

#### INCOME STATEMENT

| For the year ended 31 December                                                                      | Bank            |                 |               | Group            |                  |               |
|-----------------------------------------------------------------------------------------------------|-----------------|-----------------|---------------|------------------|------------------|---------------|
|                                                                                                     | 2013<br>B\$'000 | 2012<br>B\$'000 | Change<br>%   | 2013<br>B\$'000  | 2012<br>B\$'000  | Change<br>%   |
|                                                                                                     |                 | (Restated)      |               | (Restated)       |                  |               |
| <b>Income</b>                                                                                       |                 |                 |               |                  |                  |               |
| Income derived from investment of depositors' funds and others                                      | 189,734         | 187,828         | 1.0           | 226,917          | 219,833          | 3.2           |
| Income derived from investment of shareholders' funds                                               | 37,412          | 36,814          | 1.6           | 55,099           | 56,076           | (1.7)         |
| Less:                                                                                               |                 |                 |               |                  |                  |               |
| Allowance for losses on financing and advances (Allowance for) / Writeback of losses on investments | (11,601)        | (4,541)         | 155.5         | (13,852)         | (5,801)          | 138.8         |
| <b>Total distributable profit</b>                                                                   | <b>209,980</b>  | <b>220,233</b>  | <b>(4.7)</b>  | <b>262,599</b>   | <b>270,240</b>   | <b>(2.8)</b>  |
| Less:                                                                                               |                 |                 |               |                  |                  |               |
| Income attributable to depositors                                                                   | (16,154)        | (13,861)        | 16.5          | (20,433)         | (19,000)         | 7.5           |
| <b>Total net income</b>                                                                             | <b>193,826</b>  | <b>206,372</b>  | <b>(6.1)</b>  | <b>242,166</b>   | <b>251,240</b>   | <b>(3.6)</b>  |
| Less:                                                                                               |                 |                 |               |                  |                  |               |
| Personnel expenses                                                                                  | (44,096)        | (43,275)        | 1.9           | (53,433)         | (51,395)         | 4.0           |
| Provision for staff retirement benefits                                                             | (760)           | (571)           | 33.1          | (840)            | (618)            | 35.9          |
| Other overhead expenses                                                                             | (37,605)        | (38,319)        | (1.9)         | (45,977)         | (48,080)         | (4.4)         |
| <b>Total operating expenses</b>                                                                     | <b>(82,461)</b> | <b>(82,165)</b> | <b>0.4</b>    | <b>(100,250)</b> | <b>(100,093)</b> | <b>0.2</b>    |
| Less: Finance cost                                                                                  | (2)             | (3)             | (33.3)        | (2)              | (3)              | (33.3)        |
| <b>Profit before zakat and taxation</b>                                                             | <b>111,363</b>  | <b>124,204</b>  | <b>(10.3)</b> | <b>141,914</b>   | <b>151,144</b>   | <b>(6.1)</b>  |
| Less :                                                                                              |                 |                 |               |                  |                  |               |
| Zakat                                                                                               | (2,859)         | (2,653)         | 7.8           | (435)            | (2,653)          | (83.6)        |
| Income tax expense                                                                                  | (23,626)        | (23,641)        | (0.1)         | (27,470)         | (29,799)         | (7.8)         |
| <b>Total zakat and income tax expense</b>                                                           | <b>(26,485)</b> | <b>(26,294)</b> | <b>0.7</b>    | <b>(27,905)</b>  | <b>(32,452)</b>  | <b>(14.0)</b> |
| <b>Profit for the financial year</b>                                                                | <b>84,878</b>   | <b>97,910</b>   | <b>(13.3)</b> | <b>114,009</b>   | <b>118,692</b>   | <b>(3.9)</b>  |
| Profit for the year attributable to:                                                                |                 |                 |               |                  |                  |               |
| Equity holders of the Bank                                                                          | 84,878          | 97,910          | (13.3)        | 112,531          | 117,883          | (4.5)         |
| Minority interests                                                                                  | -               | -               | N/A           | 1,478            | 809              | 82.7          |
| <b>Profit for the financial year</b>                                                                | <b>84,878</b>   | <b>97,910</b>   | <b>(13.3)</b> | <b>114,009</b>   | <b>118,692</b>   | <b>(3.9)</b>  |
| Dividend per ordinary share (B\$)                                                                   | 0.033           | 0.047           | (29.8)        | 0.033            | 0.047            | (29.8)        |
| Basic and diluted earnings per share (B\$)                                                          | 0.12            | 0.14            | (14.3)        | 0.16             | 0.16             | (2.1)         |
| Return on Assets, (ROA)-Before Tax, %                                                               | 1.85            | 2.21            | (16.1)        | 2.23             | 2.48             | (10.2)        |
| Return on Assets, (ROA)-After Tax, %                                                                | 1.41            | 1.74            | (18.9)        | 1.79             | 1.95             | (8.1)         |
| Return on Equity, (ROE)-After Tax, %                                                                | 8.34            | 10.18           | (18.0)        | 10.13            | 11.44            | (11.4)        |

