809</u>
	<u>97,794</u>	<u>118,576</u>

Dividend

Dividend in respect of financial year ended 31 December 2010 and 31 December 2011 of B\$34,063,227 was declared and paid on 13 July 2012.

Directors

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

Yang Berhormat Pehin Orang Kaya Seri Utama

Dato Seri Setia Awang Haji Yahya bin

Begawan Mudim Dato Paduka Haji Bakar

(Chairman)

Yang Mulia Dato Paduka Awang Haji Bahrin bin Abdullah (Deputy Chairman)

Yang Mulia Iqbal Ahmad Khan

Yang Mulia Junaidi bin Haji Masri

Yang Mulia Jan Hendrik van Greuning

Yang Mulia Javed Ahmad bin Kamil Hasan

(Managing Director)

Yang Mulia Abdulaziz Mohammed L. Alsubeaei

(term commenced on 16 March 2012)

Directors' benefit

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of emoluments received or due receivable by directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 7 of the financial statements) by reason of a contract made by the Bank or a related corporation with any director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

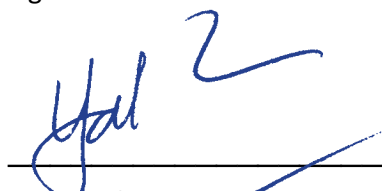
Directors' interests

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

	Number of ordinary shares of B\$1 each	
	1 January 2012	31 December 2012
Yang Berhormat Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Haji Yahya bin Begawan Mudim Dato Paduka Haji Bakar	2	2
Yang Mulia Dato Paduka Awang Haji Bahrin bin Abdullah	4,441	4,441
Yang Mulia Iqbal Ahmad Khan	1	1
Yang Mulia Javed Ahmad bin Kamil Hasan	5,001	5,001
Yang Mulia Awang Junaidi bin Haji Masri	1	1

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2013.



**Yang Berhormat
Pehin Orang Kaya Seri Utama Dato Seri Setia
Awang Haji Yahya bin Begawan Mudim Dato Paduka Haji Bakar**
Chairman



**Yang Mulia
Javed Ahmad bin Kamil Hasan**
Managing Director

**Negara Brunei Darussalam
28 March 2013**

Shariah Advisory Body Report

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

To the Shareholders of Bank Islam Brunei Darussalam Berhad

السلام عليكم ورحمة الله وبركاته

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

We have reviewed the principles outlined in the contracts that relate to the transactions as well as the application of these principles conducted by Bank Islam Brunei Darussalam Berhad and its Subsidiaries (Bank) during the course of the financial year ended 31st December 2012. Our review was conducted in order to form an independent opinion on the Bank's transactions and applications of the principles which complied with the Shariah requirements, specific resolutions, rulings and guidelines issued by us.

The Bank's Management is responsible for ensuring that its operations are carried out in accordance with Shariah requirements. It is our responsibility to present an independent opinion of the Bank's operations and to subsequently communicate to the shareholders.

The review was planned and conducted so as to obtain all necessary information and explanations to provide sufficient evidence proving that the Bank has not violated any of the Shariah requirements.

In our opinion:-

- a. The Bank's contracts, transactions and deals for the financial period ending 31st December 2012 are in compliance with Shariah requirements;
- b. All earnings that have been realised from sources or by means prohibited by Shariah have been separated and disposed off to charitable causes; and
- c. The Bank's calculation of Zakat is in compliance with Shariah.

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

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

والله ولي التوفيق والهداية



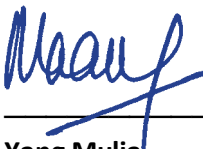
Yang Dimuliakan
Pehin Orang Kaya Paduka Setia Raja Dato Paduka Seri Setia
Haji Awang Suhaili bin Haji Mohiddin
Chairman



Yang Mulia
Dato Seri Setia Haji Awang Metussin bin Haji Awang Baki
Deputy Chairman



Yang Mulia
Dr Dayang Hajah Masnon binti Haji Ibrahim
Member



Yang Mulia
Awang Haji Mazanan bin Haji Yusof
Member



Yang Mulia
Haji Muhammad Shukri bin Haji Ahmad
Secretary

Negara Brunei Darussalam
28 March 2013



KPMG LLP
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Singapore 048581

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Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditor's report

Members of the Bank

Bank Islam Brunei Darussalam Berhad

Report on the financial statements

We have audited the accompanying financial statements of Bank Islam Brunei Darussalam Berhad (the Bank) and its subsidiaries (the Group), which comprise the balance sheets of the Bank and the Group as at 31 December 2012, the income statements, statements of changes in equity and cash flow statements of the Bank and the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 60.

Directors' responsibility

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the Act), the Islamic Banking Order, 2008 and generally accepted accounting principles in Brunei Darussalam with such modification so as to comply with the Guidelines/Notices issued by the Autoriti Monetari Brunei Darussalam or issued pursuant to the Islamic Banking Order, 2008 and Principles of Shariah as approved by the Shariah Advisory Body. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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



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

Opinion

In our opinion;

- (a) the consolidated financial statements of the Group and the financial statements of the Bank have been properly drawn up in accordance with the provisions of the Act, the Islamic Banking Order, 2008 and generally accepted accounting principles in Brunei Darussalam with such modification so as to comply with the Guidelines/Notices issued by the Autoriti Monetari Brunei Darussalam or issued pursuant to the Islamic Banking Order, 2008 and the Principles of Shariah as approved by the Shariah Advisory Body, to give a true and fair view of the financial position of the Bank and the Group as at 31 December 2012 and the results, changes in equity and cash flows of the Bank and the Group for the year ended on that date according to the best of our information and the explanations given to us and as shown by the books of the Bank; and
- (b) we have obtained all the information and explanations that we required.

A handwritten signature in blue ink, appearing to read 'KPMG LLP'.

KPMG LLP

Singapore Public Accountants and

Singapore Certified Public Accountants

A handwritten signature in blue ink, appearing to read 'Leong Kok Keong'.

Leong Kok Keong

Brunei Darussalam Authorised Auditor

Singapore

28 March 2013

INCOME STATEMENT

For the year ended 31 December	Note	Bank			Group		
		2012 B\$'000	2011 B\$'000	Change %	2012 B\$'000	2011 B\$'000	Change %
Income							
Income derived from investment of depositors' funds and others	3	187,798	144,587	29.9	219,803	170,281	29.1
Income derived from investment of shareholders' funds	4	36,699	28,859	27.2	55,961	43,882	27.5
Less:							
Allowance for losses on financing and advances	5	(4,541)	(8,866)	(48.8)	(5,801)	(10,446)	(44.5)
Writeback of impairment for losses on investments		132	-	N/A	132	-	N/A
Total distributable profit		220,088	164,580	33.7	270,095	203,717	32.6
Less:							
Income attributable to depositors	6	(13,861)	(13,748)	0.8	(19,000)	(18,597)	2.2
Total net income		206,227	150,832	36.7	251,095	185,120	35.6
Less:							
Personnel expenses	7	(43,275)	(36,425)	18.8	(48,125)	(40,360)	19.2
Provision for staff retirement benefits		(571)	(542)	5.4	(618)	(713)	(13.3)
Other overhead expenses	8	(38,319)	(25,860)	48.2	(51,350)	(36,025)	42.5
Total operating expenses		(82,165)	(62,827)	30.8	(100,093)	(77,098)	29.8
Less: Finance cost	9	(3)	(59)	(94.9)	(3)	(59)	(94.9)
Profit from operations		124,059	87,946	41.1	150,999	107,963	39.9
Share of profit of associate (net of tax)		-	-	N/A	-	781	(100.0)
Profit before zakat and taxation		124,059	87,946	41.1	150,999	108,744	38.9
Less :							
Zakat	10	(2,653)	(2,489)	6.6	(2,653)	(2,489)	6.6
Income tax expense	11	(23,612)	(12,819)	84.2	(29,770)	(19,420)	53.3
Total zakat and income tax expense		(26,265)	(15,308)	71.6	(32,423)	(21,909)	48.0
Profit for the financial year		97,794	72,638	34.6	118,576	86,835	36.6
Profit for the year attributable to:							
Equity holders of the Bank		97,794	72,638	34.6	117,767	84,891	38.7
Minority interests		-	-	N/A	809	1,944	(58.4)
Profit for the financial year		97,794	72,638	34.6	118,576	86,835	36.6
Dividend per ordinary share (B\$)							
	12	0.047	0.037	27.0	0.047	0.037	27.0
Basic and diluted earnings per share (B\$)							
	13	0.13	0.10	33.9	0.16	0.12	36.6

The significant accounting policies and the notes from pages 14 to 60 form an integral part of the financial statements.

