

Income Statements
Year ended 31 December 2017

	Group		Bank	
	2017 BS'000	2016 BS'000	2017 BS'000	2016 BS'000
Profit from financing, leasing and investments	300,392	283,099	252,582	233,967
Profit paid/payable to depositors	(42,582)	(39,064)	(39,534)	(35,813)
Net profit margin	257,810	244,035	213,048	198,154
Fee and commission income	33,360	29,869	32,112	29,116
Fee and commission expense	(5,457)	(4,433)	(5,457)	(4,433)
Net fee and commission income	27,903	25,436	26,655	24,683
Gain/(Loss) from derivatives and investments	282,551	(141,899)	282,551	(142,933)
Net foreign exchange (loss)/gain	(287,894)	158,976	(287,894)	158,976
Other operating income	51,151	44,452	113,659	68,677
Total income	331,521	331,000	348,019	307,557
Less:				
Personnel expenses	(70,745)	(66,485)	(59,677)	(54,310)
Other expenses	(74,370)	(62,671)	(56,791)	(47,302)
Total operating expenses	(145,115)	(129,156)	(116,468)	(101,612)
Operating profit before allowances	186,406	201,844	231,551	205,945
Less:				
Allowance for impairment on financing and advances, net	(38,222)	(23,850)	(36,374)	(22,527)
Allowance for impairment on receivables	(1,864)	(1,230)	(739)	(1,230)
Allowance for impairment on investments, net	(1,964)	(40,017)	(1,964)	(40,017)
Allowance for investment in subsidiary, net	—	—	(1,715)	—
Operating profit	144,356	136,747	190,759	142,171
Share of profit of associate	2,073	722	—	—
Profit before zakat and tax	146,429	137,469	190,759	142,171
Less:				
Zakat	(2,692)	(3,349)	(2,692)	(3,349)
Income tax expense	(27,555)	(29,904)	(18,249)	(16,765)
Total zakat and income tax expense	(30,247)	(33,253)	(20,941)	(20,114)
Profit for the year	116,182	104,216	169,818	122,057
Profit for the year attributable to:				
Equity holders of the Bank	110,582	101,899	169,818	122,057
Non-controlling interests	5,600	2,317	—	—
Profit for the year	116,182	104,216	169,818	122,057
Earnings per share				
Basic earnings per share (dollars)	0.15	0.14		
Diluted earnings per share (dollars)	0.15	0.14		

Statements of Comprehensive Income
Year ended 31 December 2017

	Group		Bank	
	2017 BS'000	2016 BS'000	2017 BS'000	2016 BS'000
Profit for the year	116,182	104,216	169,818	122,057
Other comprehensive income:				
<i>Items that are or may be reclassified to profit or loss</i>				
Fair value reserve (available-for-sale financial assets):				
- Net change in fair value	804	(155)	803	(173)
- Net amount transferred to profit or loss	437	18,472	594	18,472
Share of other comprehensive income of associate	893	(38)	—	—
Tax on other comprehensive income	(258)	(3,388)	(258)	(3,388)
Other comprehensive income for the year, net of tax	1,876	14,891	1,139	14,911
Total comprehensive income for the year	118,058	119,107	170,957	136,968
Attributable to:				
Equity holders of the Bank	112,458	116,790	170,957	136,968
Non-controlling interests	5,600	2,317	—	—
Total comprehensive income for the year	118,058	119,107	170,957	136,968

Statements of Financial Position
As at 31 December 2017

	Group		Bank	
	2017 BS'000	2016 BS'000	2017 BS'000	2016 BS'000
Assets				
Cash and cash equivalents	2,419,360	2,113,791	2,610,380	2,294,667
Balances with Autoriti Monetari Brunei Darussalam	456,933	463,382	419,913	430,531
Placements with and financing and advances to banks	1,974,964	2,588,964	2,150,964	2,662,314
Government sukuk	16,198	26,715	16,198	26,715
Investments	1,179,002	804,651	1,179,002	799,447
Derivative financial assets	40,865	17,971	40,865	17,971
Financing and advances	3,231,905	3,186,405	2,639,100	2,602,613
Finance lease receivables	12,587	12,556	12,587	12,556
Investments in subsidiaries	—	—	39,804	40,826
Investment in associate	17,388	14,513	7,080	7,080
Other assets	41,786	39,344	31,712	46,084
Property and equipment	174,470	178,337	50,392	47,955
Investment property	25,887	27,434	25,887	27,434
Deferred tax assets	—	8,527	6,038	17,288
Total assets	9,591,345	9,482,620	9,229,922	9,033,481
Liabilities and equity				
Deposits from customers	7,526,368	7,214,644	7,434,748	7,114,615
Deposits from banks and other financial institutions	521,433	510,272	394,108	363,939
Placements from other financial institutions	240,716	57,872	240,716	57,872
Derivative financial liabilities	15,860	110,620	15,860	110,620
Other liabilities	115,400	102,711	99,808	82,413
Zakat	2,831	4,037	2,831	4,037
Provision for taxation	54,783	68,580	38,150	52,703
Deferred tax liabilities	3,371	—	—	—
Total liabilities	8,480,762	8,068,736	8,226,221	7,786,199