#### BALANCE SHEET

| As at 31 December                                    | Bank             |                  |             | Group            |                  |             |
|------------------------------------------------------|------------------|------------------|-------------|------------------|------------------|-------------|
|                                                      | 2013<br>B\$'000  | 2012<br>B\$'000  | Change<br>% | 2013<br>B\$'000  | 2012<br>B\$'000  | Change<br>% |
|                                                      |                  | (Restated)       |             | (Restated)       |                  |             |
| <b>Assets</b>                                        |                  |                  |             |                  |                  |             |
| Cash and short term funds                            | 2,627,676        | 2,788,078        | (5.8)       | 2,455,157        | 2,773,564        | (11.5)      |
| Balances with Autoriti Monetari Brunei Darussalam    | 283,175          | 250,374          | 13.1        | 307,289          | 273,536          | 12.3        |
| Government Sukuk                                     | 27,986           | 22,995           | 21.7        | 27,986           | 22,995           | 21.7        |
| Investments                                          | 696,253          | 545,591          | 27.6        | 691,176          | 556,458          | 24.2        |
| Financing and advances                               | 2,262,151        | 1,903,641        | 18.8        | 2,763,688        | 2,338,611        | 18.2        |
| Investments in subsidiaries                          | 26,483           | 26,483           | -           | -                | -                | N/A         |
| Investment in associate                              | 7,080            | 7,080            | -           | 7,903            | 7,903            | -           |
| Group balances receivable                            | 152              | 190              | (20.0)      | -                | -                | N/A         |
| Fixed assets                                         | 32,097           | 30,832           | 4.1         | 66,061           | 66,157           | (0.1)       |
| Other assets                                         | 40,325           | 41,540           | (2.9)       | 58,010           | 61,133           | (5.1)       |
| Deferred tax assets                                  | 521              | -                | N/A         | -                | -                | N/A         |
| <b>Total assets</b>                                  | <b>6,003,899</b> | <b>5,616,804</b> | <b>6.9</b>  | <b>6,377,270</b> | <b>6,100,357</b> | <b>4.5</b>  |
| <b>Liabilities and equity</b>                        |                  |                  |             |                  |                  |             |
| Deposits from customers                              | 4,369,163        | 4,217,335        | 3.6         | 4,583,022        | 4,469,766        | 2.5         |
| Deposits from banks and other financial institutions | 395,863          | 309,770          | 27.8        | 419,694          | 425,762          | (1.4)       |
| Financing                                            | 104,401          | 10,000           | > 100       | 104,401          | 10,000           | > 100       |
| Group balances payable                               | 428              | 990              | (56.7)      | -                | -                | N/A         |
| Other liabilities                                    | 85,194           | 82,494           | 3.3         | 94,768           | 95,522           | (0.8)       |
| Deferred tax liabilities                             | -                | 182              | (100.0)     | 1,842            | 2,182            | (15.6)      |
| Zakat                                                | 2,859            | 2,657            | 7.6         | 2,859            | 5,081            | (43.7)      |
| Provision for taxation                               | 28,737           | 31,707           | (9.4)       | 35,199           | 39,451           | (10.8)      |
| <b>Total liabilities</b>                             | <b>4,986,645</b> | <b>4,655,135</b> | <b>7.1</b>  | <b>5,241,785</b> | <b>5,047,764</b> | <b>3.8</b>  |
| <b>Shareholders' equity</b>                          |                  |                  |             |                  |                  |             |
| Share capital                                        | 724,750          | 724,750          | -           | 724,750          | 724,750          | -           |
| Treasury shares                                      | -                | -                | N/A         | (2,872)          | -                | N/A         |
| Statutory reserves fund                              | 262,822          | 211,895          | 24.0        | 294,147          | 241,898          | 21.6        |
| Other reserves                                       | 29,682           | 25,024           | 18.6        | 95,256           | 64,193           | 48.4        |
| Total shareholders' funds                            | 1,017,254        | 961,669          | 5.8         | 1,111,281        | 1,030,841        | 7.8         |
| Minority interests                                   | -                | -                | N/A         | 24,204           | 21,752           | 11.3        |
| <b>Total equity</b>                                  | <b>1,017,254</b> | <b>961,669</b>   | <b>5.8</b>  | <b>1,135,485</b> | <b>1,052,593</b> | <b>7.9</b>  |
| <b>Total liabilities and equity</b>                  | <b>6,003,899</b> | <b>5,616,804</b> | <b>6.9</b>  | <b>6,377,270</b> | <b>6,100,357</b> | <b>4.5</b>  |
| <b>Contingencies and commitments</b>                 | <b>4,446,946</b> | <b>3,445,449</b> | <b>29.1</b> | <b>4,447,974</b> | <b>3,449,529</b> | <b>28.9</b> |

<sup>(1)</sup> Comparatives have been restated to conform to current year's presentation.

