

Statements of Financial Position (Cont'd)
As at 31 December 2018

| | Group | | Bank | |
|--|-------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | BS'000 | BS'000 | BS'000 | BS'000 |
| Equity | | | | |
| Share capital | 507,325 | 507,325 | 507,325 | 507,325 |
| Statutory reserves fund | 534,433 | 497,499 | 493,429 | 458,495 |
| Other reserves | 142,666 | 84,583 | 88,163 | 37,881 |
| Total equity attributable to equity holders of the Bank | 1,184,424 | 1,089,407 | 1,088,917 | 1,003,701 |
| Non-controlling interests | — | 21,176 | — | — |
| Total equity | 1,184,424 | 1,110,583 | 1,088,917 | 1,003,701 |
| Total liabilities and equity | 10,061,624 | 9,591,345 | 9,708,063 | 9,229,922 |

----- Other reserves -----

| Group | Share capital BS'000 | Statutory reserve BS'000 | Fair value reserve BS'000 | Foreign currency translation reserve BS'000 | Retained profits BS'000 | Total shareholders' funds BS'000 | Non-controlling interests BS'000 | Total equity BS'000 |
|---|-------------------------|-----------------------------|------------------------------|--|----------------------------|-------------------------------------|-------------------------------------|------------------------|
| At 31 December 2017 | 507,325 | 497,499 | 2,406 | (18) | 82,195 | 1,089,407 | 21,176 | 1,110,583 |
| Adjustment on initial application of IFRS 9 | — | — | 2,670 | — | (11,183) | (8,513) | — | (8,513) |
| Restated balance at 1 January 2018 | 507,325 | 497,499 | 5,076 | (18) | 71,012 | 1,080,894 | 21,176 | 1,102,070 |
| Profit for the year | — | — | — | — | 146,328 | 146,328 | 1,575 | 147,903 |
| Other comprehensive income | — | — | (4,707) | — | — | (4,707) | — | (4,707) |
| Total comprehensive income for the year | — | — | (4,707) | — | 146,328 | 141,621 | 1,575 | 143,196 |
| Transfers to statutory reserve | — | 36,934 | — | — | (36,934) | — | — | — |
| Foreign currency movement | — | — | — | (12) | — | (12) | — | (12) |

**Transactions with owners of
the Bank**

**Changes in ownership interest
in subsidiaries**

| | | | | | | | | |
|--|---------|---------|-----|------|----------|-----------|---|-----------|
| Contributions and distributions | | | | | | | | |
| Dividends paid on ordinary shares | – | – | – | – | (36,781) | (36,781) | – | (36,781) |
| Total contributions and distributions | – | – | – | – | (36,781) | (36,781) | – | (36,781) |
| At 31 December 2018 | 507,325 | 534,433 | 369 | (30) | 142,327 | 1,184,424 | – | 1,184,424 |

----- Other reserves -----

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Fair value reserve: | | | | |
| - Net change in fair value | (6,774) | — | (6,819) | — |
| - Reclassified to profit or loss | (11) | — | (11) | — |
| Fair value reserve (available-for-sale financial assets): | | | | |
| - Net change in fair value | — | 804 | — | 803 |
| - Reclassified to profit or loss | — | 437 | — | 594 |
| Share of other comprehensive income of associate | 1,369 | 893 | — | — |
| Tax on other comprehensive income | 709 | (258) | 709 | (258) |
| Other comprehensive income for the year, net of tax | (4,707) | 1,876 | (6,121) | 1,139 |
| Total comprehensive income for the year | 143,196 | 118,058 | 133,614 | 170,957 |
| Attributable to: | | | | |
| Equity holders of the Bank | 141,621 | 112,458 | 133,614 | 170,957 |
| Non-controlling interests | 1,575 | 5,600 | — | — |
| Total comprehensive income for the year | 143,196 | 118,058 | 133,614 | 170,957 |