BALANCE SHEET

As at 31 December	Note	Bank			Group		
		2012 B\$'000	2011 B\$'000	Change %	2012 B\$'000	2011 B\$'000	Change %
Assets							
Cash and short term funds	14	2,788,078	3,010,349	(7.4)	2,773,564	2,979,505	(6.9)
Balances with Autoriti Monetari Brunei Darussalam	15	250,374	269,345	(7.0)	273,536	289,639	(5.6)
Government Sukuk	16	22,995	41,979	(45.2)	22,995	41,979	(45.2)
Deposits and placements with banks and other financial institutions	17	-	4,203	(100.0)	-	4,203	(100.0)
Investments	18	545,591	533,237	2.3	556,458	439,216	26.7
Financing and advances	19	1,895,916	1,673,332	13.3	2,330,886	2,153,265	8.2
Investments in subsidiaries	21.1	26,483	26,483	(0.0)	-	-	N/A
Investment in associate	21.2	7,080	7,080	(0.0)	7,903	7,903	0.0
Group balances receivable	22	190	225	(15.6)	-	-	N/A
Fixed assets	23	30,832	33,152	(7.0)	66,157	67,503	(2.0)
Other assets	24	41,540	92,728	(55.2)	61,133	114,291	(46.5)
Deferred tax assets	30	-	7,662	(100.0)	-	7,662	(100.0)
Total assets		5,609,079	5,699,775	(1.6)	6,092,632	6,105,166	(0.2)
Liabilities and equity							
Deposits from customers	25	4,217,335	4,416,794	(4.5)	4,469,766	4,690,480	(4.7)
Deposits from banks and other financial institutions	26	309,770	266,217	16.4	425,762	308,096	38.2
Financing	27	10,000	-	N/A	10,000	-	N/A
Group balances payable	28	990	167	493.4	-	-	N/A
Other liabilities	29	82,494	94,536	(12.7)	95,522	107,549	(11.2)
Deferred tax liabilities	30	182	-	N/A	2,182	-	N/A
Zakat	10b	2,657	2,489	6.8	5,081	4,913	3.4
Provision for taxation	11b	30,162	29,848	1.1	37,906	37,592	0.8
Total liabilities		4,653,590	4,810,051	(3.3)	5,046,219	5,148,630	(2.0)
Shareholders' equity							
Share capital	31	724,750	724,750	-	724,750	724,750	-
Statutory reserves fund	32	207,260	133,914	54.8	237,263	153,919	54.1
Other reserves	33	23,479	31,060	(24.4)	62,648	60,896	2.9
Total shareholders' funds		955,489	889,724	7.4	1,024,661	939,565	9.1
Minority interests	34	-	-	N/A	21,752	16,971	28.2
Total equity		955,489	889,724	7.4	1,046,413	956,536	9.4
Total liabilities and equity		5,609,079	5,699,775	(1.6)	6,092,632	6,105,166	(0.2)
Contingencies and commitments	35	3,425,414	3,717,330	(7.9)	3,429,494	3,717,330	(7.7)

The significant accounting policies and the notes from pages 14 to 60 form an integral part of the financial statements.

Certification

I certify that the above financial statements give a true and fair view of the state of affairs as at 31 December 2012 and its profit for the year ended 31 December 2012.



Javed Ahmad bin Kamil Hasan
Managing Director

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



Yang Berhormat
Pehin Orang Kaya Seri Utama Dato Seri Setia
Awang Haji Yahya bin Begawan Mudim Dato Paduka Haji Bakar
Chairman



Yang Mulia
Dato Paduka Awang Haji Bahrin bin Abdullah
Director



Yang Mulia
Javed Ahmad bin Kamil Hasan
Managing Director

Negara Brunei Darussalam
28 March 2013

STATEMENT OF CHANGES IN EQUITY

Bank

For the year ended 31 December	Note	Share capital B\$'000	Statutory reserves fund B\$'000	Net unrealised gain/(loss) on available-for-sale investments B\$'000	Retained profits B\$'000	Total equity B\$'000
Balance as at 1 January 2011		724,750	79,435	-	42,813	846,998
Net change in fair value of available-for-sale investments		-	-	(3,096)	-	(3,096)
Net profit for the financial year		-	-	-	72,638	72,638
Dividends paid during the year	12	-	-	-	(26,816)	(26,816)
Transfers during the year	32	-	54,479	-	(54,479)	-
Balance as at 31 December 2011/1 January 2012		724,750	133,914	(3,096)	34,156	889,724
Net change in fair value of available-for-sale investments		-	-	2,034	-	2,034
Net profit for the financial year		-	-	-	97,794	97,794
Dividends paid during the year	12	-	-	-	(34,063)	(34,063)
Transfers during the year	32	-	73,346	-	(73,346)	-
Balance as at 31 December 2012		724,750	207,260	(1,062)	24,541	955,489

Group

For the year ended 31 December	Note	Share capital B\$'000	Statutory reserves fund B\$'000	Net unrealised gain/(loss) on available-for-sale investments B\$'000	Retained profits B\$'000	Total shareholders' funds B\$'000	Minority interests B\$'000	Total equity B\$'000
Balance as at 1 January 2011		724,750	94,440	-	63,788	882,978	7,782	890,760
Net change in fair value of available-for-sale investments		-	-	(1,488)	-	(1,488)	-	(1,488)
Net profit for the financial year		-	-	-	84,891	84,891	1,944	86,835
Dividends paid during the year	12	-	-	-	(26,816)	(26,816)	-	(26,816)
Transfers during the year	32	-	59,479	-	(59,479)	-	-	-
Contributions from minority interest		-	-	-	-	-	7,245	7,245
Balance as at 31 December 2011/1 January 2012		724,750	153,919	(1,488)	62,384	939,565	16,971	956,536
Net change in fair value of available-for-sale investments		-	-	1,392	-	1,392	-	1,392
Net profit for the financial year		-	-	-	117,767	117,767	809	118,576
Dividends paid during the year	12	-	-	-	(34,063)	(34,063)	-	(34,063)
Transfers during the year	32	-	83,344	-	(83,344)	-	-	-
Contributions from minority interest		-	-	-	-	-	3,972	3,972
Balance as at 31 December 2012		724,750	237,263	(96)	62,744	1,024,661	21,752	1,046,413

The significant accounting policies and the notes from pages 14 to 60 form an integral part of the financial statements.

CASH FLOW STATEMENT

For the year ended 31 December	Bank		Group	
	2012 B\$'000	2011 B\$'000	2012 B\$'000	2011 B\$'000
Cash flow from operating activities				
Income from financing	120,899	128,026	158,569	157,080
Income/ profit paid to depositors	(11,643)	(13,748)	(16,537)	(18,597)
Receipts on other operating activities	76,418	47,256	101,636	58,240
Cash payments to employees and suppliers	(40,632)	(36,425)	(48,419)	(40,360)
Payments on other operating activities	(23,058)	(18,817)	(33,729)	(26,744)
<i>Cash flows from operating profit before changes in operating assets and liabilities</i>	121,984	106,292	161,520	129,619
<i>(Increase)/ decrease in operating assets</i>				
Balances with Autoriti Monetari Brunei Darussalam	18,970	(89,197)	16,103	(93,252)
Deposits and placements with banks and other financial institutions	(489,576)	(47,914)	(484,515)	(53,915)
Financing and advances	(237,883)	210,990	(194,180)	126,120
Other assets	4,083	(660)	5,894	(8,244)
	(704,406)	73,219	(656,698)	(29,291)
<i>(Decrease)/ increase in operating liabilities</i>				
Deposits from customers	(181,820)	958,218	(203,075)	1,053,955
Deposits from banks and other financial institutions	43,553	115,607	117,666	92,462
Other liabilities	(8,649)	707	(15,468)	3,809
	(146,916)	1,074,532	(100,877)	1,150,226
<i>Cash (used in)/ generated from operations</i>	(729,338)	1,254,043	(596,055)	1,250,554
Zakat paid	(2,485)	(2,389)	(2,485)	(2,389)
Income tax paid	(15,455)	(11,374)	(19,614)	(11,374)
<i>Net cash (used in)/ generated from operating activities</i>	(747,278)	1,240,280	(618,154)	1,236,791
Cash flow from investing activities				
Purchase of fixed assets	(6,854)	(12,511)	(10,181)	(13,152)
Disposal of fixed assets	40	13	40	13
Purchase of Government Sukuk	(304,858)	(211,008)	(304,858)	(211,008)
Proceeds from Government Sukuk upon maturity	323,843	239,000	323,843	239,000
Purchase of investments	(136,276)	(244,045)	(141,669)	(241,179)
Disposal of investments	106,341	32,486	6,341	32,486
Dividend received	1,607	362	2,593	964
<i>Net cash used in investing activities</i>	(16,157)	(195,703)	(123,891)	(192,876)
Cash flow from financing activities				
Dividends paid	(34,063)	(26,816)	(34,063)	(26,816)
Issuance/ (repayment) of financing	10,000	(5,195)	10,000	(5,195)
<i>Net cash used in financing activities</i>	(24,063)	(32,011)	(24,063)	(32,011)
Net (decrease)/ increase in cash and cash equivalent	(787,498)	1,012,566	(766,108)	1,011,904
Cash and cash equivalent at 1 January	2,818,088	1,805,522	2,790,244	1,778,340
Cash and cash equivalent at 31 December	2,030,590	2,818,088	2,024,136	2,790,244
Cash and short-term funds at 31 December	2,788,078	3,010,349	2,773,564	2,979,505
Less: Money-at-call and short notice and interbank placements with maturity more than 3 months	(757,488)	(192,261)	(749,428)	(189,261)
Cash and cash equivalent at 31 December	2,030,590	2,818,088	2,024,136	2,790,244

Note 14

The significant accounting policies and the notes from page 14 to 60 form an integral part of the financial statements.