#### STATEMENTS OF CHANGES IN EQUITY

#### BANK

| For the year ended 31 December                                    | Share capital<br>B\$'000 | Statutory reserves fund<br>B\$'000 | Net unrealised gain/(loss)<br>on available-for-sale investments | Retained profits<br>B\$'000 | Total equity<br>B\$'000 |
|-------------------------------------------------------------------|--------------------------|------------------------------------|-----------------------------------------------------------------|-----------------------------|-------------------------|
|                                                                   |                          |                                    |                                                                 |                             |                         |
| <b>Balance as at 1 January 2012 as reported previously</b>        | <b>724,750</b>           | <b>133,914</b>                     | <b>(3,096)</b>                                                  | <b>34,156</b>               | <b>889,724</b>          |
| Effect of change in accounting policy                             | -                        | 4,548                              | -                                                               | 1,516                       | 6,064                   |
| <b>Balance as at 1 January 2012 as restated</b>                   | <b>724,750</b>           | <b>138,462</b>                     | <b>(3,096)</b>                                                  | <b>35,672</b>               | <b>895,788</b>          |
| Net change in fair value of available-for-sale investments        | -                        | -                                  | 2,034                                                           | -                           | 2,034                   |
| Net profit for the financial year (restated)                      | -                        | -                                  | -                                                               | 97,910                      | 97,910                  |
| Dividends paid during the year                                    | -                        | -                                  | -                                                               | (34,063)                    | (34,063)                |
| Transfers during the year (restated)                              | -                        | 73,433                             | -                                                               | (73,433)                    | -                       |
| <b>Balance as at 31 December 2012/ 1 January 2013 as restated</b> | <b>724,750</b>           | <b>211,895</b>                     | <b>(1,062)</b>                                                  | <b>26,086</b>               | <b>961,669</b>          |
| Net change in fair value of available-for-sale investments        | -                        | -                                  | (5,376)                                                         | -                           | (5,376)                 |
| Net profit for the financial year                                 | -                        | -                                  | -                                                               | 84,878                      | 84,878                  |
| Dividends paid during the year                                    | -                        | -                                  | -                                                               | (23,917)                    | (23,917)                |
| Transfers during the year                                         | -                        | 50,927                             | -                                                               | (50,927)                    | -                       |
| <b>Balance as at 31 December 2013</b>                             | <b>724,750</b>           | <b>262,822</b>                     | <b>(6,438)</b>                                                  | <b>36,120</b>               | <b>1,017,254</b>        |

#### GROUP

| For the year ended 31 December                                    | Share capital<br>B\$'000 | Treasury shares<br>B\$'000 | Statutory reserves fund<br>B\$'000 | Net unrealised gain/(loss)<br>on available-for-sale investments | Retained profits<br>B\$'000 | Total equity<br>B\$'000 |
|-------------------------------------------------------------------|--------------------------|----------------------------|------------------------------------|-----------------------------------------------------------------|-----------------------------|-------------------------|
|                                                                   |                          |                            |                                    |                                                                 |                             |                         |
| <b>Balance as at 1 January 2012 as reported previously</b>        | <b>724,750</b>           | <b>-</b>                   | <b>153,919</b>                     | <b>(1,488)</b>                                                  | <b>62,384</b>               | <b>939,565</b>          |
| Effect of change in accounting policy                             | -                        | -                          | 4,548                              | -                                                               | 1,516                       | 6,064                   |
| <b>Balance as at 1 January 2012 as restated</b>                   | <b>724,750</b>           | <b>-</b>                   | <b>158,467</b>                     | <b>(1,488)</b>                                                  | <b>63,900</b>               | <b>945,629</b>          |
| Net change in fair value of available-for-sale investments        | -                        | -                          | -                                  | 1,392                                                           | -                           | 1,392                   |
| Net profit for the financial year (restated)                      | -                        | -                          | -                                  | -                                                               | 117,883                     | 117,883                 |
| Dividends paid during the year                                    | -                        | -                          | -                                  | -                                                               | (34,063)                    | (34,063)                |
| Transfers during the year (restated)                              | -                        | -                          | 83,431                             | -                                                               | (83,431)                    | -                       |
| Contributions from minority interest                              | -                        | -                          | -                                  | -                                                               | -                           | 3,972                   |
| <b>Balance as at 31 December 2012/ 1 January 2013 as restated</b> | <b>724,750</b>           | <b>-</b>                   | <b>241,898</b>                     | <b>(96)</b>                                                     | <b>64,289</b>               | <b>1,030,841</b>        |
| Bank's shares held by subsidiaries                                | -                        | (2,872)                    | -                                  | -                                                               | -                           | (2,872)                 |
| Net change in fair value of available-for-sale investments        | -                        | -                          | -                                  | (5,302)                                                         | -                           | (5,302)                 |
| Net profit for the financial year                                 | -                        | -                          | -                                  | -                                                               | 112,531                     | 112,531                 |
| Dividends paid during the year                                    | -                        | -                          | -                                  | -                                                               | (23,917)                    | (23,917)                |
| Transfers during the year                                         | -                        | -                          | 52,249                             | -                                                               | (52,249)                    | -                       |
| Contributions from minority interest                              | -                        | -                          | -                                  | -                                                               | -                           | 2,495                   |
| <b>Balance as at 31 December 2013</b>                             | <b>724,750</b>           | <b>(2,872)</b>             | <b>294,147</b>                     | <b>(5,398)</b>                                                  | <b>100,654</b>              | <b>1,111,281</b>        |