Transactions with owners of
the Bank

Contributions and distributi

| | | | | | | | | |
|---|-----------|---------|-------|------|-----------|-----------|---------|-----------|
| Reduction in share capital | (217,425) | — | — | — | — | (217,425) | — | (217,425) |
| Dividends paid on ordinary shares | — | — | — | — | (197,113) | (197,113) | (1,000) | (198,113) |
| Redemptions by non-controlling interest | — | — | — | — | — | — | (5,803) | (5,803) |
| Total contributions and distributions | (217,425) | — | — | — | (197,113) | (414,538) | (6,803) | (421,341) |
| At 31 December 2017 | 507,325 | 497,499 | 2,406 | (18) | 82,195 | 1,089,407 | 21,176 | 1,110,583 |

| | | | ----- Other reserves ----- | | |
|---|---------------------------------|-------------------------------------|--------------------------------------|------------------------------------|-------------------------|
| Bank | Share capital BS'000 | Statutory reserve BS'000 | Fair value reserve BS'000 | Retained profits BS'000 | Total BS'000 |
| At 31 December 2017 | 507,325 | 458,495 | 377 | 37,504 | 1,003,701 |
| Adjustment on initial application of IFRS 9 | — | — | 2,625 | (14,242) | (11,617) |
| Restated balance at 1 January 2018 | 507,325 | 458,495 | 3,002 | 23,262 | 992,084 |
| Profit for the year | — | — | — | 139,735 | 139,735 |
| Other comprehensive income | — | — | (6,121) | — | (6,121) |
| Total comprehensive income for the year | — | — | (6,121) | 139,735 | 133,614 |
| Transfer to statutory reserve | — | 34,934 | — | (34,934) | — |
| Transactions with owners of the Bank | | | | | |
| Contributions and distributions | | | | | |
| Dividends paid on ordinary shares | — | — | — | (36,781) | (36,781) |
| Total contributions and distributions | — | — | — | (36,781) | (36,781) |
| At 31 December 2018 | 507,325 | 493,429 | (3,119) | 91,282 | 1,088,917 |

Statement of Changes in Equity (Cont'd)

| | | ----- Other reserves ----- | | | |
|---|---------------------------------|-------------------------------------|--------------------------------------|------------------------------------|-------------------------|
| Bank | Share capital BS'000 | Statutory reserve BS'000 | Fair value reserve BS'000 | Retained profits BS'000 | Total BS'000 |
| At 1 January 2017 | 724,750 | 416,040 | (762) | 107,254 | 1,247,282 |
| Profit for the year | — | — | — | 169,818 | 169,818 |
| Other comprehensive income | — | — | 1,139 | — | 1,139 |
| Total comprehensive income for the year | — | — | 1,139 | 169,818 | 170,957 |
| Transfer to statutory reserve | — | 42,455 | — | (42,455) | — |
| Transactions with owners of the Bank | | | | | |
| Contributions and distributions | | | | | |
| Reduction in share capital | (217,425) | — | — | — | (217,425) |
| Dividends paid on ordinary shares | — | — | — | (197,113) | (197,113) |
| Total contributions and distributions | (217,425) | — | — | (197,113) | (414,538) |
| At 31 December 2017 | 507,325 | 458,495 | 377 | 37,504 | 1,003,701 |