STATEMENT PURSUANT TO SECTION 125 OF THE BRUNEI DARUSSALAM COMPANIES ACT

The consolidated profit for the financial year ended 31 December 2012 as shown in the consolidated financial statements of the Bank includes the share of profit or loss from the following subsidiary companies for the financial year ended 31 December 2012:

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

During the year, no provision or impairment has been made by the Bank for its investments in subsidiary companies. The profits or losses of the subsidiary companies have been taken into account by the directors of the Bank in arriving at the profit of the Group as disclosed in the accounts.

On behalf of the Board of Directors



Yang Berhormat

Pehin Orang Kaya Seri Utama Dato Seri Setia

Awang Haji Yahya bin Begawan Mudim Dato Paduka Haji Bakar

Chairman



Yang Mulia

Dato Paduka Awang Haji Bahrin bin Abdullah

Director



Yang Mulia

Javed Ahmad bin Kamil Hasan

Managing Director

Negara Brunei Darussalam

28 March 2013

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as "the Group").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General

2.1.1 Basis of Preparation of the Financial Statements

The financial statements have been prepared in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 ("the Act"), the Islamic Banking Order, 2008 and the generally accepted accounting principles in Brunei Darussalam with such modification so as to comply with the Guidelines/Notices issued by the Autoriti Monetari Brunei Darussalam ("AMBD") or issued pursuant to the Islamic Banking Order, 2008 and the Principles of Shariah as approved by the Shariah Advisory Body.

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

The financial statements are presented in Brunei dollars, which is the Bank's functional currency and rounded to the nearest thousand, unless stated otherwise.

2.1.2 Accounting Convention

The financial statements are prepared in conformity with generally accepted accounting principles applied consistently on a historical cost basis except where otherwise indicated in the accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.1 General (cont'd)****2.1.3 Basis of Consolidation**

- i. The Group financial statements include the consolidated results, assets and liabilities of the Bank and its subsidiaries made up to their respective financial year ends. The interests of outside shareholders of the subsidiaries in the net assets, and their proportionate share of the results are grouped separately in the Consolidated Balance Sheet and Income Statement respectively, under the heading minority interests. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

- ii. **Business Combination**

Business combinations are accounted for under the acquisition method. The acquisition method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at date of acquisition. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition represents goodwill.

- iii. **Subsidiaries**

Subsidiaries are entities controlled by the Group and are fully consolidated from the date on which control is transferred to the Group until the date that control ceases. Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

- iv. **Investment in associate**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

In the Group financial statements, investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the Group's share of profits and losses of the investee companies is accounted for in the consolidated income statement for the year. The carrying value of the investment in the consolidated balance sheet is thereby increased or decreased to recognise the Group's share of retained profits of the investee companies since the date of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.1 General (cont'd)****2.1.3 Basis of Consolidation (cont'd)****v. Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

vi. Accounting of investment in subsidiaries and associates

Investment in subsidiaries and associates are stated in the Bank's balance sheet at cost less accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.1 General (cont'd)****2.1.4 Significant Accounting Policies****i. Foreign Currencies**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the rate of exchange at the balance sheet date and differences arising on retranslation are recognised in the income statement.

Non-monetary items denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ii. Zakat

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

iii. Taxation

Income tax expense comprises current and deferred tax. Current tax is directly recognised in the income statement except to the extent that it relates to a business combination, or items recognised in equity, in which case it is recognised in equity.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.1 General (cont'd)****2.1.4 Significant Accounting Policies (cont'd)****iv. Deferred Taxation**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences will be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 Assets And Bases Of Their Valuation****2.2.1 Financing to Customers**

Financing to customers are stated in the balance sheet net of allowance for possible financing losses and also net of income which is not accrued to revenue.

Financing, advances and other receivables are recognised when cash is disbursed to customers. These are initially measured at cost including any direct transaction costs and are subsequently measured at cost less any allowances for losses.

Allowances for possible financing losses are based on the Guidelines/Notices issued by the AMBD or issued pursuant to the Islamic Banking Order, 2008 effective from 12 January 2010 and also based on a continuous review of all financing and advances. Specific allowances relate to identified bad and doubtful financing. General allowance based on percentage of the financing and advances and the percentage is reviewed annually and adjustment is made to the overall general allowances, if necessary.

Any uncollectible financing or a portion of financing classified as non-performing is written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 Assets And Bases Of Their Valuation (cont'd)****2.2.2 Investment securities**

The investment securities of the Group and the Bank are categorised based on the following categories and their measurement bases:

i. Investment securities at fair value through profit or loss

Securities are classified as investment securities at fair value through profit or loss if they are acquired or incurred principally for the purpose of selling or repurchasing in the near terms or they are part of a portfolio of identified securities that are managed together or for which there is evidence of recent actual pattern of short-term profit taking.

Securities classified as investment securities at fair value through profit or loss are measured at fair value. Any gain or loss arising from a change in their values are recognised in the income statement.

ii. Investment securities held-to-maturity

Investment in securities held-to-maturity is for investment in securities with fixed or determinable payments and fixed maturity that the Group and the Bank have the positive intention and ability to hold to maturity.

These investments will be measured at amortised cost using the effective profit rate, less allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition. The amortisation is recognised in the income statement.

iii. Available-for-sale investment securities

Available-for-sale investments are those which are designated as such or do not qualify to be designated as loans and receivables, securities at fair value through profit or loss or held to maturity. They include equity instruments, investment in funds and money market, and debt instruments.

After initial measurement, available-for-sale investments are subsequently measured at fair value. Unrealised gain or loss are recognised directly in equity in the "available-for-sale reserve".

When the investment is disposed, the cumulative gain or loss previously recognised in equity is recognised in the income statement. Where the Group and the Bank holds more than one investment in the same security they are deemed to be disposed of on a first-in-first-out basis.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 Assets And Bases Of Their Valuation (cont'd)****2.2.2 Investment securities (cont'd)****iv. Impairment of investment securities**

Investment securities not carried at fair value through profit or loss are assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. An investment security is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that investment securities (including equity securities) are impaired can include default or delinquency by the issuer, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Investment securities held-to-maturity

Impairment loss for investments held-to-maturity is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

Available-for-sale investment securities

The losses arising from impairment of such investments are recognised in the income statement and removed from the available-for-sale reserve. The cumulative loss that is reclassified from equity to the income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in the income statement.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement, then the impairment loss is reversed, with the amount of the reversal recognised in the income statement. Any increase in value above the original cost would not be taken into the income statement but recognised in equity. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in equity.

v. Determination of fair value

The fair value for investments in securities traded in active markets is based on quoted market prices or dealer price quotation at the balance sheet date.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable exist, option pricing models and other valuation models.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 Assets And Bases Of Their Valuation (cont'd)****2.2.3 Placements and balances with banks and other financial institutions**

Placements and balances with banks and other financial institutions are stated at cost, after deduction of impairment losses, if any.

2.2.4 Fixed assets**i. Recognition and measurement**

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost of fixed assets includes expenditure that is directly attributable to the acquisition of the assets.

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

The gain or loss on disposal of fixed assets is determined by comparing the proceeds from disposal with the carrying amount of the fixed assets, and are recognised net in the income statement as incurred.

ii. Subsequent costs

The cost of replacing part of the fixed assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of fixed assets are recognised in the income statement as incurred.

iii. Depreciation

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

Leasehold land and building	Over the lease term and not more than 10 years
Equipment, furniture & fittings	3 – 5 years
Motor vehicles	7 years
Ship vessel	20 years

Fully depreciated assets are retained in the records until they are disposed off. On disposal of a fixed asset, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

No depreciation is provided for fixed asset work-in-progress, which relates to the purchased IT systems and software in the process of being implemented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 Assets And Bases Of Their Valuation (cont'd)****2.2.5 Cash and cash equivalents**

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

2.2.6 Investment Property

Investment property is carried at cost less accumulated depreciation and impairment loss. Buildings are depreciated over the period of the lease and not more than 50 years and the leasehold improvements are depreciated over 10 years.

2.2.7 Other assets

Other assets are carried at amortised cost. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

2.3 Liabilities and Provisions**2.3.1 Provision**

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

2.3.2 Liabilities

Deposits from customers as well as deposits and placement of banks and financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the amounts expected to be paid in future for the goods and services received or to extinguish the liability.

2.3.3 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of other liabilities.