#### CASH FLOW STATEMENT

| For the year ended 31 December                                                                 | Bank             |                  | Group            |                  |
|------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                                | 2013<br>B\$'000  | 2012<br>B\$'000  | 2013<br>B\$'000  | 2012<br>B\$'000  |
| <b>Cash flow from operating activities</b>                                                     |                  |                  |                  |                  |
| Income from financing                                                                          | 136,826          | 120,899          | 179,209          | 158,569          |
| Income/ profit paid to depositors                                                              | (16,154)         | (11,643)         | (20,433)         | (16,537)         |
| Receipts on other operating activities                                                         | 83,029           | 76,418           | 96,442           | 101,636          |
| Cash payments to employees and suppliers                                                       | (44,136)         | (40,632)         | (49,783)         | (48,419)         |
| Payments on other operating activities                                                         | (28,114)         | (23,058)         | (37,384)         | (33,729)         |
| <b>Cash flows from operating profit before changes in operating assets and liabilities</b>     | <b>131,451</b>   | <b>121,984</b>   | <b>168,051</b>   | <b>161,520</b>   |
| <i>(Increase)/ decrease in operating assets</i>                                                |                  |                  |                  |                  |
| Balances with Autoriti Monetari Brunei Darussalam                                              | (32,801)         | 18,970           | (33,753)         | 16,103           |
| Deposits and placements with banks and other financial institutions                            | (530,421)        | (489,576)        | (472,481)        | (484,515)        |
| Financing and advances                                                                         | (360,224)        | (237,883)        | (429,043)        | (194,180)        |
| Other assets                                                                                   | 2,073            | 4,083            | 3,894            | 5,894            |
| <b>(Decrease)/ increase in operating liabilities</b>                                           | <b>(921,373)</b> | <b>(704,406)</b> | <b>(931,383)</b> | <b>(656,698)</b> |
| Deposits from customers                                                                        | 138,278          | (181,820)        | 99,706           | (203,075)        |
| Deposits from banks and other financial institutions                                           | 86,093           | 43,553           | (6,068)          | 117,666          |
| Other liabilities                                                                              | (16,451)         | (8,649)          | (16,927)         | (15,468)         |
| <b>Cash used in operations</b>                                                                 | <b>(582,002)</b> | <b>(729,338)</b> | <b>(686,621)</b> | <b>(596,055)</b> |
| Zakat paid                                                                                     | (2,657)          | (2,485)          | (2,657)          | (2,485)          |
| Income tax paid                                                                                | (27,298)         | (15,455)         | (32,061)         | (19,614)         |
| <b>Net cash used in operating activities</b>                                                   | <b>(611,957)</b> | <b>(747,278)</b> | <b>(721,339)</b> | <b>(618,154)</b> |
| <b>Cash flow from investing activities</b>                                                     |                  |                  |                  |                  |
| Purchase of fixed assets                                                                       | (10,239)         | (6,854)          | (11,671)         | (10,181)         |
| Disposal of fixed assets                                                                       | 5                | 40               | 5                | 40               |
| Purchase of Government Sukuk                                                                   | (126,931)        | (304,858)        | (126,931)        | (304,858)        |
| Proceeds from Government Sukuk upon maturity                                                   | 121,940          | 323,843          | 121,940          | 323,843          |
| Purchase of investments                                                                        | (158,514)        | (29,935)         | (146,396)        | (135,328)        |
| Disposal of investments                                                                        | 13,168           | 1,607            | 13,168           | 1,607            |
| Dividend received                                                                              | 1,172            | 1,607            | 1,324            | 2,593            |
| <b>Net cash used in investing activities</b>                                                   | <b>(159,399)</b> | <b>(16,157)</b>  | <b>(148,561)</b> | <b>(123,891)</b> |
| <b>Cash flow from financing activities</b>                                                     |                  |                  |                  |                  |
| Dividends paid                                                                                 | (23,917)         | (34,063)         | (25,438)         | (34,063)         |
| Issuance of short term financing                                                               | 94,401           | 10,000           | 94,401           | 10,000           |
| <b>Net cash used in financing activities</b>                                                   | <b>70,484</b>    | <b>(24,063)</b>  | <b>68,963</b>    | <b>(24,063)</b>  |
| Net decrease in cash and cash equivalent                                                       | (700,872)        | (787,498)        | (800,937)        | (766,108)        |
| Cash and cash equivalent at 1 January                                                          | 2,030,590        | 2,818,088        | 2,024,136        | 2,790,244        |
| Cash and cash equivalent at 31 December                                                        | 1,329,718        | 2,030,590        | 1,223,199        | 2,024,136        |
| Cash and short-term funds at 31 December                                                       | 2,627,676        | 2,788,078        | 2,455,157        | 2,773,564        |
| Less: Money-at-call and short notice and interbank placements with maturity more than 3 months | (1,297,958)      | (757,488)        | (1,231,958)      | (749,428)        |
| Cash and cash equivalent at 31 December                                                        | 1,329,718        | 2,030,590        | 1,223,199        | 2,024,136        |