Statements of Financial Position (Cont'd)
As at 31 December 2017

	Group		Bank	
	2017 BS'000	2016 BS'000	2017 BS'000	2016 BS'000
Equity				
Share capital	507,325	724,750	507,325	724,750
Statutory reserves fund	497,499	453,044	458,495	416,040
Other reserves	84,583	213,711	37,881	106,492
Total equity attributable to equity holders of the Bank	1,089,407	1,391,505	1,003,701	1,247,282
Non-controlling interests	21,176	22,379	—	—
Total equity	1,110,583	1,413,884	1,003,701	1,247,282
Total liabilities and equity	9,591,345	9,482,620	9,229,922	9,033,481

Consolidated Statement of Changes in Equity
Year ended 31 December 2017

Group	Attributable to equity holders of the Bank							Non-controlling interests BS'000	Total equity BS'000
	Share capital BS'000	Treasury shares BS'000	Statutory reserve BS'000	Fair value reserve BS'000	Translation Reserve BS'000	Retained profits BS'000	Total shareholders' funds BS'000		
At 1 January 2017	724,750	—	453,044	530	—	213,181	1,391,505	22,379	1,413,884
Profit for the year	—	—	—	—	—	110,582	110,582	5,600	116,182
Other comprehensive income	—	—	—	1,876	—	—	1,876	—	1,876
Total comprehensive income for the year	—	—	—	1,876	—	110,582	112,458	5,600	118,058
Transfers to statutory reserve	—	—	44,455	—	—	(44,455)	—	—	—
Foreign currency movement	—	—	—	—	(18)	—	(18)	—	(18)
Transactions with owners of the Bank									
Contributions and distributions									
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

Group	Attributable to equity holders of the Bank							Non-controlling interests BS'000	Total equity BS'000
	Share capital BS'000	Treasury shares BS'000	Statutory reserve BS'000	Fair value reserve BS'000	Translation Reserve BS'000	Retained profits BS'000	Total shareholders' funds BS'000		
At 1 January 2016	724,750	(3)	420,531	(14,361)	—	196,702	1,327,619	26,425	1,354,044
Profit for the year	—	—	—	—	—	101,899	101,899	2,317	104,216
Other comprehensive income	—	—	—	14,891	—	—	14,891	—	14,891
Total comprehensive income for the year	—	—	—	14,891	—	101,899	116,790	2,317	119,107
Transfers to statutory reserve	—	—	32,513	—	—	(32,513)	—	—	—
Transactions with owners of the Bank									
Contributions and distributions									
Dividends paid on ordinary shares	—	—	—	—	—	(52,907)	(52,907)	—	(52,907)
Redemptions by non-controlling interest	—	3	—	—	—	—	3	(6,363)	(6,360)
Total contributions and distributions	—	3	—	—	—	(52,907)	(52,904)	(6,363)	(59,267)
At 31 December 2016	724,750	—	453,044	530	—	213,181	1,391,505	22,379	1,413,884

Statement of Changes in Equity
Year ended 31 December 2017

Bank	Other reserves				Total BS'000
	Share capital BS'000	Statutory reserve BS'000	Fair value reserve BS'000	Retained profits 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

Statement of Changes in Equity (Cont'd)