2.3.4 Employee Benefits**i. Short term employee benefits**

Wages, salaries, bonuses and allowances are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

ii. Defined contribution plans

The Group contributes to the Tabung Amanah Pekerja ("TAP") and the Supplemental Contributory Pension scheme ("SCP"), both defined contribution plans regulated and managed by the Government of Negara Brunei Darussalam, which applies to the majority of the employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 Assets And Bases Of Their Valuation (cont'd)****2.3.5 Employee Benefits (cont'd)****iii. Pensions and Retirement benefits**

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

2.4 Hedge Accounting

The Bank enters into foreign exchange forwards and swaps for hedging its foreign currency exposures. To qualify as a hedge accounting, the derivative must effectively reduce foreign exchange risk of an asset or liability to which it is linked and be designated as an accounting hedge at inception of the derivative contract. Accordingly, changes in the market value of the derivative must be highly correlated with changes in the fair value of the underlying hedged item at inception of the hedge and over the life of the hedge contract. If these criteria are met, the derivative is accounted for on the same basis as the underlying hedged item and the forward points of the derivative, which is the difference between the spot rates on the inception of the foreign exchange forwards or swaps and the forward contracted rate, will be amortised in the income statement.

Derivatives that do not qualify as accounting hedges at inception are marked to market on the date of the balance sheet. Unrealised losses are recognised in the Income Statement whereas unrealised gains are deferred in other liabilities. Such treatment is to comply with the Appendix II of the Prescribed Audited Accounts and Statements Format For Reporting to Authorities issued to Licensed Islamic Banks by the AMBD.

2.5 Income Statement**2.5.1 Income Recognition**

Income recognition policy for each major type of income earned, include the following:

i. Financing Income

Financing income is recognised on a cash basis by the Group and the Bank.

ii. Fees and commission income

Fee and commission income relating to financing, guarantees and trade financing are recognised over the period during which the related services are provided or credit/financing risks are undertaken.

iii. Income from deposits and investments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.5 Income Statement (cont'd)****2.5.1 Income Recognition (cont'd)****iv. Dividend income**

Interim dividends from equity are recorded during the financial year in which they are declared payable. Final dividends from equity are recorded during the financial year in which the dividends are approved by the shareholders.

v. Contributions for takaful business

Contributions for family takaful businesses is recognised as income on assumption of risks and subsequent premiums are recognised on due dates. Contribution income on long term policies is recognised as earned based on the time-apportionment method. Gross contributions for takaful business are accounted for on an accrual basis. Unrealised income is deferred and receipts in advance are treated as liabilities in the balance sheet.

vi. Income derived from investment of depositors' funds and others and from shareholders' funds

Generally, income is allocated to income derived from depositors' funds and income derived from shareholders' funds based on the relative monthly balance of depositors' funds and shareholders' funds.

Income that is directly related to depositors' funds or shareholders' fund is allocated to the respective funds.

2.5.2 Income attributable to depositors

Income attributable to depositors are expensed as incurred.

2.5.3 Accounting for lease expenses

Operating lease expenses are recognised in the income statement on a straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.6 Takaful Funds

The Group's Takaful funds are operated under the Mudharabah and Wakalah models in accordance with the principles of Shariah.

i. Family Takaful Fund

The Family Takaful fund consists of the amounts attributable to participants as determined by the annual actuarial valuation and accumulated surplus attributable to participants. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Advisory Body of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.6 Takaful funds (cont'd)****ii. General Takaful Fund**

The General Takaful fund consists of unearned contribution reserves and accumulated surplus attributable to participants. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Advisory Board of the Group.

2.7 Significant Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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 and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- (a) Note 5 – Allowance for losses on financing and advances
- (b) Note 18 – Fair value of investments
- (c) Note 29 – Takaful contingency pool for financing customers

3. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Finance income and hibah (<i>discretionary</i>)	134,596	125,612	165,374	150,335
Other operating income	53,202	18,975	54,429	19,946
Total	187,798	144,587	219,803	170,281

4. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Finance income and hibah (<i>discretionary</i>)	28,538	25,194	35,786	30,141
Other operating income	8,161	3,665	20,175	13,741
Total	36,699	28,859	55,961	43,882

5. ALLOWANCE FOR LOSSES ON FINANCING AND ADVANCES

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
General allowance	(2,048)	2,259	(2,481)	1,463
Specific allowance	(2,493)	(11,125)	(3,320)	(11,909)
Total	(4,541)	(8,866)	(5,801)	(10,446)

6. INCOME ATTRIBUTABLE TO DEPOSITORS

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Deposits from customers				
- Mudharabah	607	1,501	607	1,501
- Non-Mudharabah	12,373	11,584	15,677	14,653
Sub-total	12,980	13,085	16,284	16,154
Deposits and placements from banks and other financial institutions				
- Mudharabah	1	1	1	1
- Non-Mudharabah	880	662	2,715	2,442
Sub-total	881	663	2,716	2,443
Total	13,861	13,748	19,000	18,597

7. PERSONNEL EXPENSES

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Salaries and wages	25,472	23,735	28,379	26,212
Allowance and bonuses	13,194	9,004	14,404	9,940
Others	4,609	3,686	5,342	4,208
Total	43,275	36,425	48,125	40,360

a. Directors' remuneration

Included in personnel expenses are:

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Directors' fees and other remuneration	258	192	258	192
Managing Director's salary and other remuneration	349	349	349	349
Shariah Committee Members' remuneration	126	79	126	81
Total	733	620	733	622

8. OTHER OVERHEAD EXPENSES

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Promotion				
Advertisement and publicity	1,864	1,351	5,894	4,573
Operational				
Rental	2,906	2,471	3,093	2,641
Depreciation	9,402	7,103	11,756	9,340
Electronic data processing expenses	2,948	2,256	3,549	2,533
Hire of equipment	62	-	62	-
Sales subsidies	3,049	1,802	3,049	1,802
Office expenses	5,542	3,777	5,895	4,173
General expenses				
Management fees	-	-	291	258
Auditors' fees				
- Statutory audit				
- Current year	309	303	339	333
- Under provision in prior year	-	65	-	57
- Non-audit services	10	10	21	10
Professional fees	(30)	1,674	9	1,778
Others	12,257	5,048	17,392	8,527
Total	38,319	25,860	51,350	36,025

9. FINANCE COST

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Short term financing	3	59	3	59
Total	3	59	3	59

10. ZAKAT**a. Recognised in the income statement**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Current zakat provision	2,657	2,489	2,657	2,489
Overprovision in prior year	(4)	-	(4)	-
Total	2,653	2,489	2,653	2,489

The amount of zakat is calculated based on the net profit before income tax and is payable by the Bank and its subsidiaries to comply with the principles of Shariah.

b. Zakat liabilities

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Zakat for the Bank	2,657	2,489	5,081	4,913
Total	2,657	2,489	5,081	4,913

11. TAXATION**a. Recognised in the income statement**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Current tax expense				
Current year	21,558	21,245	25,715	24,602
Over provision for prior years	(5,789)	(6,476)	(5,789)	(3,232)
	15,769	14,769	19,926	21,370
Deferred tax expense				
Origination and reversal of temporary differences	3,182	(1,950)	5,183	(1,950)
Reduction in tax rate	291	-	291	-
Under provision for prior years	4,370	-	4,370	-
Total	23,612	12,819	29,770	19,420

11. TAXATION (cont'd)**b. Provision for taxation**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Current tax liabilities	30,162	29,848	37,906	37,592
Total	30,162	29,848	37,906	37,592

c. Reconciliation of effective tax rate

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Profit before zakat and taxation	124,059	87,946	150,999	107,963
Income tax using the domestic corporation tax rate of 20% (2011: 22%)	24,812	19,348	30,200	23,752
Tax effect of reduction in tax rate	291	-	291	-
Tax effect of non-taxable revenue (net of non-deductible expenses)	(42)	(20)	758	(730)
Over provision in prior years	(1,419)	(6,476)	(1,419)	(3,232)
Others	(30)	(33)	(60)	(370)
Total	23,612	12,819	29,770	19,420

12. DIVIDEND PER ORDINARY SHARE

	Bank		Group	
	2012 B\$'000	2011 B\$'000	2012 B\$'000	2011 B\$'000
On ordinary shares				
Net dividend paid to ordinary shareholders	34,063	26,816	34,063	26,816
Total Dividend	34,063	26,816	34,063	26,816

	2012		2011	
	Gross per share B\$	Dividend net of tax B\$'000	Gross per share B\$	Dividend net of tax B\$'000
Authorised:				
Final dividends paid	0.047	34,063	0.037	26,816

At the Annual General Meeting on 20 June 2012, a final dividend in respect of financial year ended 31 December 2010 and 31 December 2011 of B\$0.022 and B\$0.025 respectively on 724,749,513 number of ordinary shares, amounting to B\$34,063,227 was approved by shareholders and was paid on 13 July 2012.