#### OTHER FINANCIAL INFORMATION

##### 1. FINANCING AND ADVANCES

|                                                              | Bank            |                 | Group           |                 |
|--------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                              | 2013<br>B\$'000 | 2012<br>B\$'000 | 2013<br>B\$'000 | 2012<br>B\$'000 |
|                                                              |                 | (Restated)      | (Restated)      |                 |
| Al-Kafalah bil Mal dan Al-Bai (financial guarantee and sale) | 5,935           | 5,059           | 5,935           | 5,059           |
| Al-Wakalah bil Ujrah (paid agency)                           | 40,913          | 38,900          | 40,913          | 38,900          |
| Bai' Bithaman Ajil (deferred payment sale)                   | 1,595,242       | 1,529,482       | 1,595,242       | 1,529,482       |

(ii) 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)

a. Balance Sheet

|                          | KMP Bank     |              | KMP Group    |              | Other Individuals and Entities Bank |               | Other Individuals and Entities Group |               |
|--------------------------|--------------|--------------|--------------|--------------|-------------------------------------|---------------|--------------------------------------|---------------|
|                          | 2013         | 2012         | 2013         | 2012         | 2013                                | 2012          | 2013                                 | 2012          |
|                          | B\$'000      | B\$'000      | B\$'000      | B\$'000      | B\$'000                             | B\$'000       | B\$'000                              | B\$'000       |
| <b>Assets</b>            |              |              |              |              |                                     |               |                                      |               |
| Financing                | 700          | 1,129        | 796          | 1,164        | 46,441                              | 46,958        | 56,296                               | 55,072        |
| Credit card (secured)    | 20           | 18           | -            | -            | 1,172                               | 1,225         | 1,232                                | 58            |
| <b>Total</b>             | <b>720</b>   | <b>1,147</b> | <b>796</b>   | <b>1,164</b> | <b>47,613</b>                       | <b>48,183</b> | <b>57,528</b>                        | <b>55,130</b> |
| <b>Liabilities</b>       |              |              |              |              |                                     |               |                                      |               |
| Deposits                 | 1,260        | 784          | 1,673        | 1,020        | 7,288                               | 5,023         | 10,757                               | 8,222         |
| <b>Total</b>             | <b>1,260</b> | <b>784</b>   | <b>1,673</b> | <b>1,020</b> | <b>7,288</b>                        | <b>5,023</b>  | <b>10,757</b>                        | <b>8,222</b>  |
| <b>No of shares held</b> | <b>43</b>    | <b>43</b>    | <b>43</b>    | <b>43</b>    | <b>405</b>                          | <b>405</b>    | <b>405</b>                           | <b>405</b>    |
| <b>Dividends paid</b>    | <b>1</b>     | <b>2</b>     | <b>1</b>     | <b>2</b>     | <b>13</b>                           | <b>19</b>     | <b>13</b>                            | <b>19</b>     |