**Statements of Cash Flows
Year ended 31 December 2018**

| | Group | | Bank | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 2018 BS'000 | 2017 BS'000 | 2018 BS'000 | 2017 BS'000 |
| Cash flows from operating activities | | | | |
| Profit before zakat and tax | 185,743 | 146,429 | 168,755 | 190,759 |
| Adjustments for: | | | | |
| Dividend income from subsidiaries | — | — | (30,000) | (98,328) |
| Allowance for impairment on financing and advances | 14,029 | 38,222 | 11,162 | 36,374 |
| Allowance for impairment on receivables | 413 | 1,864 | 413 | 739 |
| Change in fair value of derivatives and investments | 23,714 | 5,785 | 23,714 | 5,708 |
| Depreciation of property and equipment and investment property | 17,754 | 20,067 | 13,650 | 13,363 |
| Allowance for impairment of investments, net | 167 | 1,964 | 640 | 1,964 |
| Allowance for impairment on investment in subsidiary, net | — | — | — | 1,715 |
| Loss/(gain) on disposal of property and equipment | 81 | (138) | — | (138) |
| Loss on write-off of investment property | — | 243 | — | 243 |
| Share of profit of associate and joint ventures | (4,803) | (2,073) | — | — |
| | 237,098 | 212,363 | 188,334 | 152,399 |
| Changes in: | | | | |
| Deposits from customers | 96,799 | 348,925 | 79,734 | 357,334 |
| Deposits from banks and other financial institutions | 30,090 | 11,161 | 30,305 | 30,169 |
| Other liabilities | 4,856 | 12,423 | 9,024 | 17,397 |
| Balances with Autoriti Monetari Brunei Darussalam | 11,731 | 6,449 | 12,461 | 10,618 |
| Placements with and financing and advances to banks | (44,850) | 552,067 | (232,850) | 449,417 |
| Government sukuk | (4,218) | 10,517 | (4,218) | 10,517 |
| Investments | (16,143) | (413,271) | (16,188) | (418,241) |
| Placements from other financial institutions | 258,159 | 182,844 | 258,159 | 182,844 |
| Financing and advances | (398,485) | (92,188) | (360,060) | (81,327) |
| Other assets | (8,620) | (5,331) | (38,549) | 13,602 |
| | 166,417 | 825,959 | (73,848) | 724,729 |
| Zakat paid | (2,192) | (3,898) | (2,192) | (3,899) |
| Taxes paid | (13,235) | (29,416) | (5,612) | (21,811) |
| Net cash generated from/(used in) operating activities | 150,990 | 792,645 | (81,652) | 699,019 |
| Cash flow from investing activities | | | | |
| Purchase of property and equipment | (26,116) | (14,909) | (11,348) | (14,509) |
| Purchase of investment property | (47) | (12) | (47) | (12) |
| Investment in subsidiary | — | — | (2,963) | (693) |
| Proceeds from disposal of property and equipment | — | 163 | — | 163 |
| Dividend income from subsidiaries | — | — | 30,000 | 98,328 |
| Dividend income from associate | — | 91 | — | — |
| Loss of control over subsidiaries | (5,663) | — | — | — |
| Net cash (used in)/from investing activities | (31,826) | (14,667) | 15,642 | 83,277 |
| Cash flow from financing activities | | | | |
| Dividends paid | (36,781) | (197,113) | (36,781) | (197,113) |
| Reduction in capital | — | (217,425) | — | (217,425) |
| Capital redeemed by non-controlling interest | — | (5,803) | — | — |
| Net cash used in financing activities | (36,781) | (420,341) | (36,781) | (414,538) |
| Net change in cash and cash equivalents | 82,383 | 357,637 | (102,791) | 367,758 |
| Cash and cash equivalents at 1 January | 2,419,360 | 2,113,791 | 2,610,380 | 2,294,667 |
| Effect of exchange rate fluctuations on cash and cash equivalents held | (4,294) | (52,068) | (4,264) | (52,045) |
| Cash and cash equivalents at 31 December | 2,497,449 | 2,419,360 | 2,503,325 | 2,610,380 |

CERTIFICATION:

We, the undersigned, being the Managing Director and the Chief Financial Officer of Bank Islam Brunei Darussalam Berhad certify jointly that:-

- The above accounts and statements have been prepared in accordance with International Financial Reporting Standards.
- The information contained in these statements has been extracted from the audited financial accounts and statements.

Mubashar Khokhar
Managing Director
Date : 22 March 2019

Tan Pheng Leong
Chief Financial Officer
Date : 22 March 2019

These condensed financial statements are extracted from the audited financial statements and accompanying notes which are available on BIBD's website or in hard copy at the bank branches upon request within one week after publication in the newspaper.

Independent Auditors' Report

Members of Bank Islam Brunei Darussalam Berhad and its subsidiaries

Report on the audit of the financial statements
Opinion

We have audited the financial statements of Bank Islam Brunei Darussalam Berhad (the "Bank") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Bank as at 31 December 2018, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS135.

In our opinion, the accompanying financial statements of the Group and the Bank are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Cap. 39 (the "Act"), Islamic Banking Order, 2008 (the "Order") and International Financial Reporting Standards ("IFRS"), so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and of the Bank for the year ended on that date.

Basis for opinion

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

Other information

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

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and directors.
- Conclude on the appropriateness of management and directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group and the Bank audit. We remain solely responsible for our audit opinion.

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

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

Report on other legal and regulatory requirements

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

KPMG LLP
Singapore Public Accountants and
Singapore Chartered Accountants

David Jason Waller
Brunei Darussalam Public Accountant

Singapore
22 March 2019