13. EARNINGS PER SHAREBasic Earnings per Share ("EPS")

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

	Bank		Group	
	2012	2011	2012	2011
Profit for the year attributable to equity holders of the Bank (B\$'000)	97,794	72,638	117,767	84,891
Weighted average number of ordinary shares in issue ('000)	724,750	724,750	724,750	724,750
Basic EPS (B\$)	0.13	0.10	0.16	0.12

Diluted Earnings per Share

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

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

14. CASH AND SHORT TERM FUNDS

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Cash in hand	46,110	30,547	46,329	30,633
Short-term liquidity	2,741,968	2,979,802	2,727,235	2,948,872
Total	2,788,078	3,010,349	2,773,564	2,979,505

15. BALANCES WITH AUTORITI MONETARI BRUNEI DARUSSALAM

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

16. GOVERNMENT SUKUK

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Held-to-maturity Government Sukuk				
Maturity less than one year	22,995	41,979	22,995	41,979
Total	22,995	41,979	22,995	41,979

17. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**a. By institution:-**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
In other banks and financial institutions abroad	-	4,203	-	4,203
Total	-	4,203	-	4,203

b. By maturity structure:-

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Maturing in more than one year but less than two years	-	4,203	-	4,203
Total	-	4,203	-	4,203

18. INVESTMENTS

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Investments at fair value through profit or loss	18,389	20,591	37,590	34,261
Available-for-sale investments	67,011	17,956	58,677	10,265
Held-to-maturity investments	460,191	494,690	460,191	394,690
Total	545,591	533,237	556,458	439,216

19. FINANCING AND ADVANCES**19.1 By type**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Cash line/ Naqd (overdrafts)	73,859	72,077	73,859	72,077
Term financing	2,259,299	2,063,904	2,871,343	2,700,721
Bills receivable	135,977	119,314	135,977	119,313
Others	141,134	133,740	141,134	133,740
Gross financing and advances	2,610,269	2,389,035	3,222,313	3,025,851
Less: Unearned income	(555,867)	(526,859)	(726,829)	(678,292)
	2,054,402	1,862,176	2,495,484	2,347,559
Less: Allowances for losses on financing and advances	(158,486)	(188,844)	(164,598)	(194,294)
Net financing and advances	1,895,916	1,673,332	2,330,886	2,153,265

19. FINANCING AND ADVANCES (cont'd)**19.2 By contract**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Al-Kafalah bil Mal dan Al-Bai	5,059	4,397	5,059	4,397
Al-Wakalah bil Ujrah	38,900	38,467	38,900	38,467
Bai' Bithaman Ajil (deferred payment sale)	1,526,826	1,505,267	1,526,826	1,605,267
Ijarah (lease)	98,325	1	98,325	1
Ijarah Muntahia Bittamlik / AITAB (lease ended with ownership)	3,502	9,855	452,153	407,703
Murabahah (cost-plus)	342,912	285,378	335,340	272,913
Musharakah (profit and loss sharing)	15,389	1,231	15,389	1,231
Qard (benevolent financing)	1,851	63	1,851	63
Others	21,638	17,517	21,641	17,517
Total	2,054,402	1,862,176	2,495,484	2,347,559

19.3 By sector

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Agricultural	8,818	9,544	8,818	9,544
Financial	128,411	155,951	128,411	155,951
Manufacturing	172,776	95,193	172,776	95,193
Transportation	172,931	46,169	164,369	139,341
Infrastructure	83,683	66,629	83,683	66,629
Traders	50,584	39,592	50,584	39,592
Services	51,531	46,615	51,531	46,615
Residential Property (Personal)	343,070	303,919	343,070	303,919
Commercial (Property Development)	133,162	123,435	133,162	123,435
Tourism	55,628	54,544	55,628	54,544
Telecommunication and Information Technology	11,911	9,502	11,911	9,502
Personal and Consumption Financing	841,897	911,083	1,291,541	1,303,294
Total	2,054,402	1,862,176	2,495,484	2,347,559

20. NON-PERFORMING FINANCING**20.1 Movements in the non-performing financing and advances**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Opening balance	205,688	230,625	207,357	231,405
Classified during the period	22,906	18,852	23,924	19,875
Reclassified as performing	(664)	(4,740)	(854)	(4,818)
Amount recovered	(11,728)	(39,049)	(11,817)	(39,105)
Amount written off against allowances	(34,899)	-	(35,497)	-
Closing balance	181,303	205,688	183,113	207,357

20.2 Non-performing financing by sector

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Agricultural	3,034	6,306	3,034	6,304
Financial	-	-	-	-
Manufacturing	9,687	8,769	9,687	8,769
Transportation	319	551	319	551
Infrastructure	5,423	1,532	5,423	1,532
Traders	3,814	6,308	3,814	6,308
Services	8,261	9,876	8,261	9,876
Residential Property (Personal)	29,097	29,040	29,097	29,040
Commercial (Property Development)	43,245	48,401	43,245	48,401
Tourism	52,017	52,312	52,017	52,312
Telecommunication and Information Technology	2,954	3,105	2,954	3,105
Personal and Consumption Financing	23,452	39,488	25,262	41,159
Total	181,303	205,688	183,113	207,357

20. NON-PERFORMING FINANCING (cont'd)

20.3 Non-performing financing included in financing and advances on which profit is not being accrued are as follows:

a. Amount

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Financing and advances	234,492	257,886	236,950	260,314
Naqd (overdrafts)	8,861	18,000	8,861	18,000
Gross amount	243,353	275,886	245,811	278,314
Less: Unearned income	(62,050)	(70,198)	(62,698)	(70,957)
	181,303	205,688	183,113	207,357
Less: Allowances for losses on financing and advances				
- General	-	-	-	-
- Specific	(103,279)	(148,034)	(103,538)	(149,524)
Net amount	78,024	57,654	79,575	57,833

b. Ratio

	Bank		Group	
	2012	2011	2012	2011
	%	%	%	%
Gross non-performing ratio	8.8	11.0	7.3	8.8
Net non-performing ratio	4.1	3.4	3.4	2.7

Gross non-performing ratio is based on gross non-performing financing and advances (less unearned income) before allowances over the total financing and advances (less unearned income) before allowances. Net non-performing ratio is based on net non-performing financing and advances over the total net financing and advances.

20. NON-PERFORMING FINANCING (cont'd)**20.4 Movements in the allowances for losses on financing and advances**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
General allowance				
Opening balance	28,089	30,348	32,048	33,511
Net movement during the year	2,048	(2,259)	2,481	(1,463)
Closing balance	30,137	28,089	34,529	32,048
Specific allowance				
Opening balance	160,755	165,311	162,246	166,018
Net movement during the year	(32,406)	(4,556)	(32,177)	(3,772)
Closing balance	128,349	160,755	130,069	162,246

20.5 Analysis of allowance for losses on financing and advances and unearned income

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Specific allowance				
Financing and advances	96,990	133,521	97,249	135,011
Naqd (overdrafts)	6,289	14,513	6,289	14,513
Total	103,279	148,034	103,538	149,524
Unearned income				
Financing and advances	61,736	69,561	62,384	70,321
Naqd (overdrafts)	314	637	314	636
Total	62,050	70,198	62,698	70,957

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**21.1 Investment in subsidiaries**

Name of company	Principal activity	2012		2011	
		Cost B\$'000	Holding %	Cost B\$'000	Holding %
Unquoted:					
BIBD At-Tamwil Bhd	Lease financing	20,000	100	20,000	100
BIBD Securities Sdn Bhd	Stockbrokers/ sharebrokers	841	100	841	100
IDBB Sukuk Inc.	Islamic financing arrangement	65	100	65	100
IDBB Management & Services Bhd	Management services	- *	100	- *	100
IBB Capital Asset Management Sdn Bhd	Fund management	498	100	498	100
Belait Barakah Sdn Bhd	Vessel leasing	5,078	50	5,078	50
BIBD Al-Kauthar Funds DCC incorporated	Fund management	1	100	1	100
IBB Transport Sdn Bhd	Vehicle leasing	- *	100	- *	100
Saujana Sdn Bhd	Aircraft leasing	- *	53	- *	53
Total		26,483		26,483	

* Less than B\$1,000

21. INVESTMENTS IN SUBSIDAIRIES AND ASSOCIATES (cont'd)**21.2 Investment in an associate**

Name of company	Principal activity	2012		2011	
		Cost B\$'000	Holding %	Cost B\$'000	Holding %
Unquoted:					
Takaful Brunei Sdn Bhd	Family and general takaful businesses	7,080	31	7,080	31
Total		7,080		7,080	

22. GROUP BALANCES RECEIVABLE

Name of the company	Bank		Group	
	2012 B\$'000	2011 B\$'000	2012 B\$'000	2011 B\$'000
BIBD At-Tamwil Bhd	38	75	-	-
Belait Barakah Sdn Bhd	131	131	-	-
IBB Transport Sdn Bhd	13	13	-	-
BIBD Securities	2	-	-	-
Saujana Sdn Bhd	6	6	-	-
Total	190	225	-	-