b. Income Statement

|                                   | KMP Bank   |            | KMP Group |           | Other Individuals and Entities Bank |              | Other Individuals and Entities Group |              |
|-----------------------------------|------------|------------|-----------|-----------|-------------------------------------|--------------|--------------------------------------|--------------|
|                                   | 2013       | 2012       | 2013      | 2012      | 2013                                | 2012         | 2013                                 | 2012         |
|                                   | B\$'000    | B\$'000    | B\$'000   | B\$'000   | B\$'000                             | B\$'000      | B\$'000                              | B\$'000      |
| <b>Income</b>                     |            |            |           |           |                                     |              |                                      |              |
| Income on financing               | 27         | 32         | 30        | 38        | 1,557                               | 1,751        | 2,138                                | 2,694        |
| Income on credit card             | -          | -          | -         | -         | 13                                  | 15           | 14                                   | 15           |
| <b>Total</b>                      | <b>27</b>  | <b>32</b>  | <b>30</b> | <b>38</b> | <b>1,570</b>                        | <b>1,766</b> | <b>2,152</b>                         | <b>2,709</b> |
| <b>Expenses</b>                   |            |            |           |           |                                     |              |                                      |              |
| Income attributable to depositors | 5          | 4          | 32        | 15        | 23                                  | 19           | 154                                  | 92           |
| <b>Total</b>                      | <b>5</b>   | <b>4</b>   | <b>32</b> | <b>15</b> | <b>23</b>                           | <b>19</b>    | <b>154</b>                           | <b>92</b>    |
| <b>Off-balance sheet items</b>    |            |            |           |           |                                     |              |                                      |              |
| Undrawn facilities                | 123        | 153        | -         | -         | 1,334                               | 2,139        | 1,369                                | 2,199        |
| <b>Total</b>                      | <b>123</b> | <b>153</b> | <b>-</b>  | <b>-</b>  | <b>1,334</b>                        | <b>2,139</b> | <b>1,369</b>                         | <b>2,199</b> |

(iii) The group related party, shall include Subsidiaries and other related companies.

a. Balance Sheet

|                           | Subsidiaries   |                | Other related Companies |              |
|---------------------------|----------------|----------------|-------------------------|--------------|
|                           | 2013           | 2012           | 2013                    | 2012         |
|                           | B\$'000        | B\$'000        | B\$'000                 | B\$'000      |
| <b>Assets</b>             |                |                |                         |              |
| Financing                 | 2,321          | 7,572          | -                       | -            |
| Investments               | 25,014         | 8,334          | -                       | -            |
| Placements                | 171,000        | 50,960         | -                       | -            |
| Others                    | 24             | 21             | -                       | -            |
| <b>Total</b>              | <b>198,359</b> | <b>66,887</b>  | <b>-</b>                | <b>-</b>     |
| <b>Liabilities</b>        |                |                |                         |              |
| Deposits                  | 210,127        | 98,782         | 22,322                  | 6,924        |
| Others                    | 758            | 1,293          | 30                      | 2            |
| <b>Total</b>              | <b>210,885</b> | <b>100,075</b> | <b>22,352</b>           | <b>6,926</b> |
| <b>No. of shares held</b> | <b>-</b>       | <b>-</b>       | <b>8,837</b>            | <b>8,837</b> |
| <b>Dividend paid</b>      | <b>-</b>       | <b>-</b>       | <b>292</b>              | <b>415</b>   |

b. Income Statement

|                          | Subsidiaries |              | Other related Companies |          |
|--------------------------|--------------|--------------|-------------------------|----------|
|                          | 2013         | 2012         | 2013                    | 2012     |
|                          | B\$'000      | B\$'000      | B\$'000                 | B\$'000  |
| <b>Income</b>            |              |              |                         |          |
| Income on financing      | 529          | 907          | -                       | -        |
| Other income             | 1,009        | 1,438        | -                       | -        |
| <b>Total</b>             | <b>1,538</b> | <b>2,345</b> | <b>-</b>                | <b>-</b> |
| <b>Expenses</b>          |              |              |                         |          |
| Income attributable to : |              |              |                         |          |
| Depositors               | 445          | 484          | 30                      | 1        |
| <b>Total</b>             | <b>445</b>   | <b>484</b>   | <b>30</b>               | <b>1</b> |