	Share capital BS'000	Statutory reserve BS'000	Other reserves		Total BS'000
			Fair value reserve BS'000	Retained profits BS'000	
Bank					
At 1 January 2016	724,750	385,526	(15,673)	68,618	1,163,221
Profit for the year	–	–	–	122,057	122,057
Other comprehensive income	–	–	14,911	–	14,911
Total comprehensive income for the year	–	–	14,911	122,057	136,968
Transfer to statutory reserve	–	30,514	–	(30,514)	–
Transactions with owners of the Bank					
Contributions and distributions					
Dividends paid on ordinary shares	–	–	–	(52,907)	(52,907)
Total contributions and distributions	–	–	–	(52,907)	(52,907)
At 31 December 2016	724,750	416,040	(762)	107,254	1,247,282

Statements of Cash Flows
Year ended 31 December 2017

	Group		Bank	
	2017 BS'000	2016 BS'000	2017 BS'000	2016 BS'000
Cash flows from operating activities				
Profit before zakat and tax	146,429	137,469	190,759	142,171
Adjustments for:				
Dividend income from subsidiaries	–	–	(98,328)	(56,091)
Allowance for impairment on financing and advances	38,222	23,850	36,374	22,527
Allowance for impairment on receivables	1,864	1,230	739	1,230
Change in fair value of derivatives and investments	5,785	(16,977)	5,708	(15,647)
Depreciation of property and equipment and investment property	20,067	22,478	13,363	14,966
Allowance for impairment of investments, net	1,964	40,017	1,964	40,017
Allowance for impairment on investment in subsidiary, net	–	–	1,715	–
Gain on disposal of property and equipment	(138)	–	(138)	–
Loss on write-off of investment property	243	–	243	–
Share of profit of associate	(2,073)	(722)	–	–
	212,363	207,345	152,399	149,173
Changes in:				
Deposits from customers	348,925	1,832,484	357,334	1,856,814
Deposits from banks and other financial institutions	11,161	(34,942)	30,169	(88,774)
Other liabilities	12,423	9,965	17,397	9,991
Balances with Autoriti Monetari Brunei Darussalam	6,449	(80,999)	10,618	(79,790)
Placements with and financing and advances to banks	552,067	(653,972)	449,417	(465,722)
Government sukus	10,517	(5,964)	10,517	(5,964)
Investments	(413,271)	(197,615)	(418,241)	(205,108)
Placements from other financial institutions	182,844	57,872	182,844	57,872
Financing and advances	(92,188)	184,207	(81,327)	192,616
Other assets	(5,331)	(12,380)	13,602	(4,049)
	825,959	1,306,001	724,729	1,417,059
Zakat paid	(3,898)	(3,117)	(3,899)	(3,117)
Taxes paid	(29,416)	(30,958)	(21,811)	(23,569)
Net cash generated from operating activities	792,645	1,271,926	699,019	1,390,373
Cash flow from investing activities				
Purchase of property and equipment	(14,909)	(14,981)	(14,509)	(14,935)
Purchase of investment property	(12)	(133)	(12)	(133)
Investment in subsidiary	–	–	(693)	(4,144)
Proceeds from disposal of property and equipment	163	–	163	–
Dividend income from subsidiaries	–	–	98,328	56,091
Dividend income from associate	91	–	–	–
Net cash (used in)/from investing activities	(14,667)	(15,114)	83,277	36,879
Cash flow from financing activities				
Dividends paid	(197,113)	(52,907)	(197,113)	(52,907)
Reduction in capital	(217,425)	–	(217,425)	–
Capital redeemed by non-controlling interest	(5,803)	(6,363)	–	–
Net cash used in financing activities	(420,341)	(59,270)	(414,538)	(52,907)
Net change in cash and cash equivalents	357,637	1,197,542	367,758	1,374,345
Cash and cash equivalents at 1 January	2,113,791	888,313	2,294,667	892,387
Effect of exchange rate fluctuations on cash and cash equivalents held	(52,068)	27,936	(52,045)	27,935
Cash and cash equivalents at 31 December	2,419,360	2,113,791	2,610,380	2,294,667

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 : 23 March 2018

Tan Pheng Leong
Chief Financial Officer
Date : 23 March 2018

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 2017, 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 FS117.

In our opinion, the accompanying financial statements of the Group and the Bank are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Cap. 39 (the "Act") and International Financial Reporting Standards ("IFRS"), so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and of the Bank for the year ended on that date.

Basis for opinion

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

Other information

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

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

KPMG LLP
Singapore Public Accountant and
Singapore Chartered Accountants

David Jason Waller
Brunei Darussalam Public Accountant
Singapore
23 March 2018