23. FIXED ASSETS**Bank****2012**

	Leasehold land and building B\$'000	Equipment, furniture and fittings B\$'000	Motor vehicles B\$'000	Work - In - Progress B\$'000	Total B\$'000
Cost					
At beginning of the year	20,271	45,367	631	7,209	73,478
Additions	1,410	3,043	168	2,233	6,854
Disposals	-	-	(50)	-	(50)
Transfers	-	2,629	-	(2,629)	-
As at end of the year	21,681	51,039	749	6,813	80,282
Accumulated depreciation					
At beginning of the year	15,685	24,293	348	-	40,326
Charge for the year	2,962	6,115	95	-	9,172
Disposals during the year	-	-	(48)	-	(48)
As at end of the year	18,647	30,408	395	-	49,450
Net book value as at					
31 December 2012	3,034	20,631	354	6,813	30,832
Net book value as at					
31 December 2011	4,586	21,074	283	7,209	33,152

2011

	Leasehold land and building B\$'000	Equipment, furniture and fittings B\$'000	Motor vehicles B\$'000	Work - In - Progress B\$'000	Total B\$'000
Cost					
At beginning of the year	19,246	25,787	551	15,433	61,017
Additions	1,025	4,963	80	6,443	12,511
Disposals	-	(50)	-	-	(50)
Transfers	-	14,667	-	(14,667)	-
As at end of the year	20,271	45,367	631	7,209	73,478
Accumulated depreciation					
At beginning of the year	12,485	20,518	269	-	33,272
Charge for the year	3,200	3,824	79	-	7,103
Disposals during the year	-	(49)	-	-	(49)
As at end of the year	15,685	24,293	348	-	40,326
Net book value as at					
31 December 2011	4,586	21,074	283	7,209	33,152
Net book value as at					
31 December 2010	6,761	5,269	282	15,433	27,745

23. FIXED ASSETS (cont'd)**Group****2012**

	Leasehold land and building B\$'000	Equipment, furniture and fittings B\$'000	Motor vehicles B\$'000	Ship vessel B\$'000	Work - In - Progress B\$'000	Total B\$'000
Cost						
At beginning of the year	21,461	48,675	626	36,052	7,209	114,023
Additions	1,536	6,244	168	-	2,233	10,181
Disposals	-	(1)	(50)	-	-	(51)
Transfers	-	2,629	-	-	(2,629)	-
At end of the year	22,997	57,547	744	36,052	6,813	124,153

Accumulated depreciation

At beginning of the year	16,048	25,681	344	4,447	-	46,520
Charge for the year	3,111	6,743	95	1,576	-	11,525
Disposals during the year	-	(1)	(48)	-	-	(49)
At end of the year	19,159	32,423	391	6,023	-	57,996

Net book value as at

31 December 2012	3,838	25,124	353	30,029	6,813	66,157
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Net book value as at

31 December 2011	5,413	22,994	282	31,605	7,209	67,503
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2011

	Leasehold land and building B\$'000	Equipment, furniture and fittings B\$'000	Motor vehicles B\$'000	Ship vessel B\$'000	Work - In - Progress B\$'000	Total B\$'000
Cost						
At beginning of the year	20,230	28,661	546	36,052	15,433	100,922
Additions	1,231	5,398	80	-	6,443	13,152
Disposals	-	(51)	-	-	-	(51)
Transfers	-	14,667	-	-	(14,667)	-
At end of the year	21,461	48,675	626	36,052	7,209	114,023

Accumulated depreciation

At beginning of the year	12,718	21,376	265	2,871	-	37,230
Charge for the year	3,330	4,355	79	1,576	-	9,340
Disposals during the year	-	(50)	-	-	-	(50)
At end of the year	16,048	25,681	344	4,447	-	46,520

Net book value as at

31 December 2011	5,413	22,994	282	31,605	7,209	67,503
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Net book value as at

31 December 2010	7,512	7,285	281	33,181	15,433	63,692
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24. OTHER ASSETS

		Bank		Group	
		2012	2011	2012	2011
		B\$'000	B\$'000	B\$'000	B\$'000
Investment property	Note 24.1	15,654	8,856	15,654	8,856
Receivable and prepayments		12,524	9,343	32,027	31,014
Accrued income		8,100	4,318	8,065	4,103
Bills receivable		30	32	30	32
Others		5,232	70,179	5,357	70,286
Total		41,540	92,728	61,133	114,291

24.1 Investment property

		Bank		Group	
		2012	2011	2012	2011
		B\$'000	B\$'000	B\$'000	B\$'000
Cost					
At beginning of the year		24,537	24,537	24,537	24,537
Additions		7,029	-	7,029	-
Disposals		-	-	-	-
As at year end		31,566	24,537	31,566	24,537
Accumulated provision					
At beginning of the year		15,681	-	15,681	-
Transfer from specific allowance	Note 20.4	-	15,681	-	15,681
As at year end		15,681	15,681	15,681	15,681
Accumulated depreciation					
At beginning of the year		-	-	-	-
Additions		231	-	231	-
As at year end		231	-	231	-
Net book value as at					
31 December 2012		15,654	-	15,654	-
Net book value as at					
31 December 2011		-	8,856	-	8,856

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

24. OTHER ASSETS (cont'd)**24.1 Investment property (cont'd)**

The specific allowance on the financing of B\$15.7 million was retained on the balance sheet. Such treatment is to comply with the MOF Guidelines No 1/2010, Section 6.2, which states that write-back of specific provision is not allowed upon acquisition of properties in satisfaction of financing. The non-performing financing ("NPF") status and the provision made will remain until the property is sold and the sale proceeds applied in liquidation of the NPF.

25. DEPOSITS FROM CUSTOMERS**By type of deposit**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Non-Mudharabah				
Demand deposits	631,107	980,806	822,542	1,197,354
Savings deposits	576,806	533,383	576,806	590,521
General investment deposits	2,698,745	2,497,109	2,759,741	2,497,109
Sub total	3,906,658	4,011,298	4,159,089	4,284,984
Mudharabah (profit sharing)				
Demand deposits	169,043	270,508	169,043	270,508
Savings deposits	141,634	134,988	141,634	134,988
Sub total	310,677	405,496	310,677	405,496
Total	4,217,335	4,416,794	4,469,766	4,690,480

By type of customer

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Government and statutory bodies	1,379,496	1,570,688	1,379,496	1,570,688
Business enterprises	1,655,628	1,670,939	1,747,842	1,782,189
Individuals	1,182,211	1,175,167	1,338,861	1,334,067
Others	-	-	3,567	3,536
Total	4,217,335	4,416,794	4,469,766	4,690,480

26. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Non-Mudharabah				
Deposits from licensed banks and financial institutions	212,267	119,106	321,766	219,458
Deposits from others	97,484	147,101	103,977	88,628
Sub total	309,751	266,207	425,743	308,086
Mudharabah (profit sharing)				
Deposits from licensed banks and financial institutions	19	10	19	10
Sub total	19	10	19	10
Total	309,770	266,217	425,762	308,096

27. FINANCING**a. By product**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Short term financing	10,000	-	10,000	-
Total	10,000	-	10,000	-

b. By maturity

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Due within one year	10,000	-	10,000	-
Total	10,000	-	10,000	-

28. GROUP BALANCES PAYABLE

	Bank		Group	
Name of the company	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
BIBD At-Tamwil Bhd	990	167	-	-
Total	990	167	-	-

29. OTHER LIABILITIES

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Accrued expenditure	17,510	11,267	19,806	12,393
Dividends payable	3,600	1,382	6,938	4,475
Takaful contingency pool for financing customers	14,296	29,914	14,296	29,914
Others	47,088	51,973	54,482	60,767
Total	82,494	94,536	95,522	107,549

Subsequent to the financial year ended 31 December 2012, the Bank entered into a takaful contract with Takaful Brunei Keluarga to receive takaful coverage on the takaful contingency pool for financing customers at B\$14,296,084.

30. DEFERRED TAX (LIABILITIES) / ASSETS**Bank**

	At 1 January 2011	Recognized in profit or loss	At 31 December 2011	Recognized in profit or loss	At 31 December 2012
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Deferred tax liabilities	-	-	-	(2,042)	(2,042)
Deferred tax assets	5,712	1,950	7,662	(5,802)	1,860
Total	5,712	1,950	7,662	(7,844)	(182)

Group

	At 1 January 2011	Recognized in profit or loss	At 31 December 2011	Recognized in profit or loss	At 31 December 2012
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Deferred tax liabilities	-	-	-	(4,042)	(4,042)
Deferred tax assets	5,712	1,950	7,662	(5,802)	1,860
Total	5,712	1,950	7,662	(9,844)	(2,182)

31. SHARE CAPITAL

	Bank		Group	
	B\$1.00 per share		B\$1.00 per share	
	2012	2011	2012	2011
	B\$	B\$	B\$	B\$
Authorised				
Golden share	1	1	1	1
Ordinary share	999,999,999	999,999,999	999,999,999	999,999,999
	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid				
Golden share	1	1	1	1
Ordinary share	724,749,512	724,749,512	724,749,512	724,749,512
	724,749,513	724,749,513	724,749,513	724,749,513

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

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

The Golden share member shall carry the right to approve any resolution to be passed by the Bank relating to the following matters stated below and no resolution of any of such matter shall be passed except with prior written consent of the Golden share member.