(iv) Significant investors either entities or individuals that have control or significant influence over the affairs of the bank

a. Balance Sheet

|                          | Entities       |                  |
|--------------------------|----------------|------------------|
|                          | 2013           | 2012             |
|                          | B\$'000        | B\$'000          |
| <b>Assets</b>            |                |                  |
| Other assets             | 21             | 389              |
| <b>Total</b>             | <b>21</b>      | <b>389</b>       |
| <b>Liabilities</b>       |                |                  |
| Deposits                 | 557,955        | 1,264,839        |
| Other liabilities        | 2,804          | -                |
| <b>Total</b>             | <b>560,759</b> | <b>1,264,839</b> |
| <b>No of shares held</b> | <b>643,862</b> | <b>643,862</b>   |
| <b>Dividends paid</b>    | <b>21,247</b>  | <b>30,262</b>    |

b. Income Statement

|                                   | Entities      |               |
|-----------------------------------|---------------|---------------|
|                                   | 2013          | 2012          |
|                                   | B\$'000       | B\$'000       |
| <b>Expenses</b>                   |               |               |
| Income attributable to depositors | 3,590         | 3,495         |
| Other expenses                    | 26,061        | 23,008        |
| <b>Total</b>                      | <b>29,651</b> | <b>26,503</b> |
| <b>Off-balance sheet items</b>    |               |               |
| Guarantees                        | 1,229         | 1,269         |
| <b>Total</b>                      | <b>1,229</b>  | <b>1,269</b>  |

5. CAPITAL ADEQUACY

|                                                       | Bank             |                  | Group            |                  |
|-------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                       | 2013             | 2012             | 2013             | 2012             |
|                                                       | B\$'000          | B\$'000          | B\$'000          | B\$'000          |
| <b>Regulatory capital</b>                             |                  |                  |                  |                  |
| Core capital (Tier 1 capital) before dividend         | 1,017,254        | 961,669          | 1,111,281        | 1,030,841        |
| Less: Dividends to be proposed for the financial year | (28,990)         | (23,917)         | (28,990)         | (23,917)         |
| Core capital (Tier 1 capital) after dividend          | 988,264          | 937,752          | 1,082,291        | 1,006,924        |
| Supplementary capital (Tier II capital)               | 35,809           | 30,137           | 40,865           | 34,529           |
| Less: Investment in Associates and Subsidiaries       | (33,563)         | (33,563)         | (7,903)          | (7,903)          |
| <b>Total capital base</b>                             | <b>990,510</b>   | <b>934,326</b>   | <b>1,115,253</b> | <b>1,033,550</b> |
| <b>Total risk-weighted amount</b>                     |                  |                  |                  |                  |
| Risk-weighted amount for credit risk                  | 3,771,158        | 3,186,865        | 4,282,069        | 3,715,774        |
| Risk-weighted amount for operational risk             | 254,345          | 232,049          | 314,719          | 276,098          |
| <b>Total risk-weighted amount</b>                     | <b>4,025,503</b> | <b>3,418,914</b> | <b>4,596,788</b> | <b>3,991,872</b> |
| <b>Capital ratios</b>                                 |                  |                  |                  |                  |
| Core capital (Tier 1) ratio %                         | 24.6%            | 27.4%            | 23.5%            | 25.2%            |
| <b>Total capital ratio %</b>                          | <b>24.6%</b>     | <b>27.3%</b>     | <b>24.3%</b>     | <b>25.9%</b>     |

6. 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            |                  |
|----------------------------|------------------|------------------|------------------|------------------|
|                            | 2013             | 2012             | 2013             | 2012             |
|                            | B\$'000          | B\$'000          | B\$'000          | B\$'000          |
| <b>Contingencies</b>       |                  |                  |                  |                  |
| Letters of credit          | 33,688           | 48,508           | 33,688           | 48,508           |
| Guarantees, bonds          | 112,810          | 113,365          | 112,810          | 113,365          |
| Shipping guarantees        | 10,358           | 23,750           | 10,358           | 23,750           |
| Acceptances                | 4,773            | 4,584            | 4,773            | 4,584            |
| Trade risk participation   | 97,419           | -                | 97,419           | -                |
| Import bills               | 430              | 1,263            | 430              | 1,263            |
| Foreign exchange contracts | 3,178,459        | 2,965,738        | 3,178,459        | 2,965,738        |
| <b>Sub Total</b>           | <b>3,437,937</b> | <b>3,157,208</b> | <b>3,437,937</b> | <b>3,157,208</b> |
| <b>Commitments</b>         |                  |                  |                  |                  |
| Undrawn credit lines       | 329,588          | 264,316          | 329,588          | 264,316          |
| Forward placements         | 268,679          | -                | 268,679          | -                |
| Forward deposits           | 410,044          | 20,035           | 410,044          | 20,035           |
| <b>Sub Total</b>           | <b>4,446,248</b> | <b>3,441,559</b> | <b>4,446,248</b> | <b>3,441,559</b> |