- i. Any amendment or deletion of any provision of the Memorandum of Articles of Association or the substitution of another Memorandum or Articles of Association therefore;
- ii. Any issue of any shares ranking equally with, or in priority to, the Golden Share or ranking in priority to the ordinary share;
- iii. Any variation of the rights of any shares in the capital of the Bank which shall have the effect of transferring the controlling interest in the Bank;
- iv. The reduction of the capital of the Bank;
- v. The appointment, reappointment, termination or removal of any Director of the Bank (including any alternate Director);
- vi. Any disposal which alone or when aggregated with any other disposal or disposals forming part of, or connected with, the same or a connected transaction, constitutes a disposal of the whole or in the opinion of the Golden Member, a material part of the assets of the Bank; and
- vii. The winding up or dissolution of the Bank.

32. STATUTORY RESERVES FUND

	Bank		Group	
	2012 B\$'000	2011 B\$'000	2012 B\$'000	2011 B\$'000
Opening balance	133,914	79,435	153,919	94,440
Add : Transfers during the year	73,346	54,479	83,344	59,479
Closing balance	207,260	133,914	237,263	153,919

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

33. OTHER RESERVES

		Bank		Group	
		2012 B\$'000	2011 B\$'000	2012 B\$'000	2011 B\$'000
Retained profits	Note 33.1	24,541	34,156	62,744	62,384
Net unrealised losses on available-for- sale securities	Note 33.2	(1,062)	(3,096)	(96)	(1,488)
Total		23,479	31,060	62,648	60,896

33.1 Retained profits

		Bank		Group	
		2012 B\$'000	2011 B\$'000	2012 B\$'000	2011 B\$'000
Opening balance		34,156	42,813	62,384	63,788
Add: Profit for the financial year		97,794	72,638	117,767	84,891
Less: Transfer to statutory reserves		(73,346)	(54,479)	(83,344)	(59,479)
Less: Dividends paid		(34,063)	(26,816)	(34,063)	(26,816)
Closing balance		24,541	34,156	62,744	62,384

33. OTHER RESERVES (cont'd)**33.2 Net unrealised losses on available-for-sale securities**

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Opening balance	(3,096)	-	(1,488)	-
Net change in fair value of available-for-sale investments	2,034	(3,096)	1,392	(1,488)
Closing balance	(1,062)	(3,096)	(96)	(1,488)

34. MINORITY INTERESTS

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Opening balance	-	-	16,971	7,782
Add: Contributions from minority interest	-	-	3,972	7,245
Add: Profit for the financial year	-	-	809	1,944
Closing balance	-	-	21,752	16,971

35. CONTINGENCIES AND COMMITMENTS

- i. 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		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Contingencies				
Letters of credit	48,508	59,781	48,508	59,781
Guarantees, bonds	113,365	106,584	113,365	106,584
Shipping guarantees	23,750	21,658	23,750	21,658
Acceptances	4,584	2,159	4,584	2,159
Import bills	1,263	4,425	1,263	4,425
Foreign exchange contracts	2,965,738	3,483,015	2,965,738	3,483,015
Sub Total	3,157,208	3,677,622	3,157,208	3,677,622
Commitments				
Undrawn credit lines	264,316	31,501	264,316	31,501
Sub Total	3,421,524	3,709,123	3,421,524	3,709,123

The forward foreign exchange represents the notional amount of foreign currencies purchased. The notional amount of foreign currencies sold is B\$2,974,519,049 (2011: B\$3,439,186,453).

- ii. Capital expenditure approved by the Board of Directors, for which provision has not been made in these accounts, amounted to approximately the following:

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Capital expenditure				
Approved but not contracted for	3,484	8,207	6,812	8,207
Approved and contracted for	406	-	1,158	-
Sub Total	3,890	8,207	7,970	8,207
Total contingencies and commitments	3,425,414	3,717,330	3,429,494	3,717,330

36. RELATED PARTY TRANSACTIONS**36.1 Related party includes;**

- a. Director, close relatives of a director and other related entities
 - Close relative of a director shall include wife, husband, father, mother, son and daughter of a director
 - Other related entities shall includes that entities which are controlled and/or significantly influenced by the directors or their close relatives
- b. The key management personnel and other individuals and entities (Other individuals and entities shall include individuals and entities referred in sections (b) to (f) section 29 (1) of the Islamic Banking Order 2008).
- c. The group related party, shall include subsidiaries, associates and other related companies.
- d. Significant investors either entities or individual that have control or significant influence over the affairs of the bank.

36.2 Transactions with directors, close relatives of directors and other related entities**Balance Sheet**

	Directors		Close relatives		Other related entities	
	2012	2011	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Assets						
Financing (exc. credit cards)	495	687	-	-	219	1,544
Credit cards	18	63	-	-	-	-
Total	513	750	-	-	219	1,544
Liabilities						
Deposits	910	1,126	147	105	283,179	1,598
Other liabilities	-	-	-	-	-	-
Total	910	1,126	147	105	283,179	1,598
No of shares held	9	9	-	-	-	-
Dividends paid	- *	- *	-	-	-	-

* Less than B\$1,000

As at 31 December 2012, the financing facilities extended to directors do not contravene Section 35(3)(b)(i) of the Islamic Banking Order, 2008.

36. RELATED PARTY TRANSACTIONS (cont'd)**36.2 Transactions with directors, close relatives of directors and other related entities (cont'd)****Income Statement**

	Directors		Close relatives		Other related entities	
	2012	2011	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Income						
Income on financing	34	72	-	-	-	133
Total	34	72	-	-	-	133
Expenses						
Income attributable to						
depositors	1	1	1	1	896	6
Fees	258	196	-	-	-	-
Other expenses	24	70	-	-	-	-
Total	283	267	1	1	896	6
Off-Balance Sheet items						
Letter of credit	-	-	-	-	-	1,636
Guarantees	-	-	-	-	1,901	-
Undrawn facilities	107	57	50	-	-	-
Total	107	57	50	-	1,901	1,636

36.3 The key management personnel (KMP) and other individuals and entities (Other individuals and entities referred in sections (b) to (f) of section 29 (1) of the Islamic Banking Order 2008)**Balance Sheet**

	KMP Bank		KMP Group		Other Individuals and Entities Bank		Other Individuals and Entities Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Assets								
Financing	1,129	1,249	1,164	1,443	46,958	44,705	55,072	48,198
Credit card (secured)	18	8	-	-	1,225	1,319	58	61
Total	1,147	1,257	1,164	1,443	48,183	46,024	55,130	48,259
Liabilities								
Deposits	784	542	1,020	542	5,023	3,376	8,222	3,447
Total	784	542	1,020	542	5,023	3,376	8,222	3,447
No of shares held	43	43	43	43	405	405	405	405
Dividends paid	2	2	2	2	19	15	19	15

36. RELATED PARTY TRANSACTIONS (cont'd)**36.3 The key management personnel (KMP) and other individuals and entities (Other individuals and entities referred in sections (b) to (f) of section 29 (1) of the Islamic Banking Order 2008) (cont'd)****Income Statement**

	KMP Bank		KMP Group		Other Individuals and Entities Bank		Other Individuals and Entities Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Income								
Income on financing	32	42	38	52	1,766	1,929	2,694	2,019
Total	32	42	38	52	1,766	1,929	2,694	2,019
Expenses								
Income attributable to depositors	4	4	15	4	19	35	92	36
Total	4	4	15	4	19	35	92	36
Off-Balance Sheet								
Undrawn facilities	153	-	-	-	2,139	1,452	60	1,724
Total	153	-	-	-	2,139	1,452	60	1,724

36.4 The group related party includes subsidiaries and other related companies**Balance Sheet**

	Subsidiaries		Other related Companies	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Assets				
Financing	7,572	12,465	-	-
Investments	8,334	107,691	-	-
Placements	50,960	28,069	-	-
Others	21	635	-	-
Total	66,887	148,860	-	-
Liabilities				
Deposits	98,782	150,171	6,924	6,924
Others	1,293	406	2	2
Total	100,075	150,577	6,926	6,926
No. of shares held	-	-	8,837	8,837
Dividend paid	-	-	415	327

36. RELATED PARTY TRANSACTIONS (cont'd)**36.4 The group related party includes subsidiaries and other related companies (cont'd)****Income Statement**

	Subsidiaries		Other related Companies	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Income				
Income on financing	907	1,212	-	-
Other income	1,438	1,648	-	-
Total	2,345	2,860	-	-
Expenses				
Income attributable to :				
Depositors	484	339	1	3
Others	-	1,608	-	-
Total	484	1,947	1	3

36.5 Significant investors, either entities or individuals, that have control or significant influence over the affairs of the Bank**Balance Sheet**

	Entities	
	2012	2011
	B\$'000	B\$'000
Assets		
Other assets	389	370
Total	389	370
Liabilities		
Deposits	1,264,839	1,189,952
Total	1,264,839	1,189,952
No of shares held	643,862	643,862
Dividends paid	30,262	23,823