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            |                  |
|--------------------------------------------|------------------|------------------|------------------|------------------|
|                                            | 2013             | 2012             | 2013             | 2012             |
|                                            | B\$'000          | B\$'000          | B\$'000          | B\$'000          |
| <b>Capital expenditure</b>                 |                  |                  |                  |                  |
| Approved but not contracted for            | -                | 3,484            | 154              | 6,812            |
| Approved and contracted for                | 698              | 406              | 1,572            | 1,158            |
| <b>Sub Total</b>                           | <b>698</b>       | <b>3,890</b>     | <b>1,726</b>     | <b>7,970</b>     |
| <b>Total contingencies and commitments</b> | <b>4,446,946</b> | <b>3,445,449</b> | <b>4,447,974</b> | <b>3,449,529</b> |

7. SIGNIFICANT RISKS ASSOCIATED WITH THE GROUP'S OPERATIONS

7.1 Risks to which the Group is exposed:-

a. 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 a credit committee to assess 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.

b. 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.

The Group is exposed to foreign currency risk on placements, financing and advances, investments and deposits from customers that are denominated in a currency other than the functional currency of its Group entities (primarily Brunei Dollar or Singapore Dollar). The currency in which these transactions are denominated are primarily United States Dollar, Euro, British Pound and Saudi Riyal.

The Group's policy in managing foreign currency risk is to manage the foreign currency exposures within prescribed limits. The Group enters into hedging instruments such as cross currency swaps and foreign exchange forwards to manage its foreign currency exposures. The derivatives held for risk management purposes are designated as accounting hedges. The Group makes an assessment, both at inception of the hedge and on an ongoing basis, whether the hedging instruments are expected to be effective.

c. 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.

d. 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.

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 Autoriti Monetari Brunei Darussalam.

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.

e. 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.

f. 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.

g. 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.

h. Capital Adequacy

The Bank is well capitalised based on the domestic and international capital adequacy requirements. In 2009, goodwill of B\$129.6 million was written off against general and statutory reserves, achieving the prudence required by Autoriti Monetari Brunei Darussalam. The Bank continues to be well capitalised, and as at 31st December 2013 the core capital adequacy ratio was 24.6% (31st December 2012: 27.4%) compared to the regulatory minimum of 10% as required under Islamic Banking Order, 2008.

7.2 Responsibility of directors

7.2.1 Directors

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

Yang Mulia Dato Paduka Awang Haji Bahrain bin Abdullah

Yang Mulia Iqbal Ahmad Khan

Yang Mulia Junaidi bin Hj Masri

Yang Mulia Jan Hendrik van Greuning

Yang Mulia Abdulaziz Mohammed L. Alsubeai

Yang Mulia Javed Ahmad bin Kamil Hasan

Yang Mulia Dr Abdul Manaf bin Haji Metussin

Yang Mulia Awang Mozart bin Haji Ibrahim (Alternate Director to Yang Mulia Junaidi bin Hj Masri)

7.2.2 Responsibilities of directors

a. Provide oversight of management on behalf of shareholders.

b. Oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance with law and the Group's code of conduct.

c. Review the Group's compensation and benefits programs as well as its succession planning and diversity programs.

d. Review major strategic, financial and other objectives initiatives of the Group.

e. Nominate directors and evaluate the structure and practices of the Board to provide for sound corporate governance.

f. Review the Group's community oriented activities.

7.3 Other disclosures

7.3.1 Subsidiaries

The names of subsidiaries of the Bank are:

- BIBD At-Tamwil Bhd
- BIBD Securities Sdn Bhd
- IDBB Sukuk Inc
- IDBB Management & Services Bhd
- IBB Capital Asset Management Sdn Bhd
- Belaif Barakah Sdn Bhd
- BIBD Al-Kauthar Funds DCC Incorporated
- IBB Transport Sdn Bhd
- Saujana Sdn Bhd
- BIBD Global Equity Funds
- BIBD Asia Equity Funds

7.3.2 Shariah Committee's role and authority

- Advice on Shariah matters.
- Support the Bank and its subsidiaries with the relevant Shariah jurisprudential literature when seeking advice / decision on Shariah matters.
- Oversee proper implementation of Shariah Advisory Body's decisions.
- Review and endorse Shariah compliance manual and relevant transactional product and legal documents.

7.3.3 Zakat obligations

The Bank uses the net invested funds method for its' calculation of Zakat as approved by the Shariah Advisory Board.

CERTIFICATION:

I, the undersigned, being the Chief Executive Officer of Bank Islam Brunei Darussalam Berhad certify that:-

- the above accounts and statements have been prepared in accordance with the format and definitions prescribed by the Authority in terms of sections 27 (4) and (5) of the Islamic Banking Order 2008.
- the information contained in these statements have been extracted from the audited financial accounts and statements.



**Javed Ahmad bin Kamil Hasan**  
Chief Executive Officer  
28 March 2014



KPMG LLP