Income Statement

Expenses		
Income attributable to depositors	3,495	807
Other expenses	23,008	17,331
Total	26,503	18,138

Off-balance sheet items

Guarantees	1,269	1,281
Total	1,269	1,281

37. MATURITY ANALYSIS

Maturity analysis of the assets and liabilities based on the residual maturity at the balance sheet date to the respective contractual maturity dates is as follows:

a. Bank

	Current B\$'000	Non-current B\$'000	2012 B\$'000	2011 B\$'000
Total assets				
Cash and short term funds	2,787,918	160	2,788,078	3,010,349
Balances with Autoriti Monetari Brunei Darussalam	202,686	47,688	250,374	269,345
Government Sukuk	22,995	-	22,995	41,979
Deposits and placements with banks and other financial institutions	-	-	-	4,203
Investments	101,620	443,971	545,591	533,237
Financing and advances	380,000	1,515,916	1,895,916	1,673,332
Investments in subsidiaries	-	26,483	26,483	26,483
Investments in associate	-	7,080	7,080	7,080
Group balances receivable	190	-	190	225
Fixed assets	-	30,832	30,832	33,152
Other assets	20,184	21,356	41,540	92,728
Deferred tax assets	-	-	-	7,662
Total as at 31 December 2012	3,515,593	2,093,486	5,609,079	-
Total as at 31 December 2011	3,879,830	1,819,945	-	5,699,775
Liabilities and equity				
Total shareholders' funds	-	955,489	955,489	889,724
Deposits from customers	3,406,516	810,819	4,217,335	4,416,794
Deposits from banks and other financial institutions	258,324	51,446	309,770	266,217
Financing	10,000	-	10,000	-
Group balances payable	990	-	990	167
Other liabilities	82,140	354	82,494	94,536
Deferred tax liabilities	-	182	182	-
Zakat	2,657	-	2,657	2,489
Provision for taxation	30,162	-	30,162	29,848
Total as at 31 December 2012	3,790,789	1,818,290	5,609,079	-
Total as at 31 December 2011	3,836,331	1,863,444	-	5,699,775
Maturity Gap (Assets less Liabilities):				
Total as at 31 December 2012	(275,196)	1,230,685	955,489	-
Total as at 31 December 2011	43,499	846,225	-	889,724
Cumulative Gap:				
Total as at 31 December 2012	(275,196)	955,489	955,489	-
Total as at 31 December 2011	43,499	889,724	-	889,724
Cumulative Gap % of total liabilities:				
% as at 31 December 2012	(6)	21	21	-
% as at 31 December 2011	1	18	-	18

37. MATURITY ANALYSIS (cont'd)

b. Group

	Current B\$'000	Non-current B\$'000	2012 B\$'000	2011 B\$'000
Total Assets				
Cash and short term funds	2,773,404	160	2,773,564	2,979,505
Balances with Autoriti Monetari Brunei Darussalam	202,686	70,850	273,536	289,639
Government Sukuk	22,995	-	22,995	41,979
Deposits and placements with banks and other financial institutions	-	-	-	4,203
Investments	112,487	443,971	556,458	439,216
Financing and advances	383,623	1,947,263	2,330,886	2,153,265
Investments in associate	-	7,903	7,903	7,903
Fixed assets	-	66,157	66,157	67,503
Other assets	26,993	34,140	61,133	114,291
Deferred tax assets	-	-	-	7,662
Total as at 31 December 2012	3,522,188	2,570,444	6,092,632	-
Total as at 31 December 2011	3,888,054	2,217,112	-	6,105,166
Liabilities and equity				
Total shareholders' funds	-	1,024,661	1,024,661	939,565
Minority interests	-	21,752	21,752	16,971
Deposits from customers	3,617,360	852,406	4,469,766	4,690,480
Deposits from banks and other financial institutions	349,869	75,893	425,762	308,096
Financing	10,000	-	10,000	-
Other liabilities	93,950	1,572	95,522	107,549
Deferred tax liabilities	-	2,182	2,182	-
Zakat	5,081	-	5,081	4,913
Provision for taxation	37,906	-	37,906	37,592
Total as at 31 December 2012	4,114,166	1,978,466	6,092,632	-
Total as at 31 December 2011	4,114,377	1,990,789	-	6,105,166
Maturity Gap (Assets less Liabilities):				
Total as at 31 December 2012	(591,978)	1,638,391	1,046,413	-
Total as at 31 December 2011	(226,323)	1,182,859	-	956,536
Cumulative Gap:				
Total as at 31 December 2012	(591,978)	1,046,413	1,046,413	-
Total as at 31 December 2011	(226,323)	956,536	-	956,536
Cumulative Gap % of total liabilities:				
% as at 31 December 2012	(12)	21	21	-
% as at 31 December 2011	(4)	19	-	19

38. CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Bank		Group	
	2012	2011	2012	2011
	B\$'000	B\$'000	B\$'000	B\$'000
Regulatory capital				
Core capital (Tier 1 capital) before dividend	955,489	889,724	1,024,661	939,565
Less: Dividends to be proposed for the financial years	(23,917)	(34,063)	(23,917)	(34,063)
Core capital (Tier 1 capital) after dividend	931,572	855,661	1,000,744	905,502
Supplementary capital (Tier II capital)	30,137	28,089	34,529	32,048
Less: Investment in Associates and Subsidiaries	(33,563)	(33,563)	(7,903)	(7,903)
Total capital base	928,146	850,187	1,027,370	929,647
Total risk-weighted amount				
Risk-weighted amount for credit risk	3,186,865	2,935,849	3,715,774	3,378,383
Risk-weighted amount for operational risk	232,049	220,530	276,098	257,477
Total risk-weighted amount	3,418,914	3,156,379	3,991,872	3,635,860
Capital ratios				
Core capital (Tier 1) ratio %	27.2%	27.1%	25.1%	24.9%
Total capital ratio %	27.1%	26.9%	25.7%	25.6%

The core capital is derived after deducting the dividends to be proposed for the financial year ended 31 December 2012 subsequent to the year end amounting to B\$23,917,000 (2011: after deducting dividends proposed for the financial years ended 31 December 2011 and 2010 amounting to B\$34,063,000).

39. SIGNIFICANT RISKS ASSOCIATED WITH THE GROUP'S OPERATIONS**Risks to which the Group is exposed:–****Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the Group's financing activities which represents the Group's major risk type.

To manage this risk, the Group has set up review committees for assessing the amount of risk accepted in relation to one or groups of customers, industry segments, level of non-performing financing and adequacy of impairment loss.

Credit risk is also managed based on the risk profile of the customer, repayment source and the nature of underlying collateral such as property.

Foreign Exchange Risk

Foreign exchange risk is defined as the risk of loss arising from movements in the exchange rates applicable to foreign currency assets and liabilities. Instruments used to mitigate this risk include foreign exchange forwards and deposits which help to insulate against losses that may arise due to movements in foreign exchange rates.

Profit Rate Risk

Profit rate or financing and deposit rates risk is the risk that the value of the Group's financial assets and/or financial liabilities change because of changes in financing rate and deposit rates. Financing and deposit rates risk arise primarily from the fact that financial assets and financial liabilities are regularly re-priced at different points in time.

The Group's exposure to financing and deposit rates risk is represented by financing to customers, customers' deposits, cash and cash equivalents and amount due to bank.

Differences between financing and deposit rates are monitored and managed in a variety of ways that seek to mitigate risks by reducing the effect of movements in the level and volatility of financing and deposit rates. Hedging instruments used to mitigate these risks include forwards and swaps.

Liquidity Risk

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

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

39. SIGNIFICANT RISKS ASSOCIATED WITH THE GROUP'S OPERATIONS (cont'd)

In addition, the Bank and one of its subsidiaries have to comply with Section 45(1) of the Islamic Banking Order, 2008 and section 13A of the Finance Companies Act, Cap 89 respectively to maintain minimum cash balances with the AMBD.

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

Market Risk

The Group's exposure to market risk arises when the Group faces losses arising from movements in market prices of investments.

The Group's exposure to market risk is restricted to quoted and unquoted investment, equity shares and unit trust. There is a review committee set up to monitor and assess the portfolio of investments in order to optimize income and balance sheet management through the deployment of funds in Sukuk, equities and funds or in the interbank market.

Counterparty Risk

Exposure to counterparties potentially arising from treasury-related activities is actively managed and monitored through a well-defined process which includes the assessment of financial strength and the establishment of appropriate counterparty limits. External ratings are also used to control the level of credit risk accepted by the Group.

Counterparty exposure is viewed similarly to financing exposure and approved at the appropriate committees depending on the size and nature of the proposed transaction.

Operational Risk

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

40. COMPARATIVES

The following comparative information has been restated to conform to current year's presentation:

Bank and Group

	2011	2011
	As restated	As previously reported
	B\$'000	B\$'000
Balance Sheet		
Contingencies and commitments	3,717,330	7,156,516
Note 35: Contingencies		
Foreign exchange contracts	3,483,015	-
Forward foreign exchange purchases	-	3,483,015
Forward foreign exchange sales	-	3,439,186

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